

Annual Report 2008

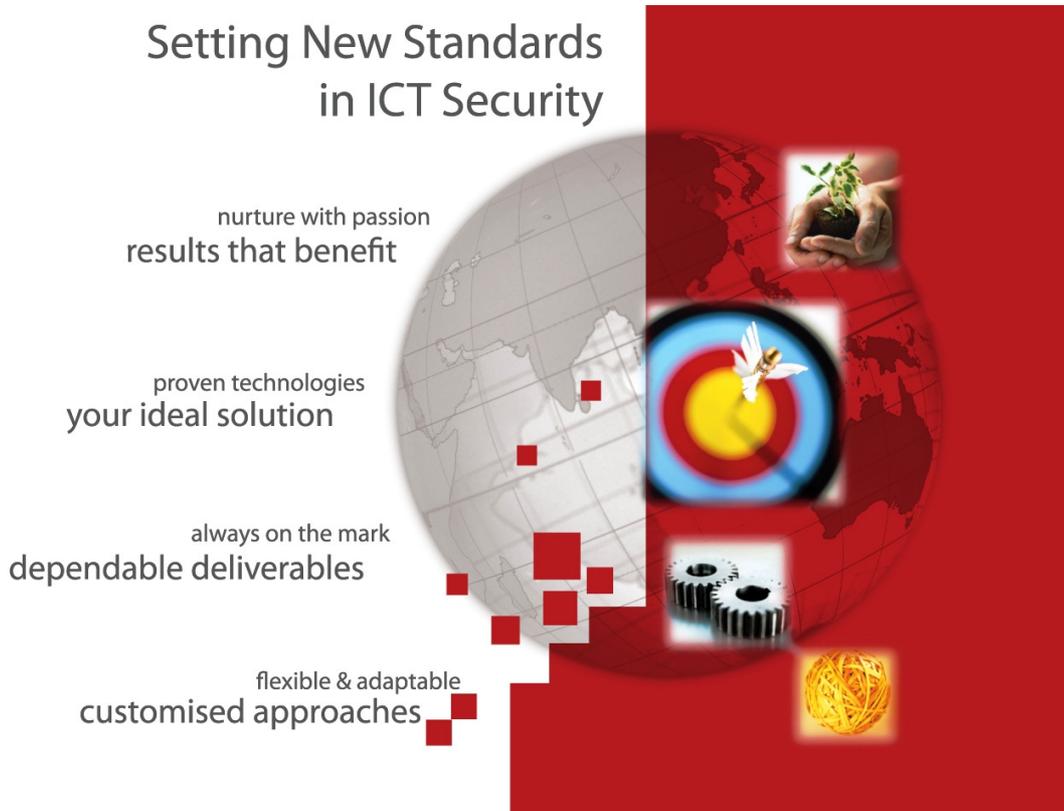


EXTOL
ADVANCING EXCELLENCE

YOUR TRUSTED SECURITY PARTNER



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 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 customise our solutions to the ever changing needs of the market.

Table of Content

1	Corporate Information
3	Company Overview
8	Corporate Events
15	Corporate Social Responsibility
17	Profile of Directors
21	Management Discussion
24	Corporate Governance Statement
31	Audit Committee Report
37	Statement on Internal Control
40	Financial Statements
78	Statistic of Shareholdings
81	List of Properties
83	Notice of Annual General Meeting
85	Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

Justin Tan Seng Kooi
Chief Executive Officer

Lee Choon Kee
Executive Director

Alex Tan Seng Keng
Executive Director

Lee Boon Kok
Independent Non-Executive Director

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

See Keng Leong
Independent Non-Executive Director

AUDIT COMMITTEE

Lee Boon Kok (Chairman)
Independent Non-Executive Director

See Keng Leong
Independent Non-Executive Director

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

NOMINATION COMMITTEE

Lee Boon Kok
Independent Non-Executive Director

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

REMUNERATION COMMITTEE

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

Justin Tan Seng Kooi
Chief Executive Officer

Lee Boon Kok
Independent Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEAD/MANAGEMENT OFFICE

Unit G-1, Ground Floor
Wisma UOA Pantai
No. 11, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel: (603) 2240 0008 Fax: (603) 2240 0002
E-mail: info@extolcorp.com

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
(to whom shareholders may address their concerns)

Lee Boon Kok
c/o Extol MSC Berhad
Unit G-1, Ground Floor
Wisma UOA Pantai
No. 11, Jalan Pantai Jaya
59200 Kuala Lumpur
Tel: (603) 2240 0008 Fax: (603) 2240 0002
E-mail: lbk@kes.com.my

AUDITORS	C. K. Cheah & Co. 24A, Jalan 21/19, Sea Park 46300 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7876 6603 Fax: (603) 7876 6360
SHARE REGISTRAR	PFA Registration Services Sdn Bhd Level 17, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: (603) 2264 3883 Fax: (603) 2282 1886
SPONSOR	Kenanga Investment Bank Bhd Suite 15.06, 15 th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2164 6689 Fax: (603) 2164 6690
PRINCIPAL BANKERS	Malayan Banking Berhad HSBC Bank Malaysia Berhad
STOCK EXCHANGE LISTING	MESDAQ Market of Bursa Malaysia Securities Berhad Stock Name: EXTOL Stock code: 0119
CORPORATE WEBSITE	http://www.extolcorp.com

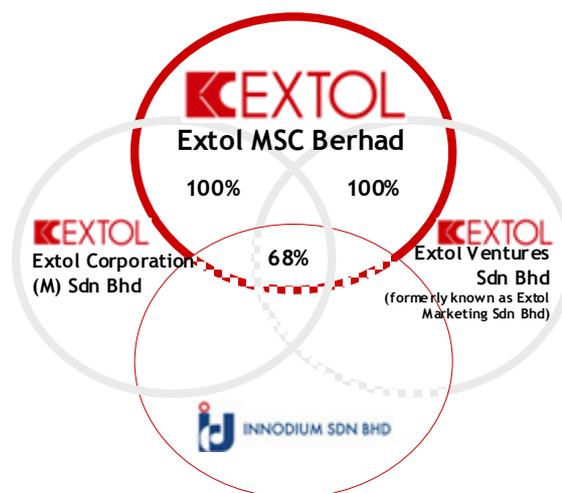
Company Overview

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

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

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

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



Corporate Milestone

2008

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

2007

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

2006

- Extol MSC Bhd achieved ISO27001:2005 Certification.
- Extol MSC Bhd listed on 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 Bhd granted MSC-status by Multimedia Development Corporation (MDeC).
- Extol MSC Bhd 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.
- Recipient of outstanding sales achievements of Checkpoint internet security solutions.

2001

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

2000

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

1999

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

1998

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

1997

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

1996

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

1995

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

1994

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

1993

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

1992

- Development of "Armour" anti-virus software.

1989

- Appointed sole distributor for Trend AV.

1984

- Inception of Extol Corporation (M) Sdn Bhd.

Why Extol?

1) Customer Intimacy

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

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

2) Unprecedented Support

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

3) Comprehensive Solutions

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

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

4) Dedicated Account Management

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

5) Commitment to Standards

In compliance with international standards we are certified with the ISO 27001:2005, the Information Security Management Standard (ISMS) certification, a risk management plan defining the management standard approach to security issues and measures. This certification incorporates the security framework standards set out in ISO17799 and BS7799 and involves setting up proper management corporate governance to monitor and control internal security infrastructure, minimising business risk and ensuring the security infrastructure continues to fulfil customers' and legal requirement. In December 2007, Extol obtained the accreditation from SIRIM, the MS ISO 9001:2000 Quality Management Systems and IQ Net Certification, in areas of software design, development, installation, testing, commissioning, and maintenance, and in Extol's Managed Security Services provisioning as well.

6) Quality Assurance

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

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

7) Large Customer Track Record

Throughout the years, we take pride in our large customer base. Two thirds of the Malaysian financial institution 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 endeavour at Extol MSC Bhd. Our professional expertise is reflected through the depth of experience of our engineers, who promptly and efficiently counsel, manage, maintain and support your security infrastructure:

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

Events 2008:Exhibitions

Malaysia Services Exhibition (MSE), Sharjah, UAE, January 13, 2008



EXTOL'S Deputy Director of Marketing, Andrew Chin signing the agreement with Rajesh Malhan, Managing Director of Benz International in the presence of Y.B. Dato' Rafidah Aziz, Minister of International Trade and Industry, Malaysia

Malaysia ICT sector highlighted in the technology exhibition, at the Sharjah Expo Centre

MALAYSIA'S ICT forte was demonstrated during the Malaysia Services Exhibition (MSE 2008), which took place at the Sharjah Expo Centre. The event started on Jan 13, and ended on Jan 15.

Ten of the top MSC Malaysia-status ICT Services companies ranging from those involved in Software Applications and Services to Outsourcing Solutions & Services, represented the ICT sector at the expo. The companies are Basis Bay, Britesoft, Custom-media, CWorks, Extol MSC Berhad, Microlink Solutions, N2N Connect, Nexustel, Outsourcing Malaysia, SCAN Associates, and Xybase.

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



CeBIT, Hannover, Germany March 4 - 9, 2008



**World Congress Information
Technology (WCIT) 2008:PS³
Exhibition
May 19-21, 2008**



Extol showcased the latest development of its Artificial Intelligence Research; The capability of *Artificial Neural Network (ANN)* in Face Detection & Recognition and Signature Verification.

Solution such as Extol's Managed Security Services (*MSS*) with *monitoring, event correlation and alerting* features were demonstrated as well.

Besides the above mentioned applications, Extol's proprietary *two factor authentication solution "ePassport"* with *Geolocator* as an added module drew numerous visitors to Extol's exhibiting area.



**Microsoft Tech·Ed SEA 2008
August 11-14, 2008, KL Convention Centre**

Close to 3200 delegates, partners, trade visitors and media attended the Microsoft's premier and largest annual IT conference in South East Asia, Tech·Ed SEA 2008.

Mimosa Systems and its distributor in Malaysia, Extol MSC Berhad participated in this event, showcasing the *Mimosa NearPoint E-mail Archiving Software for Microsoft Exchange*.



