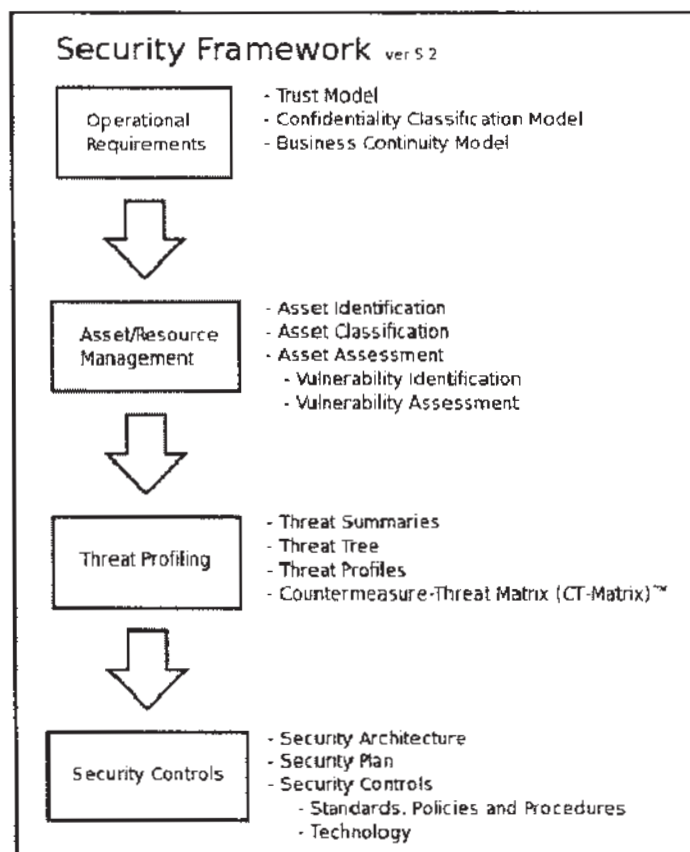


4 INFORMATION ON THE COMPANY (Cont'd)

(iii) ICT security methodology

With its knowledge and skills in security technologies, the Group has developed a security framework methodology which forms the basis when drafting and developing security framework policies for its customers. Most of the Group's major customers for MSS have benefited from this methodology as it is usually bundled with MSS.

The following diagram details the Group's security framework methodology:



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4 INFORMATION ON THE COMPANY (Cont'd)

The Group's Security Framework is categorised into four steps, i.e. Operational Requirements, Assets/Resources Management, Threat Profiling and Security Controls. A brief description of each of the steps is as follows:-

1) Operational Requirements

The first phase comprises the gathering and documentation of the operational requirements and is translated into the following models:-

- **Trust Model**
The trust model is a documentation categorising all the levels of trust in the evaluated system. For instance, a finance manager may or may not be in the same trust level as a director.
- **Confidentiality Classification Model**
This model determines how assets, typically information should be classified, the various classification levels, its process for classification as well as the de-classification considerations.
- **Business Continuity Model**
This model is used to fit all the various critical assets into a business continuity model. Different assets will be classified differently depending on its effort/availability for recovery, cost of recovery, etc.

2) Asset / Resource Management

The next stage is to identify, classify and assess all critical assets that are required for the normal operation of the system. Assets and resources are put into the respective models, as mentioned earlier. For instance, the access to certain resources must be determined by the trust model and the access to certain information must be determined by the confidentiality classification model.

When assets are assessed, all their associative vulnerabilities are also identified and documented. Vulnerabilities include bugs in software, hardware resilience, lack of training, etc. However, the complete vulnerabilities can only be completed after all threats are identified and profiled.

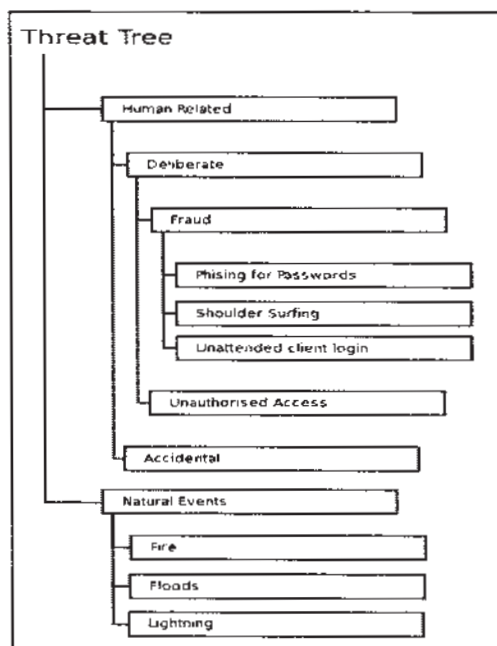
3) Threat Profiling

Threats are identified and profiled based on the inventory of assets from the previous stage. The threat profile will include the following classification:

- technical capabilities of a particular threat
- prevalence based on 'in the wild' estimates (viruses which are already spreading among computer users)
- attack method of the threat, if any
- likelihood of the threat occurring
- its impact on the resources or assets

4 INFORMATION ON THE COMPANY (Cont'd)

Once the threats are identified and profiled, they can be represented in a tree like structure for management summary, as illustrated below:-



The findings are translated into a countermeasure threat matrix which will graphically map the various countermeasures to the identified threats. From the countermeasure threat matrix, the management can clearly see which threats are addressed and which threats are yet to be addressed.

4) Security Controls

Once the countermeasure threat matrix is completed, more detailed controls and countermeasures can be effectively planned. The controls are determined by two (2) documents, the security architecture, also known as the security blueprint and the security plan.

Security Architecture

Also known as the security blueprint, this document will contain the list of controls as specified by the countermeasure threat matrix. The document also outlines the relationship between various controls.

Security Plan

The security plan will include security objectives, time lines for the implementation of various countermeasures, associated budgets and responsibilities or ownerships of various initiatives. It will be a comprehensive document detailing which controls have been implemented, proposed controls as well as optional controls.

4 INFORMATION ON THE COMPANY (Cont'd)

The heart of the framework is the Group's threat profiling methodology. The Group believes that it is the only Malaysian company capable of performing threat profiling that involves categorising threat profiles of intrusion and the risks involved. The threat profiling methodology identifies the appropriate actions that can be taken to address these intrusions. This methodology allows users to develop a comprehensive security policy plan, which is ISO17799 compliant (ISO17799/BS7799 is an ICT security administration standard which applies to a system, and is issued by ISO IEC and certified by SIRIM) for their organisations. Most of the Group's competitors prescribe ICT security solutions based on the customer's feedback, which may or may not be accurate. With its ICT security methodology (and in particular, the threat profiling), the Group is able to accurately identify the vulnerabilities of an organisation's system and accurately diagnose a control or solution.

This methodology serves as a tool for the clients' management team to decide on which threats to address based on detailed threat analysis. The Group believes that there is no existing methodology in the market which focuses on threats or provides threat analysis with such detailed threat profiling.

The Group has plans to convert this security methodology into a generic, multi-platform software (TEMBAGA) in order to reach out to a broader market. TEMBAGA would also allow the users to perform the threat analysis by themselves, as opposed to hiring a consultant from the Group. This will enable the Group to reach out to clients with lower budgets.

IP

The Group currently owns all the copyrights and IPs to its core software source codes in accordance with the provisions of the Copyright (Amended) Act 1997 in Malaysia. In order to protect its IP rights to its source codes, the Group has incorporated protection clauses in most of its agreements with its clients that protect its IP rights. For further protection, the Group has also encrypted the source codes.

In addition, the development of the software source codes are governed by the Group's internal policy which restricts the access of each programmer or software engineer, wherein each party is only exposed to selected segments of the software development source codes. These source codes are then combined by the project manager to form the entire software application. With the exception of the project managers, Chief Technology Officer and Chief Executive Officer, no single programmer or software engineer knows the source codes for the entire software application. Furthermore, employment letters with each employee include confidentiality clauses which effectively prohibit disclosure of confidential information which the employee comes to know in the course of employment.

On the other hand, various Open source softwares have been incorporated as part of the technology used by the Group. To protect the Group's interest with regards to the Open source licensing issues, the Group has developed proprietary software modules and added in-house proprietary technologies that are used together with the Open source parts. The system will not function without the protected proprietary parts. In this manner, illegal duplication of any of the Group's products will be minimised because the system requires proprietary portions, which are protected by encryption.

4 INFORMATION ON THE COMPANY (Cont'd)

The table below sets out the Group's proprietary applications and appliances of trade that are either trademarked or copyrighted:

No.	Product	Properties
1	Armour Virus Control (or Armour™)	Trademark
2	Armour GateSecure	Copyright
3	Virus Behavioural Detection Model (VBDM)	Copyright
4	Armour Macropro [^]	Copyright
5	Armour CryptoSafe [^]	Copyright
6	Armour Central Management Unit (CMU) [^]	Copyright
7	Extol Managed Security Services / iPatrol Security System	Copyright
8	iPatrol iFilter	Copyright
9	iPatrol Heartbeat Manager	Copyright
10	iPatrol Performance Manager	Copyright
11	iPatrol HostGuard	Copyright
12	iPatrol Vulnerability Assessment Manager	Copyright
13	iPatrol Log Analysis	Copyright
14	iPatrol FirewallGUARD	Copyright
15	iPatrol IntruGUARD Services	Copyright
16	Extol Safe Computing	Copyright
17	CAViS	Copyright
18	Threat Profiling	Copyright
19	EC* Procurement (EC*PRO) ^{^^}	Copyright
20	EC* Enterprise Resource Planning (EC*ERP) ^{^^}	Copyright
21	EC*TAG	Copyright
22	EC*Campus Information Management System (EC*CIMS)	Copyright
23	Xanthus Universal Controller (RFID Reader)	Copyright
24	EXTOL	Trademark
25	CT-MATRIX	Trademark
26	iPatrol	Trademark

Notes: [^] These are components used in Armour Virus Control.
 ^{^^} These are components used in EC*TAG and EC*CIMS.

4.7 OPERATING LICENCES

The Group does not require any special licences or permits to carry out its operations.

4.8 GROWTH AND MARKET PENETRATION STRATEGIES

The Group intends to embark on the following business expansion and growth strategies:

- (a) Expansion through licensing model (for MSS)
 - (b) Expansion through reseller network (for stand-alone applications)
 - (c) Strategic partnership, joint ventures and strategic alliances
 - (d) Industry segment expansion using SEA products as a platform
- (a) **Expansion through licensing model (for MSS)**

A key growth strategy of the Group will be to license its security surveillance monitoring solutions to other security solution providers in the ICT security industry.

4 INFORMATION ON THE COMPANY (Cont'd)

Limited by geographical location and manpower requirements, this growth strategy provides an avenue which will allow the Group to expand its market share. Through this strategy, other security solution providers need not set up their own R&D divisions. The Group will provide all the necessary support in terms of new security solutions and technical know-how.

Under this licensing program, the third party security solutions provider will sign a licensing agreement that will consist of a one-time license charge, subject to yearly renewal. The Group will also charge a royalty fee for its proprietary security application and appliances provided.

The Group will provide all technical and computer appliances support to its licensee 'vendors'. The Group will be responsible for the design and setting up of control centers for its licensee holders. Support services such as technical capabilities, enhanced security solutions and off-site customer support services will be provided by the Group. The immediate target of the Group will be the local and South East Asia region before expanding to other regions. Part of the Group's listing proceeds will be utilised to set up MSS rooms to kick start their licensing model. The Group has entered into memorandum of understandings with two parties, one from Indonesia and the other from Vietnam to form strategic alliances under the licensing model. Negotiations in respect of this matter are still ongoing and subject to finalisation of the terms and conditions between the parties.

Other regional expansion strategies in the pipeline will be expansion through the Group's exposures and business networks obtained through its Maybank global award contract. In 2003, the Group was awarded a contract by Maybank as a MSS provider to supply and commission security system for Maybank's branches in London, New York, Shanghai, Jakarta and Labuan. The Group plans to leverage on its experience and contacts gained in these countries to expand its operations. In 2004, the contract was extended to cover Papua New Guinea.

(b) Expansion through reseller network (for stand-alone applications)

For its stand-alone security solution applications in MSS and SEA, the Group will appoint resellers to expand its market share.

