

## 1 SUMMARY INFORMATION

---

**THE FOLLOWING IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST. THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.**

### 1.1 HISTORY AND NATURE OF BUSINESS

#### *Incorporation*

Extol MSC was incorporated on 27 February 2004 in Malaysia under the Act as a private limited company under the name of Extol Holdings Sdn Bhd. It was subsequently converted into a public company on 30 September 2004 and assumed the name Extol Holdings Berhad. On 8 September 2004, Extol MSC was granted the MSC status by MDC. On the same date, Extol MSC was awarded the Pioneer Status under Section 4A of the Promotion of Investments (Amendment) Act, 1986 ("Pioneer Status"). On 25 November 2004, it changed its name to Extol MSC Berhad. Extol MSC was incorporated to facilitate the flotation of the Group on the MESDAQ Market.

#### *History and principal activities*

The Group's history began in 1984 when Extol Corporation was incorporated as a private limited company under the Act. This is a period when the ICT industry in Malaysia was at its formative stage. Extol Corporation's core business then was as a distributor of PC, PC software and PC peripherals.

In 1990, the Group changed its direction of business into the provision of ICT security solutions after realising the potential and opportunities that were present in the ICT security industry due to the increasing reliance on ICT products and services by businesses and organisations.

#### *Armour*

In 1992, the Group managed to internally develop an anti-virus application software named 'Armour', among the first commercially viable antivirus 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.

#### *MSS*

With the vision of becoming the leading ICT security solutions provider, the Group expanded the scope of its ICT security activities mainly from providing anti-virus application software to include the provision of a comprehensive ICT security solution to organisations, especially for network systems and internet transactions. The Group researched and developed methodologies to evaluate ICT security threats in organisations as well as a host of software and hardware ICT security applications and appliances for the expanded scope of activities. This scope of activities is now known as MSS.

The first major implementation of MSS came about in 1996 when the Group became the first Malaysian ICT security solutions provider to introduce security assessment, security policy review and design to one of the largest Malaysian telecommunications provider. Another major milestone for MSS was achieved in 1998 when the Group was selected as the official provider of MSS for the Kuala Lumpur 98 VXI Commonwealth Games.

**1 SUMMARY INFORMATION (Cont'd)**

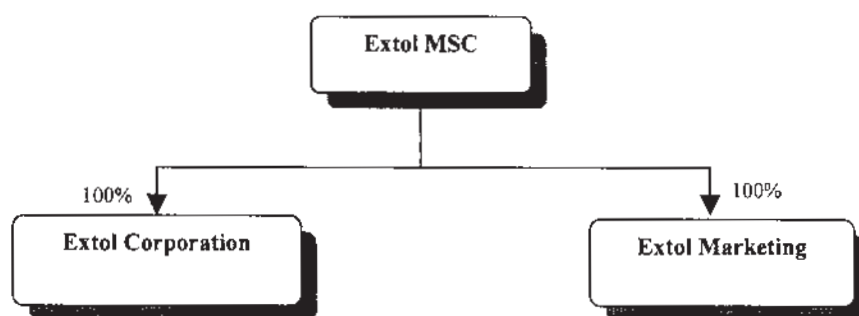
*SEA*

Through its experience in implementing MSS for its clients over the years, the Group found that security features are normally lacking in most enterprise applications in the market today. The Group then leveraged on its ICT security knowledge to create enterprise solutions with built-in ICT security features. This led to the development of the SEA. The Group's SEA products will broaden its revenue and earnings base and act as an additional platform to market its MSS. The Group's SEA is currently targeted at the apparel and garment manufacturing (EC\*TAG) and education (EC\*CIMS) industries. The SEA products have the relevant advantages in terms of cost savings, efficiency and enhancement of profitability. In addition, they share the common added advantage of having a built-in security feature.

As the Group is well equipped with the required know-how, it has been able to build secured enterprise applications which are geared towards improving the efficiency and profitability while at the same time, protecting the computer systems of its clients.

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.

The corporate structure of the Group is as follows:-



The principal activities of Extol MSC and its subsidiary companies are as follows:-

Company	Principal Activities
Extol MSC	Carry out research and development in ICT security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings.
Extol Corporation	Sale, research and development of security technology, security maintenance and professional security services and training.
Extol Marketing	Trading of computer hardware, software, related equipment and software development.

Please refer to Sections 4.1 and 4.3 of this Prospectus for further details of the history and nature of the Group's business.

## 1 SUMMARY INFORMATION (Cont'd)

---

### 1.2 TECHNOLOGY AND IP

#### Technology

Due to the sophistication of ICT security threats and technologies used today, sound technical security ICT knowledge and methodologies are required to counter-attack threats and prevent intrusions into an organisation's system.

In addition, the rapid changes in ICT technologies make it difficult for any organisation to implement an effective long-term security infrastructure strategy without the services of an experienced ICT security provider. In line with this, the Group constantly strives to be at the forefront of the technological spectrum by continuously enhancing its ICT security technologies based on its experience and research.

The Group's core technologies can be broadly categorised into these areas, namely:

- (i) AI technology;
- (ii) Software programming language (coding) technology; and
- (iii) ICT security methodology.

#### (i) AI technology

AI refers to the science and engineering of making intelligent machines, especially intelligent computer programs. The AI system is incorporated into the Group's products and applications to analyse and process data and information to produce the desired results, for example, identifying viruses and intrusion attempts as well as selecting and instructing the executions of the correct remedial actions and countermeasures.

The Group currently adopts an expert-based AI system ("expert system") for its applications. Expert system is a branch of AI technology which allows a computer to 'behave' like a human expert. It is used to perform critical functions efficiently and effectively based on pre-set rules and knowledge database.

The Group is in the process of incorporating the AI technology into its solutions. This first of this type of technology to be incorporated will be an NN engine called the X-Net. NN simulates the human brain's learning process by imitating the thousands of network of highly interconnected nodes called neurons in the human brain.

Unlike the expert system, which produces results and actions based on rules and preset knowledge base, the NN system produces results based on pattern recognition. The NN system also has predictive capability which is not available in the expert system.

The NN system can also work with 'noisy' data (incomplete data) unlike the expert system which requires 'clean' data (data which has been filtered and set to the format of the expert system). This gives the NN system the advantage of identifying unknown or possible threats which would have passed through the expert system.

The NN system, working together with the existing expert system will be an additional component of the Group's AI system. The resultant combined feature of the AI system would have the advantages of both the expert and NN systems which would make the Group's solution more technologically advanced.

## **1 SUMMARY INFORMATION (Cont'd)**

---

The Group has successfully integrated the X-Net into its proprietary applications and appliances such as, the FS9000, iPatrol iFilter and iPatrol Log Analysis (details of which are set out in Section 4.4 of this Prospectus) and plans to incorporate the X-Net into more of its proprietary applications and appliances.

### **(ii) Software programming language (coding) technology**

The Group's ICT security applications and appliances are mainly software programs designed and developed to enable the Group to provide solutions for its core activities.

The Group currently uses programming languages which are compatible with other commercial systems like Sun Microsystems, Hewlett Packard, IBM and Microsoft as well as Open source systems like Linux and BSD systems.

Moving forward, the Group plans to focus more towards Open source technology, which is in line with movement in the ICT industry trend. The Malaysian Government is encouraging both the private and public organisations to adopt Open source technology.

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
- redistribution is not restricted.

The main advantages of using Open source software are reduced cost and increased speed of technology transfer.

### **(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.

The Group's ICT security methodology involves among others, the profiling of threats in a tree-like structure, whereby the findings are translated into a countermeasure threat matrix, which maps the most appropriate countermeasures to the corresponding identified threats.

The Group is capable of performing threat profiling that involves categorising threat profiles of intrusion and the risks involved. 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 to address these vulnerabilities.

## **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.

**I SUMMARY INFORMATION (Cont'd)**

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.

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 <sup>^</sup>	Copyright
5	Armour CryptoSafe <sup>^</sup>	Copyright
6	Armour Central Management Unit (CMU) <sup>^</sup>	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) <sup>^^</sup>	Copyright
20	EC* Enterprise Resource Planning (EC*ERP) <sup>^^</sup>	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: <sup>^</sup> These are components used in Armour Virus Control.  
<sup>^^</sup> These are components used in EC\*TAG and EC\*CIMS.

For more details on the technology and IP of the Group, please refer to Section 4.6 of this Prospectus.

**1 SUMMARY INFORMATION (Cont'd)**

---

**1.3 RISK FACTORS**

Applicants for the Issue Shares should carefully consider the following risk factors (which are not exhaustive), in addition to the other information contained in this Prospectus before applying for the Issue Shares. For a detailed commentary on the risk factors, please refer to Section 3 of this Prospectus:-

**(A) BUSINESS RISKS**

- (i) Dependence on key personnel
- (ii) No prior market for the Company's shares
- (iii) Expansion to foreign markets and its related risks thereon
- (iv) MSC status
- (v) Dependence on certain customers and suppliers
- (vi) Brand awareness and loyalty
- (vii) Management of future growth
- (viii) Protection of IP rights
- (ix) Business and operation risks
- (x) Funding requirements

**(B) RISKS RELATING TO INDUSTRY**

- (i) Competitive risks
- (ii) Technology

**(C) OTHER RISKS**

- (i) Control of the promoters
- (ii) Political, economic and legislative considerations
- (iii) Forward looking statements
- (iv) Delay in or abortion of the Public Issue
- (v) Termination of Underwriting Agreement
- (vi) Acquisitions and joint ventures
- (vii) Uncertainty of five (5) year business development plan

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 1 SUMMARY INFORMATION (Cont'd)

---

### 1.4 BUSINESS STRENGTHS

The Group's main strengths lie in the following:-

- R&D capabilities and proprietary technologies;
- Experience and business know-how;
- First mover advantage in the local market and competitively priced solutions; and
- Market credibility and proven track record.

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 bears testimony to the strength and capability of the Group's R&D:-

- The development of Armour;
- The development of MSS;
- The development a proprietary ICT security methodology; and
- The development of the expert system and neural network system (a program that simulates the function of a human brain) as AI software engines.

ii) Experience and business know-how

The Group has vast experience in the local ICT security industry that it had accumulated since 1990. Leading the way is the Group's CEO, Justin Tan Seng Kooi, who has strong technical knowledge in ICT security and has chaired various working group and technical committees commissioned by SIRIM to set standards for the local ICT security 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. In addition, the Group's early venture into ICT security enabled the Group to accumulate in-depth knowledge and database of ICT security related matters. 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 been able to competitively price its solutions, which is another advantage over its competitors, especially the foreign competitors.

iv) Market credibility and proven track record

The Group's market credibility in the ICT security solutions is reflected by its list of customers that include major financial institutions, corporates and government agencies.