**IT Governance Conference 2008
“IT Governance, Risk and
Compliance”
October 22&23, 2008, PJ Hilton**



This conference was organized by the Information Systems Audit Control Association (ISACA). ISACA is an association which created the Certified Information Systems Security Professional (CISSP) certification and is widely known in the security market.

Extol together with its solution partner, Novell, participated in this conference exhibiting the Novell Sentinel Security Incident Event Management (SIEM) System.

The conference’s main objective was to create awareness for IT Security personnel on the importance of IT Governance, Risk & Compliance, in order to manage risk as a compliance activity to add business value by improving operational decision making and strategic planning.

This two day conference was held in PJ Hilton and Extol’s presence was to attend to related questions on ISACA and SIEM posted by the crowd.

Extol showcased the latest development of its M4 Program in this Exhibition. It was a joint effort with our technology partner, Panda Security Malaysia.

This exhibition conveyed the message that anti-virus software in itself is insufficient to secure desk-tops against virus attacks. M4 is a Malware Mitigation Maturity Model, designed to mitigate all viruses and malware issues.

Panda is one of our technology partners with whom we choose to collaborate for our M4 Program. M4 is a platform independent product, which works with most antivirus software available in the market.

**Outsourcing Malaysia Conference 2008
November 12-13, 2008
KL Convention Centre**



This two day event raised interest among the attendees due to the uniqueness and comprehensiveness of the M4 Program. This program is so unique that it comes with a ‘Money Back Guarantee’ scheme. Extol is organizing admission free seminars regularly on this M4 Program to enlighten the general public about malware mitigation process and procedure.

Events 2008: Forums

Computerworld Malaysia's Forum: Security 2008 April 1, 2008, Nikko Hotel



"There is still a lack of regulatory bodies to keep watch on GRC. There is also a lack of research into threats, lack of professionals to tackle security problems, lack of understanding [lack of mapping between controls and threats] and the lack of top management buy-in," Justin said.

At *Computerworld Malaysia's* Forum: Security 2008 event chaired by AvantiKumar, *Computerworld Malaysia's* deputy editor, held in Kuala Lumpur on 1st Apr, CIOs, IT managers and other IT industry executives gathered to deliberate on issues such as information security, compliance and regulation, achieving balance between the two criteria, as well as critical steps to secure businesses.

Guest speakers:

- Albert Fragner, Area Sales Director, phion AG
- Ang Swee Leong, Director, Technology and Security Risk Services, Ernst & Young, Malaysia
- Justin Tan, CEO of Extol MSC Berhad, representing PIKOM - The Association of Computer and Multimedia Industry's Information Security Committee
- Lim Chee Keong, Sales Engineer, Sophos
- Andrew Namboka, Chief Technologist, Asia Pacific, Nokia Enterprise Solutions
- Nigel Tan, Senior Security Consultant, Technology Solutions Group, Hewlett Packard

"The battle for Banking Security, Defend against malicious strikes; Attack internal risks"

At *Asian Banking & Finance magazine & Nokia's* Forum chaired by Tim Charlton, Publisher & Editor-in-Chief of *Asian Banking & Finance magazine*, held in JW Marriott, Kuala Lumpur on 2nd Apr, where heads of IT security and compliance of major banks in Malaysia gathered to gain insight into the latest technologies and measures in place to tackle threats to banking IT systems.

Asian Banking & Finance Magazine and Nokia's Forum April 2, 2008, JW Marriott Hotel, KL



"One of the key challenges in coining standards is the length approval process that renders it irrelevant by the time the standard is implemented," said Justin Tan.

Guest speakers:

- Andrew Namboka, Chief Technologist, Asia Pacific, Enterprise Solutions, Nokia
- Ganesh Kanagarajah, Asst. VP, Head of IT Risk, Security & Quality Management Information Systems of Maybank
- Justin Tan, CEO of Extol MSC Berhad

Participated Financial Institutions:

RHB, Maybank, Hong Leong, HSBC, Standard Chartered, CIMB, Bank Negara, Citibank, AmBank, Bank Rakyat, EON, & Kuwait Finance House.

PIKOM Information Security Chief ‘X’ Officer Panel Discussion and Buka Puasa
September 22, 2008, One World Hotel



“Roles & Responsibilities of the Industry Standards & Compliance”

- Keynote Address by MCMC COO, Mr. Mohamed Sharil Tarmizi - *“MCMC and Government Initiatives on Infosecurity and Learning from Estania Experience”*
- CyberSecurity Malaysia CEO; Lt. Colonel Husin Jazri - *“Standards & Compliance”*
- Extol CEO; Mr. Justin Tan *“Case Study on Global Practices”*

An IT Service Management Forum (itSMF) was hosted at Extol’s office, the Kerinchi Foyer, on 28th Nov 2008, where the Knowledge and Education Management (KEM) Team specially prepared an awareness evening to present a roadmap to help corporations achieve a successful and sustainable Information Technology Infrastructure Library (ITIL) and ISO/IEC20000 implementation.

itSMF Malaysia is a neutral platform that is created to attract “like-minded” people, so we can support each other and mutually benefit from the forum.

The KEM team arranged a panel discussion with two local Malaysian speakers who had significant experience in implementing IT Service Management and auditing ISO/IEC20000. In the discussion, attendees learned about the Malaysian way of implementing IT service management including the ups and downs of the implementation, pitfalls to avoid and critical success factors that were needed in order to have a smooth implementation of ITIL and ISO/IEC20000 practices.

(Source: itSMF Malaysian Chapter)

itSMF (IT Service Management Forum) November 28, 2008, Extol’s Kerinchi Foyer



Events 2008:Workshops

Information Security Management System (ISMS) public workshop - August 13&14, 2008, KL Hilton



An Information Security Management System public workshop on 13-14 August 2008 at the The Hilton KL Sentral was organised by ECCI Consultancy Sdn Bhd. It was an event that had strong support from the Multimedia Development Corporation, one of the bodies aggressively promoting the ISMS standard in line with the Malaysia government vision.

Justin Tan, CEO of Extol MSC Berhad, as guest speaker, spoke on the topic “**Challenges and Benefits of implementing ISMS**”, sharing the company’s experience in the journey to ISMS accreditation.

Events 2008:Trade Mission

ASOCIO Business Exchange (ABE) September 7-10, 2008, Xiamen, China

Extol participated in the ASOCIO Business Exchange to Xiamen 2008 (ABE Xiamen 2008). This trade mission was intentionally organized for all member companies in the region to take part in, to discover new buyers and suppliers, industry contacts and generate new creative ideas between local and foreign companies.



Events 2008:Seminar

Effectively Managing the IT Function Seminar

September 22, 2008, JW Marriott Hotel, KL



Justin Tan, CEO of Extol MSC Berhad, as guest speaker, spoke on the topic "Maximizing Your IT Budget: Applying IT Controls Effectively".

Events 2008:Award Night

"Extol MSC Berhad awarded Certifications of Achievement for CDP Quality Management System - (ISO 9001:2000) & Software Testing (CDP Software Testing)"

On this night, Extol MSC Berhad was proud to receive two certifications of achievement from MDeC; the MSC Malaysia Capability Development Programme - Quality Management System (CDP QMS) and Software Testing (CDP Software Testing).

Extol was previously awarded the Deloitte Technology Fast 500 Asia Pacific Award in Dec 2007. Hence the recognition by MDeC is another major milestone for Extol MSC Berhad.

- 1) Justin Tan - CEO of Extol MSC Berhad
- 2) Rodney Especkerman - QA & Internal Audit Manager of Extol MSC Berhad
- 3) Y.B Tuan Haji Fadillah bin Haji Yusof - Deputy Minister of Ministry of Science, Technology & Innovation
- 4) Ybng. Dato' Badlisham Ghazali - CEO of MDeC
- 5) Ng Wan Peng - VP, Capacity Development Division

MDeC Capability Development Programme December 2, 2008, Hotel Imperial



Corporate Social Responsibility

Extol's Blood Donation Drive August 13, 2008, Extol's Subang USJ Office



Extol invited the National Blood Bank to its office in its attempt to help the Blood Bank fill their cache of blood plasma, to "SAVE A LIFE" .



Extol's sponsorship in Toastmasters Club

TOASTMASTERS International is a world leader in helping people become more competent and comfortable in front of an audience. It is a non-profit organization and has nearly 220,000 members in 11,300 clubs in 90 countries, offering a proven - and enjoyable! - Way to practice and sharpen communication and leadership skills.

"Extol sponsors the venue for the Toastmasters Club to meet on 1st & 3rd Wednesdays of each month saving the club expenses on meeting room, utilities and facilities renting."

Participants practice and learn skills by filling a meeting role, ranging from giving a prepared speech or an impromptu one to serving as timer, evaluator or grammarian.

There is no instructor; instead, each speech and meeting is critiqued by a member in a positive manner, focusing on what is done right and what can be improved.

Charity Art Exhibition
December 18, 2008 - January 17,
2009



"Magic Mirror"
The Role of Malaysian Artists in
Children's Literature



Extol as the main sponsor of the charity art exhibition, hosted the "Magic Mirror" at Extol's Kerinchi Foyer. The art exhibition was organized by the Society of Children's Book Writers and Illustrators with the objective of promoting the local artists and illustrators, and the use of art in children's books. These artworks are for sale and net proceeds of sales will be donated to selected children's home and to fund Extol's community-based open source software development projects.

Charity Art Exhibition @ the Kerinchi Foyer



Profile of Directors



2
Lee Choon Kee
Executive Director



1
Justin Tan Seng Kooi
Chief Executive Officer



3
Alex Tan Seng Keng
Executive Director



4
Lee Boon Kok
Independent Non-Executive Director



5
Mohd Fadzli bin Ibrahim
Independent Non-Executive Director



6
See Keng Leong
Independent Non-Executive Director

1. Justin Tan Seng Kooi 37 years of age, Malaysian Chief Executive Officer

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

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

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

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

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

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

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

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

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

2. Lee Choon Kee
65 years of age, Malaysian
Executive Director

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

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

3. Alex Tan Seng Keng
30 years of age, Malaysian
Executive Director

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

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

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

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

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

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

Justin was appointed to Extol MSC Bhd's Board on 20 December 2005. He is also a member of the Remuneration Committee. His shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 78 of this Annual Report and he is a substantial shareholder of the Company.

