

# Extol MSC Berhad

(643683-U)

# Annual Report 2011

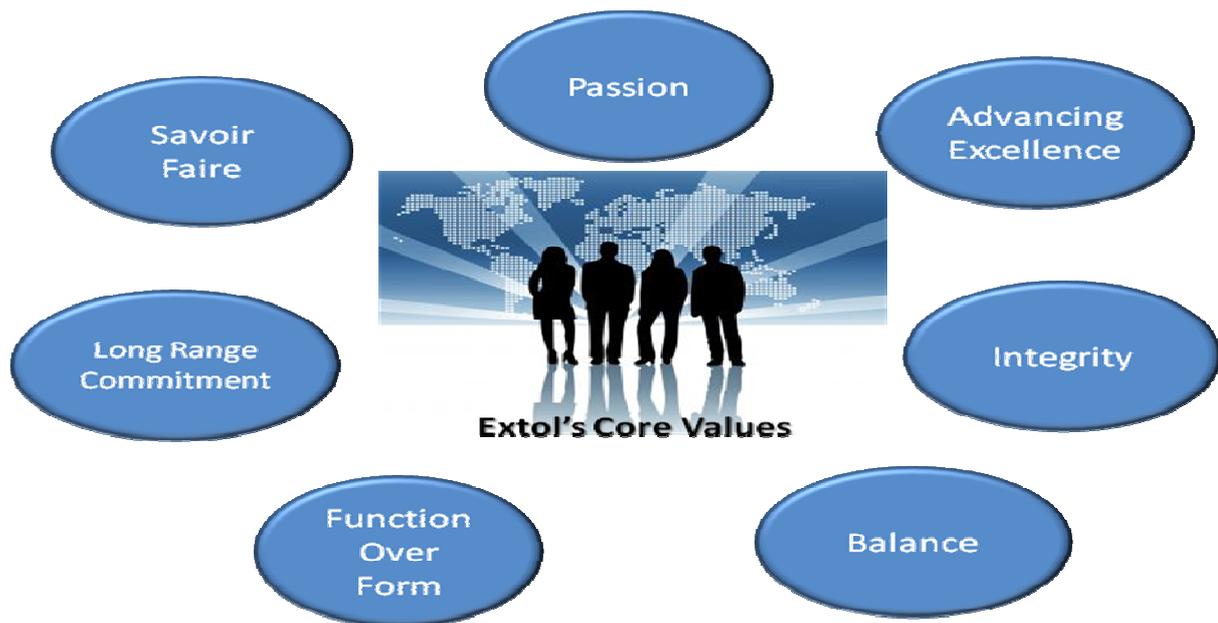


CERTIFIED TO ISO 9001:2000  
CERT NO. : AR 4480

CERTIFIED TO ISO/IEC 27001:2005  
CERT NO. : AR 4223



## Extol's Core Values



What makes Extol unique is our core values and how we relentlessly build our business upon them day after day. We hold on to our values as it is a way for us to leave behind a lasting legacy to our valued customers, business partners and shareholders. A Company without values has no substance and a firm foundation to innovate and exist.

### **PASSION**

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

- Do it because you enjoy doing it
- Do it because it feels right
- Do it because its the right thing to do
- Do it because its going to matter
- Do it because we believe in it

***"Some call it: Fire in the belly"***

### **ADVANCING EXCELLENCE**

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

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

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

## Extol's Core Values (Cont'd)

### INTEGRITY

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

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

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

### BALANCE

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

- Give & take. One shouldn't merely give or always take.
- Tolerance
- Compromise & flexibility. Do NOT confuse this value for:
- Easygoing
- Lenient
- Careless
- Negligent

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

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

### FUNCTION OVER FORM

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

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

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

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

### LONG RANGE COMMITMENTS

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

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

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

### SAVOIR FAIRE

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

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

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

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



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# CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	<p>Mohd Badaruddin Bin Masodi Chief Executive Officer / Deputy Executive Chairman</p> <p>Mohd Faidzal Bin Ahmad Mahidin Executive Director</p> <p>Ismawadee Bin Ismail Independent Non-Executive Director</p> <p>Mohd Fadzli Bin Ibrahim Independent Non-Executive Director</p> <p>Ku Mun Fong Independent Non-Executive Director</p>
<b>AUDIT COMMITTEE</b>	<p>Ismawadee Bin Ismail (Chairman) Independent Non-Executive Director</p> <p>Mohd Fadzli Bin Ibrahim Independent Non-Executive Director</p>
<b>NOMINATION COMMITTEE</b>	<p>Ku Mun Fong (Chairman) Independent Non-Executive Director</p> <p>Mohd Fadzli Bin Ibrahim Independent Non-Executive Director</p> <p>Ismawadee Bin Ismail Independent Non-Executive Director</p>
<b>REMUNERATION COMMITTEE</b>	<p>Mohd Fadzli Bin Ibrahim (Chairman) Independent Non-Executive Director</p> <p>Ismawadee Bin Ismail Independent Non-Executive Director</p>
<b>COMPANY SECRETARIES</b>	<p>Wong Wai Foong (MAICSA 7001358) Lim Lee Kuan (MAICSA 7017753)</p>
<b>REGISTERED OFFICE</b>	<p>Level 18, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: (603) 2264 8888 Fax: (603) 2282 2733</p>
<b>HEAD/MANAGEMENT OFFICE</b>	<p>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: <a href="mailto:info@extolcorp.com">info@extolcorp.com</a></p>
<b>R&amp;D CENTRE</b>	<p>C-G-18, Ground Floor, Block C SME Technopreneur Centre Cyberjaya 2270 Jalan Usahawan 2 63000 Cyberjaya Selangor Darul Ehsan Tel: (603) 8319 5484</p>

## CORPORATE INFORMATION (Cont'd)

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

Ismawadee Bin Ismail  
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: [walisongo.adee@gmail.com](mailto:walisongo.adee@gmail.com)

**AUDITORS**

C. K. Cheah & Co.  
24A, Jalan 21/19, Sea Park  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Tel: (603) 7876 6603 Fax: (603) 7876 6360

**SHARE REGISTRAR**

Tricor Investor Services Sdn. Bhd  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: (603) 2264 3883 Fax: (603) 2282 1886

**PRINCIPAL BANKERS**

Alliance Bank Malaysia Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad

**STOCK EXCHANGE LISTING**

ACE Market of Bursa Malaysia Securities Berhad  
Stock Name : EXTOL  
Stock Code : 0119  
Sector : Technology

**CORPORATE WEBSITE**

<http://www.extolcorp.com>

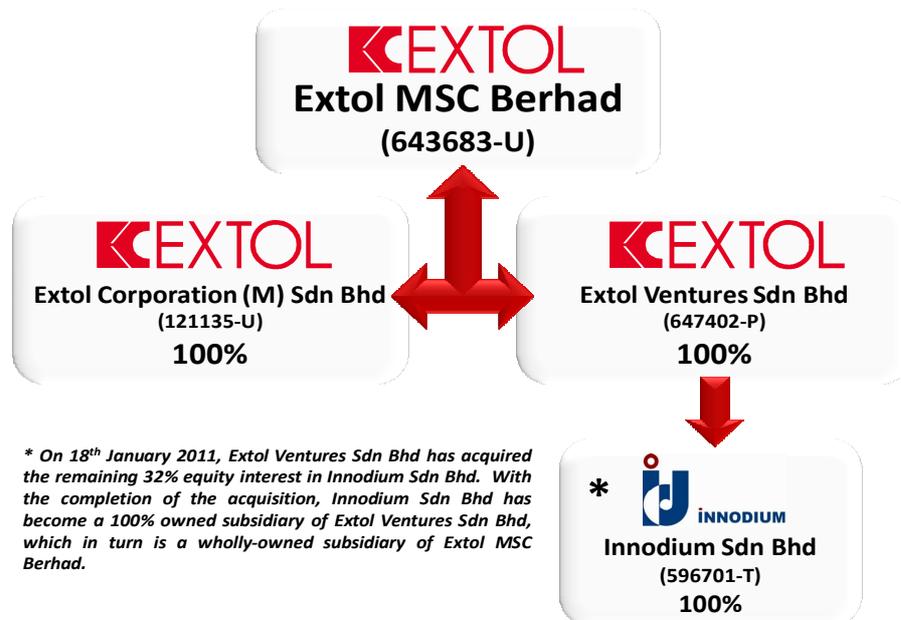
## Company Overview

Extol MSC Bhd (“Extol”) 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. With the capability of Managed Security Services, Security Operation Center, Security Systems Integration, Security Incidence and Event Monitoring, Enterprise Security Outsourcing, Security Assessment, Consultancy Services and Secured Enterprise Applications, organisations can depend on Extol 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), has 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.

Extol businesses have further evolved over the years by offering a full suite of enterprise security solutions and services across multiple corporations and government organizations. The Company operate a world-class Security Operation Center (SOC) that currently manages our customers critical security infrastructure locally as well as globally. We have extended our expertise and solutions portfolio to cloud computing with security visualization dashboard, security monitoring and security awareness program. We are strengthening our position as a global player in line with the Government’s aspirations to create Malaysia companies with global reach. The Company have successfully researched and developed solutions for multi-factor authentication, modular access management system and facial verification and recognition based on neural/artificial intelligence.

To strengthen our expansion plan into key international markets, Extol has forged strategic partnerships with global Information Technology leaders: Cisco, Juniper, Novell, Microsoft, Fortinet, McAfee, Checkpoint, Dell and HP. Leveraging on our partner’s extensive market reach and superior technologies, Extol can accelerate its expansion plan in a more structured and cost effective manner. The strategic partnerships will explore business activities such as co-hosting seminars, co-hosting road shows, co-sponsored events, and product bundles that tap into potential opportunities in the Association of Southeast Asian Nations (“ASEAN”), Middle East, China, and Europe regions.