For more details on the business strengths of the Group, please refer to Section 4.21 of this Prospectus.

## 1 SUMMARY INFORMATION (Cont'd)

### 1.5 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	
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 Acquisition of 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 for the eight (8) months financial period ended 31 August 2005, 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 for the eight (8) months financial period ended 31 August 2005, 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 of the Group, please refer to Sections 6 and 13 of this Prospectus.



**1 SUMMARY INFORMATION (Cont'd)**

**1.6 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2005**

The following table is extracted from the Proforma Consolidated Balance Sheets in Section 14 of this Prospectus and should be read in conjunction with the notes and assumptions thereto. A summary of the Proforma Consolidated Balance Sheets of the Group as at 31 August 2005 are as follows:-

	Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V
	After Acquisitions	After Proforma I and Subdivision of Shares	After Proforma II and Public Issue and disbursement of listing expenses	After Proforma III and Utilisation of Funds	After Proforma IV and Full Subscription and Conversion of ESOS
	RM'000	RM'000	RM'000	RM'000	RM'000
Audited As At 31.8.2005					
PROPERTY, PLANT AND EQUIPMENT	28	4,252	4,252	6,169	6,169
DEVELOPMENT EXPENDITURE	1,158	3,094	3,094	6,160	6,160
GOODWILL ON CONSOLIDATION	-	1,586	1,586	1,586	1,586
<b>CURRENT ASSETS</b>					
Inventories	-				89
Trade and other receivables	3,005	6,759	6,759	6,759	6,759
Tax recoverable	-	90	90	90	90
Cash and bank balances	15	253	6,483	1,500	4,632
	3,020	7,191	13,421	8,438	11,570
<b>CURRENT LIABILITIES</b>					
Trade and other payables	538	3,647	3,647	3,647	3,647
Amount owing to a director	3	3	3	3	3
Bank overdrafts	-	51	51	51	51
Short term borrowings	-	963	963	963	963
	541	4,664	4,664	4,664	4,664
<b>NET CURRENT ASSETS</b>	2,479	2,527	8,757	3,774	6,906

**I SUMMARY INFORMATION (Cont'd)**

	Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V
	After	After	After	After	After
	Acquisitions of	Proforma I and	Proforma II and	Proforma III	Proforma IV
	Subsidiaries	Subdivision	Public Issue and	and Utilisation	Subscription
	of	of Shares	disbursement of	of Funds	and Conversion
	Shares	RM'000	listing expenses	of ESOS	of ESOS
	RM'000	RM'000	RM'000	RM'000	RM'000
Audited					
As At					
31.8.2005					
RM'000					
LONG TERM LIABILITIES					
Long term borrowings	-	(425)	(425)	(425)	(425)
Deferred taxation	-	(799)	(799)	(799)	(799)
	3,665	10,235	16,465	16,465	19,597
Financed by:					
SHARE CAPITAL	1,260	7,830	10,440	10,440	11,484
NON-DISTRIBUTABLE RESERVES					
Share premium	-	-	3,620	3,620	5,708
DISTRIBUTABLE RESERVES					
Accumulated profit	2,405	2,405	2,405	2,405	2,405
TOTAL SHAREHOLDERS' EQUITY	3,665	10,235	16,465	16,465	19,597
NET TANGIBLE ASSETS ("NTA")	2,507	5,555	11,785	8,719	11,851
NUMBER OF SHARES IN ISSUE ('000)	1,260	78,300	104,400	104,400	114,840
NTA PER SHARE (SEN)	198.97	70.94	11.29	8.35	10.32

For notes to the Proforma Consolidated Balance Sheets of Extol MSC, please refer to Section 14 of this Prospectus.

---

**1 SUMMARY INFORMATION (Cont'd)**


---

**1.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE**

<b>(i) Share capital</b>		
Authorised:-		
250,000,000 Extol MSC Shares		RM25,000,000
Issued and paid-up:-		
78,300,000 Extol MSC Shares credited as fully paid up		RM7,830,000
To be issued pursuant to the Public Issue:-		
26,100,000 Extol MSC Shares credited as fully paid-up		RM2,610,000
Enlarged issued and paid-up share capital (prior to exercise of ESOS options)		RM10,440,000
<b>(ii) Issue Price per Extol MSC Share</b>		30 sen
<b>(iii) Market capitalisation of Extol MSC based on the Issue Price (RM'000)</b>		31,320
<b>(iv) Proforma NTA</b>		
Proforma NTA as at 31 August 2005 after the Public Issue and deduction of estimated listing expenses thereof (RM'000)		11,785
Proforma NTA per Extol MSC Share (based on the enlarged issued and paid-up share capital after the Public Issue)		11.29 sen
<b>(v) Proforma NAV</b>		
Proforma NAV as at 31 August 2005 after the Public Issue and deduction of estimated listing expenses thereof (RM'000)		16,465
Proforma NAV per Extol MSC Share (based on the enlarged issued and paid-up share capital after the Public Issue)		15.77 sen
<b>(vi) Classes of shares and ranking</b>		

There is only one (1) class of shares in the Company namely Extol MSC Shares. The Issue Shares will rank pari passu in all respects with one another and all other existing issued and fully paid-up Extol MSC Shares including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Extol MSC Shares in the Company shall, in proportion to the amount paid-up on the Extol MSC Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Extol MSC Share held. A proxy may but need not be a member of the Company.

## 1 SUMMARY INFORMATION (Cont'd)

---

### 1.8 PROSPECTS AND OUTLOOK

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.

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.

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.

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)*

For more details on industry overview, prospects and outlook, please refer to Section 5 of this Prospectus.

**1 SUMMARY INFORMATION (Cont'd)****1.9 PROCEEDS FROM THE PUBLIC ISSUE AND PROPOSED UTILISATION**

The gross proceeds from the Public Issue amounting to RM7,830,000 will accrue entirely to the Company and will be utilised as follows:-

	RM	Expected time frame for utilisation
R&D	3,066,000	36 months from listing date
Business expansion	1,917,000	36 months from listing date
Working Capital	1,247,000	36 months from listing date
Listing expenses	1,600,000	6 months from listing date
	7,830,000	

Full details of the proposed utilisation are set out in Section 2.7 of this Prospectus.

**1.10 DIRECT AND INDIRECT SHAREHOLDINGS OF PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL**

The shareholdings of the promoters, substantial shareholders, directors and key personnel before and after the Public Issue are as follows:-

**1.10.1 Promoters / Substantial Shareholders**

Name	Nationality	Before the Public Issue				After the Public Issue <sup>*4</sup>			
		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	<sup>*1</sup> 32,850,000	41.9	30,530,000	29.2	<sup>*1</sup> 32,850,000	31.5
Lee Choon Kee	Malaysian	12,940,000	16.5	<sup>*2</sup> 50,440,000	64.4	12,940,000	12.4	<sup>*2</sup> 50,440,000	48.3
Alex Tan Seng Keng	Malaysian	19,910,000	25.4	<sup>*3</sup> 43,470,000	55.5	19,910,000	19.1	<sup>*3</sup> 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	-	-	<sup>*5</sup> 4,500,000	5.7	-	-	<sup>*5</sup> 4,500,000	4.3
Hiah Swee Hiang	Malaysian	4,800,000	6.1	-	-	4,800,000	4.6	-	-

*Notes:*

<sup>\*1</sup> Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.

<sup>\*2</sup> Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.

<sup>\*3</sup> Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.

<sup>\*4</sup> After pink form allocations but prior to exercise of ESOS options.

<sup>\*5</sup> Deemed interested via her father, Kok We Tian @ Kok Wee Tian's shareholding.

**I SUMMARY INFORMATION (Cont'd)****1.10.2 Directors**

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

*Notes:*

- <sup>\*1</sup> Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.
- <sup>\*2</sup> Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.
- <sup>\*3</sup> Deemed interested via his mother, Lee Choon Kee's and his brother, Justin Tan Seng Kooi's shareholdings.
- <sup>\*4</sup> After pink form allocations but prior to exercise of ESOS options.
- <sup>\*5</sup> Negligible shareholdings.
- <sup>\*6</sup> Deemed interested via her father, Kok We Tian @ Kok Wee Tian's shareholding.

**1.10.3 Key Personnel**

Name	Designation	Before the Public Issue				After the Public Issue <sup>*3</sup>			
		No. of Extol MSC Shares held		No. of Extol MSC Shares held		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	<sup>*1</sup> 32,850,000	41.9	30,530,000	29.2	<sup>*1</sup> 32,850,000	31.5
Lee Choon Kee	Executive Director	12,940,000	16.5	<sup>*2</sup> 50,440,000	64.4	12,940,000	12.4	<sup>*2</sup> 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:*

- <sup>\*1</sup> Deemed interested via his mother, Lee Choon Kee's and his brother, Alex Tan Seng Keng's shareholdings.
- <sup>\*2</sup> Deemed interested via her sons, Justin Tan Seng Kooi's and Alex Tan Seng Keng's shareholdings.
- <sup>\*3</sup> After pink form allocations but prior to exercise of ESOS options.

For more details on the Promoters/Substantial Shareholders, Directors and Key Personnel, please refer to Section 8 of this Prospectus.

---

**1 SUMMARY INFORMATION (Cont'd)**


---

**1.11 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATIONS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**
**1.11.1 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.

**1.11.2 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	-
<b>Total</b>	<b>1,014</b>	<b>425</b>

All outstanding borrowings are interest bearing.

**1.11.3 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 fact likely to give rise to any proceedings which might materially affect the position and business of the Group.

**1.11.4 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 for the eight (8) months financial period ended 31 August 2005.

**1.11.5 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.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

---

**2 PARTICULARS OF THE PUBLIC ISSUE**


---

**2.1 OPENING AND CLOSING OF APPLICATION**

The application for the Public Issue will open at 10.00 a.m. on 27 February 2006 and will remain open until 5.00 p.m. on 7 March 2006 or for such period or periods as the Board and Kenanga at their absolute discretion may jointly decide. Late applications will not be accepted.

**2.2 IMPORTANT DATES**

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:-

<b>Event</b>	<b>Tentative Date</b>
Opening date of Application for the Issue Shares	27 February 2006
Closing date of Application for the Issue Shares	7 March 2006
Balloting Date	9 March 2006
Despatch of Notices of Allotment of the Issue Shares to successful applicants	17 March 2006
Listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	20 March 2006

Save for the opening date of the application for the Issue Shares, these dates are tentative and subject to changes which may be necessary to facilitate the implementation procedures. The application period will close at the date stated above or such later date as the Board and Kenanga at their absolute discretion may jointly decide.

Should the date of closing of application for the Issue Shares be extended, the dates for despatch of Notices of Allotment of the Issue Shares to successful applicants and listing of Extol MSC's entire enlarged issued and paid-up share capital on the MESDAQ Market will be extended accordingly. In the event the date of closing of application for the Issue Shares is extended, the public will be notified of such further extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers.