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

Madam Lee was appointed to Extol MSC Bhd's Board on 20 December 2005. Her shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 78 of this Annual Report and she is a substantial shareholder of the Company.

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

He was appointed to Extol MSC Bhd's Board on 20 December 2005. His shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 78 of this Annual Report and he is a substantial shareholder of the Company.

4. Lee Boon Kok

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

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

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

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

5. Mohd Fadzli bin Ibrahim

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

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

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

Finance Berhad, a subsidiary of MIMB for 8 years before pursuing his own business in 1992.

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

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

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

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

6. SEE KENG LEONG

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

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

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

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

of Business Finance and Corporate Services as a free-lance consultant.

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

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

Other Information:

1. Conflict of Interest

None of the Directors have any interest in contracts entered into by the Company. Significant related parties transactions in which the Directors have interests have been disclosed in Note 27 to the audited financial statements.

2. Convictions for Offences

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

3. Directorship in other public companies

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

4. Family relationships

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

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

Management Discussion

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to present this annual report and audited financial statements for the financial year ended (“FYE”) 30 September 2008.

The year in review saw intense competition in the information security field. Despite the challenges, the Group was able to meet the ever-changing demands of our customers through new product offerings and value add to our existing offerings.

Financial Performance

On 26 March 2008, the Company had announced the change in FYE from 31 December to 30 September.

For the cumulative nine (9) months period from 1 January 2008 to 30 September 2008, the Group recorded revenue of approximately RM9.879 million, representing an increase of 38.07% as compared to revenue of RM7.155 million in the corresponding nine (9) months period to 30 September 2007. MSS division, being the main contributor to the Group’s revenue, registered revenue amounting to approximately RM9.609 million for the nine (9) months period to 30 September 2008, an increase of 39.24% as compared to the revenue of RM6.901 million in the corresponding nine (9) months period to 30 September 2007.

For the cumulative nine (9) months period to 30 September 2008, the Group recorded a consolidated profit before tax (“PBT”) of approximately RM0.072 million as compared to loss before tax (“LBT”) of RM0.339 million in the corresponding nine (9) months period to 30 September 2007. This represents a improvement by approximately RM0.411 million, respectively, when compared to the nine (9) months period to 30 September 2007.

The overall higher PBT and PBT margin are mainly due to improvement in the demand for the Group’s proprietary solutions which carries higher margin after the Groups effort and emphasis on re-branding and re-packaging its solutions in addition to quality of solutions.

Industry Trends, Corporate Developments and Prospects

Economic Outlook

World growth is projected to fall to 0.5% in 2009. Despite wide-ranging policy actions, financial strains remain acute, pulling down the real economy. A sustained economic recovery will not be possible until the financial sector’s functionality is restored and credit markets are unclogged. For this purpose, new policy initiatives are needed to produce credible loan loss recognition, sort financial companies according to their medium-run viability, and provide public support to viable institutions by injecting capital and carving out bad assets.

Global output and trade plummeted in the final months of 2008. The continuation of the financial crisis, as policies failed to dispel uncertainty, has caused asset values to fall sharply across advanced and emerging economies, decreasing household wealth and thereby putting downward pressure on consumer demand. In addition, the associated high level of uncertainty has prompted households and businesses to postpone expenditures, reducing demand for consumer and capital goods. At the same time, widespread disruptions in credit are constraining household spending and curtailing production and trade.

Growth in emerging and developing economies is expected to slow sharply from 6.3% in 2008 to 3.3% in 2009, under the drag of falling export demand and financing, lower commodity prices, and much tighter external financing constraints (especially for economies with large external imbalances). Stronger economic frameworks in many emerging economies have provided more room for policy support to growth than in the past, helping to cushion the impact of this unprecedented external shock. Accordingly, although these economies will experience serious slowdowns, their growth is projected to remain at or above rates seen during previous global downturns.

(Source: World Economic Outlook, released on 28 January 2009, International Monetary Fund)

ICT Outlook

The Association of the Computer and Multimedia Industry (PIKOM) chairman said local ICT spending, which stood at about RM40 billion in 2007, was expected to grow 8% in 2008.

This would be bolstered by the major ICT spenders in the oil and gas, telecommunications, banking and finance, Government, transport and consumer sectors. It is even more crucial for businesses to look to ICT because of its productivity-enhancing nature. ICT has greatly benefited the transport, healthcare, finance and services sector.

The recessionary pressures on the United States might result in accelerating offshoring of services where MSC Malaysia would be an immediate benefactor. The Malaysian outsourcing industry is experiencing accelerated growth and the overall prospects remain strong as local firms tend to serve the Asian and global markets.

(Source: The Star, "Right time for local ICT industry to go big globally", 3 October 2008)

The Malaysian Information Technology (IT) market is projected by Business Monitor International ("BMI") to be worth more than USD6 billion by 2012, as ambitious government programmes help drive expansion on the ICT front. Malaysia's IT spending is expected to grow at a compound annual growth rate (CAGR) of 9% over the 2007-2012 period, despite some significant downside risks to the economic environment.

Around 90% of Bursa Malaysia Securities Berhad companies fall in the small and medium enterprise ("SME") category. Personal computer (PC) penetration is relatively high among Malaysian SMEs, creating potential demand for software and services. However, according to local market estimates, only around 30% of Malaysian SMEs have any form of enterprise level ICT solutions, with costs remaining the biggest barrier to further penetration. The government recently announced its aim to see SMEs contribute 50% of gross domestic product (GDP) from the current 32%, with the application of new technologies key to achieving this goal.

(Source: Business Monitor International, "Malaysia Information Technology Report Q3 2008", 4 August 2008)

Since the second quarter of the FYE 31 December 2007, the Group had put in substantial effort and emphasis on re-branding and re-packaging of its solutions in addition to quality of solutions. In particular, the Group had stepped up R&D effort to enhance its offering as well as increased investment in human capital and overseas marketing expenses. After extensive development of the Malware Mitigation Maturity Model ("M4") program under the MSS framework, the Group will place more emphasis on promoting a new service in the M4 program. The Group expects the M4 program to contribute to new revenue growth in the small and medium enterprises sector while leading to other cross-selling and up-selling opportunities within the Financial Services Industries ("FSI") sector.

The Group continues to take initiatives to step up its efforts to strengthen the marketing of its products. In August 2008 and September 2008, the Group participated in the ASOCIO Business Exchange program held in Xiamen, China, the Information Security Management System public workshop with the Group's chief executive officer as guest speaker and exhibited at the Microsoft Tech.Ed 2008 SEA event held in Kuala Lumpur. The Group's chief executive officer, Mr Justin Tan was also invited for a panel discussion on information security by PIKOM in September 2008. The events gave the Group an opportunity to gauge and strategize on its product offerings while identifying potential business opportunities.

Further, the Group has moved into a more strategically located premise in September 2008 in which a security showcase centre is built. This security showcase centre is expected to generate interest and increase awareness of the Group's products.

Despite improvement in the Group's profitability as mentioned above, the Board of Directors of the Company expects the coming financial year ending 30 September 2009 to be challenging due mainly to the general economic slowdown and the external effects of the global financial turmoil.

Research and Development

Product development remains a key focus of the Group as it is important for the Group to widen its product offerings and create additional revenue streams.

During the FYE 30 September 2008, the Group utilised RM0.716 million from the proceeds of the initial public offering for R&D activities, as part of the Group's continuing efforts in developing new products and updated versions of existing products with enhanced features to meet changing customers' needs. The Group expects to further incur approximately RM1.0 million in R&D activities for the FYE 30 September 2009. The Board of Extol is of the view that the Group's R&D expenditure and future allocations for R&D will contribute positively to the Group's earnings and financial position in the long term.

The Group constantly keeps abreast of new technologies and market trends through extensive R&D and by working closely with the business development teams to monitor market trends and client requirements.

The R&D activities of the Group are focused on fundamental research covering machine intelligence, learning and algorithms. Algorithms are critical for the success of industrial strength Artificial Intelligence (AI) and Neural Networks (NN) and some of the research can now be used in industrial applications such as Fraud Detection, Face Recognition, Anti-Money Laundering, Control Systems and other pattern analysis requirements. The Group is now working with parties to integrate its AI technology into a business intelligence tool. This will allow the Group to extend its functionality of currently analysing data to the feature of predictive analysis and forecasting.

Appreciation

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

JUSTIN TAN SENG KOOI
Chief Executive officer
6 February 2009

Corporate Governance Statement

The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. In this respect, the Board is pleased to present the manner in which it has applied, wherever practical and reasonable, the principles and best practices articulated in the Revised Malaysian Code on Corporate Governance ("the Code") throughout the FYE 30 September 2008.

A. Directors

1. Composition of Board

The Board consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. The current Board composition complies with the MESDAQ Market Listing Requirements of the Bursa Malaysia Securities Berhad. A brief profile of each Director is set out on pages 17 to 19 of this Annual Report.

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

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

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

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

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company. The profile of the Board is set out in the Directors' Profile appearing on pages 17 to 19 of the Annual Report.

2. Board Meetings

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

During the FYE 30 September 2008, the Board met four (4) times. The details of the Directors attendance at these Board meetings are set out as follows:

Director	No. of meetings attended
Justin Tan Seng Kooi	4 of 4
Lee Choon Kee	4 of 4
Alex Tan Seng Keng	4 of 4
Lee Boon Kok	4 of 4
Mohd Fadzli bin Ibrahim	4 of 4

Note to shareholders:

Mr See Keng Leong was appointed to the Board on 31 January 2009. Hence he did not attend any of the Board meetings during the FYE 30 September 2008.

3. Supply of Information

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

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

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

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

4. Appointments of Directors

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

Further details on the Nomination Committee are set out on page 26 of this Annual Report.