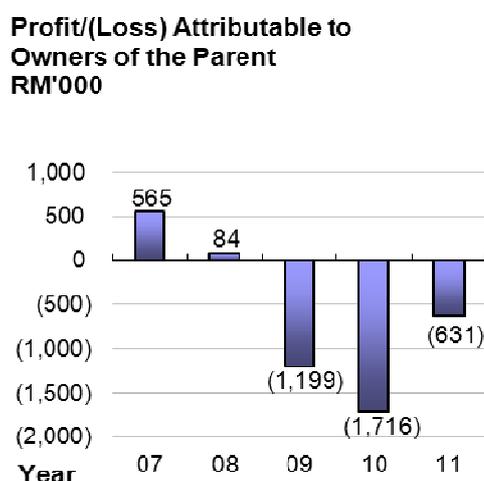
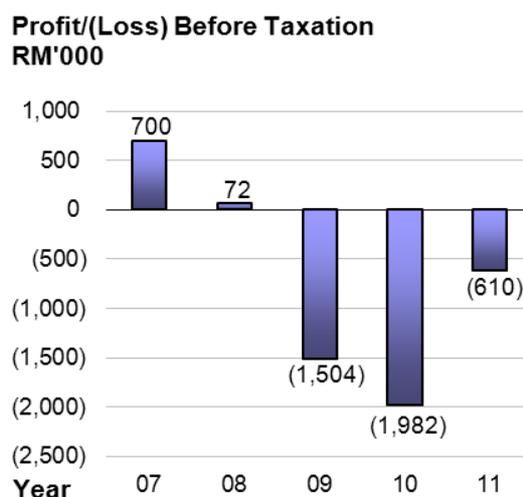
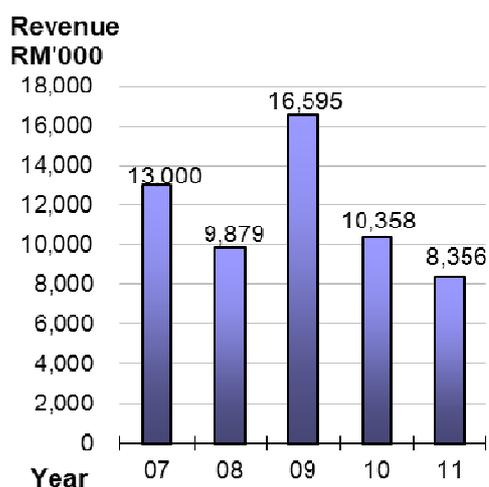


## Group Financial Highlights

	FYE 2007 31.12.2007 RM'000	FYE 2008 30.09.2008 <sup>(1)</sup> RM'000	FYE 2009 30.09.2009 RM'000	FYE 2010 30.09.2010 RM'000	FYE 2011 30.09.2011 RM'000
Revenue	13,000	9,879	16,595	10,358	8,356
Profit/(Loss) Before Taxation	700	72	(1,504)	(1,982)	(610)
Profit/(Loss) Attributable to Owners of the Parent	565	84	(1,199)	(1,716)	(631)
Total Assets	25,344	23,118	23,780	19,390	18,088
Shareholders' Equity	19,098	19,189	17,870	16,156	15,492
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(loss) per share	0.5	0.1	(1.2)	(1.6)	(0.6)
Net assets per share	18.2	18.2	17.1	15.4	14.8

**Notes**

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



# Corporate Milestone

## 2011

- Extol was awarded the SMI - PSMB 2011 Conference & Exhibitions Awards Gallery.
- Re-evaluated and maintained 3 STAR\* Rating by TÜV Rheinland STAR\*.

## 2010

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

## 2009

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

## 2008

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

## 2007

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

## 2006

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

## 2005

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

## 2004

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

## 2002

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

## 2001

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

## Corporate Milestone (Cont'd)

### 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 was 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; and
- 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, and now accredited to the MS ISO 9001:2008 in areas of software design, development, installation, testing, commissioning, maintenance and also in Extol's Managed Security Services. In February 2009, Extol had completed the Capability Maturity Model Integration ("CMMI") programme and is now matured to Level 3. CMMI is a framework that describes the key elements of an effective software development and maintenance process. The CMMI covers practices for planning, software engineering and managing software development and maintenance of software after implementation.

In October 2010, Extol was fully rated by TÜV Rheinland STAR\*. The ratings were based on Corporate Governance, Social Responsibility, Occupational Health & Safety, Quality, Environment, Information Security, Financial Disclosure, Brand/Innovation and Fair Trade & Competition and Extol achieved a 3 STAR\* Rating. Reassignment was carried out in Dec 2011 and has maintained an overall 3 STAR\* Rating. Ratings can be obtained through [www.tuv-star.com/tuvstar/web/index.xml](http://www.tuv-star.com/tuvstar/web/index.xml)

## Why Extol (Cont'd)?

### 6) Governance, Risk and Compliance

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

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

### 7) Highly Established Customer Base

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

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

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

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

## 2011 Events

### The Human Resources Minister Award 2011



On 12<sup>th</sup> September 2011, EXTOL was awarded with Human Resource Minister Awards in the SME Employer for Service Sector category by YB Senator Dato' Maznah binti Mazlan, the Deputy Minister of the Ministry of Human Resources. The award was presented during the opening ceremony of PSMB 2011 Conference and Exhibition, to award individuals and companies that made significant contributions and achievements in the human resources industry.

Puan Wan Noriza, the Deputy Vice President, HR & Admin was extremely honoured to receive the award on behalf of EXTOL. Upon receiving the award, she emphasised that this achievement would not be made possible without the contributions of all the employees in EXTOL and the continuous support from the Management.

### TUV Rheinland Star Rating (2<sup>nd</sup> Year)



In 2010, Mdec selected Extol to be the first Malaysian company to undergo the world renowned TÜV Rheinland certification rating. TÜV Rheinland is a global provider of technical, safety and certification services. TÜV Rheinland was founded in 1872 and has its headquarters in Cologne, Germany.

In 2011, Extol was again bestowed an overall 3 star rating out of 5 stars Assessment covered Corporate Governance, Social Responsibility, Occupational Health & Safety, Quality, Environment, Information Security, Financial Disclosure, Brand/Innovation and Fair Trade & Competition.

## 2011 Events

### Attorney General Cyber Security Malaysia Conference & Exhibition 2011



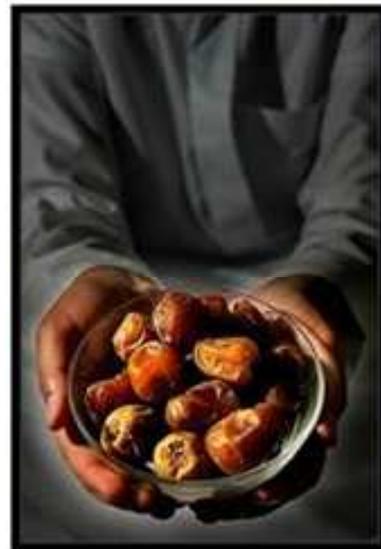
5<sup>th</sup> – 7<sup>th</sup> July: Showcasing our Information Security solutions, Extol demonstrated its latest product, SIRON and ePassport during the exhibition. SIRON is the new definition in access security that brings a lot of flexibility and strong security for door access requirement

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

## Extol's Berbuka Puasa

*Iftar* (Arabic) refers to the evening meal when Muslims break their fast during the month of Ramadan. The breaking of fast is often done as a community, with people coming together to break their fast.

In keeping with this tradition, Extol organizes Berbuka Puasa every year. As in the previous years, on 23<sup>rd</sup> August 2011, Extol together with McAfee organised a Berbuka Puasa event at Extol's premises. This event saw the coming together of friends and clients of Extol and McAfee. Invitation to this event was also extended to the families of Extol staff. This is encouraged, as to create a bond between the organisation and the family members of its staff.



## Corporate Social Responsibility

### Promoting Communications and Leadership Skills in our Community

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



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

On 24<sup>th</sup> March: Extol carried out its annual Blood Donation Drive with creditable success. Joining us to do their bit for the community were our fellow tenants in Wisma UOA Pantai and neighbours from Telekom Malaysia. As a result, The National Blood Bank received more than forty donors.

The National Blood Bank staff came promptly at 10 am on the 24<sup>th</sup> of March to set up station in the Kerinchi Foyer of Extol MSC @ Unit G-1 of Wisma UOA Pantai, and generous donors were eager and ready to do their bit for the community. We would like to thank the management of UOA Pantai & Telekom Malaysia for helping us publicize the campaign.



### Reuse, Recycle and Reduce



Extol has embarked on a “Save the Environment” drive in its effort to reduce wastage. Employees are encouraged to reduce energy consumption, like turning off electricity power when not in use, copy and print both sides of paper, use recycle paper and to use water sparingly. A recycling program is adapted where employees bring in items for recycling. Paper products and other materials which are suitable for recycling are also collected and sent for recycling.

By doing so, Extol is also encouraging its employees to extend this practise beyond the walls of its organisation.

## DIRECTORS' PROFILE

**MOHD BADARUDDIN BIN MASODI**

**48 Years of Age, Malaysian**

**Chief Executive Officer / Deputy Executive Chairman**

Mohd Badaruddin Bin Masodi was appointed to the Board on 25 April 2011 as the Deputy Executive Chairman. He was re-designated to Deputy Executive Chairman cum Chief Executive Officer on 20 May 2011.

He holds an Advanced Diploma in Accountancy from Universiti Teknologi MARA. He is also a Chartered Certified Accountants and registered with the Malaysian Institute of Accountant (MIA).

He held various major positions while he was with Sime Bank Berhad from 1985 to 1994. He then joined Maybank Group in 1994. He left the banking industry in year 2001 to venture into his own business.

Mohd Badaruddin recorded 100% attendance at the Board Meetings since his date of appointment for the financial year ended 30 September 2011.



**MOHD FAIDZAL BIN AHMAD MAHIDIN**

**40 Years of Age, Malaysian**

**Executive Director**

Mohd Faidzal Bin Ahmad Mahidin was appointed to the Board on 29 August 2011 as an Executive Director.

He holds a BBA (Hons) Degree in Operations Management and has vast experience in the oil and gas and maritime service industries. Currently, he is also the Managing Director of Tanjong Agas Supply Base & Marine Services Sdn Bhd developing Tanjong Agas Oil & Gas and Logistics Industrial Park in Pekan, Pahang.

## DIRECTORS' PROFILE (Cont'd)



**ISMAWDEE BIN ISMAIL**  
*43 Years of Age, Malaysian*  
*Independent Non-Executive Director*

Ismawadee Bin Ismail was appointed to the Board on 20 May 2011 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees of the Company.

He is a member of Malaysian Institute of Accountants (MIA) and member of Certified Practising Accountant of CPA Australia Ltd. He has over 18 years experience in providing audit, account, taxation and business advisory services to a wide range of Malaysian and multinational clients.

Further, he has wide range of experience in handling the audits of various organizations which includes those in the telecommunication, manufacturing, services and construction industries in Malaysia.

Ismawadee recorded 100% attendance at the Board Meetings since his date of appointment for the financial year ended 30 September 2011.

**MOHD FADZLI BIN IBRAHIM**  
*56 Years of Age, Malaysian*  
*Independent Non-Executive Director*

Mohd Fadzli Bin Ibrahim was appointed to the Board on 5 January 2006 as an Independent Non-Executive Director. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of the Company.

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.

He 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.

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

Mohd Fadzli attended all the five Board Meetings held during the financial year ended 30 September 2011.



## DIRECTORS' PROFILE (Cont'd)

**KU MUN FONG**

**42 Years of Age, Malaysian**

**Independent Non-Executive Director**

Ku Mun Fong was appointed to the Board on 25 April 2011 as an Independent Non-Executive Director. He is also the Chairman of the Nomination Committee of the Company.

He is a fellow member of The Association of Chartered Certified Accountants (ACCA). His past 18 years experiences includes auditing and corporate finance. He has nearly 14 years in Corporate Finance of Investment Banks. Presently, he is the co-head of corporate finance department of TA Securities Holdings Berhad.

Ku Mun Fong recorded 100% attendance at the Board Meetings since his date of appointment for the financial year ended 30 September 2011.



**Other Information:**

**1. Conflict of Interest**

None of the Directors have any conflict of interest with the Company.

**2. Convictions for Offences**

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

**3. Directorship in other public companies**

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

**4. Family relationships**

None of the Directors have any family relationships with any other Directors and/or substantial shareholders.