**2.3 SHARE CAPITAL***Authorised:-*

250,000,000 Extol MSC Shares	<u>RM25,000,000</u>
------------------------------	---------------------

*Issued and paid-up:-*

78,300,000 Extol MSC Shares credited as fully paid-up	RM7,830,000
---	-------------

*To be issued pursuant to the Public Issue:-*

26,100,000 Extol MSC Shares credited as fully paid-up	RM2,610,000
---	-------------

Enlarged issued and paid-up share capital	<u>RM10,440,000</u>
Issue Price per Extol MSC Share	RM0.30

There is only one (1) class of shares in the Company namely Extol MSC Shares. The Issue Shares will rank pari passu in all respects with one another and all other existing issued and fully paid-up Extol MSC Shares including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.



---

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


---

Subject to any special right(s) attached to any share which may be issued by the Company in the future, the holders of Extol MSC Shares shall, in proportion to the amount paid-up on the Extol MSC Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Extol Share held. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

**2.4 PARTICULARS OF THE PUBLIC ISSUE**

The Public Issue is an invitation by Extol MSC to the public to subscribe for the Issue Shares at an issue price of RM0.30 per Extol MSC Share subject to the terms and conditions contained in this Prospectus.

The Issue Shares made available for subscription by individuals, companies, societies, co-operatives and institutions by way of private placement and public offer are as follows:-

	<b>No. of Issue Shares to be allocated</b>
(i) Eligible directors, employees and business associates of the Group	7,100,000
(ii) General public	
(a) by way of private placement; and	18,000,000
(b) by way of public offer	1,000,000
	<hr/> 26,100,000 <hr/>

The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Extol MSC Shares. To meet shareholding spread requirements, the final allocation to any single applicant shall not amount to 5% or more of the enlarged issued and paid-up share capital of the Company upon listing on the MESDAQ Market, regardless of the amount of Issue Shares applied for.

The Issue Shares in respect of Section 2.4 (i) above are allocated to eligible directors, employees and business associates of the Group. All of the 7,100,000 Issue Shares have been allocated to eligible and interested directors, employees and business associates based on their respective position, number of years of service and number of years of relationship with the Group. Based on the criteria, there are approximately sixty-five (65) employees and business associates who are eligible and are interested in taking up the 7,100,000 reserved Issue Shares.

---

## 2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

---

Details of the Directors' pink form allocation are as follows:-

<b>Name</b>	<b>Designation</b>	<b>No. of shares allocated</b>
Lee Boon Kok	Independent Non-Executive Director	10,000

In the event any of the Issue Shares under Section 2.4 (i) above is not taken up by the eligible employees and business associates, such undersubscribed Issue Shares will be made available for application by the general public under Section 2.4 (ii) (b) above by way of a public offer or be allocated by way of placement under Section 2.4 (ii) (a) above.

In the event of any under-subscription of any of the 1,000,000 Issue Shares under Section 2.4 (ii) (b) above, such undersubscribed Issue Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

The Issue Shares under Section 2.4 (i) and (ii)(b) above have been fully underwritten by the Underwriter in compliance with the Listing Requirements. The Placement Agent has received irrevocable undertakings from selected investors to subscribe for the Issue Shares under Section 2.4 (ii)(a) above and hence the same will not be underwritten.

### 2.5 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of Extol MSC onto the MESDAQ Market;
- (ii) To provide Extol MSC with access to the capital market to raise funds for future expansion and growth;
- (iii) To provide an opportunity for Malaysian investors and institutions, eligible directors, employees and business associates of the Group and the public to participate in the continuing growth of the Group; and
- (iv) To enhance the stature of the Group in marketing its products and services and to maintain its existing work force and attract new skilled IT professionals.

### 2.6 PRICING OF THE PUBLIC ISSUE

The Issue Price of RM0.30 per Extol MSC Share was determined and agreed upon by the Company and Kenanga as Adviser, Underwriter and Placement Agent, after taking into account, inter-alia, the following:-

- (i) The Group's operating history and financial conditions as described in Sections 4 and 6 of this Prospectus;
- (ii) The industry overview, future plans and strategies and outlook of the Group as described in Sections 4, 5 and 7 of this Prospectus;
- (iii) The prevailing market condition; and
- (iv) The business strengths of the Group, as detailed in Section 4.21 of this Prospectus.

**Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.**

---

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


---

**2.7 PROCEEDS OF THE PUBLIC ISSUE AND PROPOSED UTILISATION**

The gross proceeds from the Public Issue amounting to RM7,830,000 will accrue entirely to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire enlarged issue and paid-up share capital on the MESDAQ Market. The proceeds are proposed to be utilised as follows:-

	Notes	RM	Expected time frame for utilisation
R&D	(i)	3,066,000	36 months from listing date
Business expansion	(ii)	1,917,000	36 months from listing date
Working capital	(iii)	1,247,000	36 months from listing date
Estimated listing expenses	(iv)	1,600,000	6 months from listing date
		<u>7,830,000</u>	

- (i) This will be used for the development of new ICT security technologies including the enhancement of the NN system known as "X-Net". Currently, the X-Net has been incorporated in some of the Group's proprietary application and appliances and the Group is in the process of incorporating it in more proprietary applications and appliances.

The proceeds earmarked for R&D will also be channelled towards the research of new ICT security applications including the anti-money laundering application/feature. This application is expected to be commercialised in 2007.

The Group also has plans to develop an ICT security assessment software known as TEMBAGA 7799 Pro and TEMBAGA TP Pro, which is expected to be rolled-out in 2007.

In addition, the proceeds will be used to fund the continuous research into new ICT threats and enhance the features of its applications and appliances to strengthen the competitive edge of its ICT security solutions.

Proceeds will also be channelled to fund the development of prototypes for MSS and EC\*TAG. Among the enhancements which will be done to MSS which requires the development of prototype are the addition of a wireless heartbeat and wireless auxiliary modem. Among the enhancements which will be done to the EC\*TAG system which requires the development of prototype are multiple key cryptography smartcard access and enhancement to the payroll & time attendance system.

- (ii) Business expansion refers to costs relating to the set up of MSS rooms for the Group's licensing program and related costs to market this program to potential licensees in Malaysia and overseas. It also encompasses marketing costs of the Group such as advertisement, promotion activities and exhibitions to create awareness of the Group and its products.
- (iii) The Group proposes to allocate RM1,247,000 to meet its working capital requirements such as staff salaries and administrative expenses, among others.

## **2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

### **(iv) Estimated Listing Expenses**

A portion of the proceeds is also expected to be used to bear the listing expenses such as advertising and printing costs, fees payable to the authorities, professionals and issuing house, underwriting and placement commission, brokerage fees, promotional expenditure and other related costs.

In the event that additional expenses are incurred, the additional amounts will be paid from the proceeds for its working capital and / or vice-versa.

Any unutilised proceeds raised from the Public Issue at the end of the expected timeframe for utilisation will be used as working capital.

### **2.7.1 Financial Impact From The Utilisation Of Proceeds**

The financial impact and benefits from the proceeds of the Public Issue include, inter-alia, the following:-

- (a) Enhancement of the existing products, development and launching of more products to expand the earnings of the Group; and
- (b) Expansion of the Company's presence to the South East Asian region.

Items (a) and (b) above are expected to enhance the earnings of the Group in the future. In addition, the Public Issue will raise RM1,247,000 for working capital, which is expected to improve the cash flow position of the Group.

## **2.8 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION**

### **2.8.1 Brokerage Fee**

Brokerage fee relating to the Issue Shares will be paid by the Company at the rate of one percent (1.0%) of the Issue Price in respect of successful applications, which bear the stamps of Kenanga, a participating organisation of Bursa Securities, members of the Malaysian Investment Banking Association or MIH.

### **2.8.2 Placement Commission and Placement Management Fee**

Kenanga has arranged for the placement of the Issue Shares at a rate of one point five percent (1.5%) of the value of Extol MSC Shares that have been successfully placed by Kenanga based on the Issue Price. A management fee is payable by the Company to Kenanga, at a rate of zero point five percent (0.5%) of the aggregate value of Extol MSC Shares under the private placement based on the Issue Price.

### **2.8.3 Underwriting Commission**

The Underwriter has agreed to underwrite 8,100,000 of the Issue Shares, which will be made available for subscription by the eligible directors, employees and business associates and for application under the public offer. Underwriting commission is payable by the Company at the rate of two percent (2%) of the Issue Price.

---

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

---

**2.8.4 Salient Provisions Of The Underwriting Agreement**

The following are extract of some of the salient clauses contained in the Underwriting Agreement dated 6 February 2006 entered into between the Company and the Underwriters, including escape clauses, which may allow the Underwriters to withdraw from obligations under the agreement after the opening of the offer:-

***“CONDITIONS TO THE UNDERWRITING***

*The obligations of the Underwriters under the Underwriting Agreement shall be conditional upon:-*

- (a) the SC having approved the issuance of the Prospectus and Bursa Securities having agreed in principle on or prior to the Closing Date to the listing of and quotation for the enlarged issued and paid-up ordinary share capital of the Company after the Public Issue amounting to 104,400,000 Shares on the MESDAQ Market of Bursa Securities on terms satisfactory to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) clear Market Days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;*
- (b) the proceeds / irrevocable undertakings from the placees for all shares described in Recital (D) (1) having been received by the placement agent of the Company prior to the Closing Date;*
- (c) the delivery to the Underwriter prior to the date of issuance of the Prospectus of:-*
  - (i) a certified true copy by an authorised officer of the Company of the Memorandum and Articles of Association of the Company and all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; and*
  - (ii) a certificate dated the day of the Prospectus signed by the duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.1 hereof;*
- (d) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Company or any of its Subsidiaries;*
- (e) the Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 8;*

---

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

- (f) *the public shareholding spread as required pursuant to the MESDAQ Market Listing Requirements of Bursa Securities being met;*
- (g) *there not having been, on or prior to the Closing Date, any adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in this Agreement and in the Prospectus as though they have been given or made on such date;*
- (h) *the registration and lodgement with the SC and the Registrar of Companies of the Prospectus together with copies of all requisite documents in accordance with the requirements of Sections 41 and 42 of the Securities Commission Act 1993, the SC Guidelines on the Issue/Offer of Securities and the Prospectus Guidelines pursuant to Clause 7;*
- (i) *the Composite Index of Bursa Securities is at no less than 650 points, on or prior to the Closing Date;*
- (j) *the issue and subscription of the Public Offer Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities) and to take place within sixty (60) days from the date of this Agreement;*
- (k) *all necessary approvals and consents from the SC and Bursa Securities required in relation to the Public Issue having been obtained and being in full force and effect; and*
- (l) *this Agreement having been duly executed by all parties and stamped.*