5. Directors Training

The Directors attended training programs such as Read, Analyze & Interpret Financial Statements; The inside story of the Annual Report : what you need to know; World Congress on Information Technology 2008; Information Security Management System Public Workshop and Effectively Managing the IT Function Seminar for the FYE 30 September 2008. The Directors will continue to participate in other relevant training programs and seminars to keep abreast with the relevant changes in laws and regulations, and the business environment from time to time.

6. Retirement and Re-election of Directors

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

Directors who are standing for re-election at the Fifth AGM of the Company to be held on 26 March 2009 are detailed in the Notice of the Fifth AGM.

7. Board Committees

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

a) Audit Committee

The Board is assisted by an Audit Committee. The composition and terms of reference to the Audit Committee can be found on pages 31 to 34.

b) Nomination Committee

Authority

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

Composition

The members are as follows:

Lee Boon Kok (Member)

Mohd Fadzli bin Ibrahim (Member)

Function and Duties

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

Frequency of Meetings

During the FYE 30 September 2008, one (1) meeting was convened, with details on the attendance of the Directors listed below:

Name of Nomination Committee Members	No. of meeting attended
Lee Boon Kok	1 of 1
Mohd Fadzli bin Ibrahim	1 of 1

c) Remuneration Committee

Authority

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

Composition

The members are as follows:

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

Function and Duties

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

Frequency of Meetings

During the FYE 30 September 2008, one (1) meeting was convened, with details on the attendance of the Directors listed below:

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

B. Directors Remuneration

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

The aggregate remuneration of Directors for the FYE 30 September 2008 is as follow:

	Directors Fees (RM)	Directors Salaries and Other Emoluments (RM)	Total (RM)
Non-Executive Directors	36,000	8,000	44,000
Executive Directors	13,500	370,080	383,580
Total	49,500	378,080	427,580

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

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

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

C. Relationship with Shareholders and Investors

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

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

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

D. Accountability and Audit

1. Financial Reporting

The Board is responsible for ensuring that the Company maintains accounting records, and financial statements which disclose with reasonable accuracy the financial position of the Group, and that the financial statements comply with the Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standard Boards. The statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 45 of this Annual Report.

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

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

2. Internal Control

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

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

3. Relationship with Auditors

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

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

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

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

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

E. Additional Corporate Information

1. Share Buybacks

The Company did not have a share buy-back plan in place during the FYE 30 September 2008.

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

There were no options, warrants or convertible securities exercised during the FYE 30 September 2008.

3. American Depository Receipt ("ADR") or Global Depository Receipt (GDR")

The Company did not sponsor any ADR and GDR.

4. Sanction and/or Penalties

There were no sanction and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the FYE 30 September 2008.

5. Variation of Results

The Company did not issue any profit estimate, forecast or projection for the FYE 30 September 2008.

There were no variances of 10% or more between the audited results for the FYE 30 September 2008 and the unaudited results previously announced.

6. Profit Guarantee

There were no profit guarantees given by the Company in respect of the FYE 30 September 2008.

7. Material Contracts

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

8. Revaluation of Landed Properties

The Group did not revalue any of its landed properties during the FYE 30 September 2008.

9. Corporate Social Responsibility Activities or Practices

The Corporate Social Responsibility report is set out on page 15 and 16 of this Annual Report.

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

There were no RRPT of revenue nature entered into by the Group during the FYE 30 September 2008.

11. Status of Utilisation of Proceeds

The Initial Public Offering ("IPO") was completed on 20 March 2006. As at 30 September 2008, the status and breakdown of utilisation of proceeds raised from the IPO is set out below:-

Purpose	Proposed Utilisation	Actual utilisation as at 30.09.2008		Amount unutilised	% unutilised
	RM'000	RM '000	%	RM'000	%
Research and Development Expenses	3,066	2,952	96.28	114	3.72
Business Expansion	1,917	1,917	100.00	-	-
Working Capital	1,247	1,247	100.00	-	-
Listing Expenses	1,600	1,600	100.00	-	-
Total	7,830	7,716	98.54	114	1.46

[^] As set out in Extol MSC's prospectus dated 27 February 2006.

R&D will continue to play a key role in the Group's sustained growth objectives. During the FYE 30 September 2008, the Group utilized RM0.716 million from the proceeds of the initial public offering for R&D activities, as part of the Group's continuing efforts in developing new products and updated versions of existing products with enhanced features to meet changing customers' needs.

Audit Committee Report

Member

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

Chairman

Lee Boon Kok
Independent Non-Executive Director

Members

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

See Keng Leong
Independent Non-Executive Director
(Appointed with effect from 31 January 2009)

Lee Choon Kee
Executive Director
(Resigned on 31 January 2009)



Terms of Reference of Audit Committee

1. Composition of the Audit Committee

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

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

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

2. Secretary of the Audit Committee

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

3. Duties and Responsibilities of the Audit Committee

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

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

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

4. Rights of the Audit Committee

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

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

5. Conduct of Meetings

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

Summary of Activities Undertaken

The activities of the Committee for the FYE 30 September 2008 include, inter alia, the following:

Internal Audit

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

Financial Reporting

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

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

External Audit

- Reviewed the audit planning memorandum for the financial year ending 30 September 2008;
- Reviewed the annual audited financial statement of the Group with the external auditors prior to submission to the Board for approval;
- Reviewed and discussed the observations, recommendations and the management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls; and
- Met with the external auditors without executive board members present during the FYE 30 September 2008.

Related Party Transaction

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

Other Matters

- Reviewed the Corporate Governance Statement.

Meetings

During the FYE 30 September 2008, four (4) meetings were convened, with details on the attendance of the Directors listed below:

Name of Committee Members	No. of meetings attended
Lee Boon Kok	4 of 4
Mohd Fadzli bin Ibrahim	4 of 4
Lee Choon Kee (Resigned on 31 January 2009)	4 of 4

Note to shareholders:

Mr See Keng Leong was appointed to the Board on 31 January 2009. Hence he did not attend any of the Board meetings during the FYE 30 September 2008.

Internal Audit Function

The Board recognised the importance of the internal audit function and the independent status required for it to carry out the job effectively. During the FYE 30 September 2008, the internal audit function in respect to the accounting system was outsourced to CAS Consulting Services Sdn. Bhd. and the internal audit function for the operations was performed by Quality Assurance and Audit department (QA) of the Group. The Internal QA team introduced risk based auditing approach with risk focused audit program in order to ensure that the principal risks were being identified and mapped with the existing system of internal control. The outsourcing of the audit functions in respect to the Group's accounting system was carried out stringently whereby results of accounting were properly maintained. As an ISO27001:2005 certified organization towards Information Security Management Systems (ISMS), the audit functions are to ensure that the controls and objectives of the standards are adhered to, maintained and followed. The audit plans that have been prepared at the beginning of the year were followed accordingly and areas of improvement were highlighted in the audit reports and discussed during the Management Review meetings together with the Audit Committee. By being certified towards ISO9001:2000, Quality Management Systems (QMS) the organisation was able to handle project management in a professional and structured way resulting in customer's confidence.

The Group had incurred a total amount of RM10,000 for the internal audit function for the FYE 30 September 2008.

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

Statement by the Audit Committee in relation to ESOS allocation

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

Statement on Internal Control

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

Responsibility of the Board

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

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

Extol's Policies on Risk Management

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

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

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

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

- Identifying the threats

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

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

Key Elements of Internal Control

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

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

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

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

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

Financial Statements

41	Directors' Report
45	Statements by Directors
45	Statutory Declaration
46	Report of the Auditors
48	Balance Sheets
49	Income Statements
50	Statement of Changes in Equity
51	Cash Flow Statements
52	Notes to the Financial Statements

EXTOL MSC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the period from 1st January 2008 to 30th September 2008.

CHANGE OF FINANCIAL YEAR

The Company changed its financial year end from 31st December to 30th September of each year.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period 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 7 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the period.

RESULTS FOR THE FINANCIAL PERIOD

	COMPANY RM	GROUP RM
Profit before taxation	19,699	72,049
Taxation	-	18,621
Profit after taxation	<u>19,699</u>	<u>90,670</u>
Attributable to:		
Equity holders of the company	19,699	84,652
Minority interest	-	6,018
	<u>19,699</u>	<u>90,670</u>

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

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

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

DIRECTORS

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

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

EXTOL MSC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial period 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 period and their interest in the issued share capital of the Company during the period according to the register of directors' shareholdings were as follows:-

	Number of shares of RM0.10 each			As at 30.09.2008
	As at 01.01.2008	Bought	Sold	
<u>Direct</u>				
JUSTIN TAN SENG KOOI	27,659,800	-	(11,000,000)	16,659,800
ALEX TAN SENG KENG	11,379,600	-	-	11,379,600
LEE CHOON KEE	11,679,600	-	-	11,679,600
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
<u>Indirect</u>				
JUSTIN TAN SENG KOOI	35,769,900	-	-	35,769,900
ALEX TAN SENG KENG	52,050,100	-	(11,000,000)	41,050,100
LEE CHOON KEE	51,750,100	-	(11,000,000)	40,750,100
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-

EXTOL MSC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

- a.) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:-
- (i) to ascertain that action had been taken in regard to the writing off and providing for bad and doubtful debts and have satisfied themselves that all known bad debts have been written off and that provision for doubtful debts was not necessary; and
 - (ii) to ensure that any current assets which are unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- b.) At the date of this report, the directors advise that they are not aware of any circumstances which would render:
- (i) the amount written off for bad debts inadequate to any substantial extent or it necessary 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 period 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 period.
 - (ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period 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 period to secure the liabilities of any other person, or
 - (ii) the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Company and of the Group which would render any amount stated in the financial statements misleading.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

PROCEEDS OF PUBLIC ISSUE

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

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

As at 30th September 2008, all the proceeds were utilised in the manner as proposed except for an unutilised balance of RM114,000 in relation to research and development.

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

EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, JUSTIN TAN SENG KOOI and LEE CHOON KEE, being two of the directors of EXTOL MSC BERHAD do hereby state on behalf of the directors that in our opinion, the financial statements as set out on pages 48 to 77 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 2008 and of the results of the operations and cash flows of the Company and of the Group for the period from 1st January 2008 to 30th September 2008.