# Management Discussion

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Extol MSC Berhad and the Group for the financial year ended ("FYE") 30 September 2011.

## **Financial Performance**

For the FYE 30 September 2011, the Group recorded revenue of approximately RM8.4 million, and incurred consolidated loss before taxation ("LBT") of approximately RM0.6 million as compared to a revenue of approximately RM10.4 million and LBT of approximately RM2.0 million recorded in the previous financial year. Despite recording a lower revenue, the Group's profit margin increased by approximately 69.2% as compared to the same period last year. The increase in profit margin was attributed to higher yielding projects arising from realigned business activities.

## **Managed Security Services**

Managed Security Services (MSS) will continue to be a strategic growth engine and a major focus for the Group as it provides critical recurring revenue stream. In line with the expected increase in business for MSS, the Group will expand the current Security Operation Center (SOC) in terms of scalability and capabilities. This enhancement will enable MSS to introduce new services such as Network Operation Center (NOC) and secured cloud-based services, in response to the current market demand. MSS is planning to offer a cloud-based Security Visualization Dashboard with the aim of providing a centralized view of the organization information security posture. This solution takes on a holistic approach by consolidating information from different parts of the IT infrastructure into a centralized repository. With the help of analytic and business intelligence tool, the organization is able to query, analyze and make informed strategic decisions on information security management. Our security awareness program will be further enhanced and also extended as a cloud service making it available online to all our customers.

## **Research and Development**

The Group remains committed to research and product development. The Group's internal products - ePassport and Face verification system is currently being deployed by customers and will be further enhanced. SIRON have been well received by the industry and currently being positioned as a modular and scalable physical access security system.

During the FYE 30 September 2011, the Group has utilised RM0.2 million in developing new products and updating current versions of existing products with enhanced features to meet changing customers' needs. The Board of Extol is of the view that the Group's R&D expenditure and future allocations for R&D will contribute positively to the Group's earnings and financial position in the long term.

## Management Discussion (Cont'd)

### Prospects

The Group remains positive about the overall business outlook for the local IT security market segment. Nevertheless, the Group overall business objective is revenue and profitability growth, and managing operational cost. The Group is strategizing and realigning existing resources within the company to effectively engage the market to grow the business and increase market share, by focusing on growth market segment, expanding our services portfolio and entering new market segment.

While strengthening our current core competency in security solutions, the Group will focus on expanding the business for MSS, SOC and Security Incidence and Event Monitoring (SIEM) are identified as strategic value proposition and key differentiator.

The Group remained optimistic about the middle-east market as a growth contributor and is executing the business plan to effectively engage the market. In line with the expected overall growth in business, the Group will continue to expand the resources for technical support, business development and project management to increase coverage of existing and new major accounts while penetrating and developing new customers and market segments particularly the Financial Services Industry, Government-Linked Companies, service providers and government.

The Group also planned to embark on several strategic alliances with local and international partners particularly for new market segment in delivering solutions for NOC, multi-factor authentication, secured data center, secured cloud computing, secured hosted services and solution bundling programs. The Group will also participate in selected high impact projects directly or with strategic local partners.

Barring unforeseen circumstances, the Group expects its the prospects to improve in the coming financial year ending 30 September 2012 in spite of economic climate volatility.

### Appreciation

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

### **MOHD BADARUDDIN BIN MASODI**

Chief Executive Officer / Deputy Executive Chairman  
20 February 2012

# 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 2011.

## A. Directors

### 1. Composition of Board

The Board consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The current Board composition complies with the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad. A brief profile of each Director is set out on pages 12 to 14 of this Annual Report.

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

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

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

In addition, the Board has identified Mr. Ismawadee Bin Ismail, the Senior Independent Non-Executive Director, as the Director to whom any queries or concerns may be conveyed. En. Ismawadee 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 [walisongo.adee@gmail.com](mailto:walisongo.adee@gmail.com).

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

### 2. Board Meetings

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

During the FYE 30 September 2011 the Board met five (5) times. The details of the Directors attendance at these Board meetings are set out as follows:

Director	No. of meetings attended
Mohd Badaruddin Bin Masodi (Appointed on 25 April 2011)	2 of 2
Ismawadee Bin Ismail (Appointed on 20 May 2011)	2 of 2
Mohd Fadzli Bin Ibrahim	5 of 5
Ku Mun Fong (Appointed on 25 April 2011)	2 of 2
Tan Chin Eng (Resigned on 13 February 2012)	5 of 5
Alex Tan Seng Keng (Resigned on 13 February 2012)	4 of 5
Lee Choon Kee (Resigned on 29 August 2011)	5 of 5
Lee Boon Kok (Resigned on 25 April 2011)	3 of 3
Mohd Faidzal Bin Ahmad Mahidin (Appointed on 29 August 2011)	Not Applicable

## Corporate Governance Statement (Cont'd)

*Note to shareholders:*

*Numbers of meetings attended by each Director vary according to their dates of resignation and appointment.*

### 3. Supply of Information

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

The Board papers which are presented to the Board include, amongst others, the quarterly and annual financial statements, operations report and corporate proposals.

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

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

### 4. Appointments of Directors

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

Further details on the Nomination Committee are set out on pages 19 and 20 of this Annual Report.

### 5. Directors' Training

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

During the financial year ended 30 September 2011, the respective Directors have attended the following training programme / seminar:-

#### **Subject**

- Personal Data Protection Act 2010 : A Practical Approach Towards Compliance
- Incident Response & Management : Response, React, Recover
- IT Architecture Bootcamp (ITABC)
- Mandatory Accreditation Programme (MAP)

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.

## Corporate Governance Statement (Cont'd)

### 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 Eighth AGM of the Company to be held on 30 March 2012 are detailed in the Notice of the Eighth 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 24 to 27.

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:

Ku Mun Fong - Chairman (Appointed on 30 May 2011)  
- Independent Non-Executive Director

Mohd Fadzli Bin Ibrahim - Member  
- Independent Non-Executive Director

Ismawadee Bin Ismail - Member (Appointed on 30 May 2011)  
- Independent Non-Executive Director

Lee Boon Kok - Member (Resigned on 25 April 2011)  
- Independent Non-Executive Director

Tan Chin Eng - Member (Resigned on 30 May 2011)  
- Chairman/Non-Independent Non-Executive Director

## Corporate Governance Statement (Cont'd)

### 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.
- 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  
- Independent Non-Executive Director

Ismawadee Bin Ismail - Member (Appointed on 30 May 2011)  
- Independent Non-Executive Director

Tan Chin Eng – Member (Resigned on 13 February 2012)  
- Chairman/Non-Independent Non-Executive Director

Lee Boon Kok – Member (Resigned on 25 April 2011)  
- Independent Non-Executive Director

### 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.

## Corporate Governance Statement (Cont'd)

### 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 2011 is as follow:

	<b>Directors Fees (RM)</b>	<b>Directors Salaries and Other Emoluments (RM)</b>	<b>Total (RM)</b>
Non-Executive Directors	79,050	14,000	93,050
Executive Directors	10,950	404,517	415,467
<b>Total</b>	<b>90,000</b>	<b>418,517</b>	<b>508,517</b>

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

	<b>Executive Director</b>	<b>Non-Executive Director</b>
Below RM50,000	1	5
RM50,001 to RM150,000	2	-
RM150,001 to RM250,000	1	-
<b>Total</b>	<b>4</b>	<b>5</b>

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

### C. Relationship with Shareholders and Investors

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

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

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

## Corporate Governance Statement (Cont'd)

### 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 37 of this Annual Report.

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

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

#### 2. Internal Control

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

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

#### 3. Relationship with Auditors

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

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

30.09.11	Group (RM)	Company (RM)
Audit fees	35,000	19,500
Non-audit fees	4,000	3,500

#### 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.

# Corporate Governance Statement (Cont'd)

## **E. Additional Corporate Information**

### **1. Share Buybacks**

The Company did not have a share buy-back plan in place during the FYE 30 September 2011.

### **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 2011.

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

The Company did not sponsor any DR programme.

### **4. Sanction and/or Penalties**

There were no sanction and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the FYE 30 September 2011.

### **5. Variation of Results**

The Company did not issue any profit estimate, forecast or projection for the FYE 30 September 2011.

There were no variances of 10% or more between the audited results for the FYE 30 September 2011 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 2011.

### **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 2011.

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

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

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

There were no RRPT of revenue nature entered into by the Group during the FYE 30 September 2011.

### **11. Status of Utilisation of Proceeds**

The Private Placement was completed on 17 February 2012 and the proceeds raised from the Private Placement of the Company would be utilised for working capital purposes. As at the date of the Annual Report, no proceeds were utilised.

# 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

Ismawadee Bin Ismail (Appointed with effect from 20 May 2011)

- Independent Non-Executive Director

Lee Boon Kok (Resigned on 25 April 2011)

- Independent Non-Executive Director

## Members

Mohd Fadzli bin Ibrahim

- Independent Non-Executive Director

Tan Chin Eng (Resigned on 13 February 2012)

- Non-Independent Non-Executive Director

## 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 1<sup>st</sup> 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 1<sup>st</sup> 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.

## Audit Committee Report (Cont'd)

### 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;

## Audit Committee Report (Cont'd)

- (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.

## Audit Committee Report (Cont'd)

### 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.

# Audit Committee Report (Cont'd)

## Summary of Activities Undertaken

The activities of the Committee for the FYE 30 September 2011 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 2011;
- 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 2011.

### 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.

# Audit Committee Report (Cont'd)

## Meetings

During the FYE 30 September 2011, five (5) meetings were convened, with details on the attendance of the Directors listed below:

Name of Committee Members	No. of meetings attended
Ismawadee Bin Ismail (Appointed on 20 May 2011)	2 of 2
Mohd Fadzli Bin Ibrahim	5 of 5
Tan Chin Eng (Resigned on 13 February 2012)	5 of 5
Lee Boon Kok (Resigned on 25 April 2011)	3 of 3

*Note to shareholders:*

*Numbers of meetings attended by each Audit Committee Member vary according to their dates of resignation and appointment.*

## 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 2011, the internal audit function in respect of the accounting system was outsourced to CAS Consulting Services Sdn. Bhd. and the internal audit function for the operations was performed by Governance, Risk and Compliance (GRC) department of the Group. The Internal GRC team introduced risk based auditing approach with risk focused audit program in order to ensure that the principal risks were being identified and mapped with the existing system of internal control. The outsourcing of the audit functions in respect of the Group's accounting system was carried out stringently whereby results of accounting were properly maintained. As an ISO27001:2005 certified organization towards Information Security Management Systems (ISMS), the audit functions are to ensure that the controls and objectives of the standards are adhered to, maintained and followed. The audit plans that have been prepared at the beginning of the year were followed accordingly and areas of improvement were highlighted in the audit reports and discussed during the Management Review meetings together with the Audit Committee. By being certified towards ISO9001:2008, Quality Management Systems (QMS) the organisation is able to handle project management in a professional and structured way resulting in customer's confidence.

The Group had incurred a total amount of RM9,000.00 for the internal audit function for the FYE 30 September 2011.