*If any of the conditions set forth above is not satisfied on or before the Closing Date the Underwriter shall thereupon be entitled to, terminate this Agreement by notice in writing to the Company and in that event the Parties hereto shall be released and discharged from their respective obligation hereunder PROVIDED THAT the Company shall remain liable for the payment of the Underwriting Commission and of all other costs and expenses including but not limited to those referred in Clause 8 hereof.*

**TERMINATION OF UNDERWRITING OBLIGATION**

*If by 8.00 p.m. on the Closing Date or such other date as the Company and the Underwriter may mutually agree upon, Application Forms in respect of all the Underwritten Shares have been lodged for acceptance and received in accordance with the terms of Prospectus, together with valid banker's drafts or other forms of remittances for the full amounts payable thereunder, no obligation shall arise on the part of the Underwriter to apply for any of the Underwritten Shares under this Agreement.*

---

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

**TERMINATION**

*Reasons for Termination*

*On or before the Closing Date, the Underwriter shall thereupon be entitled to terminate this Agreement by notice in writing delivered to the Company, if:-*

- (a) any of the conditions referred to in Clause 2.2 is not satisfied, provided that the Underwriter may at its discretion and subject to such conditions as the Underwriter may impose, waive compliance with the provisions of Clause 2.2; or*
- (b) any adverse change or any development reasonably likely to involve an adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue, or the occurrence of any event rendering untrue or incorrect to an extent which is material any representations or warranties contained in Clause 3.1 as though they had been given or made on such date; or*
- (c) there is withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to this Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company and its Subsidiaries and related companies, the success of the Public Issue, or the distribution or sale of the new Shares pursuant to the Public Issue; or*
- (d) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of the coming into force of any laws of Governmental regulations or directives or any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange or unforeseen circumstances beyond the reasonable control of the Underwriter and by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Public Issue, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or*
- (e) there is failure on the part of the Company to perform any of its obligations herein contained; or*
- (f) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would prejudice materially the success of the Public Issue.*

*Upon any such notice(s) being given pursuant to Clause 7.1, the Underwriter shall be released and discharged from its obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable for the payment of the Underwriting Commission and in respect of its obligation and liabilities under Clause 8 for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.*

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

*Effects of Termination*

*In the event of termination pursuant to Clause 7.1, the Underwriter hereto shall be released and discharged from its obligations hereunder, except for the liabilities of the Company for the payment of the Underwriting Commission and costs and expenses as provided for in this Agreement, which had been incurred prior to or in connection with such termination. Provided always that the parties hereto agree that in the event of termination of this Agreement pursuant to a Force Majeure event, the Underwriter and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and/or entering into a new underwriting agreement as the case may be with the mutual consent of the parties hereto."*

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



### 3 RISK FACTORS

---

**NOTWITHSTANDING THE PROSPECTS OF THE GROUP AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCES OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.**

**(A) BUSINESS RISKS**

**(i) Dependence on key personnel**

The Group's continued success will depend substantially upon the abilities and continued efforts of Justin Tan Seng Kooi, Lee Choon Kee, Lim Chew Hian, Ng Choo Kit and Lew Chia Chyi, its Chief Executive Officer, Executive Director, Chief Operating Officer, Chief Financial Officer and Chief Technology Officer, respectively. The Group relies on the key management team as they bring along their in-depth knowledge and experiences in the ICT security industry and other valuable management experiences. The loss of the key personnel may adversely affect the Group's performance.

The Group's future successes will also depend upon its ability to attract and retain a sufficient number of highly skilled employees.

The Group mitigates these risks by continuing to hire personnel as and when necessary to accommodate any increase in the size of the Group's operations. The Board believes that by offering a competitive salary package, the ESOS, Transfer of Shares to Employees, training and conducive working environment should mitigate these risks further. Recognising the importance of its human resource, efforts have also been taken to groom younger members of the Group to ensure smooth transition in the management team.

**(ii) No prior market for the Company's shares**

Prior to the Public Issue, there was no public market for Extol MSC Shares. There can be no assurance that an active market can develop for Extol MSC Shares upon its listing on the MESDAQ Market or if developed, that such a market can be sustained. The Issue Price has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the industry in which the Group operates, the Group's R&D capability and technology, the management of the Group and the prevailing economic and market conditions. There can be no assurance that the Issue Price will correspond to the price at which Extol MSC Shares will trade on the MESDAQ Market upon or subsequent to its listing.

**(iii) Expansion to foreign markets and its related risks thereon**

The Group has intentions to expand its operations to other South East Asian countries for its MSS suite of products via a licensing program. However, there can be no assurance that the Group will be able to successfully penetrate new markets. Furthermore, such future expansion could expose the Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect the Group's business, financial conditions and operating results. However, prudence and careful planning have always been exercised by the Board to ensure that there would not be a sudden over expansion.

### **3 RISK FACTORS (Cont'd)**

---

#### **(iv) MSC status**

Extol MSC was granted MSC status on 8 September 2004 by MDC and on the same date, Extol MSC was awarded Pioneer Status. As such, it is entitled to enjoy certain financial and non-financial incentives such as 100% income tax exemption on all profits derived from its MSC-qualifying activities. The Pioneer Status is renewable for a further period of five (5) years upon expiry in 2009.

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to revoke any company's MSC status at any time if it does not comply with the conditions of grant of MSC status as imposed by the MDC. As such, there can be no assurance that the Company will continue to retain its MSC and Pioneer Status or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives as stated in Section 11.2 of this Prospectus, all of which could significantly affect the Company's business, operating results and financial condition. There can also be no assurance that the MSC incentives will not be changed or modified in anyway in the future.

#### **(v) Dependence on certain customers and suppliers**

##### **(a) Dependence on customers**

The Group's customers are primarily from the financial sector. The top ten (10) customers of the Group based on the audited financial statements for the eight (8) months ended 31 August 2005 are set out in Section 4.18 of this Prospectus. Accordingly, the Group's performance is dependent on the performance of the financial industry. Notwithstanding the above, the dependency is expected to be mitigated by the Group's planned expansion into other industries for its MSS products and the diversifications brought about by its SEA products. The SEA products are currently concentrated in the educational and garment manufacturing industries.

The Group acknowledges that the majority of its MSS customers are from the banking industry. The Group plans to mitigate its dependency on any one single industry by diversifying its customer profile. The Group, together with certain business partners, are working together to broaden its offerings hence making these solutions more available to other businesses. The Group will also be conducting several security awareness campaigns by conducting seminars to educate the public of the importance of ICT security. These seminars are not specifically targeted at any particular industry and will be used by the Group as a platform to attract additional customers. Additionally, the Group has increased the size of its business team to have a wider reach in the market.

In addition to the above risk, the Group's transactions with its customers are mainly on contract basis. As such, the Group's financial performance depends on its ability to continue securing major contracts from its customers. Although this risk is mitigated by the market credibility of the Group in ICT security, there can be no assurance that this risk may not have an adverse effect on the financial performance of the Group.

##### **(b) Dependence on suppliers**

The Group utilizes third party products such as hardware components, software applications and other peripherals as part of its solutions, partly due to its customer's choice and partly due to the fact that some of these third party products are not economically efficient to be re-produced as they are readily available in the market. In this respect, there are risks relating to the Group's reliance on the suppliers for these third party products.

### 3 RISK FACTORS (Cont'd)

---

Based on the audited financial results of the Group for the eight (8) months ended 31 August 2005, the purchases from the top two (2) suppliers represent approximately 42.25% of the Group's total purchases for the period ended 31 August 2005. Notwithstanding the above, the dependency is mitigated by the fact that the products offered by the vendors and the product's substitutes are readily available in the market from other vendors.

The top ten (10) suppliers of the Group based on the audited financial statements for the eight (8) months ended 31 August 2005 are set out in Section 4.19 of this Prospectus.

**(vi) Brand awareness and loyalty**

An important element of the Group's future business strategy is to develop and maintain widespread recognition of Extol, iPatrol, EC\*TAG and EC\*CIMS brandnames in Malaysia and regionally. Promoting and positioning the Group's brands will depend largely on the success of the Group's marketing efforts and its ability to provide high quality services.

In order to promote and position its brands, the Group will need to increase its marketing budgets and its financial commitments to create and maintain brand loyalty. However, there can be no assurance that brand promotion and positioning activities will yield increased revenues or that any such revenues would offset the expenses incurred by the Group in building its brands. If the Group fails to promote and maintain its brands or incur substantial expenses in attempts to promote and maintain its brands, the Group's businesses, results of operations and financial conditions may be materially and adversely affected.

To mitigate this risk, the Group intends to allocate sufficient resources to its business and marketing staff in marketing and promotion efforts.

**(vii) Management of future growth**

The Group is currently experiencing a period of growth as projected in its five (5) year business development expansion plan. The Group's ability to manage its growth will depend on its ability to improve its operational, financial and other internal systems and to train, recruit, motivate and manage its employees. If the Group is unable to achieve the anticipated performance levels, its business and financial performance may be affected.

**(viii) Protection of IP rights**

The Group's success is also dependent on its ability to protect its proprietary technology. The Group has put in place several security measures to protect its core proprietary technology, including its source codes as disclosed in Sections 1.2 and 4.6 of this Prospectus. Although the Group utilises Open source software, proprietary source codes have been added to the Open source software to ensure that the Group's applications and appliances are not easily duplicated. With the exception of the Chief Technology Officer, Chief Executive Officer and project managers, no one single programmer or software engineer knows the source codes for the entire software application. Furthermore, employment letters with each employee include confidentiality clauses that effectively prohibit disclosure of confidential information which the employee comes to know in the course of employment.

The nature of the Group's softwares also acts as a barrier against illegal usage as specialised knowledge and familiarisation with the software are required to run the software, and most of its softwares require special training and domain knowledge to develop or customise; hence, such softwares are often sold to customers together with the Group's professional services.

### **3 RISK FACTORS (Cont'd)**

---

Existing patent, copyright, trademark and trade secrets laws afford only limited protection. As such, there can be no assurance that the Group will be able to protect its IP rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial conditions.

#### **(ix) Business and operation risks**

The Group's operations are subject to certain risks inherent in the industry which it operates. The risks include, inter-alia, general economic condition, constraints in supply of knowledge personnel, the possible increase in the operating and capital costs due to increase in labour supply, changes in economic and business conditions, foreign exchange rate fluctuations, unfavourable changes in Government and international policies, the introduction of new and more superior technology or products and services by competitors and changes in consumers' taste.