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, NG CHOO KIT, being the officer primarily responsible for the accounting records and financial management of EXTOL MSC BERHAD do solemnly and sincerely declare that the financial statements as set out on pages 48 to 77 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

Before me

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

Report on the Financial Statements

We have audited the financial statements of EXTOL MSC BERHAD, which comprise the balance sheets as at 30th September 2008 of the Company and of the Group, and the income statements, statements of changes in equity and cash flow statements for the period from 1st January 2008 to 30th September 2008, and a summary of significant accounting policies and other explanatory notes, as set out on pages 48 to 77.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company and of the Group as of 30th September 2008 and of its financial performance and cash flows for the period from 1st January 2008 to 30th September 2008.

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

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

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

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

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

EXTOL MSC BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 SEPTEMBER 2008

	Notes	The Group		The Company	
		30.09.2008 RM	31.12.2007 RM	30.09.2008 RM	31.12.2007 RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	4,714,142	5,089,233	216,850	265,392
Prepaid lease assets	5	1,224,930	984,225	-	-
Goodwill	6	3,510,211	3,510,211	-	-
Interest in subsidiary companies	7	-	-	13,251,131	12,540,831
Product development expenditure	8	5,122,950	4,870,199	3,873,063	3,453,260
		<u>14,572,233</u>	<u>14,453,868</u>	<u>17,341,044</u>	<u>16,259,483</u>
CURRENT ASSETS					
Inventories		-	1,160	-	-
Trade receivables	9	3,289,365	6,492,950	3,864	804,350
Other receivables	10	544,206	125,162	45,015	13,212
Tax recoverable		86,167	57,919	9,600	5,852
Short term investment	11	874,760	854,969	874,760	854,969
Fixed deposits with licensed banks	12	1,503,553	1,468,823	-	-
Cash and bank balances		2,247,448	1,890,260	102,540	450,244
		<u>8,545,499</u>	<u>10,891,243</u>	<u>1,035,779</u>	<u>2,128,627</u>
TOTAL ASSETS		<u>23,117,732</u>	<u>25,345,111</u>	<u>18,376,823</u>	<u>18,388,110</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	10,440,000	10,440,000	10,440,000	10,440,000
Share premium	14	3,620,000	3,620,000	3,620,000	3,620,000
Profit and loss account		4,978,393	4,893,741	4,124,783	4,105,084
Equity attributable to equity holders of the company		<u>19,038,393</u>	<u>18,953,741</u>	<u>18,184,783</u>	<u>18,165,084</u>
Minority interest		150,857	144,839	-	-
		<u>19,189,250</u>	<u>19,098,580</u>	<u>18,184,783</u>	<u>18,165,084</u>
NON-CURRENT LIABILITIES					
Borrowings	15	1,360,189	1,336,031	76,661	106,662
Deferred tax liabilities	16	835,459	878,041	-	-
		<u>2,195,648</u>	<u>2,214,072</u>	<u>76,661</u>	<u>106,662</u>
CURRENT LIABILITIES					
Borrowings	15	844,021	1,203,658	40,002	40,002
Trade payables	17	712,402	2,631,274	-	5,000
Other payables	18	176,411	197,527	75,377	71,362
		<u>1,732,834</u>	<u>4,032,459</u>	<u>115,379</u>	<u>116,364</u>
TOTAL LIABILITIES		<u>3,928,482</u>	<u>6,246,531</u>	<u>192,040</u>	<u>223,026</u>
TOTAL EQUITY AND LIABILITIES		<u>23,117,732</u>	<u>25,345,111</u>	<u>18,376,823</u>	<u>18,388,110</u>

The notes on pages 52 to 77 form an integral part of the financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE PERIOD FROM 1ST JANUARY 2008 TO 30TH SEPTEMBER 2008

	Notes	The Group		The Company	
		01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
TURNOVER	19	9,878,501	13,000,879	1,914,802	2,806,252
COST OF SALES		<u>(4,882,716)</u>	<u>(7,192,380)</u>	<u>(153,432)</u>	<u>(1,076,830)</u>
GROSS PROFIT		4,995,785	5,808,499	1,761,370	1,729,422
Other operating income		192,439	246,646	24,026	66,428
Administration expenses		(3,133,124)	(3,243,168)	(1,285,533)	(907,585)
Selling and distribution expenses		(266,541)	(32,807)	(24,257)	(4,372)
Other operating expenses		<u>(1,592,235)</u>	<u>(2,005,466)</u>	<u>(452,050)</u>	<u>(610,788)</u>
PROFIT FROM OPERATIONS		196,324	773,704	23,556	273,105
Finance expenses	20	<u>(124,275)</u>	<u>(73,861)</u>	<u>(3,857)</u>	<u>(5,142)</u>
PROFIT BEFORE TAXATION	21	72,049	699,843	19,699	267,963
TAXATION	23	<u>18,621</u>	<u>(92,012)</u>	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION		<u>90,670</u>	<u>607,831</u>	<u>19,699</u>	<u>267,963</u>
ATTRIBUTABLE TO:					
Equity holders of the company		84,652	564,660		
Minority interest		<u>6,018</u>	<u>43,171</u>		
		<u>90,670</u>	<u>607,831</u>		
Earnings per share (sen)					
- basic	24	<u>0.08</u>	<u>0.54</u>	<u>0.02</u>	<u>0.26</u>

The notes on pages 52 to 77 form an integral part of the financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1ST JANUARY 2008 TO 30TH SEPTEMBER 2008

	← The Group →						← The Company →			
	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM	Minority interests RM	Total equity RM	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
As at 01.01.2007	10,440,000	3,620,000	4,329,081	18,389,081	-	18,389,081	10,440,000	3,620,000	3,837,121	17,897,121
Acquisition of subsidiary company from minority interests	-	-	-	-	101,668	101,668	-	-	-	-
Profit after taxation	-	-	564,660	564,660	43,171	607,831	-	-	267,963	267,963
As at 31.12.2007	10,440,000	3,620,000	4,893,741	18,953,741	144,839	19,098,580	10,440,000	3,620,000	4,105,084	18,165,084
Profit after taxation	-	-	84,652	84,652	6,018	90,670	-	-	19,699	19,699
As at 30.09.2008	10,440,000	3,620,000	4,978,393	19,038,393	150,857	19,189,250	10,440,000	3,620,000	4,124,783	18,184,783

EXTOL MSC BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE PERIOD FROM 1ST JANUARY 2008 TO 30TH SEPTEMBER 2008

	The Group		The Company	
	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	72,049	699,843	19,699	267,963
Adjustments for :				
Amortization of prepaid lease assets	197,591	20,940	-	-
Amortization of product development expenditure	462,716	511,171	295,664	288,440
Depreciation of property, plant and equipment	689,297	901,403	53,509	75,769
Gain of disposal of property, plant and equipment	(41)	-	-	-
Interest income	(86,252)	(108,887)	(24,026)	(66,428)
Interest expenses	124,275	73,861	3,857	5,142
Property, plant and equipment written off	-	34,123	-	-
	1,387,586	1,432,611	329,004	302,923
Operating profit before working capital changes	1,459,635	2,132,454	348,703	570,886
Decrease in inventories	1,160	63,500	-	-
Decrease in receivables	2,784,541	1,504,741	58,383	822,044
(Decrease)/increase in payables	(2,421,988)	864,009	(985)	(83,789)
	363,713	2,432,250	57,398	738,255
Cash generated from operations	1,823,348	4,564,704	406,101	1,309,141
Bank overdraft interest	(1,014)	(3,066)	-	-
Bills payable interest	(60,886)	(13,267)	-	-
Taxation paid	(52,209)	(50,863)	(3,748)	(20,963)
Net cash generated from operating activities	1,709,239	4,497,508	402,353	1,288,178
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of subsidiary companies (Note 25)	-	(1,547,979)	-	-
Interest received	86,252	108,887	24,026	66,428
Proceeds from disposal of property, plant and equipment	135	-	-	-
Purchase of prepaid lease assets	(438,296)	(1,005,165)	-	-
Purchase of property, plant and equipment	(314,300)	(663,192)	(4,967)	(1,460)
Product development expenditure	(715,467)	(1,057,798)	(715,467)	(1,057,798)
Net cash used in investing activities	(1,381,676)	(4,165,247)	(696,408)	(992,830)
	327,563	332,261	(294,055)	295,348
CASH FLOW FROM FINANCING ACTIVITIES				
Drawn down of lease facility	438,296	1,005,165	-	-
Drawn down of term loan	-	351,690	-	-
Lease and hire purchase interest paid	(36,434)	(9,734)	(3,857)	(5,142)
Payment to lease and hire purchase creditors	(227,592)	(69,692)	(30,001)	(40,002)
Term loan interest paid	(25,941)	(47,794)	-	-
Repayment of term loans	(64,183)	(411,116)	-	-
Net cash generated from/ (used in) financing activities	84,146	818,519	(33,858)	(45,144)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	411,709	1,150,780	(327,913)	250,204
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,214,052	3,063,272	1,305,213	1,055,009
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 26)	4,625,761	4,214,052	977,300	1,305,213

The notes on pages 52 to 77 form an integral part of the financial statements.

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

1. GENERAL INFORMATION

The principal activities of the Company during the period 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 7 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the period.

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

The Company changed its financial year end from 31st December to 30th September of each year.