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

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

The approval obtained from Bursa Malaysia Securities Berhad on 14 February 2006 for an Employee Share Option Scheme ("ESOS") lapsed on 2 April 2011. No ESOS options were granted prior to the expiry of the scheme.

# Statement on Internal Control

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

## Responsibility of the Board

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

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

## Extol's Policies on Risk Management

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

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

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

## Statement on Internal Control (Cont'd)

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

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

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

### Key Elements of Internal Control

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

- Establishment of a conducive control environment in respect to the overall attitude, awareness and actions of directors and management regarding the internal control system and its importance to the Group;
- To monitor the recruitment of experienced, skilled and professional staff with the necessary calibre to fulfil the respective responsibilities and ensuring that minimum controls are put in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human error, fraud and abuse;
- Effective monitoring of significant variances and deviation from standard operating procedures and budget;
- The Group has outsourced the internal audit services for the financial portion whereas the rest of the process is being handled by the Governance, Risk and Compliance (GRC) department. The internal audit functions independently review the risk identification procedures and control processes implemented by the management, and reports to the Audit Committee during the Audit Committee meetings. The internal audit functions provide assurance over the operation and validity of the system of internal control in relation to the level of risk involved using risk-based-auditing methodology;

## Statement on Internal Control (Cont'd)

- The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by internal audit function, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems;
- Monitoring of the compliance of the Group's Standard Operations Procedure and adherence to the Group's policy by the GRC Department, resulting in the Group's services exceeding customer needs as Extol is certified to ISO 27001:2005 and ISO 9001:2008; and
- Monitoring the progress meetings which are conducted regularly with heads of departments to address weaknesses and to improve efficiency and productivity.

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

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

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



## Financial Statements

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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the year ended 30th September 2011.

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the year are to carry out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings. The principal activities of the subsidiary companies are stated in Note 6 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the year.

## RESULTS FOR THE FINANCIAL YEAR

	COMPANY RM	GROUP RM
Loss before taxation	(438,322)	(610,610)
Taxation	-	(20,402)
Loss after taxation	<u>(438,322)</u>	<u>(631,012)</u>
Attributable to:		
Equity holders of the company	(438,322)	(631,012)
Non-controlling interest	-	-
	<u>(438,322)</u>	<u>(631,012)</u>

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

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

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

## DIRECTORS

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

MOHD BADARUDDIN BIN MASODI (Appointed on 25.04.2011)  
KU MUN FONG (Appointed on 25.04.2011)  
ISMAWADEE BIN ISMAIL (Appointed on 20.05.2011)  
MOHD FAIDZAL BIN AHMAD MAHIDIN (Appointed on 29.08.2011)  
TAN CHIN ENG  
ALEX TAN SENG KENG  
MOHD FADZLI BIN IBRAHIM

## DIRECTORS' BENEFITS

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

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

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS

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

	Number of shares of RM0.10 each			As at 30.09.2011
	As at 01.10.2010	Bought	Sold	
<b><u>Direct</u></b>				
TAN CHIN ENG	12,710,700	-	10,010,000	2,700,700
ALEX TAN SENG KENG	11,379,600	16,659,800	11,503,000	16,536,400
LEE CHOON KEE (Resigned on 29.08.2011)	11,679,500	-	11,100,000	579,500
LEE BOON KOK (Resigned on 25.04.2011)	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
MOHD BADARUDDIN BIN MASODI (Appointed on 25.04.2011)	-	15,791,000	-	15,791,000
KU MUN FONG (Appointed on 25.04.2011)	-	2,500,000	-	2,500,000
ISMAWADEE BIN ISMAIL (Appointed on 20.05.2011)	-	-	-	-
MOHD FAIDZAL BIN AHMAD MAHIDIN (Appointed on 29.08.2011)	-	15,503,000	-	15,503,000
<b><u>Indirect</u></b>				
TAN CHIN ENG	39,718,900	16,659,800	39,262,800	17,115,900
ALEX TAN SENG KENG	41,050,000	-	37,769,800	3,280,200
LEE CHOON KEE (Resigned on 29.08.2011)	40,750,100	16,659,800	38,172,800	19,237,100
LEE BOON KOK (Resigned on 25.04.2011)	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
MOHD BADARUDDIN BIN MASODI (Appointed on 25.04.2011)	-	-	-	-
KU MUN FONG (Appointed on 25.04.2011)	-	50,000	-	50,000
ISMAWADEE BIN ISMAIL (Appointed on 20.05.2011)	-	-	-	-
MOHD FAIDZAL BIN AHMAD MAHIDIN (Appointed on 29.08.2011)	-	-	-	-

# DIRECTORS' REPORT (Cont'd)

## OTHER STATUTORY INFORMATION

- a.) Before the statements of comprehensive income and statements of financial position 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 there were no known bad debts and that adequate allowance for doubtful debts have been made; and
  - (ii) to ensure that any current assets which are unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- b.) At the date of this report, the directors advise that they are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts and the amount allowed for doubtful debts inadequate to any substantial extent, and
  - (ii) the values attributable to current assets in the financial statements misleading.
- c.) In their opinion, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.
- d.) In the opinion of the Directors: -
- (i) there are no contingent liabilities of the Company and of the Group which have arisen since the end of the financial year.
  - (ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company and of the Group to meet its obligations as and when they fall due.
- e.) As at the date of this report:-
- (i) there are no charges on the assets of the Company and of the Group which have arisen since the end of the financial year to secure the liabilities of any other person, or
  - (ii) the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Company and of the Group which would render any amount stated in the financial statements misleading.

## AUDITORS

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

By resolution of the Board

MOHD BADARUDDIN BIN MASODI  
DIRECTOR

MOHD FAIDZAL BIN AHMAD MAHIDIN  
DIRECTOR

PETALING JAYA  
30 JANUARY 2012

## **STATEMENT BY DIRECTORS**

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

We, MOHD BADARUDDIN BIN MASODI and MOHD FAIDZAL BIN AHMAD MAHIDIN, 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 40 to 74 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 2011 and of the results of the operations and cash flows of the Company and of the Group for the year ended on that date.

On behalf of the Directors

MOHD BADARUDDIN BIN MASODI  
DIRECTOR

MOHD FAIDZAL BIN AHMAD MAHIDIN  
DIRECTOR

Petaling Jaya  
Dated: 30 January 2012

## **STATUTORY DECLARATION**

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

I, MOHD BADARUDDIN BIN MASODI, being the director primarily responsible for the accounting records and financial management of EXTOL MSC BERHAD do solemnly and sincerely declare that the financial statements as set out on pages 40 to 74 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
MOHD BADARUDDIN BIN MASODI )  
I/C No. 640216-10-7823 ) **MOHD BADARUDDIN BIN MASODI**  
at Petaling Jaya )  
in the state of Selangor Darul Ehsan on )  
this 30 January 2012 )

Before me

Soong Foong Chee (No: B158)  
Commissioner of Oaths  
Petaling Jaya

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXTOL MSC BERHAD (Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of EXTOL MSC BERHAD, which comprise the statements of financial position as at 30th September 2011 of the Company and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Company and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 74.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 of financial statements that give a true and fair view 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 2011 and of their financial performance and cash flows for the year then ended.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXTOL MSC BERHAD (Incorporated in Malaysia) (Cont'd)

## Report on Other Legal and Regulatory Requirements

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

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

## Other Reporting Responsibilities

The supplementary information set out on Note 31 of the Notes to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## 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  
PETALING JAYA, SELANGOR  
Dated: 30 JANUARY 2012

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

## STATEMENT OF FINANCIAL POSITION

### AS AT 30TH SEPTEMBER 2011

	Notes	The Group		The Company	
		30.09.2011 RM	30.09.2010 RM	30.09.2011 RM	30.09.2010 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	5	3,105,493	3,644,696	224,175	127,567
Investment in subsidiary companies	6	-	-	6,570,000	6,570,000
Product development expenditure	7	4,298,947	5,008,950	3,717,259	4,204,529
Goodwill	8	3,541,003	3,510,211	-	-
Prepaid lease assets	9	142,359	503,216	-	-
		11,087,802	12,667,073	10,511,434	10,902,096
<b>CURRENT ASSETS</b>					
Inventories		503,543	135,000	-	-
Trade receivables	10	1,321,022	2,198,857	-	-
Other receivables	11	272,415	242,322	60,775	17,236
Amount owing by subsidiary companies	12	-	-	4,130,064	4,641,963
Tax recoverable		-	15,988	-	5,500
Fixed deposits with licensed banks	13	829,648	1,571,623	-	-
Cash and bank balances		4,073,808	2,559,036	1,887,792	1,544,044
		7,000,436	6,722,826	6,078,631	6,208,743
<b>TOTAL ASSETS</b>		<b>18,088,238</b>	<b>19,389,899</b>	<b>16,590,065</b>	<b>17,110,839</b>
<b>EQUITY AND LIABILITIES</b>					
Capital and reserves					
Share capital	14	10,440,000	10,440,000	10,440,000	10,440,000
Share premium	15	3,620,000	3,620,000	3,620,000	3,620,000
Profit and loss account		1,432,371	2,063,383	2,411,121	2,849,443
Equity attributable to equity holders of the company		15,492,371	16,123,383	16,471,121	16,909,443
Non-controlling interest		-	33,208	-	-
		15,492,371	16,156,591	16,471,121	16,909,443
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	16	16,284	254,104	-	-
Deferred tax liabilities	17	364,646	371,738	-	-
		380,930	625,842	-	-
<b>CURRENT LIABILITIES</b>					
Borrowings	16	695,942	1,400,838	-	36,659
Trade payables	18	1,273,339	994,400	-	-
Other payables	19	232,008	212,228	118,944	98,896
Amount owing to subsidiary companies	12	-	-	-	65,841
Provision for taxation		13,648	-	-	-
		2,214,937	2,607,466	118,944	201,396
<b>TOTAL LIABILITIES</b>		<b>2,595,867</b>	<b>3,233,308</b>	<b>118,944</b>	<b>201,396</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,088,238</b>	<b>19,389,899</b>	<b>16,590,065</b>	<b>17,110,839</b>