The expansion through reseller network is also in line with the Group's R&D strategy to make its products such as TEMBAGA more generic and 'off the shelf'. The Group plans to build a reseller network as distribution centers for its existing (MSS and SEA applications) and future (TEMBAGA) standalone security solutions. The Group intends to introduce a reseller's reward program where the resellers will be awarded points for the number of units sold to be redeemed for exchange of gifts. These points for gift redemption points serves as a loyalty program for its resellers. On top of the gifts, the resellers will be entitled to a commission scheme.

(c) Strategic partnership, joint ventures and strategic alliances

The Group intends to establish strategic partnerships, joint ventures, alliances or acquisitions for regional expansion over the next five years, should the right opportunities present themselves. The Group will work to actively identify potential partners with strong existing customer base and business presence and plans to tap into its partners' customer base to introduce its security solutions and enterprise applications. These joint ventures will enable the Group to expand its security solutions overseas and provide the Group with a presence in those countries for further business opportunities.

4 INFORMATION ON THE COMPANY (Cont'd)

Through these partnerships, the Group will be able to keep abreast with the latest security technologies by tapping into its partners' know-how and expertise.

(d) **Industry segment expansion using SEA products as a platform**

SEA provides an avenue for the Group to diversify its earnings base and provides a platform to expand its MSS products and services across other industries. Currently, the market for the Group's MSS is primarily in the financial industry. Through its SEA, the Group will be able to penetrate into other industries such as education (EC*CIMS) and apparel and garment manufacturing (through EC*TAG's core modules). The Group is also actively promoting EC*CIMS to government agencies.

Although the Group's SEA is bundled with security features, these features do not compete with the MSS nor do they make the MSS obsolete. The Group's SEA is embedded with front-end security features such as cryptographic mechanism infrastructure and application level security systems. Together with the MSS which provides back-end security for an organisation's IT system, they form a complete and comprehensive solution to fulfil an organisation's ICT security requirements.

4.9 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS/INPUT

The Directors of Extol MSC believe that offering a competitive salary package and a conducive working environment will mitigate the risk of insufficient qualified IT personnel. In addition, due to its MSC status, the Company is eligible to employ foreign skilled workers should the need arise.

The Group procures third party components from various suppliers which are used to deliver its solutions. These products are widely available in the market and the Group is not dependent on any single supplier. Nevertheless, the Group maintains good relationships with its suppliers.

4.10 QUALITY ASSURANCE CONTROL

To ensure that its products, services and solutions are of the highest quality to ensure competitiveness, the Group practices stringent quality assurance. The quality assurance standards of the Group are governed by its internal policies. The quality assurance standards are as follows:

- (a) **Objectivity**, which stresses on implementing all necessary work to complete the assignment successfully;
- (b) **Assurance**, which ensures the assignment meet the expected requirements;
- (c) **Timeliness**, which ensures the assignment is completed within the stipulated time;
- (d) **Cost**, which ensures the assignment is completed within budget;
- (e) **People**, which ensures the right people are placed in the right assignment;
- (f) **Strategic Partnership**, which ensures the right business partners are efficiently matched against the assignment's requirements; and
- (g) **Communication**, which ensures accurate and appropriate generation and dissemination of assignment information to the client.

4 INFORMATION ON THE COMPANY (Cont'd)

To maintain its quality standards, each and every assignment is rigorously reviewed by the senior system engineers and programmers. The Group ensures that these standards are adopted and applied consistently by all service professionals within the firm to ensure that its solutions and products are of the highest quality.

4.11 R&D

The table below shows the Group's R&D cost and the corresponding percentage of R&D cost to revenue over the past three (3) financial years ended 31 December 2004 and eight (8) months ended 31 August 2005:-

	FYE 2002	FYE 2003	FYE 2004	Eight (8) months ended 31 August 2005
*R&D cost (RM'000)	443	1,422	1,256	737
*Revenue (RM'000)	7,353	7,554	8,599	7,264
R&D cost / Revenue (%)	6.02	18.82	14.61	10.15

*Note *: Refers to proforma consolidated R&D cost and revenue of the Group.*

The key R&D strategies of the Group are as follows:-

- (a) Continuous development of new products and enhancement of existing products
- (b) Move towards Open source technology
- (c) Research on new security threats and technologies

(a) Continuous development of new products and enhancement of existing products

The Group plans to continue developing applications and appliances for the ICT security industry, with its main focus being the development of NN system.

Besides developing new products and services to extend its suite of offerings, the Group also plans to continuously enhance its existing suite of products. One of the main direction of the Group would be to move towards making its products more generic and 'off-the-shelf' to suit a variety of customers and industries. The move towards more generic products also forms part of the Group's strategy to penetrate broader markets and to extend its reach to a wider spectrum of industries.

The Group plans to leverage on its experience in the ICT security industry, domain knowledge and user requirements accumulated over the years to come up with more generic versions of its software. One example would be the conversion of the Group's security methodology to a generic, multi-platform software to be named TEMBAGA. The Group targets to complete TEMBAGA by 2007.

(b) Move towards Open source technology

Due to recent industry trend of Open source adoption in the IT industry, the Group's strategic R&D direction had been to align itself with the Open source community. Open source software refers to software where the source code (the language in which the program is written) is freely distributed with the right to modify the code, and on the condition that redistribution is not restricted, and is obtainable for no more than the reasonable cost of production.

4 INFORMATION ON THE COMPANY (Cont'd)

As part of the Group's move towards Open source technology it has maintained compatibility with all key Open source systems such as Linux, FreeBSD, NetBSD, OpenBSD and other Open source systems and will continue to ensure compatibility in the future. All Open source software as well as commercial tools used are rigorously tested for integrity and functionality prior to the adoption into the security solutions.

(c) Research on new security threats and technologies

As both environment and security targets are constantly evolving, the Group has identified a need for continuous review of the security process for improvements. One of the main methodology developed by the Group is its threat profiling methodology to study behavioural patterns of attacks and intrusions. This methodology will provide a standard approach of researching security issues and will assist in attaining the objectives of enhancing or developing new security solutions.

The Group builds on its security research lab by setting up Honeypots on the Internet to research on new hacking systems and methods for its threat profiling database. These Honeypots are 'traps' set on the internet to attract hackers and they enable the Group to identify new hacking methods and behaviours of hackers. Honeypots are set with different level of difficulties to attract hackers of different calibre. As and when there are available data, the Group compiles data on the Honeypots and filters these data to separate hacking activities from access by non-hackers. Data on hacking activities are then continuously updated on the Group's database and this information is used when the Group plans to introduce new products or enhances its current suite of products. With its extensive database, the Group is able to keep itself at the forefront of the ICT security industry in terms of knowledge of hacking behaviours.

4.12 INTERRUPTIONS IN THE BUSINESS DURING THE PAST TWELVE (12) MONTHS

There has been no interruption to the Group's business or operations in the past twelve (12) months.

4.13 EMPLOYEES

As at the Latest Practicable Date, the Group has forty-four (44) staff employed in the following capacity:-

Categories	Number of employees	Average years of service
Management	6	11
Finance & Administrations	4	6
Operations / Marketing	16	5
R&D	18	3
Total	44	5

Having attained the MSC status and with sufficient funds raised from the Public Issue, the Company will be able to strengthen and increase the number of knowledge personnel employed by the Company, as well as its expenditure for R&D activities.

The Group currently provides staff training via in-house training sessions and on-the-job training. The management of the Group believes that staff development is crucial and therefore, employees of the R&D department are exposed to various R&D functions in order to ensure that they are adequately acquainted with the Company's R&D and product implementation processes. Promotions are usually within the Group and the Group will train junior managers to become middle and top management by giving them the opportunity to accept more responsibilities.

4 INFORMATION ON THE COMPANY (Cont'd)

The employees of the Company do not belong to any labour union and enjoy a cordial relationship with the management. There is and has been no labour or industrial dispute between the employees and the management.

4.14 KEY CORPORATE MILESTONES

The key milestones of the Group are as follows:-

Year	Achievements
1992	Development of Armour anti-virus application software
1993	Formed strategic alliance with Norman as its technology partner for bi-directional technology transfer of anti-virus solutions
1994	Armour was nominated by PIKOM as the best software product of the year
1996	First Malaysian company to introduce security assessment, security policy review and design to a major telecommunication company ^{*1}
1997	Extol Corporation was honoured with the prestigious IT Achievement award by PIKOM
1998	The Group was chosen as the official provider of MSS for the Kuala Lumpur 98- XVI Commonwealth Games
1998	Extol Corporation was listed by MIS Asia in 1998 as one of the most Strategic 100 IT Companies that matters most to Asia Pacific
1999	Extol Corporation was listed by MIS Asia in 1999 as one of the most Strategic 100 IT Companies that matters most to Asia Pacific
2002	Awarded contract for MSS by Maybank
2003	Awarded global contract (New York, London, Shanghai, Hong Kong Jakarta and Labuan) as a MSS provider to supply and commission security system for Maybank
2004	Awarded the SMI-Maybank Rising Star Award 2004 by SMI Malaysia in recognition of contribution to SMI

Note:

^{*1} There were no known local MSS competitors in 1996.

The following are summary of certain selected historical highlights of the Group:

1992 - Development of Armour anti-virus application software

The Group became among the pioneer Malaysian companies to have internally developed a commercially viable anti-virus software (called the "Armour").

1994 – Nomination for Software of the Year Award by PIKOM

Armour was nominated by PIKOM as the best software product of the year in 1994. Armour was among the first commercially viable anti-virus application software known to have been developed in the country. Armour provides protection, identification and eradication of computer viruses on standalone PCs and computer network servers.

The nomination was selected from locally developed and commercially available ICT products which had contributed significantly to the advancement of the local ICT industry. The IT fields to which this award applied were hardware and software development for business applications, consumer applications, education, security, e-business and others.

4 INFORMATION ON THE COMPANY (Cont'd)

1997 - IT Achievement Award by PIKOM

Extol Corporation was awarded the IT Achievement Award by PIKOM for providing significant advancement to the IT industry in Malaysia. This award was a recognition of an outstanding organization or a unit within the organization that had been instrumental in the development of the ICT industry in Malaysia.

1998 - Official provider of MSS for the Kuala Lumpur 98- XVI Commonwealth Games

The Group was selected as the official provider of MSS for the Kuala Lumpur 98 XVI Commonwealth Games. The protection of the ICT systems for Kuala Lumpur 98 XVI Commonwealth Games was critical as any ICT security breach could result in very damaging effect to the country's reputation as an organizer of a major international event.

1998 and 1999 - MIS Asia Recognitions

In 1998 and 1999, Extol Corporation was listed as one of the most strategic 100 IT Companies in Asia Pacific by MIS Asia.

4.15 OPERATING CAPACITIES AND OUTPUT

The Group's operating capacity is determined by the number and experiences of the skilled IT employees that it has. As such, the Group constantly monitors the requirements of its IT employees in respect of their competency and skills to ensure that contracts secured could be delivered to customers as scheduled. To-date, the Group has neither encountered any constraints in operating capacity nor has it encountered any difficulty in increasing its headcount to meet an increase in contracts.

4.16 PRINCIPAL PLACE OF BUSINESS

The Company's operations are currently situated at its headquarters at No. 5-5, Jalan USJ9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor. The property is owned by Extol Corporation.

4.17 EXCEPTIONAL FACTORS AFFECTING THE BUSINESS

Save for the risk factors highlighted in Section 3 of this Prospectus, the Company does not foresee any exceptional factors, which may affect the business of the Group.

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4 INFORMATION ON THE COMPANY (Cont'd)

4.18 MAJOR CUSTOMERS

The list of top ten (10) customers of the Group (based on audited results for eight (8) months ended 31 August 2005) are as follows:

	Sales for the eight (8) months financial period ended 31 August 2005 (RM)	% of Sales*	Length of Relationship (Years)
Top Customer Base			
A Government Linked Agency	890,000	12.25	12
EDS IT Services (M) Sdn Bhd**	857,041	11.80	4
PT Nuansa Citra Ramantha	798,000	10.99	1
Malayan Banking Berhad	763,034	10.51	12
Computer Systems Advisers (M) Bhd	492,253	6.78	11
Digi Telecommunications Sdn Bhd	488,059	6.72	2
Whitex Garments Sdn Bhd	284,000	3.91	2
Alliance Bank Malaysia Berhad	267,101	3.68	12
A Government Agency	253,514	3.49	10
Commerce International Merchant Bankers Bhd	210,656	2.90	10

Notes

* As a percentage of the proforma Group sales of RM7,263,279 which was computed based on audited results for eight (8) months ended 31 August 2005.