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

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

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

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

2. BASIS OF PREPARATION

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

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

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

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

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

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

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

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

3.2 Equity instrument

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

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

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

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

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

3.4 Prepaid lease assets

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

3.5 Subsidiary companies

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

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

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Goodwill

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

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

3.7 Products development expenditure

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

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

3.8 Inventories

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

3.9 Impairment of assets

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.10 Receivables

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

3.11 Payables

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

3.12 Cash and cash equivalents

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

3.13 Long term liabilities

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

3.14 Interest income

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

3.15 Foreign currency transactions

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

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

	30.09.2008	31.12.2007
	RM	RM
1 US Dollar	3.458	3.361
1 EURO	4.964	4.876
	4.964	4.876

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition

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

3.17 Leases and hire purchase

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

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

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

3.18 Employee benefits

i) Short term benefits

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

ii) Defined contribution plans

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Borrowings

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

3.20 Income tax

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

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

3.21 Financial instruments

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

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

4. PROPERTY, PLANT AND EQUIPMENT

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
30.09.2008						
Cost						
At the beginning of the period	56,096	63,747	42,826	251,457	29,975	444,101
Addition during the period	-	140	4,827	-	-	4,967
At the end of the period	56,096	63,887	47,653	251,457	29,975	449,068
Accumulated depreciation						
At the beginning of the period	16,484	16,790	37,145	100,582	7,708	178,709
Charge for the period	4,206	4,792	4,544	37,719	2,248	53,509
At the end of the period	20,690	21,582	41,689	138,301	9,956	232,218
Net book value						
At the end of the period	35,406	42,305	5,964	113,156	20,019	216,850

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
31.12.2007						
Cost						
At the beginning of the year	56,096	63,351	41,762	251,457	29,975	442,641
Addition during the year	-	396	1,064	-	-	1,460
At the end of the year	<u>56,096</u>	<u>63,747</u>	<u>42,826</u>	<u>251,457</u>	<u>29,975</u>	<u>444,101</u>
Accumulated depreciation						
At the beginning of the year	10,874	10,415	26,649	50,291	4,711	102,940
Charge for the year	5,610	6,375	10,496	50,291	2,997	75,769
At the end of the year	<u>16,484</u>	<u>16,790</u>	<u>37,145</u>	<u>100,582</u>	<u>7,708</u>	<u>178,709</u>
Net book value						
At the end of the year	<u>39,612</u>	<u>46,957</u>	<u>5,681</u>	<u>150,875</u>	<u>22,267</u>	<u>265,392</u>

As at the balance sheet date, there were property, plant and equipment acquired under instalment purchase plans for which there were outstanding instalments. The net book value of these assets amounted to RM113,156 (31.12.2007: RM150,875).

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold office buildings RM	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
30.09.2008								
Cost								
At the beginning of the period	2,700,000	59,177	175,412	1,576,115	2,870,000	321,457	29,975	7,732,136
Addition during the period	-	11,206	125,408	177,686	-	-	-	314,300
Disposal during the period	-	-	-	(135)	-	-	-	(135)
At the end of the period	<u>2,700,000</u>	<u>70,383</u>	<u>300,820</u>	<u>1,753,666</u>	<u>2,870,000</u>	<u>321,457</u>	<u>29,975</u>	<u>8,046,301</u>
Accumulated depreciation								
At the beginning of the period	446,160	16,902	38,259	829,292	1,148,000	156,582	7,708	2,642,903
Charge for the period	40,500	5,278	22,562	355,240	215,250	48,219	2,248	689,297
Disposal during the period	-	-	-	(41)	-	-	-	(41)
At the end of the period	<u>486,660</u>	<u>22,180</u>	<u>60,821</u>	<u>1,184,491</u>	<u>1,363,250</u>	<u>204,801</u>	<u>9,956</u>	<u>3,332,159</u>
Net book value								
At the end of the period	<u>2,213,340</u>	<u>48,203</u>	<u>239,999</u>	<u>569,175</u>	<u>1,506,750</u>	<u>116,656</u>	<u>20,019</u>	<u>4,714,142</u>

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold office buildings RM	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
31.12.2007								
Cost								
At the beginning of the year	2,700,000	162,394	252,597	1,141,674	2,870,000	321,457	29,975	7,478,097
Acquisition of subsidiary	-	715	4,349	2,450	-	-	-	7,514
Addition during the year	-	1,266	15,515	646,411	-	-	-	663,192
Written off during the year	-	(105,198)	(97,049)	(214,420)	-	-	-	(416,667)
At the end of the year	<u>2,700,000</u>	<u>59,177</u>	<u>175,412</u>	<u>1,576,115</u>	<u>2,870,000</u>	<u>321,457</u>	<u>29,975</u>	<u>7,732,136</u>
Accumulated depreciation								
At the beginning of the year	392,160	88,146	117,577	567,331	861,000	92,291	4,711	2,123,216
Acquisition of subsidiary	-	48	290	490	-	-	-	828
Charge for the year	54,000	5,870	17,252	469,993	287,000	64,291	2,997	901,403
Written off during the year	-	(77,162)	(96,860)	(208,522)	-	-	-	(382,544)
At the end of the year	<u>446,160</u>	<u>16,902</u>	<u>38,259</u>	<u>829,292</u>	<u>1,148,000</u>	<u>156,582</u>	<u>7,708</u>	<u>2,642,903</u>
Net book value								
At the end of the year	<u>2,253,840</u>	<u>42,275</u>	<u>137,153</u>	<u>746,823</u>	<u>1,722,000</u>	<u>164,875</u>	<u>22,267</u>	<u>5,089,233</u>

As at the balance sheet date, there were property, plant and equipment acquired under instalment purchase plans for which there were outstanding instalments. The net book value of these assets amounted to RM116,656 (31.12.2007: RM164,875).

The Group's freehold office buildings were charged to licensed banks for banking facilities granted to a subsidiary company and their net book value were RM2,213,340 (31.12.2007: RM2,253,840).

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

5.	PREPAID LEASE ASSETS	30.09.2008 RM	31.12.2007 RM
	<u>Group</u>		
	At cost		
	At the beginning of the period	1,005,165	-
	Addition during the period	438,296	1,005,165
		1,443,461	1,005,165
	Less : Amortisation	(218,531)	(20,940)
	At the end of the period	1,224,930	984,225
6.	GOODWILL	30.09.2008 RM	31.12.2007 RM
	<u>Group</u>		
	At cost		
	At the beginning of the period	3,510,211	2,026,255
	Goodwill arising from business combination	-	1,483,956
	At the end of the period	3,510,211	3,510,211
7.	INTEREST IN SUBSIDIARY COMPANIES	30.09.2008 RM	31.12.2007 RM
	Unquoted shares, at cost	6,570,000	6,570,000
	Amount owing by subsidiary companies	6,681,131	5,970,831
		13,251,131	12,540,831

The Company has:

- (i) 100% (31.12.2007: 100%) interest in the shares of EXTOL CORPORATION (M) SDN. BHD. (Company No. 121135-U), a company incorporated in Malaysia whose principal activities are those of sale and research and development of security technology, security maintenance and professional security services and training.
- (ii) 100% (31.12.2007: 100%) interest in the shares of EXTOL VENTURES SDN. BHD. (formerly known as EXTOL MARKETING SDN. BHD.) (Company No. 647402-P), a company incorporated in Malaysia whose principal activity is that of trading in computer hardware, software, related equipment and software development.
- (iii) 68% (31.12.2007: Nil) indirect interest in the shares of INNODIUM SDN. BHD. (Company No. 596701-T), a company incorporated in Malaysia whose principal activity is in the business of software development and trading in software products.

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

8. PRODUCT DEVELOPMENT EXPENDITURE

	30.09.2008	31.12.2007
<u>Company</u>	RM	RM
Product development expenditure, at cost		
At the beginning of the period	3,942,192	2,884,394
Addition during the period	715,467	1,057,798
	4,657,659	3,942,192
Less: Amortisation	(784,596)	(488,932)
At the end of the period	3,873,063	3,453,260
 <u>Group</u>		
Product development expenditure, at cost		
At the beginning of the period	6,310,396	5,252,598
Addition during the period	715,467	1,057,798
	7,025,863	6,310,396
Less: Amortisation	(1,902,913)	(1,440,197)
At the end of the period	5,122,950	4,870,199

Product development expenditure includes the following expense for the period:

	30.09.2008	31.12.2007
<u>Company and Group</u>	RM	RM
Rental of premises	45,436	29,543
	45,436	29,543

9. TRADE RECEIVABLES

The currency exposure profile of trade receivables is as follows:

	30.09.2008	31.12.2007
<u>Company</u>	RM	RM
Ringgit Malaysia	-	786,860
US Dollar	3,864	17,490
	3,864	804,350
 <u>Group</u>		
Ringgit Malaysia	3,218,486	6,475,460
US Dollar	70,879	17,490
	3,289,365	6,492,950

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

10.	OTHER RECEIVABLES	30.09.2008 RM	31.12.2007 RM
	<u>Company</u>		
	Other receivables	5,000	3,000
	Deposits	7,690	7,712
	Prepayments	32,325	2,500
		45,015	13,212
	<u>Group</u>		
	Other receivables	64,920	40,618
	Deposits	410,847	50,839
	Prepayments	68,439	33,705
		544,206	125,162
	Other receivables are denominated in Ringgit Malaysia.		
11.	SHORT TERM INVESTMENT	30.09.2008 RM	31.12.2007 RM
	<u>Company and Group</u>		
	Short term investment with licensed institution	874,760	854,969
	The interest rate of the investment as at 30th September 2008 is as follows:		
	<u>Company and Group</u>	30.09.2008 %	31.12.2007 %
	Short term investment with licensed institution	3.18	3.03
12.	FIXED DEPOSITS WITH LICENSED BANKS	30.09.2008 RM	31.12.2007 RM
	<u>Group</u>		
	Fixed deposits with licensed banks	1,503,553	1,468,823
	The interest rate and maturity of the deposit as at 30th September 2008 are as follows:		
	<u>Group</u>	Interest rate	Maturity
		30.09.2008 31.12.2007	30.09.2008 31.12.2007
		% %	Days Days
	Fixed deposits with licensed banks	3.1 3.1	30 30

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

13. SHARE CAPITAL

	30.09.2008		31.12.2007	
	Number of shares	RM	Number of shares	RM
Authorised ordinary shares	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid ordinary shares	104,400,000	10,440,000	104,400,000	10,440,000

14. SHARE PREMIUM

<u>Company and Group</u>	30.09.2008 RM	31.12.2007 RM
Share premium	3,620,000	3,620,000

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

15. BORROWINGS

<u>Company</u>	30.09.2008 RM	31.12.2007 RM
Short term borrowing		
Secured:		
Lease and hire purchase payable	40,002	40,002
Long term borrowing		
Secured:		
Lease and hire purchase payable	76,661	106,662

All lease and hire purchase payable are denominated in Ringgit Malaysia and details are as follows:

<u>Company</u>	30.09.2008 RM	31.12.2007 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	45,144	45,144
Payable after one year but before five years	86,506	120,364
	131,650	165,508
Less: Finance charges	(14,987)	(18,844)
Present value of lease and hire purchase liabilities	116,663	146,664
Present value of hire purchase liabilities:		
Payable not later than one year	40,002	40,002
Payable after one year but before five years	76,661	106,662
	116,663	146,664
Effective interest rate per annum	2.57%	2.57%

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

15. BORROWINGS (CONTINUED)

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

<u>Group</u>	30.09.2008 RM	31.12.2007 RM
Short term borrowings		
Secured:		
i) Lease and hire purchase payables	400,859	291,282
ii) Term loans	81,162	68,376
iii) Bankers acceptances	362,000	844,000
	<u>844,021</u>	<u>1,203,658</u>
Long term borrowings		
Secured:		
i) Lease and hire purchase payables	940,734	839,607
ii) Term loans	419,455	496,424
	<u>1,360,189</u>	<u>1,336,031</u>

All borrowings are denominated in Ringgit Malaysia.