Although the Group seeks to limit these risks through, inter-alia, increasing the efficiency of operations, diversifying the pool of suppliers, expanding the business through increasing its range of customers, products and services for both Malaysian and export markets, and improving its technological competence in R&D and advanced technologies, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

Other insurable risks, which are also inherent to the Group's business, include amongst others, fire outbreaks, disruption of electric supply, disruption in its distribution channels, flood, theft which would affect the Group's business operations.

The Board is of the view that the Group has adequate insurance arrangements for all insurable risks associated with the Group's business operations. The insurance arrangements are however, subject to conditions, exclusions and exceptions of such insurance policies.

Notwithstanding the above, no assurance can be given that the operations of the Group will not be adversely affected by the occurrence of the abovementioned events or that all risks relating to the operations of the Group have been insured.

#### **(x) Funding requirements**

The Group depends on additional funding in light of the requirement to continuously carry-out R&D activities to improve its products and develop new ones in response to the rapid technological changes. If the Group is unable to continue obtaining the required funding, the performance of the Group may be adversely affected.

In view of the proceeds to be derived from the Public Issue, the Group believes that it will have adequate working capital in the next twelve (12) months. However, there is no assurance that future events may not cause the Company to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Company. The issue of additional equity or other convertible securities to non-shareholders will result in further dilution of the shareholdings of the Company's shareholders.

### **(B) RISKS RELATING TO INDUSTRY**

#### **(i) Competitive Risks**

The Group faces competition from various competitors involved in the Malaysian ICT security industry.

### 3 RISK FACTORS (Cont'd)

---

No assurance can be given that the Group will be able to maintain its market share upon completion of the Public Issue. Nevertheless, the Directors of the Group believe that the Group is in a position to compete with its competitors based on its competitive edge in terms of its comprehensive range of solutions, long standing relationship with its suppliers and customers, experience in the Malaysian market and its continual commitment to technology. The Group will also continue to take effective measures to ensure that its services/products conform to high quality standards, expansion of its production capacity, intensifying marketing activities, diversifying its product line, add-on products development and diversifying into new markets to maintain the existing market position.

The Group's future success will depend significantly upon its ability to increase its share of its target markets, to maintain and increase its renewal revenues from existing customers and to sell additional products and solutions, product enhancements, maintenance and support services to existing customers and new markets.

#### (ii) Technology

A strong R&D capability is important for the continued development of new products and solutions that meet the demand of its customers. However, there are inherent risks involved, given that R&D efforts may require long lead-times. Such risks include the uncertainties with regards to the outcome of its R&D efforts, delays in development of potential products and general uncertainties due to the rapid changes in technology know-how.

The delay in the completion of the development of its products and solutions and the consequential delay in the launch of these products and solutions in the market place may adversely affect its competitive position.

Although the Group seeks to mitigate this risk by effectively allocating its resources and focusing on servicing customers and prospects with better returns, there can be no assurance that there will not be any delays in the completion of its R&D efforts. Furthermore there can be no assurance that any delays in its R&D efforts will not have any material adverse effect on the Group's business and financial performance.

In addition, the IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. Hence, the Group would need to keep abreast with the latest technologies in order to compete successfully with its competitors. The Group will be subject to the risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:-

- (a) failure to keep abreast with changing technological standards and requirements;
- (b) failure to anticipate and adapt to developing market trends and requirements; and
- (c) inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

Recognising this, the Group's R&D team constantly keeps abreast with new technologies and market trends wherein the business development team works closely with the R&D team to provide feedback on market trends and client requirements. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

### 3 RISK FACTORS (Cont'd)

---

#### (C) OTHER RISKS

##### (i) Control of the Promoters

The Company will be controlled by the Promoters, who will collectively control 60.7% of the Company's issued and paid-up share capital after the Public Issue. As a result, the Promoters will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the Promoters, such promoters would be required to abstain from voting. In addition, Extol MSC has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

##### (ii) Political, economic and legislative considerations

Development in political, economic and legislative conditions in Malaysia and other countries where the Group is currently operating or where the Group may undertake projects or market its products in the future could materially affect the business, operations and financial prospects of the Group. Political, economic and legislative uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

##### (iii) Forward looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believe", "intends", "plans", "expects", "forecast" and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Group's financial and business performance.

##### (iv) Delay in or abortion of the Public Issue

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Public Issue:-

- (a) the identified investors fail to subscribe for the portion of Issue Shares placed to them;
- (b) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharge itself from its obligations thereunder; or
- (c) the Company is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Board will endeavour to ensure compliance by Extol MSC of the various Listing Requirements, including, inter-alia, the public spread requirement imposed by Bursa Malaysia for the successful Public Issue, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Public Issue.

**3 RISK FACTORS (Cont'd)**

---

**(v) Termination of Underwriting Agreement**

The Underwriting Agreement is terminable by the Underwriter if the Underwriter is of the reasonable opinion that the success of the Public Issue is seriously jeopardised by certain events, details of which are set out in Section 2.8.4 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 2.8.4 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

**(vi) Acquisitions and joint ventures**

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms. As a mitigating factor, any investment of such nature will be carefully considered by the Board.

**(vii) Uncertainty of Five (5) Year Business Development Plan**

The success of the Group's business plan will be largely dependent upon the market of the ICT security industry, as well as the Group's ability to maintain a cost-efficient structure and further develop and market its services and products. In addition, the Group's future plans and prospects will be dependent upon, among other things, the Group's ability to respond to market changes, competitively price its services and products, maintain strong international alliances, hire and retain skilled knowledge personnel and successfully manage operational, financial and other internal systems.

There can be no assurance that the Group will be able to successfully implement its business plans or that unanticipated change in the market forces or financial constraints will not occur which would result in material delays in its implementation or even deviation from its original plans. Moreover, there can be no assurance that the Group will have sufficient capacity to satisfy any increased demand for growth from the Group's implementation of its five (5) year business development plan.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 4 INFORMATION ON THE COMPANY

---

### 4.1 HISTORY

#### 4.1.1 Background

##### *Incorporation*

Extol MSC was incorporated on 27 February 2004 in Malaysia under the Act as a private limited company under the name of Extol Holdings Sdn Bhd. It was subsequently converted into a public company on 30 September 2004 and assumed the name Extol Holdings Berhad. On 8 September 2004, Extol MSC was granted the MSC status by MDC. On the same date, Extol MSC was awarded the Pioneer Status. On 25 November 2004, it changed its name to Extol MSC Berhad. Extol MSC was incorporated to facilitate the flotation of the Group on the MESDAQ Market.

##### *History and principal activities*

The Group's history began in 1984 when Extol Corporation was incorporated as a private limited company under the Act. This is a period when the ICT industry in Malaysia was at its formative stage. Extol Corporation's core business then was as a distributor of PC, PC software and PC peripherals.

In 1990, the Group changed its direction of business into the provision of ICT security solutions after realising the potential and opportunities that were present in the ICT security industry due to the increasing reliance on ICT products and services by businesses and organisations.

##### *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 pursuit of ICT security technology, the Group engaged in a technology transfer collaboration with Norman (a Norwegian data security specialist which also has an anti-virus software application which is referred herein as 'Norman AV') in 1993. Norman and Extol Corporation leveraged on the specific strengths of each party to enhance their respective anti-virus application software. Through the collaboration, Norman incorporated Armour's 'cleaning engine' and Viral Behavioral Detection Model (VBDM) modules into Norman AV and Extol Corporation incorporated Norman AV's 'scanning engine' module into Armour.

##### *MSS*

With the vision of becoming the leading ICT security solutions provider, the Group expanded the scope of its ICT security activities mainly from providing anti-virus application software to include the provision of a comprehensive ICT security solution to organisations, especially for network systems and internet transactions. The Group researched and developed methodologies to evaluate ICT security threats in organisations as well as a host of software and hardware ICT security applications and appliances for the expanded scope of activities. This scope of activities is now known as MSS.



#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

The first major implementation of MSS came about in 1996 when 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, Binariang Sdn Bhd. Another major milestone for MSS was achieved in 1998 when the Group was selected as the official provider of MSS for the Kuala Lumpur 98 VXI Commonwealth Games.

##### *SEA*

Through its experience in implementing MSS for its clients over the years, the Group found that security features are normally lacking in most enterprise applications in the market today. The Group then leveraged on its ICT security knowledge to create enterprise solutions with built-in ICT security features. This led to the development of SEA. The Group's SEA products will broaden its revenue and earnings base and act as an additional platform to market its MSS to the manufacturing and education industries.

In developing secured enterprise applications, developers need to design and develop software with security in mind. It requires more effort to build secured applications, as it requires detailed knowledge of points of vulnerability which are susceptible to security threats and the appropriate security measures. As the Group is well equipped with the required know-how, it has been able to build secured enterprise applications which are geared towards improving the efficiency and profitability while at the same time, protecting the computer systems of its clients.

After conducting its own market research, the Group realised that there is a demand for secured enterprise application in the apparel and garment manufacturing industry for real-time shop floor data collection and tracking system in the area of production tracking and job costing. With this, the Group developed the EC\*TAG application which seeks to improve the efficiency and effectiveness in not only the production shop floor but also in the accounts, sales and management departments of a garment manufacturer.

The Group is also aware that the Government is promoting a knowledge-based economy with a focus on education. To capitalise on this opportunity, the Group developed its EC\*CIMS (a web based interactive campus management system) for institutions of higher learning.

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.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

##### 4.1.2 Restructuring And Listing Scheme

As an integral part of the listing of and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market, the Company undertook a restructuring exercise which was approved by the SC on 8 September 2005. The restructuring exercise involved the following steps:-

###### (i) The Acquisitions

###### *Acquisition of Extol Corporation*

Pursuant to the conditional shares sale agreement dated 17 September 2004 and the supplemental agreement dated 18 October 2005 for the Acquisition of Extol Corporation, Extol MSC acquired the entire equity interests in Extol Corporation comprising 2,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM6,470,000 satisfied entirely by the issuance of 6,470,000 new Extol MSC ordinary shares of RM1.00 each at par. The purchase consideration of RM6,470,000 was arrived at on a willing buyer willing seller basis after taking into consideration, inter-alia, the audited shareholders' funds of Extol Corporation as at 30 June 2004 of RM4.283 million.

The purchase consideration of RM6,470,000 represents:-

- (a) a price to NAV ratio of approximately 1.51 times Extol Corporation's audited shareholders' funds as at 30 June 2004 of approximately RM4.283 million; and
- (b) a PE multiple of approximately 4.91 times based on Extol Corporation's annualised PAT for the six (6) months period ended 30 June 2004 of approximately RM1.318 million.

The purchase consideration for the Acquisition of Extol Corporation can be justified as the price to NAV ratio and the PE multiples for the Acquisition of Extol Corporation is below the average price to NAV ratio and PE multiple of technology companies already listed on the MESDAQ Market of 1.73 times\* and 13.49 times\* respectively.