** The end user is Bumiputra Commerce Bank Berhad (Commerce Asset Group).

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4 INFORMATION ON THE COMPANY (Cont'd)

4.19 MAJOR SUPPLIERS

The list of top suppliers of the Group (based on audited results for eight (8) months ended 31 August 2005) are as follows:

Top Suppliers	Purchases for the eight (8) months financial period ended 31 August 2005 (RM)	% of purchases*	Length of Relationship (Years)
M-Security Technology Sdn Bhd	1,038,860	35.15	3
Serious Technology Sdn Bhd	210,000	7.10	1
Teknas Sdn Bhd	197,280	6.67	1
Ingram Micro Malaysia Sdn Bhd	189,700	6.42	12
ACA Pacific Technology (M) Sdn Bhd	127,310	4.31	7
ECS Pericomp Sdn Bhd	110,548	3.74	12
Norman ASA**	103,459	3.50	5
Dell Asia Pacific Sdn Bhd	53,825	1.82	2
Quantiq International Sdn Bhd	51,970	1.76	1
Atlantix Global Systems	48,761	1.65	2

Notes:

* As a percentage of the proforma Group purchases of RM2,955,787 which was computed based on audited results for eight (8) months ended 31 August 2005.

** A related company of Norman.

4.20 SUBSIDIARY AND ASSOCIATED COMPANIES

Extol MSC has two (2) subsidiary companies and does not have any associated companies.

Details of Extol MSC's subsidiary companies are set out below:-

4.20.1 Information On Extol Corporation

(i) History and business

Extol Corporation was incorporated on 7 June 1984 in Malaysia under the Act as a private limited company. Extol Corporation is principally engaged in the sale and research and development of security technology, security maintenance and professional security services and training.

(ii) Share capital

The present authorised share capital and issued and paid-up share capital of Extol Corporation as at the Latest Practicable Date is as follows:-

Types	No. of shares	Par value (RM)	Amount RM
Authorised	5,000,000	1.00	5,000,000.00
Issued and paid-up	2,500,000	1.00	2,500,000.00

4 INFORMATION ON THE COMPANY (Cont'd)

Details of the changes in the issued and paid-up share capital of the company since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value (RM)	Consideration	Resultant paid-up share capital (RM) (cumulative)
07.06.1984	3	1.00	Subscribers' shares	3
25.01.1985	74,997	1.00	Cash	75,000
10.06.1987	75,000	1.00	Cash	150,000
15.02.1992	150,000	1.00	Cash	300,000
02.10.1996	700,000	1.00	7 for 3 Bonus issue	1,000,000
11.08.1997	1,500,000	1.00	3 for 2 Bonus issue	2,500,000

(iii) Directors

The Directors of Extol Corporation are Justin Tan Seng Kooi and Lee Choon Kee.

(iv) Substantial Shareholder

Extol Corporation is a wholly-owned subsidiary of Extol MSC.

(v) Employees

As at the Latest Practicable Date, Extol Corporation has sixteen (16) employees.

Extol Corporation does not have any subsidiary or associated companies.

4.20.2 Information On Extol Marketing

(i) History and business

Extol Marketing was incorporated on 31 March 2004 in Malaysia under the Act as a private limited company. Extol Marketing is principally engaged in trading of computer hardware, software, related equipment and software development. Extol Marketing is currently a dormant company which has been identified to undertake the foreign activities of the Group, in line with the Group's plan to expand to overseas markets.

(ii) Share capital

The present authorised share capital and issued and paid-up share capital of Extol Marketing as at the Latest Practicable Date is as follows:-

Types	No. of shares	Par value (RM)	Amount RM
Authorised	100,000	1.00	100,000.00
Issued and paid-up	2	1.00	2.00

4 INFORMATION ON THE COMPANY (Cont'd)

Details of the changes in the issued and paid-up share capital of the company since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value (RM)	Consideration	Resultant paid-up share capital (RM) (cumulative)
31.03.2004	2	1.00	Subscribers' shares	2.00

(iii) Directors

The Directors of Extol Marketing are Justin Tan Seng Kooi and Alex Tan Seng Keng.

(iv) Substantial Shareholders

Extol Marketing is a wholly-owned subsidiary of Extol MSC.

(v) Employees

As at the Latest Practicable Date, Extol Marketing has no employees.

Extol Marketing does not have any subsidiary or associated companies.

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4 INFORMATION ON THE COMPANY (Cont'd)

4.21 BUSINESS STRENGTHS

(i) R&D Capabilities and Proprietary Technologies

The Group's R&D team is headed by Lew Chia Chyi, the Chief Technology Officer (CTO) and overseen by Justin Tan Seng Kooi, the Chief Executive Officer. The CTO is assisted by the R&D team, comprising eighteen (18) programmers and system engineers. The Group has successfully researched and developed various original ICT security applications and appliances, methodologies as well as the highly technical and sophisticated AI software engines. The proprietary applications, appliances and methodologies are used to deliver the Group's MSS and SEA.

The following summary bears testimony to the strength and capability of the Group's R&D:

The development of Armour

In 1992, the Group managed to internally develop an anti-virus application software named 'Armour'. Armour was among the first commercially viable anti-virus application software known to have been developed in the country. Armour provides protection, identification and eradication of computer viruses on stand-alone PCs and computer network servers. In 1994, Armour was nominated by PIKOM as the best software of the year.

The development of MSS

In 1996, the Group became the first Malaysian ICT security solutions provider to introduce security assessment, security policy review and design to a primary local telecommunications provider.

The development of a proprietary ICT security methodology

The Group's ICT security methodology forms the basis when drafting and developing security framework policies for the Group's clients. The heart of the framework is the Group's threat profiling methodology which profiles threats faced by an organisation and systematically forms a countermeasure threat matrix which accurately identifies these threats and maps out the controls to be implemented.

The threat profiling capability is the result of an accumulation of over ten (10) years of security threat researches and experiences in security projects.

The Group uses this proprietary methodology to identify the vulnerabilities of an organisation's system and accurately diagnose a control or solution, as opposed to most of the Group's competitors, which prescribe ICT security solutions based on the customer's feedback, which may or may not be accurate.

The development of the expert system and NN software engines

During the period between 2002 and 2004, the R&D team had successfully researched and developed the technical and sophisticated AI software engines for its proprietary MSS application and appliances. AI refers to the science and engineering of making intelligent machines, especially intelligent computer programs.

4 INFORMATION ON THE COMPANY (Cont'd)

The R&D team had developed the 'expert-based' AI system (that makes computers 'behave' like a human expert to perform critical functions efficiently and effectively based on pre-set rules and knowledge database) and has developed an 'NN' engine (called the X-Net) for its applications and appliances.

X-Net simulates the human brain's learning process by imitating the thousands of network of highly interconnected nodes called neurons in the human brain. X-Net has predictive capabilities which are able to identify unknown or possible threats. The Group has successfully integrated the X-Net into its proprietary applications and appliances such as the FS9000, iPatrol iFilter, iPatrol Log Analysis and plans to incorporate the X-Net into more of its proprietary applications and appliances.

The Group believes that it is the only known local ICT security company and is one of the few companies in the world to embed the NN system into its security solutions.

The strength of the R&D team as illustrated above has given the Group's ICT security products and services a competitive edge in terms of the comprehensiveness of the ICT security applications, appliances and methodology and technology. This competitive edge has become another major area of strength of the Group.

(ii) Experience and Business Know-How

Having been in the ICT security industry since 1990, the Group has accumulated the relevant business know-how and experience and was among the first local ICT security providers to develop its own anti-virus software. The Group keeps an extensive database of information based on its researches and experiences and constantly taps into this database to develop new products or enhance its existing products.

The Group's CEO, Justin Tan Seng Kooi, is actively involved in the development of all security solutions due to his strong technical knowledge. He had chaired various local technical working groups such as WG3 (Working Group 3) (as elaborated below) and is actively involved in reviewing assessing, developing and adopting national and international security standards through SIRIM's participation with international organisations such as ISO and IEC. The Group has been able to leverage on Justin's experience and knowledge to produce solutions and products which are compliant with international industry standards.

Justin is currently a member of WG3 under the technical committee (TC5), which is commissioned by SIRIM to oversee information security. TC5 is part of the working group commissioned to review and evaluate information security standards with two (2) main objectives; the first is to review and adopt international standards for Malaysia and the second is to review and comment on international security standards produced by the ISO/IEC before these standards are formally adopted. Justin's involvement in these committees clearly demonstrates his vast experience in the ICT security industry and the recognition given to him in the local ICT industry.

(iii) First mover advantage in the local market and competitively priced solutions

Being the pioneer local ICT security solutions provider, the Group has a head start from its local competitors in terms of knowledge, experience and understanding of the local ICT security industry's requirements. Its experience and knowledge of the local market and business culture, have enabled the Group to develop ICT security solutions which are localised to suit the requirements of Malaysian organisations. This serves as a significant competitive advantage over potential or new entrants into the local ICT security industry.

4 INFORMATION ON THE COMPANY (Cont'd)

In addition to the above, the Group's early venture into ICT security enabled the Group to accumulate an extensive database of hackers' behaviours and in-depth knowledge of the ICT security industry trends. These are valuable assets of the Group, which provides it the competitive edge to swiftly react to any changes in the local ICT security industry, thus maintaining its first mover advantage.

As the Group's solutions are developed in-house, the Group has the flexibility to competitively price its solutions (if required) to gain advantage over its competitors, especially the foreign competitors.

The combination of the advantages above also give the Group an edge when it ventures to markets which have similar business cultures to the local market.

(iv) Market credibility and proven track record

The Group has the intrinsic knowledge required for the design and implementation of security solutions for the financial industry. The financial industry is required to follow stringent regulatory security policies and the Group has the expertise and solutions to address the needs for security protection and data confidentiality. The Group's market credibility and track record is evident from its list of customers.

The Group's customers include major financial institutions, government agencies and corporate sectors. Maybank, Alliance Bank and RAM are some of the long standing customers of the Company with a length of relationship not less than ten (10) years. Other notable clients of the Group include the Commerce Asset Group and Unilever (M) Holdings Berhad.

The Group was appointed as the global provider of MSS and maintenance of hardware and software security device for all Maybank branches locally and internationally in 2003 which include branches in New York, London, Shanghai, Hong Kong, Jakarta and Labuan. In 2004, the contract was extended to Maybank's branch in Papua New Guinea. This clearly demonstrates the confidence of Maybank in the Group's capabilities.

The market credibility of the Group is further demonstrated through the achievements and awards received. The Group was awarded the prestigious IT Achievement Award by PIKOM in 1997 for providing significant advancement to the IT industry and was selected as one of the most strategic 100 IT Companies that matters most to Asia Pacific by MIS Asia in 1998 and 1999. A significant milestone was achieved when the Group was chosen as the official provider of MSS for the Kuala Lumpur 98- XVI Commonwealth Games.

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5 INDUSTRY OVERVIEW

5.1 THE WORLD AND MALAYSIAN ECONOMIES OVERVIEW

In 2004, the global economy expanded at its strongest pace of 4.8% since 1984, led by the US reinforced by strong growth in the Asian region and revival of growth in Japan and Europe. Going forward, the outlook for 2005 remains favourable. World output and world trade are projected to expand at a steady pace of 4% and 5.8% respectively in 2005. The pace of slowdown in the US and PRC is expected to be modest, on the basis that adjustments of the imbalances in these economies would be gradual.

(Source: Bank Negara Malaysia Report 2004 dated 23 March 2005)

Global economic prospects are expected to be more challenging, following persistent sharp increases in oil prices and the less accommodative monetary stance of developed countries, particularly in the US. It is inevitable that global developments will have an impact on the Malaysian economy. However, the Government is confident that, with the measures in the Budget 2006, growth will remain strong at 5.5% in 2006.

The Malaysian economy remained resilient in the first half of the year despite slower world growth and sharply rising international oil prices. The GDP of the economy grew by 4.9% in the first half of 2005, largely driven by private sector activities.

The development of science and technology as well as R&D will continue to be encouraged to generate new sources of growth. An allocation of RM868 million is provided under the Ministry of Science, Technology and Innovation. The R&D Grant Scheme will focus on biotechnology, advanced manufacturing, advanced materials, ICT, nanotechnology and alternative sources of energy, including solar, to encourage innovation among local companies and developing new products.