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

<u>Group</u>	30.09.2008 RM	31.12.2007 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	466,968	337,188
Payable after one year but before five years	1,097,433	974,039
	<u>1,564,401</u>	<u>1,311,227</u>
Less: Finance charges	(222,808)	(180,338)
Present value of lease and hire purchase liabilities	<u>1,341,593</u>	<u>1,130,889</u>
Present value of lease and hire purchase liabilities:		
Payable not later than one year	400,859	291,282
Payable after one year but before five years	940,734	839,607
	<u>1,341,593</u>	<u>1,130,889</u>
Effective interest rate per annum	<u>2.57% - 4.5%</u>	<u>2.57% - 4.1%</u>

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

15. BORROWINGS (CONTINUED)

ii) Details on the term loans are as follows:

<u>Group</u>	30.09.2008 RM	31.12.2007 RM
Payable within one year	81,162	68,376
Payable after one year but before five years	334,388	368,852
Payable after five years	85,067	127,572
	419,455	496,424
	500,617	564,800

Term loans are subjected to interest:-

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

iii) Details on the bankers acceptances are as follows:

<u>Group</u>	30.09.2008	31.12.2007
Interest rate per annum	5.15% to 5.85%	3.9% to 4.45%

Bankers' acceptances have credit periods of 120 days (31.12.2007: 120 days).

The above banking facilities are secured by way of:-

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

16. DEFERRED TAX LIABILITIES

<u>Group</u>	30.09.2008 RM	31.12.2007 RM
At the beginning of the period	878,041	848,015
(Reversal)/Addition during the period	(42,582)	30,026
At the end of the period	<u>835,459</u>	<u>878,041</u>

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

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

	30.09.2008 RM	31.12.2007 RM
- property, plant and equipment	540,489	530,468
- product development expenditure	294,970	347,573
	<u>835,459</u>	<u>878,041</u>

17. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

<u>Company</u>	30.09.2008 RM	31.12.2007 RM
Ringgit Malaysia	<u>-</u>	<u>5,000</u>
<u>Group</u>		
Ringgit Malaysia	709,321	2,625,640
EURO	3,081	5,634
	<u>712,402</u>	<u>2,631,274</u>

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

18. OTHER PAYABLES

<u>Company</u>	30.09.2008 RM	31.12.2007 RM
Other payables	9,543	11,213
Payroll liabilities	51,834	46,149
Accruals	14,000	14,000
	75,377	71,362
 <u>Group</u>		
Other payables	48,739	70,195
Payroll liabilities	93,253	82,187
Accruals	34,419	45,145
	176,411	197,527

Other payables are denominated in Ringgit Malaysia.

19. TURNOVER

Company and Group

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

20. FINANCE EXPENSES

<u>Company</u>	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
Hire purchase interest	3,857	5,142
 <u>Group</u>		
This comprises interest expense on:		
- bank overdraft	1,014	3,066
- bills payable	60,886	13,267
- lease and hire purchase	36,434	9,734
- term loans	25,941	47,794
	124,275	73,861

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

21. PROFIT BEFORE TAXATION

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

<u>Company</u>	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
After charging:		
Amortisation of product development expenditure	295,664	288,440
Auditors' remuneration		
- other emoluments	3,700	2,500
- current year provision	11,500	11,500
Depreciation of property, plant and equipment	53,509	75,769
Development cost written off	-	20,000
Loss in foreign exchange	6,164	47,234
Rental of premises	28,428	5,357
Staff costs (Note 22)	1,004,791	741,934
	=====	=====
and crediting:		
Interest income	24,026	66,428
	=====	=====
<u>Group</u>		
After charging:		
Amortisation of prepaid lease assets	197,591	20,940
Amortisation of product development expenditure	462,716	511,171
Auditors' remuneration		
- other emoluments	4,700	2,500
- current year provision	24,000	24,200
Bad debts	5,663	13,108
Depreciation of property, plant and equipment	689,297	901,403
Development cost written off	-	20,000
Loss in foreign exchange	6,164	47,234
Property, plant and equipment written off	-	34,123
Rental of premises	86,222	34,489
Staff costs (Note 22)	2,559,808	2,780,127
	=====	=====
and crediting:		
Gain in foreign exchange	5,844	1,185
Gain on disposal of property, plant and equipment	41	-
Interest income	86,252	108,887
Rental income	74,050	99,000
	=====	=====

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

22. STAFF COSTS

<u>Company</u>	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
Salaries, bonus and allowances	538,794	242,518
EPF and SOCSO contributions	66,034	34,413
Other staff's related expenses	19,183	53,963
Directors' remuneration		
- fees		
: current year	49,500	-
: previous year	61,200	61,200
- salaries, bonus and allowances	242,000	313,300
- EPF contributions	28,080	36,540
	<u>1,004,791</u>	<u>741,934</u>
 <u>Group</u>		
Salaries, bonus and allowances	1,649,013	1,846,717
EPF and SOCSO contributions	207,621	227,333
Other staff's related expenses	133,754	115,197
Directors' remuneration		
- fees		
: current year	49,500	-
: previous year	61,200	61,200
- salaries, bonus and allowances	422,000	489,300
- EPF contributions	36,720	40,380
	<u>2,559,808</u>	<u>2,780,127</u>

23. TAXATION

<u>Company</u>	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
Taxation for the period	<u>-</u>	<u>-</u>
Reconciliation of tax expenses:-		
Profit before taxation	<u>19,699</u>	<u>267,963</u>
Income tax at Malaysian's tax rates	(5,122)	(72,350)
Effect of expenses not deductible for tax purposes	(105,957)	(133,479)
Effect of deductible capital expenditure	105,100	188,123
Effect of non-taxable income	5,979	17,706
Taxation for the period	<u>-</u>	<u>-</u>

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

23. TAXATION (CONTINUED)

	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
<u>Group</u>		
Taxation for the period	(30,000)	(65,000)
Over-provision in previous year	6,039	3,014
Reversal/ (Provision) of deferred tax liabilities	42,582	(30,026)
	18,621	(92,012)

Reconciliation of tax expenses:-

	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
Profit before taxation	72,049	699,843
Income tax at Malaysian's tax rates	(16,747)	(159,892)
Effect of expenses not deductible for tax purposes	(347,428)	(380,765)
Effect of deductible capital expenditure	144,618	188,123
Effect of utilisation of current and previous year's capital allowances	167,699	216,706
Effect of utilisation of current and previous year's business loss	10,852	53,122
Effect of non-taxable income	11,006	17,706
Over-provision in previous year	6,039	3,014
Reversal/ (Provision) of deferred tax liabilities	42,582	(30,026)
Taxation for the period	18,621	(92,012)

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

Subject to agreement from the Inland Revenue Board, the Company has, as at 30th September 2008,

- (i) unabsorbed business losses and capital allowances amounting to approximately RM730,100 (31.12.2007: RM397,200) which is available for set off against future income, and
- (ii) tax exempt income amounting to approximately RM1,367,000 (31.12.2007: RM1,344,000) which can be used to pay tax exempt dividend.

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

24. EARNINGS PER SHARE

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

<u>Company</u>	01.01.2008 to 30.09.2008	Year ended 31.12.2007
Net profit for the financial period (RM)	19,699	267,963
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>0.02</u>	<u>0.26</u>
 <u>Group</u>		
Net profit for the financial period (RM)	84,652	564,660
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>0.08</u>	<u>0.54</u>

25. ACQUISITION OF SUBSIDIARY COMPANY

The subsidiary company acquired by the Group during the year ended 31st December 2007 was INNODIUM SDN. BHD. (Company No. 596701-T), a company incorporated in Malaysia. The fair value of assets and liabilities acquired were as follows:

	30.09.2008 RM	31.12.2007 RM
Property, plant and equipment	-	(6,686)
Trade receivables	-	(179,426)
Other receivables	-	(12,011)
Cash and bank balances	-	(152,021)
Minority interest	-	101,668
Trade payables	-	31,523
Other payables	-	909
	<u>-</u>	<u>(216,044)</u>
Goodwill	-	(1,483,956)
	<u>-</u>	<u>(1,700,000)</u>
Add: Cash and bank balances of subsidiary company acquired	-	152,021
Cash used in acquisition, net of cash	<u>-</u>	<u>(1,547,979)</u>

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

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

<u>Company</u>	30.09.2008 RM	31.12.2007 RM
Short term investment	874,760	854,969
Cash and bank balances	102,540	450,244
	<u>977,300</u>	<u>1,305,213</u>
 <u>Group</u>		
Short term investment	874,760	854,969
Fixed deposits with licensed banks	1,503,553	1,468,823
Cash and bank balances	2,247,448	1,890,260
	<u>4,625,761</u>	<u>4,214,052</u>

27. SIGNIFICANT RELATED PARTY DISCLOSURES

<u>Company</u>	01.01.2008 to 30.09.2008 RM	Year ended 31.12.2007 RM
Advances to subsidiary companies	529,637	2,063,474
Expenses paid on behalf for a subsidiary company	9,000	301,276
Expenses paid on behalf by a subsidiary company	218,065	571,654
Payment to supplier of a subsidiary company	64,330	35,576
Purchases from a subsidiary company	153,184	912,230
Repayment from subsidiary companies	1,375,000	2,831,727
Sales to a subsidiary company	1,853,582	1,905,955
Assignment of debt from subsidiary companies	-	505,000

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.