The new Extol MSC ordinary shares of RM1.00 each issued pursuant to the Acquisition of Extol Corporation shall rank *pari passu* in all respects with the then existing issued shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

*Note \*: Based on closing price as at 19 December 2005. There is no one particular listed company on the MESDAQ Market that can be considered to be truly comparable to Extol Corporation in terms of composition of business activities, scale of operations, and future prospects. The comparable companies used were based on their categorisation as technology companies listed on the MESDAQ Market.*

---

**4 INFORMATION ON THE COMPANY (Cont'd)**


---

Pursuant to the Acquisition of Extol Corporation, 6,470,000 new ordinary shares of RM1.00 each in Extol MSC have been credited to the vendors/ shareholders of Extol Corporation as follows:-

<b>Shareholder</b>	<b>No. of new Extol MSC shares of RM1.00 each</b>
Justin Tan Seng Kooi	3,235,000
Alex Tan Seng Keng	1,941,000
Lee Choon Kee	1,294,000
<b>Total</b>	<b>6,470,000</b>

The Acquisition of Extol Corporation was completed on 19 December 2005.

*Acquisition of Extol Marketing*

Pursuant to the conditional shares sale agreement dated 17 September 2004 and the supplemental agreement dated 18 October 2005 for the Acquisition of Extol Marketing, Extol MSC acquired the entire equity interests in Extol Marketing comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM100,000 to be satisfied entirely by the issuance of 100,000 new Extol MSC ordinary shares of RM1.00 each at par. The purchase consideration of RM100,000 was arrived at on a willing buyer willing seller basis after taking into consideration, inter-alia, the audited shareholders' funds of Extol Marketing as at 30 June 2004 of RM92,316.

The purchase consideration of RM100,000 represents:-

- (a) a price to NAV ratio of approximately 1.08 times Extol Marketing's audited shareholders' funds as at 30 June 2004 of approximately RM92,316; and
- (b) a PE multiple of approximately 0.27 times based on Extol Marketing's annualised PAT for the three (3) month period ended 30 June 2004 of RM369,256.

The purchase consideration for the Acquisition of Extol Marketing can be justified as the price to NAV ratio and the PE multiples for the Acquisition of Extol Corporation is below the average price to NAV ratio and PE multiple of technology companies already listed on the MESDAQ Market of 1.73 times\* and 13.49 times\* respectively.

*Note \*: Based on closing price as at 19 December 2005. There is no one particular listed company on the MESDAQ Market that can be considered to be truly comparable to Extol Marketing in terms of composition of business activities, scale of operations, and future prospects. The comparable companies used were based on their categorisation as technology companies listed on the MESDAQ Market.*

The new Extol MSC shares of RM1.00 each issued pursuant to the Acquisition of Extol Marketing rank pari passu in all respects with the then existing issued shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

---

**4 INFORMATION ON THE COMPANY (Cont'd)**


---

Pursuant to the Acquisition of Extol Marketing, 100,000 new ordinary shares of RM1.00 each in Extol MSC have been credited to the vendors/ shareholders of Extol Marketing as follows:-

<b>Shareholder</b>	<b>No. of new Extol MSC shares of RM1.00 each</b>
Justin Tan Seng Kooi	50,000
Alex Tan Seng Keng	50,000
<b>Total</b>	<u><u>100,000</u></u>

The Acquisition of Extol Marketing was completed on 19 December 2005.

**(ii) Subdivision of Shares**

Extol MSC subdivided its shares from par value of RM1.00 each into par value of RM0.10 each after the completion of the Acquisitions. Accordingly, the Company's number of issued and paid up shares increased from 7,830,000 ordinary shares of RM1.00 each to 78,300,000 ordinary shares of RM0.10 each. The Subdivision of Shares was completed on 3 January 2006.

**(iii) Transfer of Shares to Employees**

Justin Tan Seng Kooi as Chief Executive Officer had offered to transfer 2,320,000 of his Extol MSC Shares to selected employees of the Group. The transfers were at a nominal consideration of RM1.00 per employee. The aforementioned transfer was completed on 20 January 2006.

**(iv) Public Issue**

In conjunction with the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market, Extol MSC will issue 26,100,000 new Extol MSC Shares at an issue price of RM0.30 per share to eligible employees, directors, business associates, individuals, companies, societies, co-operatives and institutions by way of private placement and public offer, subject to the terms and conditions of this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of Extol MSC will increase from RM7,830,000 comprising 78,300,000 Extol MSC Shares to RM10,440,000 comprising 104,400,000 Extol MSC Shares credited as fully paid-up.

**(v) Listing and Quotation on MESDAQ Market**

Upon completion of the Public Issue, the entire issued and paid-up share capital of Extol MSC of RM10,440,000 comprising 104,400,000 Extol MSC Shares together with the new Extol MSC Shares that may be issued pursuant to the exercise of ESOS options, representing up to 10% of the issued and paid-up share capital of Extol MSC at any one time during the existence of the ESOS will be listed on the MESDAQ Market.

---

**4 INFORMATION ON THE COMPANY (Cont'd)**


---

**(vi) ESOS**

In conjunction with the Listing, the Company will implement an ESOS involving up to 10% of the Company's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to the directors and eligible employees of the Group.

The Board shall, within the duration of the ESOS, make offers to grant options to the directors and eligible employees of the Group in accordance with the By-Laws adopted by the shareholders of the Company. These options shall be exercisable at a price which is the weighted average market price of the Extol MSC Shares for the five (5) Market Days immediately preceding the date on which the option is granted less, if the directors of the Company shall decide at their discretion from time to time, a discount of not more than 10%.

The ESOS shall be in force for a duration of five (5) years. The new Extol MSC Shares to be issued upon the exercise of the options will, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up shares of the Company, except that the new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said Extol MSC Shares. The new Extol MSC Shares will be subject to all the provisions of the Articles of Association of the Company.

The ESOS Option committee established under the By-Laws governing the ESOS may, in accordance with the By-Laws governing the ESOS, offer options to the Non-Executive Directors of the Company to subscribe to a maximum of 100,000 shares in the Company pursuant to the ESOS, subject always to any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS.

The By-Laws of the ESOS are set out in Section 15 of this Prospectus.

**4.2 SHARE CAPITAL**

The authorised share capital of Extol MSC is RM25,000,000 comprising 250,000,000 Extol MSC Shares. As at the date of this Prospectus, the issued and paid-up share capital of Extol MSC is RM7,830,000 comprising 78,300,000 Extol MSC Shares credited as fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of Extol MSC will increase to RM10,440,000 comprising 104,400,000 Extol MSC Shares credited as fully paid-up.

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 issued and paid-up share capital (cumulative) RM	Resultant issued and paid-up shares (cumulative)
27/02/04	2	1.00	Subscribers' shares	2.00	2
17/09/04	1,259,998	1.00	Cash	1,260,000.00	1,260,000

#### 4 INFORMATION ON THE COMPANY (Cont'd)

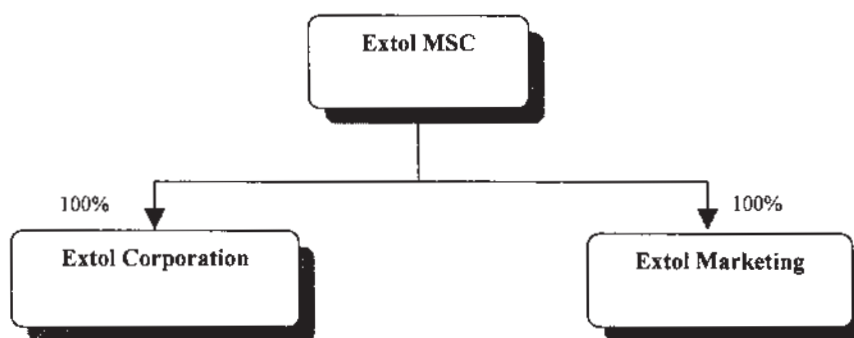
Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Resultant issued and paid-up share capital (cumulative) RM	Resultant issued and paid-up shares (cumulative)
19/12/05	6,470,000	1.00	Acquisition of Extol Corporation	7,730,000.00	7,730,000
19/12/05	100,000	1.00	Acquisition of Extol Marketing	7,830,000.00	7,830,000
03/01/06	78,300,000	0.10	Share split	7,830,000.00	78,300,000

### 4.3 BUSINESS OVERVIEW

#### 4.3.1 Principal Activities

Extol MSC was incorporated on 27 February 2004 in Malaysia under the Act as a private limited company under the name of Extol Holdings Sdn Bhd. It was subsequently converted into a public company on 30 September 2004 and assumed the name Extol Holdings Berhad. On 8 September 2004, Extol MSC was granted the MSC status by MDC. On the same date, Extol MSC was awarded the Pioneer Status. On 25 November 2004, it changed its name to Extol MSC Berhad. Extol MSC was incorporated to facilitate the flotation of the Group on the MESDAQ Market.

The corporate structure of the Group is as follows:-



The principal activities of Extol MSC and its subsidiary companies are as follows:-

Company	Principal Activities
Extol MSC	Carry out research and development in ICT security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings.
Extol Corporation	Sale and research and development of security technology, security maintenance and professional security services and training.
Extol Marketing	Trading of computer hardware, software, related equipment and software development.

## 4 INFORMATION ON THE COMPANY (Cont'd)

---

### 4.4 EXISTING PRODUCTS AND SOLUTIONS

Security solutions are no longer a luxury but a necessity in today's business environment. With the increasingly wide usage of computers to store critical personal data and financial information, it is essential that computers be protected from security threats which may cause the collapse of an organisation's entire ICT system.

Organisations are more dependent than ever upon technology, including central databases, networks and the Internet. Such systems are vulnerable to data theft, sabotage, economic espionage, hacking and viruses.

ICT security threats can result in loss of availability, confidentiality, integrity, accountability, authenticity, reliability and critical information which can lead to:

- Financial losses;
- Loss of customer confidence and image;
- Incorrect decisions; and
- Inability to perform critical tasks.

In line with the Group's activities and position as a one-stop ICT security solutions provider, the Group offers a comprehensive spectrum of ICT security products and services to counter the threats mentioned above. The Group's ICT security products and services include hardware and software security solutions, consultancy, forensic research and education. This area of products and services is categorised as MSS.

MSS is a suite of technologically advanced hardware and software ICT security products, solutions and services that can effectively detect, react and protect against multiple Internet, network and computer related security threats. It is aimed at ensuring that the ICT applications and systems of organisations operate as free as possible from various ICT related security threats.

In addition to its core services and products in the area of MSS, the Group also has security-enhanced enterprise applications solutions that supplement the Group's ICT security products and services. These products and services are categorised as SEA. The Group's SEA is currently targeted at the garment manufacturing and education industries.