*The notes on pages 44 to 74 form an integral part of the financial statements.*

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30TH SEPTEMBER 2011

	Notes	The Group		The Company	
		Year ended 30.09.2011 RM	Year ended 30.09.2010 RM	Year ended 30.09.2011 RM	Year ended 30.09.2010 RM
TURNOVER	20	8,356,044	10,358,614	2,673,650	1,741,914
COST OF SALES		<u>(2,991,275)</u>	<u>(5,548,437)</u>	<u>(222,223)</u>	<u>(153,008)</u>
GROSS PROFIT		5,364,769	4,810,177	2,451,427	1,588,906
Other operating income		882,244	432,738	668,810	233,238
Administration expenses		(4,260,826)	(4,592,807)	(2,462,875)	(1,794,984)
Selling and distribution expenses		(113,132)	(213,482)	(65,208)	(134,208)
Other operating expenses		<u>(2,405,039)</u>	<u>(2,263,679)</u>	<u>(1,025,614)</u>	<u>(649,890)</u>
LOSS FROM OPERATIONS		(531,984)	(1,827,053)	(433,460)	(756,938)
Finance expenses	21	<u>(78,626)</u>	<u>(154,526)</u>	<u>(4,862)</u>	<u>(5,142)</u>
LOSS BEFORE TAXATION	22	(610,610)	(1,981,579)	(438,322)	(762,080)
TAXATION	24	<u>(20,402)</u>	<u>267,806</u>	<u>-</u>	<u>-</u>
LOSS AFTER TAXATION		(631,012)	(1,713,773)	(438,322)	(762,080)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE LOSS		<u>(631,012)</u>	<u>(1,713,773)</u>	<u>(438,322)</u>	<u>(762,080)</u>
Earnings per share (sen) - basic	25	<u>(0.60)</u>	<u>(1.64)</u>	<u>(0.42)</u>	<u>(0.73)</u>
Loss after taxation attributable to:					
Equity holders of the company		(631,012)	(1,715,581)	(438,322)	(762,080)
Non-controlling interest		-	1,808	-	-
		<u>(631,012)</u>	<u>(1,713,773)</u>	<u>(438,322)</u>	<u>(762,080)</u>
Total comprehensive loss attributable to :					
Equity holders of the company		(631,012)	(1,715,581)	(438,322)	(762,080)
Non-controlling interest		-	1,808	-	-
		<u>(631,012)</u>	<u>(1,713,773)</u>	<u>(438,322)</u>	<u>(762,080)</u>

*The notes on pages 44 to 74 form an integral part of the financial statements.*

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30TH SEPTEMBER 2011

	← The Group →						← The Company →			
	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM	Non-controlling interests RM	Total equity RM	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
As at 01.10.2009	10,440,000	3,620,000	3,778,964	17,838,964	31,400	17,870,364	10,440,000	3,620,000	3,611,523	17,671,523
Total comprehensive loss	-	-	(1,715,581)	(1,715,581)	1,808	(1,713,773)	-	-	(762,080)	(762,080)
As at 30.09.2010	10,440,000	3,620,000	2,063,383	16,123,383	33,208	16,156,591	10,440,000	3,620,000	2,849,443	16,909,443
Total comprehensive loss	-	-	(631,012)	(631,012)	(33,208)	(664,220)	-	-	(438,322)	(438,322)
As at 30.09.2011	10,440,000	3,620,000	1,432,371	15,492,371	-	15,492,371	10,440,000	3,620,000	2,411,121	16,471,121

## STATEMENT OF CASH FLOW

### FOR THE YEAR ENDED 30TH SEPTEMBER 2011

	The Group		The Company	
	Year ended 30.09.2011 RM	Year ended 30.09.2010 RM	Year ended 30.09.2011 RM	Year ended 30.09.2010 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(610,610)	(1,981,579)	(438,322)	(762,080)
Adjustments for :				
Amortisation of prepaid lease assets	360,857	360,857	-	-
Amortisation of product development expenditure	616,952	616,952	394,219	394,219
Depreciation of property, plant and equipment	762,651	859,565	126,105	87,473
Impairment on development expenditure	249,646	-	249,646	-
Interest income	(74,427)	(58,271)	(29,535)	(20,735)
Interest expenses	78,626	154,526	4,862	5,142
Property, plant and equipment written off	58,511	-	58,366	-
Rental income	(99,050)	(108,050)	-	-
	<u>1,953,766</u>	<u>1,825,579</u>	<u>803,663</u>	<u>466,099</u>
Operating profit/(loss) before working capital changes	1,343,156	(156,000)	365,341	(295,981)
(Increase)/Decrease in inventories	(368,543)	107,884	-	-
Decrease/(Increase) in receivables	847,742	4,560,595	(43,539)	37,881
(Decrease)/Increase in payables	(139,281)	(1,289,172)	20,048	(45,440)
Decrease in amount owing by subsidiary companies	-	-	446,058	2,271,174
	<u>339,918</u>	<u>3,379,307</u>	<u>422,567</u>	<u>2,263,615</u>
Cash generated from operations	1,683,074	3,223,307	787,908	1,967,634
Bank overdraft interest	(132)	(4,623)	-	-
Bills payable interest	(17,590)	(39,088)	-	-
Taxation refund	2,142	77,159	5,500	4,100
Net cash generated from operating activities	<u>1,667,494</u>	<u>3,256,755</u>	<u>793,408</u>	<u>1,971,734</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest received	74,427	58,271	29,535	20,735
Investment in subsidiary company	(64,000)	-	-	-
Proceeds from disposal of property, plant and equipment	-	1,663	-	-
Purchase of property, plant and equipment	(281,959)	(356,655)	(281,079)	(47,146)
Product development expenditure	(156,595)	(592,869)	(156,595)	(592,869)
Rental income received	99,050	108,050	-	-
Withdrawal/(Placement) of fixed deposits	741,975	(31,277)	-	-
Net cash generated from/(used in) investing activities	<u>412,898</u>	<u>(812,817)</u>	<u>(408,139)</u>	<u>(619,280)</u>
	<u>2,080,392</u>	<u>2,443,938</u>	<u>385,269</u>	<u>1,352,454</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Lease and hire purchase interest paid	(53,260)	(100,071)	(4,862)	(5,142)
Payment to lease and hire purchase payables	(427,065)	(366,897)	(36,659)	(40,002)
Term loan interest paid	(7,644)	(10,744)	-	-
Repayment of term loans	(77,651)	(74,553)	-	-
Net cash used in financing activities	<u>(565,620)</u>	<u>(552,265)</u>	<u>(41,521)</u>	<u>(45,144)</u>
NET INCREASE IN CASH AND BANK BALANCES	1,514,772	1,891,673	343,748	1,307,310
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	<u>2,559,036</u>	<u>667,363</u>	<u>1,544,044</u>	<u>236,734</u>
CASH AND BANK BALANCES AT THE END OF THE YEAR	<u>4,073,808</u>	<u>2,559,036</u>	<u>1,887,792</u>	<u>1,544,044</u>

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011

## 1. GENERAL INFORMATION

The principal activities of the Company during the year are to carry out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings. The principal activities of the subsidiary companies are stated in Note 6 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the year.

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

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

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

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

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

## 2. BASIS OF PREPARATION

The financial statements of the Company and of the Group have been prepared in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

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

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

During the year, the Company and the Group adopted all of the new or revised FRS and Issues Committee ["IC"] Interpretations that are effective for the Company's and for the Group's financial period beginning on or after 1st October 2010. The adoption of these new and revised FRS and IC Interpretations has no material effect on the financial statements except as follows:

### FRS 7 Financial Instruments: Disclosures

Prior to 1st October 2010, information about financial instruments was disclosed in accordance with the requirements of FRS132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 2. BASIS OF PREPARATION (CONTINUED)

The Company and the Group have applied FRS 7 prospectively in accordance with the transitional provision. Hence, the new disclosures have not been applied to the comparatives. The applicable new disclosures are included throughout the Company's and the Group's financial statements for the financial year ended 30th September 2011.

### FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company and the Group have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy retrospectively, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Company and the Group to make new disclosures to enable users of the financial statements to evaluate the Company's and the Group's objectives, policies and processes for managing capital (Note 28).

The revised FRS 101 was adopted retrospectively by the Company and the Group.

### FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company and the Group have adopted FRS 139 prospectively on 1st October 2010 in accordance with the transitional provisions. There is no material effect arising from the adoption of this Standard. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Impairment of trade receivables

Prior to 1st October 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1st October 2010, the Company and the Group has re-measured the allowance for impairment losses as at that date in accordance with FRS 139 and there is no material difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

At the date of authorisation of these financial statements, the new standards and interpretations, amendments to published standards and interpretations which were issued but not yet effective, and which the Company has not early adopted are as follows:-

Amendments to published interpretation which are effective for annual financial periods beginning on or after 30th August 2010:

Amendments to IC Interpretation 15 Agreements for the Construction of Real Estate.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 2. BASIS OF PREPARATION (CONTINUED)

Amendments and improvements to published standards and interpretations, and new interpretations which are effective for annual financial periods beginning on or after 1st January 2011:

Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters

Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7 Improving Disclosures about Financial Instruments

IC Interpretation 4 Determining Whether an Arrangement contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

Improvements to FRSs (2010)

Amendments to published interpretation and new interpretations which are effective for annual financial periods beginning on or after 1st July 2011:

Amendments IC Interpretation 14 Prepayments of a Minimum Funding Requirement

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Effective for annual financial periods beginning on or after 1 January 2012:

FRS 124 Related Party Disclosures

Amendments to FRS 1, 2, 131, IC Interpretation 4, 15, 18, 19 and Amendments to IC Interpretation 9, 13, 14 are not relevant to the Company's and the Group's operations.

The directors anticipate that the adoption of the above standards, interpretations, amendments and improvement to published standards and interpretations will not have a material impact on the financial statements of the Company and of the Group.

## 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 statement of comprehensive income 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.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (continued)

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

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

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

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

### 3.2 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared. If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs, is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as movement in equity. When the treasury shares are distributed as share dividend, the cost of the treasury shares will be reduced against share premium account or the distributable reserve, or both.

### 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

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Property, plant and equipment (continued)

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 statement of financial position 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 statement of comprehensive income.

### 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 statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Products development expenditure

Research expenditure are written off to the statement of comprehensive income 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.

Development expenditures are tested for impairment annually in accordance with the accounting policy on impairment of assets in Note 3.9.

### 3.8 Inventories

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

### 3.9 Impairment of assets

#### i) Other assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment of assets (continued)

#### ii) Goodwill

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

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

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

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

### 3.10 Receivables

Trade and other receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance 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 statement of cash flow, 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.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Interest income

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

### 3.15 Foreign currency transactions

The financial statements of the Company and of the Group are measured using the currency of the primary economic environment in which the Company operates ["the functional currency"]. The consolidated financial statements are presented in Ringgit Malaysia ["RM"], which is also the Company's functional currency.

Transactions in currencies other than the the Company and of the Group functional currency ["foreign currencies"] are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

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

	2011 RM	2010 RM
1 US Dollar	3.191	3.088
1 EURO	<u>4.316</u>	<u>4.198</u>

### 3.16 Revenue recognition

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

### 3.17 Leases and hire purchase

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Leases and hire purchase (continued)

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 statement of comprehensive income when incurred.

### 3.19 Borrowings

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

### 3.20 Government grants

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

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Income tax

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

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

### 3.22 Financial assets

Financial assets are recognised in the statement of financial position when, and only when the Company or the Group become a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company and the Group determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.22 Financial assets (continued)

#### (ii) Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. Loan and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

#### (iii) Held-to-maturity investments

Financial assets with fixed and determinable payments and fixed maturity are classified as held-to-maturity when the Company or the Group has the positive intention and ability to hold the investment to maturity. Subsequently to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

#### (iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss. Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.23 Impairment of Financial Assets

The Company and the Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company and the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's and the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### (ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.24 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company and the Group become parties to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into by the Company and the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

#### (ii) Other financial liabilities

Other financial liabilities include trade payables, other payables and loans and borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 3.25 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.

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

### 4.1 Critical judgements in applying the Company's and the Group's accounting policies.

In the process of applying the Company's and the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

### 4.2 Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

#### Impairment of tangible assets

The Company and the Group review the carrying amount of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. Significant judgement is required to determine the extent and amount of the impairment loss (if any).