Given the crude oil resources will eventually be depleted, Malaysian must focus efforts on measures to reduce dependency on oil, particularly through the development of alternative energy resources, such as natural gas, biodiesel and solar. This initiative will also contribute towards environmental conservation. Presently, companies generating energy from environmental-friendly renewable resources, such as biomass, hydropower not exceeding 10 megawatts and solar energy are eligible for tax incentives. The Government proposes that the existing incentives for production of energy from renewable resources be enhanced by increasing the level of tax exemption under Pioneer Status from 70% to 100% for ten (10) years, and the rate of Investment Tax Allowance from 60% to 100% for five (5) years. The period to apply for these tax incentives is to be extended until 30 December 2010. In addition, import duty and sales tax on equipment used for these activities, which will expire on 31 December 2005, will also be extended until 31 December 2010.

Beyond reducing consumption, the Government intends to further encourage investments in energy conservation. The Government proposes to extend the existing incentives given to companies providing energy conservation services for another five (5) years until 2010. In addition, the Government proposes to provide building owners with an Investment Tax Allowance of 60% on capital expenditure for improving energy conservation.

(Source: The 2006 Budget Speech by YAB Dato' Seri Abdullah bin Haji Ahmad Badawi, "Strengthening Resilience, Meeting Challenges", 30 September 2005)

5 INDUSTRY OVERVIEW (Cont'd)

5.2 THE MALAYSIAN IT INDUSTRY

Association of the Computer and Multimedia Industry, Malaysia ("PIKOM") forecasts that the information and communications technology industry to experience about 12% growth in 2006. This compares with a growth of 10% in 2005.

According to Mr Lee Boon Kok, the chairman of PIKOM, PIKOM is bullish on the 2006 outlook. The economic indicators point to a higher overall growth for the national economy in 2006. This augurs well for the ICT industry.

PIKOM views that the outsourcing and shared services industry as high growth sectors due to the positioning of Malaysia as a shared services hub and the aggressive promotion of Malaysia as a choice location.

(Source: Article entitled PIKOM'S ICT Outlook For 2006, www.pikom.org.my)

5.3 THE ICT SECURITY INDUSTRY

As society and business become more reliant on computer and computer-based information, security breaches and their impacts are becoming a reality for a growing proportion of Malaysian organizations.

Despite the high uptake of basic computer technologies, companies are still vulnerable to threats. Global networks, internet technologies and a demanding pace of change are putting companies at risk. Security vulnerabilities in deployed technologies are being discovered and more importantly, being openly disclosed at an ever increasing rate, with tools to exploit these vulnerabilities being readily available.

Managed security services offer onsite and remote management of security services with 24/7 real-time monitoring, protection, escalation and response processes. Many of the managed security services offered include firewalls, intrusion detection system (IDS), and virtual private networks (VPNs) as well as antivirus, vulnerability testing, and Web filtering and blocking. Managed business continuity services fall under this category.

Enterprises and carriers are increasingly demanding managed services. Convergence and the emergence of many new advance business enhancing applications have resulted in increasingly complex and new deployment models with network management issues. Enterprises are eager to embrace the benefits of many of these new solutions as a way of saving cost in the form of lower network total cost of ownership (TCO), increased employee productivity, as well as improved customer satisfaction. As such, enterprises and carriers have turned to managed services as a way of enjoying the benefits of these new applications, improve time to market of new applications and generate new service revenue without the hassle of managing the complexities of the networks and applications.

The economies of the countries within Asia/ Pacific (excluding Japan) are expected to experience moderate growth throughout the forecast period. Economy for the region will be buoyed by continued strong consumer spending, foreign direct investments as well as rising exports. However, a sustained and prolonged oil price spike could put the skids on growth plans in some countries. IDC, the industry expert, also expects a soft landing in the PRC economy with minimal impact for the rest of the region. Therefore, a strong and healthy economy will ensure healthy balance sheets for enterprises and telecom operators. This will enable them to focus on core issues and give them confidence to take the third party route of managed security for their IT needs.

5 INDUSTRY OVERVIEW (Cont'd)

Security and privacy regulations are expected to be tightened due to the alarming rate of electronic security violations in the region. Hence, enterprises will continue to look for third party round the clock security offerings/ services.

Many enterprises especially in the immature countries like India, the Philippines and the PRC are only starting to build up their basic IT infrastructure and security perimeters like firewalls and VPN. For this reason, IDC expects enterprises in the less developed countries will eventually see the need for security monitoring only in the later half of 2004 to 2010.

With the increasing need for IT security services, there will be more demand for IT security certified professionals. However, the shortage of certified security personnel will lead enterprises to opt for a managed security service provider for their needs, who will probably house more certified professionals and are more experienced than in-house IT staff.

Enterprises are realizing that it is increasingly difficult to track and address all potential threats to their networks round the clock. Fears of virus and worm attacks, hacker activities as well as recent high profile attacks have resulted in an awareness of deploying round the clock security management and solutions. Thus, businesses realize that they are all susceptible to security threats with consequences that are far reaching including loss of financial data, trade secrets, intellectual property rights and more importantly, confidence of client. This fear will increasingly play into the minds of IT decision makers, which will eventually lead to increased demand for managed security services.

Currently, the managed security market is extremely fragmented, with managed security usually as part of a total managed services portfolio. There are very few managed security specialist vendors. The lack of vendor leadership and direction could result in mixed messages being sent out to the market and inhibit the demand for managed security services. Enterprises need to be confident of the quality of the managed security provisioning before adopting it.

The demand for managed security services also accrues to the fact that networks are becoming more complex and thus there is an increased need to secure the networks. Due to the increasing usage of complex technologies, enterprises will find it increasingly difficult to manage their networks and applications and there will now be demand for managed security services. Enterprises will also find it more financially prudent to adopt a third party for their managed security needs.

The change of business landscape has led to an increasing number of workers working remotely and accessing the company's networks all through the day. Enterprises will be looking for ways to secure their networks round the clock. However, in-house management of security might be difficult to deliver round the clock as office hours are usually nine to five. Enterprises will seek third parties to manage their security, given the increasingly global nature of most businesses.

Notwithstanding all the drivers for growth in managed security services, it is very difficult to build relationships between enterprises and managed services vendors as the vendors would have access to confidential files of such enterprises. In this context, lack of trust is a major issue that will not be solved immediately in this region, especially amongst Asian enterprises. This is a factor that will put an overall damper on managed services growth.

5 INDUSTRY OVERVIEW (Cont'd)

Table 1 below shows the growth of the Asia/ Pacific (excluding Japan) managed security services forecast from 2004 to 2010.

Table 1: Asia/ Pacific (Excluding Japan) Managed Security Services forecast, 2004 – 2010

Country	2004 (USD mil)	2005 (USD mil)	2006 (USD mil)	2007 (USD mil)	2008 (USD mil)	2009 (USD mil)	2010 (USD mil)	2005 – 2010 CAGR (%)
PRC	27.16	34.98	45.65	60.33	79.12	101.98	128.67	29.6
India	18.72	22.43	26.98	32.66	40.28	48.93	58.55	20.9
Malaysia	10.26	11.66	13.43	15.65	18.21	21.12	24.12	15.3
Thailand	13.19	14.46	16.04	18.03	20.78	24.32	28.28	13.5
Korea	39.40	43.14	48.03	54.54	62.93	71.27	78.87	12.3
Philippines	3.57	3.90	4.28	4.71	5.20	5.73	6.28	9.9
Hong Kong	33.12	35.98	39.44	43.66	47.97	51.90	55.89	9.1
Australia	148.01	158.01	170.08	186.31	201.19	216.41	230.65	7.7
Singapore	44.09	46.08	48.75	52.35	56.45	60.60	64.75	6.6
Taiwan	14.09	14.77	15.56	16.46	17.67	18.70	19.77	5.8
Grand total	351.61	385.42	428.24	484.70	549.80	620.96	695.83	12.0

(Source: IDC report on Asia/Pacific (Excluding Japan) Managed Security Services Forecast, 2004 – 2010)

From the table above, it can be seen that PRC will experience the highest growth in managed security services, with a CAGR of 29.6% from 2005 to 2010. This is followed by India and Malaysia, with CAGR of 20.9% and 15.3% respectively from 2005 to 2010. On the other hand, Taiwan, Singapore and Australia will experience the lowest growth, with CAGR of 5.8%, 6.6% and 7.7% respectively from 2005 to 2010. From the table above, the Asia/ Pacific market (excluding Japan) for managed security services was approximately USD351.61 million in 2004. Due to increasing demand for these services, this figure is expected to increase yearly. Hence, IDC expects managed security services in Asia/ Pacific (excluding Japan) to escalate to USD695.83 by 2010, displaying a CAGR of 12.0% between 2005 and 2010.

The Malaysian managed security services market will grow from USD10.26 million in 2004 to USD24.12 million in 2010, more than half of its size currently. It has a CAGR of 15.3%, among the highest in the region.

IDC expects enterprises to gradually recognize the importance of round the clock security monitoring. Although Asian vendors have been conservative in their approach towards managed security, IDC believes that this will change gradually throughout the forecast period, pushing up demand for managed security services.

(Source: IDC, Key Forecast Assumptions for the Asia/ Pacific (Excluding Japan) Managed Application Services Market, 2005 – 2010, Asia/ Pacific (Excluding Japan) Managed Security Services Forecast, 2004 – 2010)

5 INDUSTRY OVERVIEW (Cont'd)

5.4 INDUSTRY PLAYERS AND COMPETITION

Notwithstanding the fact that there are other ICT security providers in the industry, the Board believes that there is no truly comparable competitor in the local market which has all the following advantages of the Group:

Fine grain monitoring

The Group's software and hardware ICT security products are not limited to monitoring security components of a network system but can also monitor the network systems itself and its surroundings. This enables the Group to detect other possible security breaches which are not captured by conventional ICT security components of a network.

Comprehensive coverage

The Group also provides more comprehensive monitoring as compared to its competitors who mostly only monitor security devices such as firewalls. The Group's monitoring extends to non-IT / security products such as room temperature, door access, etc.

The proprietary applications and appliances used by the Group to deliver its MSS are extensive and enable the Group to deliver a wider range of solutions as compared to its competitors. In addition, the Group, to a larger extent, is able to customise its solutions (using its proprietary tools) if so required by its customers as the products were developed in-house.

Forensics capability

The Group's competitive edge in MSS is that its Security Surveillance and Monitoring solution has forensics capability. This means that the logs maintained and gathered under Security Surveillance and Monitoring solution could be used as potential evidence. The Group preserves the authenticity of the logs by using mathematical algorithm to digitally sign the logs. The logs are stored in the form of CDs, which can be archived for future use (or as evidence). Through the digital signature, the Group would be able to detect if the logs have or have not been tampered with. Most of the Group's competitors do not offer products with forensics capabilities. The Group's forensics capability is the result of the incorporation of stringent and comprehensive security features in its products.

Longer presence in the Malaysian market

From its experience in the local market for the last 20 years, the Group has developed ICT security solutions which are localised to suit the requirements of Malaysian organisations. The Group has longer presence in the local market as compared to some of its competitors and has a better understanding of local organisations' requirements and business culture.

Price competitive

As the Group's solutions are developed in-house, the Group's has the flexibility to competitively price its products and solutions to gain a competitive edge over its competitors, if required. The relatively lower pricing makes it easier for the Group to also penetrate the market for organisations with lower budgets.

5 INDUSTRY OVERVIEW (Cont'd)

ICT security methodology

The Group is capable of performing threat profiling that involves categorising threat profiles of intrusion and the risks involved. Most of the Group's competitors prescribe ICT security solutions based on the customer's feedback, which may or may not be accurate. With its ICT security methodology (and in particular, the threat profiling), the Group is able to more accurately identify the vulnerabilities of an organisation's system and more accurately diagnose a control or solution.

5.5 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY AND PECULIARITIES OF THE INDUSTRY

There are currently no specific regulations governing the ICT security industry in Malaysia nor is the Board currently aware of any specific material peculiarity in the said industry.

Recognising the importance of IT as the foundation of national development in the future, the Government has introduced various policies and incentives to encourage the growth of the IT industry. The most important milestone of the IT development programme is the MSC. The MSC will provide the catalyst for the synergistic expansion of related IT industries/products and create the enabling environment for orderly development of IT in the country. The MSC has led to the emergence of new service-based industry clusters, including software development, telecommunications, animation, production and broadcasting, provision of on-line services, education and training, R&D, and networks and broadband applications. In order to promote the MSC, several flagship applications have been identified such as electronic government, smart schools, multipurpose card and telemedicine. The flagship applications for multimedia environment development are R&D clusters, worldwide manufacturing webs and borderless marketing.