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 ICT system), it forms a complete and comprehensive solution to fulfill an organisation's ICT security requirements.

#### 4.4.1 MSS

The Group's MSS comprise a comprehensive array of solutions which have the ability to protect, detect and react against various ICT security threats.

Under the MSS, the Group offers the following solutions:

- Security Surveillance and Monitoring (branded under the name *iPatrol Security System*);
- Security System Management (branded under the name *iPatrol Security System*);
- Anti-Virus Management Solutions;
- Fraud Detection and Management;

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

- Forensics and Incidence Response; and
- Advisory and Consultancy.

Organisations may choose all or any combinations of the above solutions for their MSS.

##### (i) Security Surveillance and Monitoring

Computer systems (especially those connected to the Internet) open a gateway between an organisation's internal systems and the Internet. Without appropriate ICT security, hackers are able to hack into an organisation's system. The Security Surveillance and Monitoring solution of the Group provides the required ICT security to protect computers and network systems against such attacks. The Security Surveillance and Monitoring solution offered by the Group is branded under the name *iPatrol Security System*.

The Security Surveillance and Monitoring solution (branded under *iPatrol Security System*) involves:-

- Identifying any potential internal and external security threats from the analysis of the organisation's existing network system and business processes;
- Testing and conducting integrity analysis to ensure the integrity of computer systems;
- Designing the full specification of the ICT solution framework that will ensure a fast, secure and cost effective solution in the new or existing topography; and
- Deploying the Group's software and hardware ICT security applications and appliances onto the corporation's network systems, servers and computers.

The proprietary applications and appliances used for the Group's Security Surveillance and Monitoring are:-

- *iPatrol iFilter*
- *iPatrol Heartbeat Manager*
- *iPatrol HostGUARD*
- *iPatrol FirewallGUARD*
- *iPatrol IntruGUARD*
- *iPatrol Vulnerability Assessment Monitoring*
- *iPatrol Log Analysis*
- *iPatrol Central Command*

Descriptions of the Group's proprietary application and appliances are set out on pages 44 to 46.

##### (ii) Security System Management

The Group's Security System Management is an extended option of the Security Surveillance and Monitoring solution. It allows organisations to completely assign their surveillance and monitoring function to the Group. As with the Security Surveillance and Monitoring Solution, the Security System Management solution offered by the Group is also branded under the name *iPatrol Security System*.



#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

Under this solution, the Group will carry out the surveillance and monitoring function of an organisation's network system remotely from the SOC located at the Group's head office. The surveillance and monitoring services are carried out round the clock or 'real time 24/7'. In the event of detection of security breaches in the network system through the remote centre, the Group will immediately notify the IT administrator of its client.

The proprietary applications and appliances used for the Group's Security System Management are:-

- iPatrol iFilter
- iPatrol Heartbeat Manager
- iPatrol Performance Manager
- iPatrol Log Analysis
- iPatrol FirewallGUARD
- iPatrol IntruGUARD
- iPatrol HostGUARD

Descriptions of the Group's proprietary application and appliances are set out on pages 44 to 46.

#### (iii) Anti-virus Management Solutions

The Group's Anti-Virus Management solution focuses on the protection of network systems, servers and computers from malicious codes such as virus, worm and Trojan horses. Through the Group's experience in the ICT security industry, it has observed that computer viruses are able to penetrate even the most updated anti-virus tools. Thus, the Group introduced CAViS (Comprehensive Anti-Virus Services) to complement anti-virus products in the market.

CAViS is a set of computer anti-virus services and training targeted at organisations and computer users to reduce the risks of computer virus threats. CAViS services range from special hands-on live virus workshops to total anti-virus outsourcing and maintenance. CAViS services are intended to complement anti-virus products.

The objective of introducing this service is to reduce the risk of virus threats by effectively using anti-virus tools and complementing these products with appropriate solutions and best practices.

The proprietary applications and appliances used for the Group's Anti-Virus Management Solutions are:-

- Armour Virus Control
- Armour Gatesecure

#### (iv) Fraud Detection and Management

Internet Banking (IB) fraud is still prevalent as conventional computer security controls are inadequate to address attacks targeted at IB's weakest link, the IB users. As IB transactions are encrypted, common application level attacks go largely undetected by standard technological tools, namely the network IDS's and traditional network firewalls.

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

Recent advances in AI and network computing has the ability to detect IB threats such as 'identity theft' and suspicious IB activities. To achieve this, the disparate and obscure information located in log files has to be centrally stored, correlated and archived. The Group's proprietary hardware, the FS9000 forensics server series, does precisely this. The FS9000 forensics server is a hardware solution which comprises a rule based fraud detection system and a NN based detection system. The internal self-checking mechanism of the FS9000 ensures integrity and preservation of evidence. This makes the FS9000 forensics server series a suitable platform for troubleshooting IB system problems and forensics tool.

The Group's latest offering under MSS is ARC6, which is an AI system residing in the FS9000 server. ARC6 is capable of analysing enormous amounts of IB logs in real-time, round the clock, all year round. It is capable of either detecting fraudulent transactions through its signature-based system or through anomaly detection. It also has a self-learning capability (based on an AI system known as NN systems) that is able to learn and update itself on new fraud patterns.

The Group has successfully developed a NN engine named X-Net for its FS9000 series server and has incorporated the first version of X-Net into the ARC6 which is part of the FS9000 server series for Fraud Detection and Management under its suite of MSS offerings. This server has been installed and is currently running at some of the Group's clients' sites and has proven to be successful. The Group plans to incorporate the X-Net into more proprietary products.

The proprietary applications and appliances used for the Group's Fraud Detection and Management solution are:-

- iPatrol iFilter
- iPatrol Log Analysis
- FS9000 server (which comprises ARC6)

#### (v) Forensics and Incidence Response

The Group's Forensics and Incidence Response offers 24-hour onsite services within the Klang Valley. This service can be used for general troubleshooting, security related discussion, patch management (fixing software bugs) or incident handling and escalation. The Forensic Incident Response Security Team ("FIRST") goes onsite to provide emergency response to virus outbreaks or major incidents. The Group's FIRST is an "expert-for-hire" model, where the Group's engineers are called onsite to assist with implementation, system integration, maintenance and troubleshooting.

The proprietary applications appliances used for the Group's Forensics and Incidence Response solution are:-

- iPatrol iFilter
- iPatrol Log Analysis

**4 INFORMATION ON THE COMPANY (Cont'd)**

---

**(vi) Advisory and Consultancy**

With its strong technical knowledge, the Group also provides professional security consulting service comprising consultancy and training. The Advisory and Consultancy offered by the Group complements the rest of the Group's services or may be engaged on its own. The Group can be engaged to conduct security risk assessments and draft an appropriate security policy according to ISO security frameworks.

The service involves providing consulting services to design and plan security infrastructures for clients. These professional services can be used to improve existing security controls, evaluate new security systems, assess current systems or even formulate new security policies.

The proprietary applications, appliances and methodology used for the Group's Advisory and Consultancy solution are:-

- Threat Profiling Methodology
- Extol Safe Computing

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

---

**4 INFORMATION ON THE COMPANY (Cont'd)**


---

The proprietary methodologies, applications and appliances used by the Group and their descriptions are as follows:-

<b>Proprietary methodologies, applications &amp; appliances</b>	<b>Description</b>
iPatrol iFilter	iPatrol iFilter is an intelligent program that controls the capacity of log files. Instead of letting logs grow into tremendous proportions, the iPatrol iFilter has the competency to control the capacity by dropping repeated logs. The logs are temporarily stored or archived so that they can be used for incident tracking and forensics. The filtered logs enable efficient analysis.
iPatrol Heartbeat Manager	The iPatrol Heartbeat Manager is a fully automated application for surveillance of Internet and notification of Internet unavailability. Full automation eliminates the risks of human fatigue over long hours of surveillance. The Group's professionals will be notified immediately to attend to alerts.
iPatrol Performance Manager	iPatrol Performance Manager is an application which tracks and monitors performance statistics of a computer system. It is able to monitor CPU utilisation, traffic and bandwidth utilisation, hard disk space usage, total number of login users, memory usage, CPU temperature, CPU fan, network statistics, room temperature and any other Simple Network Management Protocols ("SNMP") based information. With all these features, end-user would be able to determine the health status of the host in real-time. iPatrol Performance Manager utilises a special database system that is able to store historical performance statistics without requiring enormous amount of data storage space. It is one of the component of iPatrol HOSTGuard.
iPatrol Log Analysis	This is an application which enables central collection of logs and network messages from host, servers, devices, IDS and a host of other messaging protocols. Logs are then converted to an MySQL database for easy searching and data mining. Logs can also be stored into a tape device or a line printer.
iPatrol FirewallGUARD	<p>iPatrol FirewallGUARD is an application which enables the monitoring of network activity at the firewall level, the vulnerability assessment management, the log analysis and the monitoring of the firewall.</p> <p>iPatrol FirewallGUARD offers:</p> <ul style="list-style-type: none"> <li>• 24/7 real-time Monitoring</li> <li>• 24/7 real-time Alerting</li> <li>• 24/7 Onsite Support</li> </ul>
iPatrol IntruGUARD	<p>iPatrol IntruGUARD is an application that monitors and manages Network Intrusion Detection Systems 24/7.</p> <p>Among the features offered by iPatrol IntruGUARD are 24/7 Real-Time Monitoring, 24/7 Real-Time Alerting, Performance Monitoring, Yearly Health-Check and Comprehensive Monthly Report.</p>