#### Allowance for doubtful debts

The Company and the Group make allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

#### Useful lives of property, plant and equipment

As described in Note 3, the Company and the Group review the estimated useful lives of property, plant and equipment at the end of each reporting period. The cost of property, plant and equipment is depreciated on a straight-line basis over the assets estimated economic useful life. Changes in the level of usage could impact the economic useful lives and the residual value of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 5.

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
2011						
<b>Cost</b>						
At the beginning of the year	56,096	72,218	113,381	251,457	29,975	523,127
Addition during the year	-	35,909	245,170	-	-	281,079
Written off during the year	(56,096)	(68,773)	(69,680)	-	(29,975)	(224,524)
At the end of the year	-	39,354	288,871	251,457	-	579,682
<b>Accumulated depreciation</b>						
At the beginning of the year	31,910	35,681	73,136	238,883	15,950	395,560
Charge for the year	5,609	10,813	94,113	12,573	2,997	126,105
Written off during the year	(37,519)	(42,214)	(67,478)	-	(18,947)	(166,158)
At the end of the year	-	4,280	99,771	251,456	-	355,507
<b>Net book value</b>						
At the end of the year	-	35,074	189,100	1	-	224,175

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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 RM1 (2010: RM12,574).

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

5. 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
2011								
<b>Cost</b>								
At the beginning of the year	2,032,000	376,036	728,323	1,449,492	2,870,000	378,457	45,025	7,879,333
Addition during the year	-	-	36,789	245,170	-	-	-	281,959
Written off during the year	-	(56,096)	(68,773)	(882,677)	-	-	(29,975)	(1,037,521)
At the end of the year	2,032,000	319,940	696,339	811,985	2,870,000	378,457	15,050	7,123,771
<b>Accumulated depreciation</b>								
At the beginning of the year	531,200	96,864	238,080	1,092,001	1,937,250	320,282	18,960	4,234,637
Charge for the year	40,640	37,602	94,656	274,278	287,000	23,973	4,502	762,651
Written off during the year	-	(37,519)	(42,214)	(880,330)	-	-	(18,947)	(979,010)
At the end of the year	571,840	96,947	290,522	485,949	2,224,250	344,255	4,515	4,018,278
<b>Net book value</b>								
At the end of the year	1,460,160	222,993	405,817	326,036	645,750	34,202	10,535	3,105,493

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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 RM34,201 (2010: RM58,174).

The Group's freehold office buildings were charged to licensed banks for banking facilities granted to a subsidiary company and their net book value were RM1,460,160 (2010: RM1,500,800).

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 6. INVESTMENT IN SUBSIDIARY COMPANIES

	2011 RM	2010 RM
Unquoted shares, at cost	6,570,000	6,570,000

The Company has:

- (i) 100% (2010: 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% (2010: 100%) interest in the shares of EXTOL VENTURES SDN. BHD. (Company No. 647402-P), a company incorporated in Malaysia whose principal activity is that of trading in computer hardware, software, related equipment and software development.
- (iii) 100% (2010: 68%) indirect interest in the shares of INNODIUM SDN. BHD. (Company No. 596701-T), a company incorporated in Malaysia whose principal activity is in the business of software development and trading in software products.

### 7. PRODUCT DEVELOPMENT EXPENDITURE

<u>Company</u>	2011 RM	2010 RM
Product development expenditure, at cost		
At the beginning of the year	5,812,339	5,219,470
Addition during the year	156,595	592,869
	5,968,934	5,812,339
Less: Accumulated amortisation	(1,967,253)	(1,573,034)
Accumulated impairment	(284,422)	(34,776)
At the end of the year	3,717,259	4,204,529

#### Group

Product development expenditure, at cost		
At the beginning of the year	8,180,543	7,587,674
Addition during the year	156,595	592,869
	8,337,138	8,180,543
Less: Accumulated amortisation	(3,753,769)	(3,136,817)
Accumulated impairment	(284,422)	(34,776)
At the end of the year	4,298,947	5,008,950

Product development expenditure includes the following expense for the year:

#### Company and Group

Rental of premises	-	100,366
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## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 8. GOODWILL

<u>Group</u>	2011 RM	2010 RM
At the beginning of the year	3,510,211	3,510,211
Add: Addition during the year	30,792	-
At the end of the year	3,541,003	3,510,211

### 9. PREPAID LEASE ASSETS

<u>Group</u>	2011 RM	2010 RM
Prepaid lease assets, at cost	1,443,461	1,443,461
Less : Accumulated amortisation	(1,301,102)	(940,245)
	142,359	503,216

### 10. TRADE RECEIVABLES

<u>Company</u>	2011 RM	2010 RM
Gross receivables	8,388	8,388
Less: Accumulated allowance for doubtful debts	(8,388)	(8,388)
	-	-

The currency exposure profile of trade receivables is as follows:

US Dollar	-	-
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#### Group

Gross receivables	1,329,410	2,207,245
Less: Accumulated allowance for doubtful debts	(8,388)	(8,388)
Loan and receivables carried at amortised cost	1,321,022	2,198,857

The currency exposure profile of trade receivables is as follows:

Ringgit Malaysia	1,097,062	2,137,157
US Dollar	223,960	61,700
	1,321,022	2,198,857

#### Ageing analysis of trade receivables

##### Group

Neither past due nor impaired	1,020,157	1,489,308
1 – 30 days past due not impaired	267,525	451,467
31 – 60 days past due not impaired	10,336	-
Over 61 days past due not impaired	23,004	258,082
	1,321,022	2,198,857

Trade receivables neither past due nor impaired are credit worthy debtors with good payment record with the Group and none of them renegotiated during the year.

The Group has trade receivables amounting to RM300,865 (2010: RM709,549) that are past due at the reporting date but not impaired. These are unsecured in nature.

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 11. OTHER RECEIVABLES

	2011 RM	2010 RM
<u>Company</u>		
Other receivables	1,000	1,000
Deposits	7,644	7,644
Prepayments	52,131	8,592
	60,775	17,236
<u>Group</u>		
Other receivables	1,000	21,150
Deposits	200,800	186,690
Prepayments	70,615	34,482
	272,415	242,322

Other receivables are denominated in Ringgit Malaysia.

### 12. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

The amount owing by/(to) subsidiary companies are unsecured, interest free and repayable on upon demand.

### 13. FIXED DEPOSITS WITH LICENSED BANKS

	2011 RM	2010 RM
<u>Group</u>		
At the beginning of the year	1,571,623	1,540,346
Add: Interest earned	29,940	31,277
	1,601,563	1,571,623
Less: Withdrawal during the year	(771,915)	-
At the end of the year	829,648	1,571,623

The interest rate and maturity of the deposit as at 30th September 2011 are as follows:

<u>Group</u>	Interest rate		Maturity	
	2011 %	2010 %	2011 Days	2010 Days
Fixed deposits with licensed banks	2.75 – 2.90	2.0 – 2.75	30	30

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

### 14. SHARE CAPITAL

	2011		2010	
	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

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 15. SHARE PREMIUM

	2011 RM	2010 RM
<u>Company and Group</u>		
Share premium	3,620,000	3,620,000

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

### 16. BORROWINGS

	2011 RM	2010 RM
<u>Company</u>		
Long term borrowing		
Secured:		
Hire purchase payable	-	-
Short term borrowing		
Secured:		
Hire purchase payable	-	36,659

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

	2011 RM	2010 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	-	41,363
Payable after one year but before five years	-	-
	-	41,363
Less: Finance charges	-	(4,704)
Present value of lease and hire purchase liabilities	-	36,659
Present value of hire purchase liabilities:		
Payable not later than one year	-	36,659
Payable after one year but before five years	-	-
	-	36,659
Interest rate per annum	-	2.57%

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

	2011 RM	2010 RM
<u>Group</u>		
Long term borrowings		
Secured:		
i) Lease and hire purchase payables	16,284	190,488
ii) Term loans	-	63,616
	16,284	254,104
Short term borrowings		
Secured:		
i) Lease and hire purchase payables	175,488	428,349
ii) Term loans	61,454	75,489
iii) Bankers acceptances	459,000	897,000
	695,942	1,400,838

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 16. BORROWINGS (CONTINUED)

All borrowings are denominated in Ringgit Malaysia.

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

<u>Group</u>	2011 RM	2010 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	184,259	480,167
Payable after one year but before five years	16,980	201,239
	<u>201,239</u>	<u>681,406</u>
Less: Finance charges	(9,467)	(62,569)
Present value of lease and hire purchase liabilities	<u>191,772</u>	<u>618,837</u>
Present value of lease and hire purchase liabilities:		
Payable not later than one year	175,488	428,349
Payable after one year but before five years	16,284	190,488
	<u>191,772</u>	<u>618,837</u>
Interest rate per annum	<u>4.1% - 4.5%</u>	<u>2.57% - 4.5%</u>

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

ii) Details on the term loans are as follows:

<u>Group</u>	2011 RM	2010 RM
Payable within one year	61,454	75,489
Payable after one year but before five years	-	63,616
	<u>61,454</u>	<u>139,105</u>

Term loans which commenced repayment from September 2007 are subjected to interest at 2% per annum below the bank's base lending rate for the first year, 0.25% per annum above the bank's base lending rate for the second year and 0.75% per annum above the bank's base lending rate thereafter.

iii) Details on the bankers acceptances are as follows:

<u>Group</u>	2011	2010
Interest rate per annum	<u>4.25% to 6.86%</u>	<u>3.48% to 5.07%</u>

Bankers' acceptances have credit periods of 120 days (2010: 120 days).

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 17. DEFERRED TAX LIABILITIES

	2011 RM	2010 RM
<u>Group</u>		
At the beginning of the year	371,738	626,152
Reversal during the year	<u>(7,092)</u>	<u>(254,414)</u>
At the end of the year	<u><u>364,646</u></u>	<u><u>371,738</u></u>

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

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

	2011 RM	2010 RM
Deferred tax liabilities arising from:		
- property, plant and equipment	260,123	324,013
- product development expenditure	145,422	176,105
Deferred tax assets arising from:		
- unabsorbed business losses	(11,913)	(36,244)
- unabsorbed capital allowances	<u>(28,986)</u>	<u>(92,136)</u>
	<u><u>364,646</u></u>	<u><u>371,738</u></u>

### 18. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	2011 RM	2010 RM
<u>Group</u>		
Ringgit Malaysia	1,230,722	859,090
EURO	42,043	-
US Dollar	<u>574</u>	<u>135,310</u>
	<u><u>1,273,339</u></u>	<u><u>994,400</u></u>

The trade payables are non-interest bearing and the normal trade credit terms received by the Group ranges from 30 days to 60 days.