5.6 DEMAND AND SUPPLY CONDITIONS AND DEPENDENCE ON OTHER INDUSTRIES

The Board believes that the demand for the Group's ICT security solutions is expected to achieve growth due to various factors such as the following:-

- (i) the continued growth of the ICT security industry as set out in Section 5.3 of this Prospectus; and
- (ii) more stringent regulations governing ICT security as information integrity is deemed to be vital to organisations. The Group is positioned to tap into the future growth demand.

As the Group's clients are primarily from the financial industry, the Group's performance would depend on the ICT security requirements and/or ICT security regulations governing the financial industry. However, the Group has developed secured enterprise applications to cater to the manufacturing industry and education industry, hence, the Group's dependence on any specific industry is expected to be reduced in the future.

6 FINANCIAL INFORMATION

6.1 FINANCIAL HIGHLIGHTS

The following table has been extracted from the Accountants' Report in Section 13 of this Prospectus and should be read in conjunction with the notes thereto. A summary of the audited results of the Group for the five (5) financial years ended 31 December 2000 to 2004 and the eight (8) months financial period ended 31 August 2005 (on the assumption that Extol MSC Group has been in existence throughout the years/period under review) are as follows:-

	← Years ended 31 December →					8 months period ended 31 August 2005
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Revenue	6,820	6,395	7,353	7,554	8,599	7,264
Cost of Sales	(5,149)	(4,830)	(5,469)	(5,116)	(4,051)	(2,956)
Gross Profit	1,671	1,565	1,884	2,438	4,548	4,308
Profit before interest, depreciation and taxation	378	358	491	1,154	2,381	2,686
Interest expense	(129)	(113)	(133)	(128)	(101)	(66)
Depreciation	(208)	(172)	(125)	(76)	(359)	(263)
Profit before exceptional items	41	73	233	950	1,921	2,357
Exceptional items	-	-	-	-	-	-
Profit before taxation	41	73	233	950	1,921	2,357
Taxation	(1)	(45)	(96)	(311)	(260)	(253)
Net profit for the years/ period	40	28	137	639	1,661	2,104
Number of ordinary shares assumed to be in issue of RM0.10 each ('000)*	78,300	78,300	78,300	78,300	78,300	78,300
Gross EPS (sen)	0.05	0.09	0.30	1.21	2.45	**4.52
Net EPS (sen)	0.05	0.04	0.18	0.82	2.12	***4.03

Notes:-

* Number of shares in issue after the Acquisition of Extol Corporation and Extol Marketing and Subdivision of Shares but prior to the Public Issue and ESOS.

** Based on annualised profit before taxation of approximately RM3.536 million, the annualised gross EPS is approximately 4.52 sen.
Based on audited profit before taxation of approximately RM2.357 million, the gross EPS is approximately 3.01 sen.

*** Based on annualised profit after taxation of approximately RM3.156 million, the annualised net EPS is approximately 4.03 sen.
Based on audited profit after taxation of approximately RM2.104 million, the net EPS is approximately 2.69 sen.

The financial statements of the Group for all the years / period under review were not subject to any audit qualifications.

For more details on the financial information, please refer to Section 13 of this Prospectus.

6 FINANCIAL INFORMATION (Cont'd)

6.2 ANALYSIS AND COMMENTARY ON FINANCIAL INFORMATION

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL HIGHLIGHTS INCLUDED IN SECTION 6.1 OF THIS PROSPECTUS.

6.2.1 Segmental Analysis

Revenue

The proforma revenue for the Extol Group is analysed according to activities as tabulated below which are based on the audited financial statements for the five (5) financial years ended 31 December 2000 to 2004 and the eight (8) months financial period ended 31 August 2005, for illustrative purposes only, on the assumption that Extol Group has been in existence throughout the years/period under review.

	← Year ended 31 December →					8 months period ended 31 August 2005
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Revenue	6,820	6,395	7,353	7,554	8,599	7,264
Revenue Rate (%)	Growth					
	N/A	(6.23)	14.98	2.73	13.83	*26.71

Note *: Based on annualised revenue of RM10.986 million.
N/A: Not applicable.

	← Years ended 31 December →										8 months period ended 31 August 2005	
	2000		2001		2002		2003		2004			
	RM' 000	%	RM' 000	%	RM' 000	%	RM' 000	%	RM' 000	%	RM' 000	%
Products												
Anti-virus Software (Armour)	796	12	776	12	572	8	412	5	331	4	147	2
MSS	4,290	63	4,492	70	6,536	89	6,910	92	7,534	88	6,556	90
SEA	-	-	-	-	-	-	-	-	734	8	561	8
Others	1,734	25	1,127	18	245	3	232	3	-	-	-	-
	6,820	100	6,395	100	7,353	100	7,554	100	8,599	100	7,264	100

6 FINANCIAL INFORMATION (Cont'd)

6.2.2 Overview of Revenue

In general, revenue contribution from MSS for FYE2000 to 2004 and the eight (8) months financial period ended ("FPE") 31 August 2005 recorded an increasing trend while revenue contribution from the sale of Armour showed a decreasing trend.

Proforma revenue for FYE2000 to FYE2003 were contributed purely by Extol Corporation and represents income from sale of software and hardware for MSS and the provision of related services such as implementation, consultation, training and maintenance fees.

Proforma revenue for FYE2004 and FPE2005 also includes contribution from Extol MSC upon its commencement of operations from sale of software and hardware for MSS and the provision of related services such as implementation, consultation, training and maintenance fees.

Revenue for FYE2001 was lower by 6.23% compared with FYE2000, mainly due to a reduction of 35.01% in Extol Corporation's revenue segment classified under 'Others'. Fewer contracts were awarded by a main customer in the port management industry which was undergoing a merger exercise.

In FYE2002, the proforma revenue of Extol Group increased by 14.98% as compared with FYE2001. The increase in proforma revenue was attributable to the substantial growth in MSS of 45.50%, as Extol Corporation was able to secure major contracts from existing and new clients in the financial services sector resulting in Extol Corporation establishing a good reputation in the market place.

FYE2003 exhibited further growth in proforma revenue of 5.72% from the MSS segment.

The proforma revenue for FYE2004 and annualised eight (8) months FPE2005 were 13.83% and 26.71% higher than FYE2003 and FYE2004 respectively. This is mainly due to the higher contributions from the MSS segment which achieved a growth rate of 9.03% and 30.53% for FYE2004 and annualised eight (8) months FPE2005 respectively as Extol MSC and Extol Corporation were able to secure more contracts from existing and new clients especially in the telecommunication and financial services sector.

Gross Profit

The proforma gross profit for the Extol Group is further analysed according to activities as tabulated below which are based on the audited financial statements for the five (5) financial years ended 31 December 2000 to 2004 and the eight (8) months financial period ended 31 August 2005, for illustrative purposes only, on the assumption that Extol Group has been in existence throughout the years/period under review.

6 FINANCIAL INFORMATION (Cont'd)

	← Years ended 31 December →					8 months period ended 31 August 2005
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Gross Profit	1,671	1,565	1,884	2,438	4,548	4,308
Gross Profit growth rate (%)	N/A	(6.34)	20.38	29.41	86.55	42.08*

Note * : Based on annualised gross profit of approximately RM6.462 million.
N/A: Not applicable.

Products							
Anti-virus (Armour)	software	684	622	469	355	269	112
MSS		969	930	1,412	2,081	3,593	3,898
SEA		-	-	-	-	686	298
Others		18	13	3	2	-	-
		1,671	1,565	1,884	2,438	4,548	4,308

		← Years ended 31 December →					8 months period ended 31 August 2005
		2000 %	2001 %	2002 %	2003 %	2004 %	%
Gross Profit Margin		24.50	24.47	25.62	32.27	52.89	59.31
Products							
Anti-virus (Armour)	software	85.93	80.15	81.99	86.17	81.27	76.19
MSS		22.59	20.70	21.60	30.12	47.69	59.46
SEA		-	-	-	-	93.46	53.12
Others		1.04	1.15	1.22	0.86	-	-

6.2.3 Overview of Gross Profit

Gross profit is derived net off purchase costs and incidental costs incurred.

Gross profit decreased slightly by 6.34% in the FYE2001 but the gross profit margin was relatively constant as compared with FYE2000 and FYE2002.

In the FYE2002, gross profit increased by 20.38% as Extol Group focused its resources in MSS segment which generated higher gross profit as compared to other segments.

The drop in gross profit margin for Armour for FYE2001 and FYE2002 were attributable to the increase in purchase costs as compared with FYE2000.

6 FINANCIAL INFORMATION (Cont'd)

The increase in gross profit margin for FYE2003 and FYE2004 was attributable to Extol Corporation's ability to secure contracts from MSS segment with higher profit margin.

The improved in the gross profit margin for Armour for FYE2003 were mainly due to decrease in purchase costs as compared with FYE2002.

The lower gross profit margin for MSS segment for FYE2000 to FYE2002 as compared to FYE2003 and FYE2004 were mainly due to Extol Corporation's marketing strategy to build up its reputation in order to attract potential clients and to retain its existing clients by accepting contracts offered by its potential and existing clients with lower gross profit margin or at break-even level.

The increase in the gross profit margin for FPE2005 as compared to FYE2004 was mainly due to Extol MSC and Extol Corporation securing contracts from its existing and new clients from MSS segment with higher profit margin.

The decrease in the gross profit margin from SEA segment for FPE2005 as compared to FYE2004 was mainly due the revenue generated by Extol MSC for FPE2005 comprising mainly hardware components with lower profit margin.

6.2.4 Taxation

The effective tax rate for FYE2000 was lower than the statutory tax rate due to the gain on disposal of non-qualifying portion of a motor vehicle which was not taxable.

The effective tax rate for FYE2001 was higher than the statutory tax rate mainly due the interest restriction on borrowing costs which was non-deductible for tax reporting purposes.

The effective tax rates for FYE2002 and FYE2003 were higher than the statutory tax rate due principally to certain expenses being disallowed for tax reporting purposes.

The effective tax rate for FYE2004 and the FPE2005 were lower than the statutory tax rate as Extol MSC had been awarded the Pioneer Status under Section 4A of the Promotion of Investments (Amendment) Act, 1986 and the utilisation of unabsorbed capital allowances brought forward by Extol Corporation.

6.2.5 Directors' Declaration On Financial Performance

As at the Latest Practicable Date and save for the risk factors disclosed in Section 3 of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (c) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and

6 FINANCIAL INFORMATION (Cont'd)

- (d) pending and threatened litigation and arbitration proceedings having an impact on the financial position of the Group.

6.3 MATERIAL CAPITAL COMMITMENT

As at 31 August 2005, Extol Corporation has an outstanding capital commitment for the purchase of property, plant and equipment amounting to RM301,500 which has been authorised and contracted but not accounted for in the financial statements. An amount of RM28,500 has been accounted as deposit in the audited financial statements of Extol Corporation for the eight (8) months financial period ended 31 August 2005.

6.4 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATIONS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES
6.4.1 Working Capital

The Board is of the opinion that after taking into account the gross proceeds from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

6.4.2 Borrowings

As at 31 August 2005, the total outstanding borrowings of the Group are as follows:-

Outstanding borrowings	Payable within 12 months RM'000	Payable after 12 months RM'000
Bills payable	824	-
Term loans	124	411
Hire purchase	15	14
Bank overdrafts	51	-
Total	1,014	425

Neither Extol MSC nor any of its subsidiaries has defaulted on any borrowings throughout the past one (1) financial year and the subsequent financial period immediately preceding the date of this Prospectus.

All outstanding borrowings are interest bearing.

6.4.3 Material Litigations

As at the Latest Practicable Date, the Group is not engaged in any material litigations or arbitration proceedings either as plaintiff or defendant and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially affect the position and business of the Group.

6 FINANCIAL INFORMATION (Cont'd)

6.4.4 Material Commitments

As at 31 August 2005, Extol Corporation has an outstanding capital commitment for the purchase of property, plant and equipment amounting to RM301,500 which has been authorised and contracted but not accounted for in the financial statements. An amount of RM28,500 has been accounted as deposit in the audited financial statements of Extol Corporation for the eight (8) months period ended 31 August 2005.

6.4.5 Contingent Liabilities

As at the Latest Practicable Date, there are no material contingent liabilities incurred by the Group, which upon becoming enforceable may have a material impact on the Group.

6.5 FUTURE FINANCIAL INFORMATION

The Group's turnover and operating results are difficult to forecast and could be adversely affected by many factors, some of which are highlighted in Section 3 of this Prospectus. The Group's profit forecast is not provided in this Prospectus.