28. SEGMENTAL INFORMATION

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

28. SEGMENTAL INFORMATION (CONTINUED)

The segmental results for the Group are as follows:-

	Anti-Virus Software		Managed Security Solutions		Secured Enterprises Applications		Group	
	RM	%	RM	%	RM	%	RM	%
Sales	37,652	0.4	9,608,563	97.3	232,286	2.3	9,878,501	100.0
Cost of sales	(18,021)	0.2	(4,823,230)	48.8	(41,465)	0.4	(4,882,716)	49.4
Gross profit	19,631	0.2	4,785,333	48.5	190,821	1.9	4,995,785	50.6

29. 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 year in relation to trade receivable is the carrying amount of trade receivables as stated in the balance sheet as at the end of the financial year.

iv) Foreign currency exchange risk

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

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

**EXTOL MSC BERHAD
AND SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2008

29. 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.

30. PROCEEDS OF PUBLIC ISSUE

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

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

As at 30th September 2008, all the proceeds were utilised in the manner as proposed except for an unutilised balance of RM114,000 in relation to research and development.

31. CONTINGENT LIABILITY

Company

As at 30th September 2008, there were outstanding contingent liabilities in respect of corporate guarantees given to secure banking facilities granted by banks to a subsidiary company amounting to RM439,691 (31.12.2007: RM726,183). The directors do not anticipate any losses arising from these contingencies.

32. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

Statistic of Shareholdings

As of 6 February 2009

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

Analysis by Size of Shareholding

	No of shareholders	% shareholders	No of shares held	% of issued capital
1 to 99 shares	8	0.78	359	0.00
100 to 1,000 shares	198	19.33	86,750	0.09
1,001 to 10,000 shares	368	35.94	2,486,381	2.38
10,001 to 100,000 shares	377	36.82	14,086,110	13.49
100,001 to 5,219,999 shares (*)	68	6.64	37,816,795	36.22
5,220,000 and above shares (**)	5	0.49	49,923,605	47.82
	1,024	100.00	104,400,000	100.00

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

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

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	16,659,800	15.96	35,769,900 ^(a)	34.26
Tan Chin Eng	12,710,700	12.18	39,719,000 ^(b)	38.05
Lee Choon Kee	11,679,600	11.19	40,750,100 ^(c)	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,100 ^(d)	39.32
Lim Chew Hian	8,725,900	8.36	895,000 ^(e)	0.86

List of Directors' Shareholdings

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	16,659,800	15.96	35,769,900 ^(a)	34.26
Lee Choon Kee	11,679,600	11.19	40,750,100 ^(c)	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,100 ^(d)	39.32
Lee Boon Kok	-	-	-	-
Mohd Fadzli Bin Ibrahim	-	-	-	-
See Keng Leong	-	-	-	-

Note :

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

List of Thirty (30) Largest Shareholders

As of 6 February 2009

No	Shareholder	No of Shares	%
1	Justin Tan Seng Kooi	16,659,800	15.96
2	Alex Tan Seng Keng	11,379,600	10.90
3	Lim Chew Hian	8,500,000	8.14
4	Tan Chin Eng	7,710,700	7.39
5	Lee Choon Kee	5,673,505	5.43
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin Eng	5,000,000	4.79
7	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hah Pin Kiew	3,499,600	3.35
8	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Kee (CEB)	3,300,000	3.16
9	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Kee	2,706,095	2.59
10	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	2,585,000	2.48
11	Wong Lye Chun @ Wong Lai Chan	2,524,800	2.42
12	Ng Choo Kit	2,350,000	2.25
13	Hiah Swee Hiang	1,100,000	1.05
14	Daniel Tan Chien Ming	730,000	0.70
15	Zaini Bin Zainuddin	667,600	0.64
16	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASEAN Emerging Companies Growth Fund Ltd	612,000	0.59
17	Lim Chew Yuen	550,000	0.53
18	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pau Yu Tiong	518,900	0.50
19	Lim Poh Hong	502,700	0.48
20	Boo Chen Beng	500,000	0.48
21	Kok We Tian @ Kok Wee Tian	500,000	0.48
22	Lean Mun Huat	455,900	0.44
23	Ho Tau Tai	400,100	0.38

No	Shareholder	No of Shares	%
24	Soon Fook Kian	380,000	0.36
25	Chuah Tiong Pan	373,000	0.36
26	Ong Hok Liong	330,000	0.32
27	Hiah Swee Hiang	307,600	0.29
28	Chhoa Kwang Hua	300,000	0.29
29	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Shok Fong	300,000	0.29
30	Teh Hong Chuan	300,000	0.29
	Total	80,716,900	77.33

List of Properties

	Registered Owner	Title / Location	Description / Existing use	Land / built-up	Tenure	Approximate age of building	Encumbrances	Audited net book value as at 30.09.08 (RM)	Year of Acquisition
1	Extol Corporation	Prima Square 13-1 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,282 sq. ft.	Freehold	10 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	298,300	Dec, 1995
2	Extol Corporation	Prima Square 13-2 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	10 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	196,250	Dec, 1995
3	Extol Corporation	Prima Square 13-3 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	10 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	196,250	Dec, 1995
4	Extol Corporation	Prima Square 13-4 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	10 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	196,250	Dec, 1995
5	Extol Corporation	Prima Square 13-5 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	10 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	196,250	Dec, 1995

List of Properties

	Registered Owner	Title / Location	Description / Existing Use	Land / Built-up	Tenure	Approximate age of buildings	Encumbrances	Audited net book value as at 30.09.08 (RM)	Year of Acquisition
6	Extol Corporation	Subang Business Centre 5-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	11 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	249,390	Apr, 1995
7	Extol Corporation	Subang Business Centre 7-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	11 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	249,390	Apr, 1995
8	Extol Corporation (* Remark)	Subang Business Centre, 9-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	11 years	Title charged to Alliance Bank Malaysia Berhad	319,410	Nov, 2005
9	Extol Corporation (* Remark)	Subang Business Centre 11-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	311,850	May, 2005

Remark : (*) - Extol Corporation had on 24 November 2008 entered into a sale and purchase agreement with Sweet Pacific Sdn Bhd to dispose two (2) shop offices for a total purchase consideration of RM740,000. As at 6 February 2009, the sale and purchase agreement has not been completed. The disposal is expected to be completed during the second quarter of the FYE 30 September 2009.

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

NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Unit G-1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on **Thursday, 26 March 2009 at 10.00 a.m.**, to transact the following businesses:-

AS ORDINARY BUSINESS: -

1. To receive the Audited Financial Statements for the financial year ended 30 September 2008 and the Reports of Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect Madam Lee Choon Kee who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association. (Ordinary Resolution 1)
3. To re-elect Encik Mohd Fadzli Bin Ibrahim who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association. (Ordinary Resolution 2)
4. To re-elect Mr See Keng Leong who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 3)
5. To re-appoint Messrs C.K. Cheah & Co. as Auditors of the Company for the financial year ending 30 September 2009 and to authorise the Directors to fix the Auditors' remuneration. (Ordinary Resolution 4)

AS SPECIAL BUSINESS: -

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

AUTHORITY TO ISSUE SHARES

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

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

BY ORDER OF THE BOARD

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

Secretaries

Kuala Lumpur

Date: 4 March 2009

Notes:-

- I. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead and the holder shall specify the proportion of his shareholding to be represented by each proxy; a proxy need not be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- II. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or its attorney duly authorised.
- III. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting, i.e. on or before **10.00 a.m., Tuesday, 24 March 2009.**

Explanatory Note on Ordinary and Special Business:-

1. Item 1 of the Agenda

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

2. Item 6 of the Agenda

The proposed Ordinary Resolution 5, if passed, will authorise the Directors of the Company to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental/regulatory bodies. This authorisation will empower the Directors of the Company to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option made or granted by the Directors while the authorisation was in force. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

Details of Directors who are standing for re-election

Directors standing for re-election:-

- (1) Madam Lee Choon Kee
- (2) Encik Mohd Fadzli Bin Ibrahim
- (3) Mr See Keng Leong

Details of the above Directors who are standing for re-election are set out in the Directors' Profiles appearing on pages 17, 18, 19, 20 and 78 of this Annual Report.

FORM OF PROXY

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

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

of
(Full Address)

being a member(s) of EXTOL MSC BHD (Company No.: 643683-U) hereby appoint
.....
(Full Name in Capital Letters)

of
(Full Address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Unit G-1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on Thursday, 26 March 2009 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
		Resolution	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 30 September 2008 and the Reports of Directors and Auditors thereon.			
2.	To re-elect Madam Lee Choon Kee who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association.	1		
3.	To re-elect Encik Mohd Fadzli Bin Ibrahim who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association.	2		
4.	To re-elect Mr See Keng Leong who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.	3		
5.	To re-appoint Messrs C.K. Cheah & Co as Auditors of the Company for the financial year ending 30 September 2009 and to authorise the Directors to fix the Auditors' remuneration.	4		
6.	Authority to Issue Shares.	5		

Signed this day of 2009.

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

Signature
Shareholder or Common Seal

Notes:-

- i. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead and the holder shall specify the proportion of his shareholding to be represented by each proxy; a proxy need not be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- ii. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or its attorney duly authorised.
- iii. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting, i.e. on or before 10.00 a.m., Tuesday, 24 March 2009.



www.extolcorp.com

EXTOL
ADVANCING EXCELLENCE

EXTOL MSC BERHAD (40882-U)
G-1 Ground Floor, Wisma UOA Pantai
11 Jalan Pantai Jaya
59100 Kuala Lumpur
Malaysia

tel • +603 2240 0008
fax • +603 2240 0002
24x7 Support • 1800-888-633

www.extolcorp.com