### 19. OTHER PAYABLES

	2011 RM	2010 RM
<u>Company</u>		
Other payables	54,795	43,026
Payroll liabilities	45,149	41,870
Accruals	<u>19,000</u>	<u>14,000</u>
	<u><u>118,944</u></u>	<u><u>98,896</u></u>
 <u>Group</u>		
Other payables	119,251	91,379
Payroll liabilities	77,757	91,849
Accruals	<u>35,000</u>	<u>29,000</u>
	<u><u>232,008</u></u>	<u><u>212,228</u></u>

Other payables are denominated in Ringgit Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 20. TURNOVER

#### Company and Group

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

### 21. FINANCE EXPENSES

<u>Company</u>	2011 RM	2010 RM
Hire purchase interest	4,862	5,142
 <u>Group</u>		
These comprise interest expenses on:		
- bank overdraft	132	4,623
- bills payable	17,590	39,088
- lease and hire purchase	53,260	100,071
- term loans	7,644	10,744
	78,626	154,526

### 22. LOSS BEFORE TAXATION

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

<u>Company</u>	2011 RM	2010 RM
After charging:		
Allowance for doubtful debts	-	6,456
Amortisation of product development expenditure	394,219	394,219
Auditors' remuneration		
- other emoluments	2,500	2,500
- current year provision	16,500	11,500
- under-provision in previous year	3,000	3,000
Depreciation of property, plant and equipment	126,105	87,473
Impairment on development expenditure	249,646	-
Loss in foreign exchange	519	675
Property, plant and equipment written off	58,366	-
Rental of premises	259,252	168,064
Staff costs (Note 23)	1,835,788	1,330,210
and crediting:		
Grant income	625,327	208,443
Interest income	29,535	20,735

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 22. LOSS BEFORE TAXATION (CONTINUED)

	2011 RM	2010 RM
<u>Group</u>		
After charging:		
Allowance for doubtful debts	-	6,456
Amortisation of prepaid lease assets	360,857	360,857
Amortisation of product development expenditure	616,952	616,952
Auditors' remuneration		
- other emoluments	3,000	3,000
- current year provision	32,000	26,000
- under-provision in previous year	3,000	5,000
Bad debts	-	15,140
Depreciation of property, plant and equipment	762,651	859,565
Impairment on development expenditure	249,646	-
Loss in foreign exchange	519	675
Property, plant and equipment written off	58,511	-
Rental of premises	443,966	431,348
Staff costs (Note 23)	3,185,199	3,482,266
	=====	=====
and crediting:		
Allowance for doubtful debt no longer required	-	14,698
Gain in foreign exchange	68,726	26,619
Grant income	625,327	208,443
Interest income	74,427	58,271
Rental income	99,050	108,050
	=====	=====

## 23. STAFF COSTS

	2011 RM	2010 RM
<u>Company</u>		
Salaries, bonus and allowances	1,268,352	764,685
EPF and SOCSO contributions	138,178	92,656
Other staff's related expenses	53,433	23,281
Directors' remuneration		
- fees	90,000	64,500
- salaries, bonus and allowances	256,485	345,200
- EPF contributions	29,340	39,888
	1,835,788	1,330,210
<u>Group</u>		
Salaries, bonus and allowances	2,302,568	2,451,977
EPF and SOCSO contributions	269,504	311,536
Other staff's related expenses	79,410	71,405
Directors' remuneration		
- fees	90,000	64,500
- salaries, bonus and allowances	411,677	537,200
- EPF contributions	32,040	45,648
	3,185,199	3,482,266

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 24. TAXATION

<u>Company</u>	2011 RM	2010 RM
Taxation for the year	-	-
Reconciliation of tax expenses:-		
Loss before taxation	<u>(438,322)</u>	<u>(762,080)</u>
Effect of expenses not deductible for tax purposes	(208,537)	(112,622)
Effect of deductible capital expenditure	-	107,438
Effect of non-taxable income	7,384	5,184
Effect of utilisation of current and previous years' capital allowances	80,360	-
Effect of utilisation of current and previous years' business loss	<u>120,793</u>	<u>-</u>
Taxation for the year	<u>-</u>	<u>-</u>
<u>Group</u>		
Taxation for the year	(22,148)	-
(Under)/Over-provision in previous year	(5,346)	13,392
Reversal of deferred tax liabilities	<u>7,092</u>	<u>254,414</u>
	<u>(20,402)</u>	<u>267,806</u>
Reconciliation of tax expenses:-		
<u>Group</u>	2011 RM	2010 RM
Loss before taxation	<u>(610,610)</u>	<u>(1,981,579)</u>
Effect of expenses not deductible for tax purposes	(519,150)	(443,281)
Effect of deductible capital expenditure	94,173	179,609
Effect of utilisation of current and previous years' capital allowances	241,615	4,568
Effect of utilisation of current and previous years' business loss	135,081	234,898
Effect of non-taxable income	26,133	5,967
(Under)/Over-provision in previous year	(5,346)	13,392
Tax incentive from different tax rate	-	18,239
Reversal of deferred tax liabilities	<u>7,092</u>	<u>254,414</u>
Taxation for the year	<u>(20,402)</u>	<u>267,806</u>

The Company has been granted the Multimedia Super Corridor (MSC) Status up to 26th September 2014 and awarded the Pioneer Status under Section 4A of the Promotion of Investment (Amendment) Act, 1986.

Subject to agreement from the Inland Revenue Board, the Company has, as at 30th September 2011,

- (i) unabsorbed business losses and capital allowances amounting to approximately RM1,838,000 (2010: RM2,107,000) which is available for set off against future income, and
- (ii) tax exempt income amounting to approximately RM1,382,400 (2010: RM1,382,400) which can be used to pay tax exempt dividend.

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 25. EARNINGS PER SHARE

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

<u>Company</u>	2011	2010
Net loss for the financial year (RM)	(438,322)	(762,080)
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(0.42)</u>	<u>(0.73)</u>
 <u>Group</u>		
Net loss for the financial year (RM)	(631,012)	(1,715,581)
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(0.60)</u>	<u>(1.64)</u>

### 26. SIGNIFICANT RELATED PARTY DISCLOSURES

<u>Company</u>	2011 RM	2010 RM
Advances to subsidiary companies	510,000	455,000
Expenses paid on behalf for subsidiary companies	1,867	68
Expenses paid on behalf by subsidiary companies	542,683	521,791
Purchases from a subsidiary company	213,892	149,668
Repayment from a subsidiary company	2,875,000	3,805,000
Sales to a subsidiary company	<u>2,673,650</u>	<u>1,741,914</u>

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

### 27. SEGMENTAL INFORMATION

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

The segmental results for the Group are as follows:-

	Managed Security Solutions		Secured Enterprises Applications		Group	
	RM	%	RM	%	RM	%
Sales	8,142,544	97.44	213,500	2.56	8,356,044	100.00
Cost of sales	<u>2,936,426</u>	<u>35.14</u>	<u>54,849</u>	<u>0.66</u>	<u>2,991,275</u>	<u>35.80</u>
Gross profit	<u>5,206,118</u>	<u>62.30</u>	<u>158,651</u>	<u>1.90</u>	<u>5,364,769</u>	<u>64.20</u>

# NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

## 28. CAPITAL MANAGEMENT

The primary objective of the Company's and of the Group's capital management is to ensure that it maintains an appropriate capital structure in order to support its business and maximise equity holder value.

The Company and the Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or process during the years ended 30th September 2011 and 2010 respectively.

## 29. COMMITMENT

The Group had entered into non-cancellable lease agreements for office use, resulting in future rental commitments which can, subject to terms in the agreements, be revised annually based on prevailing market rates. The Group has aggregate future minimum lease commitment as at the reporting date as follows:

Group	2011 RM	2010 RM
Not later than one year	538,560	412,862
Later than one year and not later than five years	977,226	-
	<u>1,515,786</u>	<u>412,862</u>

## 30. FINANCIAL INSTRUMENTS

### i) Financial risk management objective and policies

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

### ii) Interest rate risk

The Company and Group are exposed to interest rate risk through the impact of interest rate changes on interest bearing borrowings from financial institutions. The Company's and the Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Company's and the Group's deposits and these financial assets are mainly short term in nature and they are not held for speculative purposes.

### iii) Credit risk

The Company and Group have no major concentration of credit risk. Cash is placed with credit worthy financial institutions.

The maximum exposure to credit risk in the event that the counter-parties fail to perform their obligations as at end of the financial year in relation to trade receivable is the carrying amount of trade receivables as stated in the balance sheet as at the end of the financial year.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets recognised on the statement of financial position.

Information regarding financial assets that are neither past due nor impaired are disclosed in Note 10.

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

iv) Foreign currency exchange risk

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

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

The net unhedged financial assets and financial liabilities of the Company and Group that are not denominated in the functional currency are stated in Notes 10 and 18 respectively. No sensitivity analysis was disclosed as the financial assets and financial liabilities denominated in foreign currency are immaterial.

v) Liquidity risk

In the management of liquidity risk, the Company and Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company's and Group's operations and mitigate the effects of fluctuation in cash flows. The Company and Group maintain adequate funds to meet their obligations as and when they fall due.

The maturity profile of the Company and Group's financial liabilities based on contractual undiscounted repayment are within one year from the financial reporting date.

vi) Fair value of financial assets and financial liabilities

All financial assets and liabilities are stated at or close to their fair values unless otherwise disclosed in the notes to the financial statements. The carrying amounts of the financial assets and financial liabilities are reasonable approximation of fair values, either due to short term nature or insignificant impact of discounting.

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

## NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2011 (Cont'd)

### 31. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25th March 2010, and subsequently on 20th December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on company and group basis in the annual audited financial statements.

The breakdown of (accumulated loss)/retained profits as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	COMPANY RM	GROUP RM
2011		
Total (accumulated loss)/retained profits of the Company and its subsidiaries:		
- Realised	2,411,121	2,865,012
- Unrealised	-	(364,646)
	2,411,121	2,500,366
Less: Consolidation adjustments	-	(1,067,995)
Total (accumulated loss)/retained profits as per statements of financial position	2,411,121	1,432,371

### 32. COMPARATIVE FIGURES

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

	2011 RM	2010 RM
<u>Group</u>		
Short term investment (as previously stated)	(2,769,835)	(1,981,392)
Cash and bank balances (as current stated)	2,769,835	1,981,392

## Statistic of Shareholdings

As at 20 February 2012

Authorized Share Capital	RM25,000,000
Issued and fully paid up Share Capital (*)	RM11,484,000 comprising of 114,840,000 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	6	0.51	238	0.00
100 to 1,000 shares	194	16.39	73,004	0.06
1,001 to 10,000 shares	301	25.42	2,083,648	1.82
10,001 to 100,000 shares	534	45.10	21,683,510	18.88
100,001 to 5,741,999 shares (**)	149	12.58	90,999,600	79.24
5,742,000 and above shares (***)	0	0.00	0	0.00
	<b>1,184</b>	<b>100.00</b>	<b>114,840,000</b>	<b>100.00</b>

Remarks:

(\*) - The issued and paid-up share capital of the Company increased to RM11,484,000 comprising of 114,840,000 ordinary shares of RM0.10 each with the completion of the Private Placement on 17 February 2012

(\*\*) - 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		Indirect	%
	Direct	%		
1) Mohd Badaruddin Bin Masodi	10,147,100	8.84	-	-
2) Mohd Faidzal Bin Ahmad Mahidin	7,003,000	6.10	-	-

### List of Directors' Shareholdings

Name	No of Shares Held		Indirect	%
	Direct	%		
1) Mohd Badaruddin Bin Masodi	10,147,100	8.84	-	-
2) Mohd Faidzal Bin Ahmad Mahidin	7,003,000	6.10	-	-
3) Ku Mun Fong	2,500,000	2.18	50,000 <sup>(a)</sup>	0.04
4) Ismawadee Bin Ismail	-	-	-	-
5) Mohd Fadzli Bin Ibrahim	-	-	-	-

Note:

(a) Deemed interested via his father, Koo Ah Lik @ Ku Yin Fu's shareholding.