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7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN

7.1 DIRECTION OF THE COMPANY

The Group is a one-stop ICT security solutions provider that offers an end-to-end security engagement, including managed security solutions, implementation and consultancy. The Group's products and services aim to ensure that its clients' ICT systems are as secure as possible, through the provision of MSS and SEA. Moving forward, the Group intends to remain focused on enhancing its ICT security activities by developing and offering more technologically advanced ICT security products and services to its clients.

7.2 DEVELOPMENT OF NEW PRODUCTS

The R&D milestones of the Group can be seen in the development of the Group's major proprietary software and methodology, such as Armour, ICT security methodology, AI and NN technologies.

The Group's R&D over the next five (5) years are focused on development of new products and enhancement of existing products.

The Group has developed a NN engine which simulates the human brain's learning process. The NN engine is used by the Group to deliver its MSS. Besides the NN engine, the Group also plans to develop an anti-money laundering application to expand its MSS offerings. The Group is continuously refining the X-Net (a NN engine) based on feedbacks from its customers. The Group plans to incorporate the X-Net into more of its proprietary applications and appliances.

To make its proprietary ICT security methodology more accessible to organisations with lower budgets, the Group plans to convert its ICT security methodology into a generic software which can be easily utilised by organisations. This software will be named TEMBAGA.

Besides developing new products as illustrated above, the Group also plans to continuously enhance its existing products based on industry trends and its experience in the industry.

7.3 GROWTH AND MARKET PENETRATION STRATEGIES

A licensing model for MSS will be used to expand the Group market reach and geographical presence. The Group plans to start its licensing program in Malaysia and expand to the South East Asian region in the next five (5) years. Another method which will be used by the Group to extend its market reach will be put in place a reseller network for the its stand alone products.

The Group will form strategic partnerships or alliance whenever the right opportunities present themselves. The objectives of these partnerships would be for the Group to leverage on the technical expertise and market familiarity of its partner.

The Group's SEA products also serve as a tool for market expansion. It will be used as a platform to widen the Group's customer base horizontally.

7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN (Cont'd)

7.4 HUMAN RESOURCES

The Group recognises the importance of quality employees with the right attitude and competencies for the accomplishment of the Group's vision. Recruitment of personnel is structured to recruit high calibre employees. To retain its existing pool of employees, the Group has an attractive compensation plan for its employees. As part of continuous professional development plan, the Group's staff force is sent for training, workshops and seminars as and when required to build their knowledge base.

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8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL

8.1 INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS

The promoters and substantial shareholders of Extol MSC and their respective shareholdings in Extol MSC before and after the Public Issue are as follows:-

Name	Nationality	Before the Public Issue				After the Public Issue ^{*4}			
		No. of Extol MSC Shares held				No. of Extol MSC Shares held			
		Direct	%	Indirect	%	Direct	%	Indirect	%
<u>Promoters and substantial shareholders</u>									
Justin Tan Seng Kooi	Malaysian	30,530,000	39.0	^{*1} 32,850,000	41.9	30,530,000	29.2	^{*1} 32,850,000	31.5
Lee Choon Kee	Malaysian	12,940,000	16.5	^{*2} 50,440,000	64.4	12,940,000	12.4	^{*2} 50,440,000	48.3
Alex Tan Seng Keng	Malaysian	19,910,000	25.4	^{*3} 43,470,000	55.5	19,910,000	19.1	^{*3} 43,470,000	41.6
<u>Substantial shareholders</u>									
Kok We Tian @ Kok Wee Tian	Malaysian	4,500,000	5.7	-	-	4,500,000	4.3	-	-
Clairmont Kok Hsiao Kate	Malaysian	-	-	^{*5} 4,500,000	5.7	-	-	^{*5} 4,500,000	4.3
Hiah Swee Hiang	Malaysian	4,800,000	6.1	-	-	4,800,000	4.6	-	-

Notes:

- *1 Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.
- *2 Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.
- *3 Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.
- *4 After pink form allocations but prior to exercise of ESOS Options.
- *5 Deemed interested via her father, Kok We Tian @ Kok Wee Tian's shareholding.

8.1.1 Profiles of Promoters and substantial shareholders

The profiles of the Promoters and substantial shareholders are as follows:-

Justin Tan Seng Kooi Chief Executive Officer

Justin Tan Seng Kooi, aged 34, joined the Group in 1995 as a system engineer and was appointed as its Technical Director in 1998. His responsibilities as the Group's Technical Director was to lead the Group's product commercialisation activities and to oversee the Group's technical innovation. In 2003, Justin assumed the role of Chief Executive Officer and his key responsibilities include setting the direction of the Group and formulating the strategies to achieve these goals. Justin, assisted by the Chief Operating Officer, oversees the operations of the Group and plans research and development activities and projects. Together with the Chief Financial Officer, Justin also oversees the planning of funds for projects and other aspects of the Group's expenditures.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

Justin holds a BSc (Hon) in Electronics and Computer Science from the University of London. He had chaired various local technical working groups such as WG3 (Working Group 3) (as elaborated below) and is actively involved in reviewing assessing, developing and adopting national and international security standards through SIRIM's participation with international organisations such as ISO and IEC.

Justin is currently a member of WG3 under the technical committee (TC5), which is commissioned by SIRIM to oversee information security. TC5 is part of the working group commissioned to review and evaluate information security standards with two (2) main objectives; the first is to review and adopt international standards for Malaysia and the second is to review and comment on international security standards produced by the ISO/IEC before these standards are formally adopted.

Justin has also participated as a key speaker in many international conferences including the Cyberspace Security Seminar in Kuala Lumpur in 2000, the e-Security Conference & Exhibition in Singapore in 2001 and the Hack-In-the-Box Conference in Kuala Lumpur in 2002, where he presented many interesting ideas with regards to ICT security, such as threat profiling and forensic techniques.

Lee Choon Kee
Executive Director

Lee Choon Kee, aged 62, is the Human Resource Director of the Group. In 1993, Madam Lee joined Extol Corporation as an administrator, responsible for staff and administrative maintenance. In 1997, Madam Lee was promoted to her current position of Human Resource Director and her current responsibilities include overseeing the overall human resource requirements of the Group.

In 1988, Madam Lee was a radiographer under the Ministry of Health Malaysia for the District Hospital of Teluk Intan and her responsibilities were to manage the department of radiography. Subsequently in the same year, she was transferred to General Hospital in KL ("GH KL"). In 1990, she was promoted to manage the new mammogram unit in GH KL and was responsible for the training of other radiographers in mammogram.

Madam Lee holds a Master in Business Administration (MBA) from De Montfort University of United Kingdom ("UK") and a Diploma in Radiography from the College of Radiographers in the UK.

Alex Tan Seng Keng
Executive Director

Alex Tan Seng Keng, aged 27, joined the Group in 2000 as a Design Engineer responsible for conducting preliminary research in access control and alarm systems for ICT security.

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

Alex graduated from Bradley University in the US with a degree in Electrical Engineering in 2000, and was on the National Dean's List in 1997.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

8.2 DIRECTORS

8.2.1 Shareholdings of Directors

The Directors of Extol MSC and their respective shareholdings in Extol MSC before and after the Public Issue are as follows:-

Name	Nationality	Before the Public Issue				After the Public Issue ^{*4}			
		No. of Extol MSC Shares held				No. of Extol MSC Shares held			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Justin Tan Seng Kooi	Malaysian	30,530,000	39.0	^{*1} 32,850,000	41.9	30,530,000	29.2	^{*1} 32,850,000	31.5
Lee Choon Kee	Malaysian	12,940,000	16.5	^{*2} 50,440,000	64.4	12,940,000	12.4	^{*2} 50,440,000	48.3
Alex Tan Seng Keng	Malaysian	19,910,000	25.4	^{*3} 43,470,000	55.5	19,910,000	19.1	^{*3} 43,470,000	41.6
Lee Boon Kok	Malaysian	-	-	-	-	10,000	^{*5}	-	-
Kok We Tian @ Kok Wee Tian	Malaysian	4,500,000	5.7	-	-	4,500,000	4.3	-	-
Clairmont Kok Hsiao Kate	Malaysian	-	-	^{*6} 4,500,000	5.7	-	-	^{*6} 4,500,000	4.3
Mohd Fadzli bin Ibrahim	Malaysian	-	-	-	-	-	-	-	-

Notes:

^{*1} Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.

^{*2} Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.

^{*3} Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.

^{*4} After pink form allocations but prior to exercise of ESOS Options.

^{*5} Negligible shareholdings.

^{*6} Deemed interested via her father, Kok We Tian @ Kok Wee Tian's shareholding.

8.2.2 Profiles of Directors

The profiles of the Directors are as follows:-

- (i) **Justin Tan Seng Kooi, Chief Executive Officer**
Please refer to Section 8.1 of this Prospectus for the profile of Justin Tan Seng Kooi.
- (ii) **Lee Choon Kee, Executive Director**
Please refer to Section 8.1 of this Prospectus for the profile of Lee Choon Kee.
- (iii) **Alex Tan Seng Keng, Executive Director**
Please refer to Section 8.1 of this Prospectus for the profile of Alex Tan Seng Keng.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

(iv) Lee Boon Kok
Independent Non-Executive Director

Lee Boon Kok, aged 42, is the Independent Non-Executive Director of the Company. He is currently the Chairman of the Association of the Computer and Multimedia Industry of Malaysia ("PIKOM"). PIKOM is the body representing the ICT industry in Malaysia, whose 521 members control approximately 80% of the total ICT trade in Malaysia.

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

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

Mr Lee has been a Councillor of PIKOM since 1999 and served as the Treasurer of PIKOM from 2001-2003. He was the Deputy Chairman of PIKOM from 2003 to 2005.

Mr Lee has represented PIKOM in various dialogues with key government agencies and his views are much sought after by policy-makers in Malaysia. He is a member of Technical Resource Group for Enabling Technology for the National Industry Master Plan 3 (IMP3 2005 to 2020). He is an alternate member for Board of Director of Multimedia Development Corporation (MDC). He is also a director of WCIT2008 Sdn Bhd, a joint venture company formed by PIKOM and MDC to undertake the task of organizing the World Congress on Information Technology (WCIT) in Kuala Lumpur in year 2008. Often referred to as the Olympic of ICT, WCIT2008 is a world class event by World Software and Service Alliance (WITSA), an organization comprise of world leading IT associations from sixty seven (67) countries.

(v) Kok We Tian @ Kok Wee Tian
Non-Independent Non-Executive Director

Kok We Tian @ Kok Wee Tian, aged 61, is the Non-Independent Non-Executive Director of the Company. He is a graduate of The Association of Chartered Certified Accountants since 1969. Mr Kok has experience in the fields of accountancy and management in the United Kingdom, Vietnam and Malaysia.

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

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

Upon his return to Malaysia in 1972, he was employed by Lever Brother (Malaysia) Sdn Bhd ("Unilever") as a financial accountant and was promoted to works accountant in 1974. In the same year, he was seconded to Unilever's associated company, SSC&B:Lintas Sdn Bhd (in Malaysia) and SSC&B:Lintas (SEA) Sdn Bhd (in Singapore) as the commercial manager for both companies. In 1977, he was appointed as the commercial director of both the companies. In 1979, he was recalled back to Lever Brothers (M) Sdn Bhd as a commercial manager of Unichema (Chemical Division) to help build a new RM35 million oleo chemical factory at Bukit Rajah, Klang. Subsequently in 1983, he was appointed the general sales manager of Unichema in addition to retaining his position as the commercial manager. In 1986, he was promoted to the position of regional sales manager for all Unichema products in the Asia Pacific region, in charge of all Unichema products manufactured by the seven (7) Unichema factories worldwide. He was promoted to the position of regional sales director in 1990. In 1995, he resigned from Lever Brothers (M) Sdn Bhd. At the same time, he was also a special advisor for several companies in Malaysia and Vietnam.

In 2002, he was the director of Sawit Naga Sdn Bhd, in charge of the Vietnam operations. He is currently HELP University's representative in Vietnam.

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

Mohd Fadzli bin Ibrahim, aged 50, is the Independent Non-Executive Director 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.

Mohd Fadzli started his career in Bank Negara Malaysia in 1976 as an executive. After he had attained his degree, he started working with Malaysian International Merchant Bankers Berhad as an assistant manager in 1982 in the field of corporate finance. Three (3) years later, he rose to the position of senior manager in the Corporate/ Credit & Marketing department of same firm.