## List of Thirty (30) Largest Shareholders

*As at 20 February 2012*

No	Shareholder	No of Shares	%
1	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Faidzal Bin Ahmad Mahidin	5,503,000	4.79
2	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Badaruddin Bin Masodi	5,147,100	4.48
3	Koh Chee Meng	3,710,000	3.23
4	Tan Wei Lian	3,367,200	2.93
5	Amin Husaini Bin Harun	3,271,000	2.85
6	Satvinder Singh	2,610,000	2.27
7	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Vincent Tan Seng Chye (Dealer038)	2,510,000	2.19
8	Ku Mun Fong	2,500,000	2.18
9	Mohd Badaruddin Bin Masodi	2,500,000	2.18
10	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Badaruddin Bin Masodi	2,500,000	2.18
11	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Musliha Binti Abdul Hamid (Margin)	2,000,000	1.74
12	Yap Gaik Tyng	1,750,000	1.52
13	Latifah Binti Mohammad Allaudin	1,655,000	1.44
14	Lam Thiam @ Lam Fook Keong	1,545,600	1.35
15	Lee Kay Huat	1,500,000	1.31
16	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Faidzal Bin Ahmad Mahidin	1,500,000	1.31
17	So Tiam Heng	1,454,100	1.27
18	Yong Teck Chuan	1,200,000	1.04
19	Hiah Swee Hiang	1,020,500	0.89
20	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yahaya Bin Idris (8024282)	1,020,000	0.89
21	Joan Yong Mun Ching	1,000,000	0.87
22	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Joanna Yong Hui Fun	1,000,000	0.87
23	Syed Mohd Nizam Bin Syed Majid	1,000,000	0.87

## List of Thirty (30) Largest Shareholders

As at 20 February 2012 (Cont'd)

No	Shareholder	No of Shares	%
24	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chu Chin (471507)	958,000	0.83
25	Harbendar Kaur A/P Nashter Singh	950,000	0.83
26	Ahmad Puad Bin Ismail	920,000	0.80
27	Kuah Hui Suan	900,000	0.78
28	Tan Yee Boon	820,000	0.71
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Har See Wah	810,000	0.70
30	Harbendar Kaur A/P Nashter Singh	800,000	0.70
<b>TOTAL</b>		<b>57,421,500</b>	<b>50.00</b>

## List of Properties

	Registered Owner	Title / Location	Description / Existing use	Land / built-up	Tenure	Approximate age of building	Encumbrances	Audited net book value as at 30.09.11 (RM)	Year of Acquisition
1	Extol Corporation (M) Sdn Bhd	Prima Square 13-1 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,282 sq. ft.	Freehold	13 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	275,500	Dec, 1995
2	Extol Corporation (M) Sdn Bhd	Prima Square 13-2 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	13 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	181,250	Dec, 1995
3	Extol Corporation (M) Sdn Bhd	Prima Square 13-3 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	13 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	181,250	Dec, 1995
4	Extol Corporation (M) Sdn Bhd	Prima Square 13-4 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	13 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	181,250	Dec, 1995
5	Extol Corporation (M) Sdn Bhd	Prima Square 13-5 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	13 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	181,250	Dec, 1995

## List of Properties (Cont'd)

	<b>Registered Owner</b>	<b>Title / Location</b>	<b>Description / Existing Use</b>	<b>Land / Built-up</b>	<b>Tenure</b>	<b>Approximate age of buildings</b>	<b>Encumbrances</b>	<b>Audited net book value as at 30.09.11 (RM)</b>	<b>Year of Acquisition</b>
6	Extol Corporation (M) Sdn Bhd	Subang Business Centre 5-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	14 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	229,830	Apr, 1995
7	Extol Corporation (M) Sdn Bhd	Subang Business Centre 7-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	14 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	229,830	Apr, 1995

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

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighth Annual General Meeting of the Company will be held at Homer Room, Unit G1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on **Friday, 30 March 2012 at 11.00 a.m.**, to transact the following businesses:-

AS ORDINARY BUSINESS: -

1. To receive the Audited Financial Statements for the financial year ended 30 September 2011 and the Reports of Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect the following Directors who retire pursuant to Article 90 of the Company's Articles of Association:-
  - 2.1 Encik Mohd Badaruddin bin Masodi (Ordinary Resolution 1)
  - 2.2 Mr Ku Mun Fong (Ordinary Resolution 2)
  - 2.3 Encik Ismawadee bin Ismail (Ordinary Resolution 3)
  - 2.4 Encik Mohd Faidzal bin Ahmad Mahidin (Ordinary Resolution 4)
3. To appoint the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs. CAS & Associates, who have given their consent to act, for appointment as Auditors and of the intention to propose the following Ordinary Resolution:-

"THAT Messrs. CAS & Associates be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. C.K. Cheah & Co. and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration."

AS SPECIAL BUSINESS: -

4. To approve the payment of Directors' Fees of not more than RM150,000.00 per annum for the financial years subsequent to the financial year ended 30 September 2011. (Ordinary Resolution 6)
5. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: -

**INCREASE IN AUTHORISED SHARE CAPITAL**

(Ordinary Resolution 7)

"THAT the authorised share capital of the Company be increased from RM25,000,000.00 to RM100,000,000.00 by the creation of an additional 750,000,000 ordinary shares of RM0.10 each and that in consequence thereof, the Memorandum and Articles of Association of the Company and all other documents be amended accordingly."

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

NOTICE OF EIGHTH ANNUAL GENERAL MEETING (Cont'd)

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

**AUTHORITY TO ISSUE SHARES**

(Ordinary Resolution 8)

“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 WAI FOONG (MAICSA 7001358)**

**LIM LEE KUAN (MAICSA 7017753)**

Secretaries

Kuala Lumpur

Date: 8 March 2012

Notes:-

- I. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 22 March 2012. Only depositor whose name appears on the Record of Depositors as at 22 March 2012 shall be entitled to attend this meeting or appoint proxies to attend and/or votes on his/her.
- II. 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.
- III. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- IV. 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.
- V. 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 **11.00 a.m., Wednesday, 28 March 2012.**

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

NOTICE OF EIGHTH ANNUAL GENERAL MEETING (Cont'd)

**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 3 of the Agenda

If the proposed Ordinary Resolution 5 on the change of auditors from the existing auditors, Messrs. C.K. Cheah & Co. to Messrs. CAS & Associates is not carried at the Annual General Meeting, the retiring auditors who had indicated their willingness to act as the Company's auditors shall continue to hold office as the auditors of the Company.

3. Item 4 of the Agenda

The Shareholders had at the Fourth Annual General Meeting held on 24 June 2008 approved the payment of Directors' Fees of not more than RM90,000 per annum for the financial years subsequent to the financial year ended 31 December 2007. Nevertheless, to accommodate for the future increase in the number of the Directors, the Company proposed to increase the annual quantum of the Directors' Fees to RM150,000 per annum.

The proposed Ordinary Resolution 6, if passed, will empower the Board of Directors to pay the Directors' Fees within the limit of the annual quantum so approved. The Company does not need to seek the Shareholders' approval again at the subsequent Annual General Meetings, unless there is a proposed increase put forth by the Board of Directors of the Company.

4. Item 5 of the Agenda

The proposed Ordinary Resolution 7, if passed, will empower the Company to increase its authorised share capital from RM25,000,000.00 with 250,000,000 ordinary shares of RM0.10 each to RM100,000,000.00 by the creation of an additional 750,000,000 ordinary shares of RM0.10 each.

5. Item 6 of the Agenda

The proposed Ordinary Resolution 8, if passed, will authorise the Directors of the Company to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental/regulatory bodies. This authorisation will empower the Directors of the Company to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option made or granted by the Directors while the authorisation was in force. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the Previous Mandate"). The Previous Mandate had been utilised for the private placement of up to 10 % of the issued share capital of the Company ("Private Placement"). Bursa Malaysia Securities Berhad had on 12 August 2011 granted its approval for the Private Placement. The Company had issued 10,440,000 ordinary shares of RM0.10 each at an issue price of RM0.15 each. The Private Placement had raised gross proceeds of RM1,566,000.00 and proposed to be utilised for working capital for the Company and its subsidiary companies and to defray the estimated expenses for the Private Placement. As at the date of printing of this Annual Report, the proceeds has not been utilised.

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

# ANNEXURE A

## Notice of Nomination of Change Auditors

**Mohd Badaruddin Bin Masodi**

No. 182, Jalan G1  
Taman Melawati  
53100 Kuala Lumpur

Date: 27 February 2012

The Board of Directors  
**EXTOL MSC BERHAD**  
Level 18, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

Dear Sirs,

**EXTOL MSC BERHAD**  
**- NOTICE OF NOMINATION OF CHANGE AUDITORS**

---

Pursuant to Section 172(11) of the Companies Act, 1965, I, Mohd Badaruddin Bin Masodi being a shareholder of the Company, hereby give notice of my intention to nominate **Messrs. CAS & Associates** as Auditors of the Company in place of the retiring Auditors, **Messrs. C.K. Cheah & Co.**, and to propose the following resolution to be tabled at the Eighth Annual General Meeting of the Company:-

“THAT Messrs. CAS & Associates be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. C.K. Cheah & Co. and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration.”

Yours faithfully

---

**MOHD BADARUDDIN BIN MASODI**

**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 Eighth Annual General Meeting of the Company to be held at Homer Room, Unit G1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on **Friday, 30 March 2012 at 11.00 a.m.** and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 30 September 2011 and the Reports of Directors and Auditors thereon.			
		<b>Resolution</b>	<b>FOR</b>	<b>AGAINST</b>
2.	To re-elect the following Directors who retire pursuant to Article 90 of the Company's Articles of Association.			
2.1	Encik Mohd Badaruddin bin Masodi	1		
2.2	Mr Ku Mun Fong	2		
2.3	Encik Ismawadee bin Ismail	3		
2.4	Encik Mohd Faidzal bin Ahmad Mahidin	4		
3.	To appoint Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.	5		
4.	To approve the payment of Directors' Fees of not more than RM150,000.00 per annum for the financial years subsequent to the financial year ended 30 September 2011.	6		
5.	Increase in Authorised Share Capital.	7		
6.	Authority to Issue Shares.	8		

Signed this ..... day of ..... 2012.

<b>Number of shares held:-</b>	
<b>CDS account no.:-</b>	

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

**Notes:-**

- i. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 22 March 2012. Only depositor whose name appears on the Record of Depositors as at 22 March 2012 shall be entitled to attend this meeting or appoint proxies to attend and/or votes on his/her.
- ii. 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.
- iii. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv. 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.
- v. 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 **11.00 a.m., Wednesday, 28 March 2012.**



**EXTOL**

**ADVANCING EXCELLENCE**

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