Thereafter he started his own petrol service station business, MFI Enterprise until current.

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

(vii) Clairmont Kok Hsiao Kate
Alternate Director to Kok Wee Tian @ Kok Wee Tian

Clairmont Kok Hsiao Kate, aged 32, is the alternate Director to Kok Wee Tian @ Kok Wee Tian, a Non-Independent Non-Executive Director of the Company. She graduated in 1996 with a Bachelor of Economics, majoring in banking and finance from La Trobe University, Australia. She is also a holder of a Masters in Information Management and Systems majoring in systems development and management information systems from Monash University.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

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

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

8.2.3 Other information on Directors

- (i) None of the Directors hold or held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years.
- (ii) None of the Directors is or was involved in the following events whether in or outside Malaysia:-
 - (a) A petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
 - (b) Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; and
 - (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (iii) None of the Directors have entered into any existing or proposed service agreements with the Group.
- (iv) The remuneration paid to the Directors of the Company for services rendered in all capacities to the Company for the FYE 31 December 2005 amounted to RM330,000. For the FYE 31 December 2006, the remuneration payable to the Directors is estimated at RM430,000.

The number of Directors in the various remuneration bands are set out below:-

	← Aggregate Remuneration →					
	FYE			FYE		
	← 31 December 2005 →			← 31 December 2006 →		
	Executive Director	Non-Executive Director	Total	Executive Director	Non-Executive Director	Total
Up to RM100,000	2	-	2	1	3	4
Between 100,001 and RM200,000	1	-	1	2	-	2

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

(v) Save as disclosed below, none of the Executive Directors of Extol MSC or key personnel have any interests in other businesses and corporations:-

Company	Principal activities	Shareholdings		
		Justin Tan Seng Kooi	Alex Tan Seng Keng	Lee Choon Kee
		%	%	%
RE Solutions (M) Sdn Bhd	Property Investment	50.0*	50.0*	-
Extol Capital (M) Sdn Bhd	Property investment	50.0*	50.0*	-
E-Commerce Sdn Bhd	Investment holding	50.0	50.0	-
Extol Business Systems (M) Sdn Bhd	Research and development on human resources software	50.0	-	-
MX Power Sdn Bhd	Dormant	50.0	-	-
Cronos Research Centre Sdn Bhd	Dormant	-	-	60.0
X-ECT Corporation (M) Sdn Bhd	Property Investment	20.0	-	-

Note: * Deemed interested under section 6A of the Act by virtue of their interests in E-Commerce Sdn Bhd.

Justin Tan Seng Kooi is a Director of RE Solutions (M) Sdn Bhd, Extol Capital (M) Sdn Bhd, E-Commerce Sdn Bhd, Extol Business Systems (M) Sdn Bhd, MX Power Sdn Bhd, Cronos Research Centre Sdn Bhd and X-ECT Corporation (M) Sdn Bhd. Justin allocates minimal time in the aforementioned companies and as such, his directorships and interests in the relevant companies are not expected to have effect on his capacity as Chief Executive Officer of Extol MSC.

Alex Tan Seng Keng is a Director of E-Commerce Sdn Bhd. Alex does not allocate time in E-Commerce Sdn Bhd and as such, his directorship and interest in the said company is not expected to have effect on his capacity as Executive Director of Extol MSC.

Lee Choon Kee is a Director of RE Solutions (M) Sdn Bhd, Extol Capital (M) Sdn Bhd, MX Power Sdn Bhd and Cronos Research Centre Sdn Bhd. Madam Lee allocates minimal time in the aforementioned companies and as such, her directorship and interest in the relevant companies are not expected to have effect on her capacity as Executive Director of Extol MSC.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

8.3 AUDIT COMMITTEE

The composition of the Audit Committee is as follows:-

Name	Designation	Directorship
Lee Boon Kok	Chairman	Independent Non-Executive Director
Kok We Tian @ Kok Wee Tian	Member	Non-Independent Non-Executive Director
Mohd Fadzli bin Ibrahim	Member	Independent Non-Executive Director

The Audit Committee, comprising two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director, is responsible for the recommendations to the Board regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Company's external auditors. In addition, the Audit Committee reviews and evaluates the Company's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

8.4 KEY PERSONNEL

8.4.1 Shareholdings of Key Personnel

Name	Designation	Before the Public Issue				After the Public Issue ^{*3}			
		No. of Extol MSC Shares held				No. of Extol MSC Shares held			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Justin Tan Seng Kooi	Chief Executive Officer	30,530,000	39.0	^{*1} 32,850,000	41.9	30,530,000	29.2	^{*1} 32,850,000	31.5
Lee Choon Kee	Executive Director	12,940,000	16.5	^{*2} 50,440,000	64.4	12,940,000	12.4	^{*2} 50,440,000	48.3
Lim Chew Hian	Chief Operating Officer	469,700	0.6	-	-	669,700	0.6	-	-
Ng Choo Kit	Chief Financial Officer	248,510	0.3	-	-	448,510	0.4	-	-
Lew Chia Chyi	Chief Technology Officer	97,500	0.1	-	-	297,500	0.3	-	-

Notes:

^{*1} Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.

^{*2} Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.

^{*3} After pink form allocations but prior to exercise of ESOS Options.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

8.4.2 Profile of Key Personnel

The Board is assisted by a team of experienced management and professional personnel. The management team is headed by Justin Tan Seng Kooi, the Chief Executive Officer. Particulars of the key management personnel are as follows:-

Justin Tan Seng Kooi
Chief Executive Officer

Please refer to Section 8.1 of this Prospectus for the profile of Justin Tan Seng Kooi.

Lee Choon Kee
Executive Director

Please refer to Section 8.1 of this Prospectus for the profile of Lee Choon Kee.

Lim Chew Hian
Chief Operating Officer

Lim Chew Hian, aged 36, joined the Group in 1997 as its Business Development Executive. She was promoted to the position of Senior Development Executive in 1999 and to Account Manager in 2001. In 2002, she was promoted to the position of Business Manager and her responsibilities included portfolio maintenance and overseeing the Group's sales. In 2003, she was promoted to Chief Operating Officer and her current responsibilities include overseeing the daily operations of the Group. She manages the Group's employees by assigning them projects, duties and responsibilities and ensuring the overall productivity as well as customer satisfaction.

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

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

Ng Choo Kit
Chief Financial Officer

Ng Choo Kit, aged 40, joined the Group in 1990 as an Accounts Assistant. She was promoted to the position of Accounts Officer in 1991 and subsequently to Group Finance and Accounts Manager in 1996. In 2003 she was promoted to the Group's Chief Financial Officer and her key responsibilities include overseeing the accounts and finance department of the Group, management of overall financial matters of the Group, preparation of monthly and annual financial statements and management reports, meeting statutory requirements and reporting deadlines and organising annual budgets.

Ms Ng holds an Investment Analysis Diploma from the Royal Melbourne Institute of Technology in Australia and she obtained her professional qualification from The Association of International Accountants in 2003.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

Lew Chia Chyi
Chief Technology Officer

Lew Chia Chyi, aged 35, joined the Group in 1998 as its Senior Design Engineer. In 2003, he was promoted to Chief Technology Officer and his current responsibilities include formulating and overseeing R&D projects and managing technical employees involved in R&D projects.

Mr Lew graduated with a first class degree in Engineering (Electrical/Electronic) majoring in electrical and electronic from Tunku Abdul Rahman College in 1994.

Prior to joining the Group, Mr Lew was a design engineer in Lattice Research Sdn Bhd, where he managed and implemented a submodule in the Computerized Frequency Management System project for Telekom Malaysia Berhad. From 1994 to 1995, he was a hardware engineer in Cosmos Technology Sdn Bhd.

During his employment in the Group, Mr Lew gained multiple hands-on experience with the hardware and design development of modems and communication-related technologies. Mr Lew was instrumental in the development of EC*TAG.

8.4.3 OTHER INFORMATION ON KEY PERSONNEL

- (i) Save as disclosed in Section 8.4.1, none of the key personnel have any shareholdings (both direct and indirect) in Extol MSC.
- (ii) None of the key personnel are or were involved in the following events:-
 - (a) A petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was a partner or any corporation in which he was a director or key personnel;
 - (b) Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; or
 - (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (iv) None of the key personnel has entered into any existing or proposed service agreements with the Group.

8.5 RELATIONSHIP AND ASSOCIATES

Save as discussed below, there are no family or business relationship among the Promoters, substantial shareholders, Directors and key personnel.

Lee Choon Kee is the mother of Justin Tan Seng Kooi and Alex Tan Seng Keng. Justin Tan Seng Kooi and Alex Tan Seng Keng are brothers.

Kok We Tian @ Kok Wee Tian is the father of Clairmont Kok Hsiao Kate.

8 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

8.6 CHANGES IN SUBSTANTIAL SHAREHOLDERS AND THEIR RESPECTIVE SHAREHOLDINGS IN EXTOL MSC SINCE INCORPORATION

The changes in the shareholdings of the substantial shareholders since the date of incorporation are as follows:-

Name	As at 27 February 2004			As at 17 September 2004			After Acquisitions		
	No. of shares of RM1.00 each	%	Indirect	No. of shares of RM1.00 each	%	Indirect	No. of shares of RM1.00 each	%	Indirect
Ng Choo Kit	1	50.0	-	1	-	-	1	-	-
Ng Yoke Kien	1	50.0	-	1	-	-	1	-	-
Bernard Tan Seng Swee	-	-	-	272,498	21.6	-	272,498	3.5	-
Kok Wee Tian @ Kok Wee Tian	-	-	-	450,000	35.7	-	450,000	5.7	-
Hiah Swee Hiang	-	-	-	480,000	38.1	-	480,000	6.1	-
Justin Tan Seng Kooi ^{*1}	-	-	-	-	-	-	3,285,000	42.0	~42.0
Alex Tan Seng Keng ^{*2}	-	-	-	-	-	-	1,991,000	25.4	58.4
Lee Choon Kee ^{*3}	-	-	-	-	-	-	1,294,000	16.5	67.4
Clairmont Kok Hsiao Kate ^{*4}	-	-	-	-	-	-	-	-	5.7

Name	After Subdivision of Shares			After Transfer of Shares to Employees			After Public Issue		
	No. of shares of RM0.10 each	%	Indirect	No. of shares of RM0.10 each	%	Indirect	No. of shares of RM0.10 each	%	Indirect
Ng Choo Kit	10	-	-	248,510	0.3	-	448,510	0.4	-
Ng Yoke Kien	10	-	-	60,010	0.1	-	60,010	0.1	-
Bernard Tan Seng Swee	2,724,980	3.5	-	2,724,980	3.5	-	2,724,980	2.6	-
Kok Wee Tian @ Kok Wee Tian	4,500,000	5.7	-	4,500,000	5.7	-	4,500,000	4.3	-
Hiah Swee Hiang	4,800,000	6.1	-	4,800,000	6.1	-	4,800,000	4.6	-
Justin Tan Seng Kooi ^{*1}	32,850,000	~42.0	-	30,530,000	39.0	32,850,000	30,530,000	29.2	32,850,000
Alex Tan Seng Keng ^{*2}	19,910,000	25.4	58.5	19,910,000	25.4	43,470,000	19,910,000	19.1	43,470,000
Lee Choon Kee ^{*3}	12,940,000	16.5	67.4	12,940,000	16.5	50,440,000	12,940,000	12.4	50,440,000
Clairmont Kok Hsiao Kate ^{*4}	-	-	5.7	-	-	4,500,000	-	-	4,500,000

Notes:-

- * Negligible shareholdings.
- ^ Inconsistent with direct shareholdings percentage of Alex Tan Seng Keng and Lee Choon Kee due to rounding up to the nearest one decimal point.
- # After allocation of pink form shares but prior to allocation of ESOS options.
- *1 Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.
- *2 Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.
- *3 Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.
- *4 Deemed interested via her father, Kok Wee Tian @ Kok Wee Tian.

9 APPROVALS AND CONDITIONS

9.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF

The SC has granted its approval to the Public Issue and Listing on 8 September 2005, 10 February 2006 and 20 February 2006. The conditions imposed by the SC and the status of compliance are set out as follows:-

Authority	Details of conditions imposed	Status of compliance
SC	(i) Extol MSC to disclose in its prospectus details on the Group's planned expansion into other industries for its MSS and the diversification brought about by SEA activities in mitigating the high dependency on the top two (2) customers of the Group.	Complied. The details on the Group's planned expansion into other industries for its MSS and the diversification brought about by SEA activities in mitigating the high dependency on the top two (2) customers of the Group is set out in Section 3(A)(v)(a) of this Prospectus. Further, the audited accounts for the eight (8) months ended 31 August 2005 showed that the Group is no longer dependent on two (2) large customers.
	(ii) Extol MSC to disclose the timeframe for the utilisation of proceeds in the prospectus.	Complied. The timeframe for the utilisation of proceeds is set out in Section 2.7 of this Prospectus.
	Any extension of time for the completion of the utilisation of proceeds from that determined earlier is to be approved by a clear resolution by the Board of Directors and fully disclosed to the SC.	To be complied. Any extension of time for the completion of the utilisation of proceeds from that determined earlier will be approved by a clear resolution by the Board of Directors and fully disclosed to the SC.
	(iii) Extol MSC to disclose the status of the utilisation of listing proceeds in its quarterly and annual reports until the proceeds are fully utilised.	To be complied.
	(iv) Kenanga / Extol MSC to ensure that all provisions of the Listing Requirements are complied with.	To be complied.
	(v) Kenanga / Extol MSC to inform the SC when the proposed flotation on the MESDAQ Market is completed.	To be complied.
	(vi) Approvals to be obtained from other relevant authorities, if any.	The approval from the SC was obtained on 8 September 2005, 10 February 2006 and 20 February 2006. The approval from Bursa Securities for the listing and quotation of the entire enlarged share capital of Extol MSC on the MESDAQ Market was obtained on 14 February 2006.

9 APPROVALS AND CONDITIONS (Cont'd)

The SC had on 10 February 2006 approved an extension of time for the completion of the Listing to 7 April 2006. Extol MSC shall comply with this condition as the tentative listing date is 20 March 2006.

Bursa Securities provided its approval-in-principle for the listing and quotation of the entire issued and paid-up share capital of Extol MSC pursuant to the Public Issue on 14 February 2006. The listing and quotation of the entire issued and paid-up share capital of Extol MSC will commence two (2) market days after receipt of the relevant listing documents by Bursa Securities.

9.2 MORATORIUM ON PROMOTERS' SHARES

The Public Issue and Listing were approved by the SC on 8 September 2005, 10 February 2006 and 20 February 2006. Based on the letter of approval from the SC, the Extol MSC Shares held by the Promoters amounting to 45% of the enlarged share capital of Extol MSC after the ESOS, as tabulated below, and any interest therein will not be sold, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of Extol MSC to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer, assign or otherwise dispose of up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in the Company, which is under moratorium.

The Extol MSC Shares held by the Promoters which are under moratorium are as follows:-

Promoters	No. of Extol MSC Shares held after Public Issue *				No. of Extol MSC Shares under moratorium		
	Direct	%**	Indirect	%**	Direct	**%	***%
Justin Tan Seng Kooi	30,530,000	29.2	#32,850,000	31.5	24,893,174	23.84	21.68
Lee Choon Kee	12,940,000	12.4	##50,440,000	48.3	10,550,857	10.11	9.19
Alex Tan Seng Keng	19,910,000	19.1	###43,470,000	41.6	16,233,969	15.55	14.10
	<u>63,380,000</u>	<u>60.7</u>			<u>51,678,000</u>	<u>49.50</u>	<u>45.00</u>

Notes:-

* Prior to pink form allocation and allocation of ESOS options.

** Based on enlarged share capital of 104,400,000 Extol MSC Shares upon admission to the MESDAQ Market.

*** Based on the enlarged share capital of 114,840,000 Extol MSC Shares after the ESOS.

Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.

Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.

Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.

The restriction is specifically endorsed on the share certificates of Extol MSC representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that the Company's Registrars will not register any transfer not in compliance with the aforesaid restriction.

10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

10.1 Save as disclosed below, there have been no related-party transactions or arrangement between the Group and its substantial shareholders and/or Directors of the Company within the two (2) years preceding the date of this Prospectus:-

- (i) Tenancy Agreement dated 1 September 2004 between RE Solutions (M) Sdn Bhd (Landlord) and Extol Corporation (Tenant) for the rental of 9-5 Jalan USJ 9/5 Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor from 1 September 2004 to 31 August 2006 for a monthly rental of RM2,000 payable not later than 7th day of each and every successive month.

RE Solutions (M) Sdn Bhd is deemed a related party to the Group by virtue of common directorship with the Group where Justin Tan Seng Kooi and Lee Choon Kee are the Directors of RE Solutions (M) Sdn Bhd and Extol Corporation as at the date of the agreement.

- (ii) Tenancy Agreement dated 1 September 2004 between Extol Capital (M) Sdn Bhd (Landlord) and Extol Corporation (Tenant) for the rental of Cape Nautica Condominium (6), PD World Marina Resort, Bt. 6, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan from 1 September 2004 to 31 August 2006 for a monthly rental of RM3,000 payable not later than 7th day of each and every successive month.

Extol Capital (M) Sdn Bhd is deemed a related party to the Group by virtue of common directorship with the Group where Justin Tan Seng Kooi and Lee Choon Kee being the Directors of Extol Capital (M) Sdn Bhd and Extol Corporation as at the date of the agreement.

- (iii) Sale and Purchase Agreement dated 5 May 2005 between X-ECT Corporation (M) Sdn Bhd and Extol Corporation wherein Extol Corporation agreed to purchase a shop office distinguished and identified as S6-5, within Level No.5 of Building No.S6, Subang Business Centre and having a correspondence address at 11-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP Subang Jaya with an area of approximately 160.33 square metres for a purchase consideration of RM330,000.

X-ECT Corporation (M) Sdn Bhd is deemed a related party to the Group by virtue of common directorship and substantial shareholders with the Group. Justin Tan Seng Kooi is a Director and substantial shareholder of both X-ECT Corporation (M) Sdn Bhd and Extol Corporation as at the date of the agreement.

- (iv) Sale and Purchase Agreement dated 23 November 2005 between RE Solutions (M) Sdn Bhd and Extol Corporation wherein Extol Corporation agreed to purchase a shop office distinguished and identified as S5-5, within Level No. 5 of Building No. S5, Subang Business Centre and having a correspondence address at 9-5, Jalan USJ9/5Q, Subang Business Centre, 47620 UEP Subang Jaya with an area of approximately 160.33 square metres for a purchase consideration of RM338,000.

RE Solutions (M) Sdn Bhd is deemed a related party to the Group by virtue of common directorship with the Group where Justin Tan Seng Kooi and Lee Choon Kee are the Directors of RE Solutions (M) Sdn Bhd and Extol Corporation as at the date of the agreement.

10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

- 10.2 Save as disclosed above, none of the Directors and/or substantial shareholders of the Company and/or person(s) connected with any of them has any interest, direct or indirect, in the promotion of or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to the Group, or are proposed to be acquired, or disposed of by or leased to the Group.
- 10.3 None of the Directors and/or substantial shareholders of Extol MSC have any interest, direct or indirect, in any businesses and corporations carrying on a similar trade as the Group.
- 10.4 Declaration of Advisers
- (i) Kenanga hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser, Underwriter and Placement Agent for the Public Issue.
 - (ii) Messrs. Cheang & Ariff has given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Corporate and Due Diligence Solicitor for the Public Issue.
 - (iii) Messrs. Monteiro & Heng has given their confirmation that there are no existing or potential conflicts of interest in its capacity as Reporting Accountants for the Public Issue.
 - (iv) Messrs. CK Cheah & Co. has given their confirmation that there are no existing or potential conflicts of interest in its capacity as Auditors of the Group.
- 10.5 The Group has not entered into any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which Extol MSC was a party in respect of the past one (1) financial year and the subsequent financial period, if any, immediately preceding the date of this Prospectus.
- 10.6 There are no outstanding loans (including guarantees of any kind) made by the Group to or for the benefit of related parties.

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11 OTHER INFORMATION CONCERNING THE COMPANY

11.1 LANDED PROPERTIES

	Registered owner	Title / Location	Description / Existing use	Land / built-up	Tenure	Approximate age of buildings	Encumbrances	Audited net book value as at 31.08.05 (RM)
1	Extol Corporation	Prima Square 13-1 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office lot	1,282 sq. ft.	Freehold	7 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	321,732
2	Extol Corporation	Prima Square 13-2 Block 1 Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office lot	1,487 sq. ft.	Freehold	7 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	211,667
3	Extol Corporation	Prima Square 13-3 Block 1 Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office lot	1,480 sq. ft.	Freehold	7 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	211,667
4	Extol Corporation	Prima Square 13-4 Block 1 Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office lot	1,480 sq. ft.	Freehold	7 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	211,667
5	Extol Corporation	Prima Square 13-5 Block 1 Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office lot	1,487 sq. ft.	Freehold	7 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	211,667
6	Extol Corporation	Subang Business Center 5-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP-Subang Jaya Selangor	Office lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favour of Standard Chartered Bank (M) Berhad	269,494

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)

	Registered owner	Title / Location	Description / Existing use	Land / built-up	Tenure	Approximate age of buildings	Encumbrances	Audited net book value as at 31.08.05 (RM)
7	Extol Corporation	Subang Business Center 7-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP- Subang Jaya Selangor	Office lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favour of Standard Chartered Bank (M) Berhad	269,494
8	Extol Corporation	Subang Business Center 11-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP- Subang Jaya Selangor	Office lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favour of HSBC Bank Malaysia Berhad	*

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

*Note * : The net book value of this property was not booked into the audited financial statements of Extol Corporation for the eight (8) months ended 31 August 2005 as the acquisition of this property had not been completed at that date. The acquisition was completed on 11 January 2006 and the net book value of this property based on the audited accounts of X-ECT Corporation (M) Sdn Bhd as at 30 June 2004 is RM 335,213.*

Extol Corporation had also on 23 November 2005 entered into a sale and purchase agreement with RE Solutions (M) Sdn Bhd to purchase a shop office bearing the address, 9-5, Jalan USJ9/5Q, Subang Business Centre, 47620 UEP Subang Jaya for a purchase consideration of RM338,000. As at the Latest Practicable Date, the sale and purchase agreement has not been completed. Details of this sale and purchase agreement is set out in Section 10.1 (iv) of this Prospectus.

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11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)

11.2 MSC-STATUS

Extol MSC obtained its MSC status on 8 September 2004. Having qualified for MSC status, Extol MSC is expected to operate according to the following conditions to maintain the preferential status:-

Details of conditions imposed	Status of compliance
(a) Commence operations of and undertake the MSC-Qualifying Activities within six (6) months from the date of approval with any proposed changes being first consented to by MDC.	Complied.
(b) Locate the implementation and operation of the MSC-Qualifying Activities in Cyberjaya within six months from the date of the approval.	Complied. Extol MSC had on 25 July 2005 signed a tenancy agreement with Cyberview Sdn Bhd and commencement date of occupation was 8 August 2005.
(c) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the Company shall be "knowledge workers" (as defined by MDC).	Complied. Extol MSC has more than 15% of its total number of employees under the definition of "knowledge workers" as defined by MDC.
(d) Continuously comply with the MSC's environmental guidelines.	Not applicable.
(e) Submit to MDC a copy of the Company's Annual Report and Audited Statements in parallel with submission to the CCM.	Complied.
(f) Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	Complied.

The MSC status granted to Extol MSC shall not be transferable or assignable in any way whatsoever without the written consent of MDC.

All the conditions stated above have been complied with by Extol MSC.

MSC status entitles Extol MSC to the incentives, rights and privileges provided for under the Bill of Guarantees subject to the Company's continued adherence to the necessary set of criteria. The clauses of the Bill of Guarantees, inter-alia, are as follows:-

- (i) To provide a world-class physical and information infrastructure;
- (ii) To allow unrestricted employment of local and foreign knowledge workers;
- (iii) To ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;
- (iv) To give the freedom to source capital globally for MSC infrastructure and the right to borrow funds globally; and
- (v) To provide competitive financial incentives, including Pioneer Status (100% tax exemption) for up to ten (10) years or an investment tax allowance for up to five (5) years and no duties on the importation of multimedia equipment.

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)

Extol MSC intends to capitalise on this prestigious credential not only as a marketing tool but also to benefit from the various incentives provided as set out in the Bill of Guarantees above.

11.3 LICENCES AND PERMITS

11.3.1 LICENCES

As at the Latest Practicable Date, the Group does not require any licenses to carry out its operations.

11.3.2 PERMITS

As at the Latest Practicable Date, the Group does not require any permits to carry out its operations.

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