## 4 INFORMATION ON THE COMPANY (Cont'd)

Proprietary methodologies, applications & appliances	Description
iPatrol HostGUARD	<p>iPatrol HostGUARD is an application that monitors the integrity of hosts on a real-time basis. The monitoring activity includes host performance monitoring and alerting. Performance monitoring includes CPU utilisation, traffic and bandwidth utilisation, hard disk space usage, total number of login users, memory usage, and total number of processes. With all these features, end-user would be able to determine the health status of the host in real-time.</p> <p>On top of the above features, all syslog compatible format can be centralised and monitored through a single console. From here, the Group can monitor the real-time performance of the devices and plan its capacity. For instance, if the iPatrol HostGUARD report shows that the host or device is running on a high capacity, then it shows that its capacity is being overused. Therefore, its utilisation has to be scaled down or else it might cause damage to the host or device. It is indeed very important to perform a usage profiling on any host or device because it could minimise cost in the long run. iPatrol HostGUARD can determine the actual usage of the host or device and not overclog its actual capacity.</p> <p>This area could also help to protect desktops or server. It has the capability to determine the level of integrity on desktops or servers by performing automated check on the actual host itself. Normally, iPatrol HostGUARD would check the anti-virus signatures status, patches level, Integrity Conform Level and whether it is equipped with any personal firewall.</p>
iPatrol Vulnerability Assessment Monitoring	<p>This application enables organisations to periodically receive a report on the status of their vulnerability assessment. It utilises the most up-to-date Internet vulnerability scanner called Nessus (a third party product), which is one of the many components of this application. Organisations will be able to remotely and securely log into the Group's extranet to view vulnerability reports. Reports include recommendations and expert advice on countermeasures.</p>
iPatrol Central Command	<p>The Group has developed an electronic map that can display all the systems or specific systems that are under its surveillance. The map will display all the operations and network systems under surveillance, and in the event of an attack or a breach, the map will display an alarm for the immediate attention of the Group to easily indicate the system at risk and take appropriate action. Currently, the Central Command only monitors clients in Malaysia.</p>
Threat profiling	<p>The Group's ICT security methodology involves among others, the profiling of threats in a tree-like structure, whereby the findings are then translated into a countermeasure threat matrix, which maps the most appropriate countermeasures to the corresponding identified threats.</p>
FS9000	<p>The Forensic Server or FS9000 is a hardware solution and its main component is the automated log analysis system, which is divided in the X-SIG, a rule-based fraud detection system (AI technology) and the X-Net, a Neural Network-based Anomaly Detection System.</p>
Armour virus control	<p>An anti-virus application software which provides protection, identification and eradication of computer viruses on standalone PCs and computer network servers.</p>

---

**4 INFORMATION ON THE COMPANY (Cont'd)**


---

Proprietary methodologies, applications & appliances	Description
Armour Gatesecure	An application used to route incoming e-mails from the de-militarised zone to the gateway scanner for prior scanning of e-mail attachments. It also works reversibly by scanning outgoing e-mails, cleaning virus attachment and adding a disclaimer note to the messages. Armour GateSecure prevents known computer viruses, macros, worms and Trojan horses from reaching the mail server and has a 99.9% detection rate of viruses in the wild (viruses which have been released). Armour GateSecure also offers content filtering and group configuration basic options which make it capable of filtering e-mails based on the contents and attachments.
Extol Safe Computing	A comprehensive training that teaches computer users to recognise threats as well as to learn and exercise best practices.

The Group does utilise third party products such as hardware firewalls, software firewalls and antivirus softwares as part of its solutions. The third party products serve as peripheral support to the Group's proprietary applications to limit access to the computer network. Third party products do not perform the core process of MSS, i.e., identification, monitoring and surveillance of ICT security threats. These third party products are complementary to the Group's applications and appliances for the development and deployment of the entire solution and to provide variety of choices to its clients. Some of these third party products are not economically efficient to be re-produced by the Group as they are readily available off the shelf.

#### 4.4.2 SEA

The Group has developed SEA to cater to the demand for secured enterprise applications which are geared towards improving the efficiency and profitability while at the same time protecting the computer systems of its clients.

After conducting its own market research, the Group realised that there is a demand for secured application in the apparel and garment manufacturing industry for real-time shop floor data collection and tracking system in the area of production tracking and job costing. With this, the Group developed the EC\*TAG application which seeks to improve the efficiency and effectiveness in not only the production shop floor but also in the accounts, sales and management departments.

The Group is also aware that the Government is promoting a knowledge-based economy with a focus on education. To capitalise on this opportunity, the Group developed its EC\*CIMS to target institutions of higher learning.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

The secured enterprise applications developed by the Group incorporate cryptographic mechanism infrastructure and application level security systems. The applications also support user-passwords and unique physical tokens (optional feature). These security features are embedded into the enterprise applications enabling the creation of authentication channel to securely transmit information over the internet via a secured channel. In addition, the Group also bundles its enterprise applications with proprietary security appliances to enhance the security of transactions conducted over the Internet. All these front-end security features together with the MSS which provides back-end security for an organisation's ICT system, form a complete and comprehensive solution to fulfil an organisation's ICT security requirements.

The existing SEA of the Group are as follows:

- a) EC\*TAG; and
- b) EC\*CIMS.

**(a) EC\*TAG**

EC\*TAG is a real-time shop floor data collection and tracking system specially designed to meet the management needs in the area of production tracking and job costing in the apparel and garment manufacturing industry.

Conventional manual job ticketing system is time consuming in the calculation of shop floor workers payroll and is not able to produce critical and real-time production data on time. Furthermore, manual data collection is laborious and error prone.

The EC\*TAG system allows users to have real-time information, thus keeps users up-to-date and in control.

EC\*TAG system is based on contactless smart card technology for product tracking and information processing. Contactless cards are both robust and flexible, giving system operators the ability to reduce maintenance costs, improve employee productivity, increase security and operation automation.

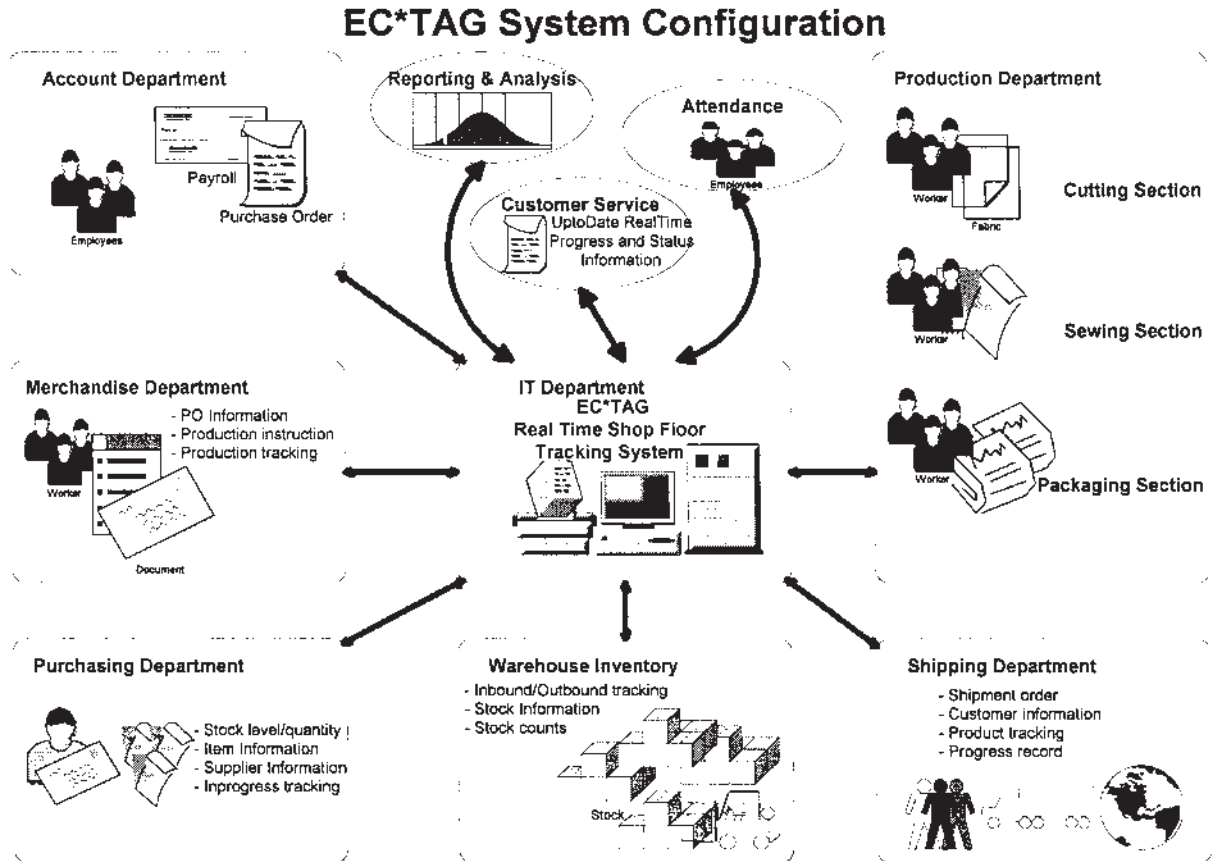
Smart card is a plastic card, about the size of a credit card embedded with a microprocessor chip. Contactless smart cards transmit and receive data via radio frequency (RF) technology at distances ranging from a few millimeters to several inches - no physical contact is required.

A typical EC\*TAG system consists of a smart card that is waved at a nearby reader. The reader communicates with the network adapter, verifies its data validity either locally or by communicating with the application server, and enables the transaction to proceed. This process stores all the information in a server database and prompts a message signal if a transaction error occurs.

The technique eliminates the need for users to manually record their progress status and minimum manpower are needed to calculate and track production progress. Since the transactions themselves are verified locally in the reader, the transaction process is completed in the time it takes to flash the card past the reader.

4 INFORMATION ON THE COMPANY (Cont'd)

The system not only improves efficiency and effectiveness in the production shop floor but also in the accounts, sales and management departments as well, as illustrated in the diagram below:-



Through the system, all departments are indirectly controlled and managed by the IT department. Distribution of data is properly organised, sorted and stored in the application database server. Authentication is logged and checked by the system administrator and hence security is not easily compromised.

Time attendance of workers is recorded when they check-in and check-out from the system. Performance and availability of manpower can be easily managed and controlled to balance the production workload.

Management is able to produce real-time critical production related reports and business reports, such as production status, performance, schedule and job costing for decision making.

The EC\*TAG system is currently designed for the apparel and garment manufacturing industry. However, the core modules can be adapted in other industries such as warehousing and freight forwarding, where items are moved around and are required to be tracked.



**4 INFORMATION ON THE COMPANY (Cont'd)**

---

**(b) EC\*CIMS**

An important feature in a dynamic university environment today is the use of ICT in its activities and administration.

EC\*CIMS is a fully integrated web-based interactive Campus Information Management System, which consists of the student portal, lecturer portal, academic portal, student affairs portal, parent portal, hostel portal, bursar portal and administrator portal. It is platform independent. EC\*CIMS utilizes technology to bridge students with the administration department of the university to facilitate better management of administration functions, downloading teaching materials and other resources. Furthermore, it allows administrators to monitor students' performances. Integrated with various portals of EC\*CIMS, the university administration centre can monitor, control and manage all its resources and activities.

Supporting the academic portal, lecturer portal and student portal is E-learning. Online (Internet) multimedia education and training is increasingly portrayed as a new paradigm in the education industry. It is a cost saving tool that brings about competitive edge for educational institutions. The portals in EC\*CIMS are rich in instructional and social interaction.

EC\*CIMS is designed to make the time consuming activities such as subject registration and time table planning more efficient and effective. With this system, resource management is online, on time and always available. Records are easily retrieved to save time and increase efficiency. The system is on 24 hours a day for students and lecturers to use at their own time and pace. This makes full use of the available facilities and resources to cut down idle time for users.

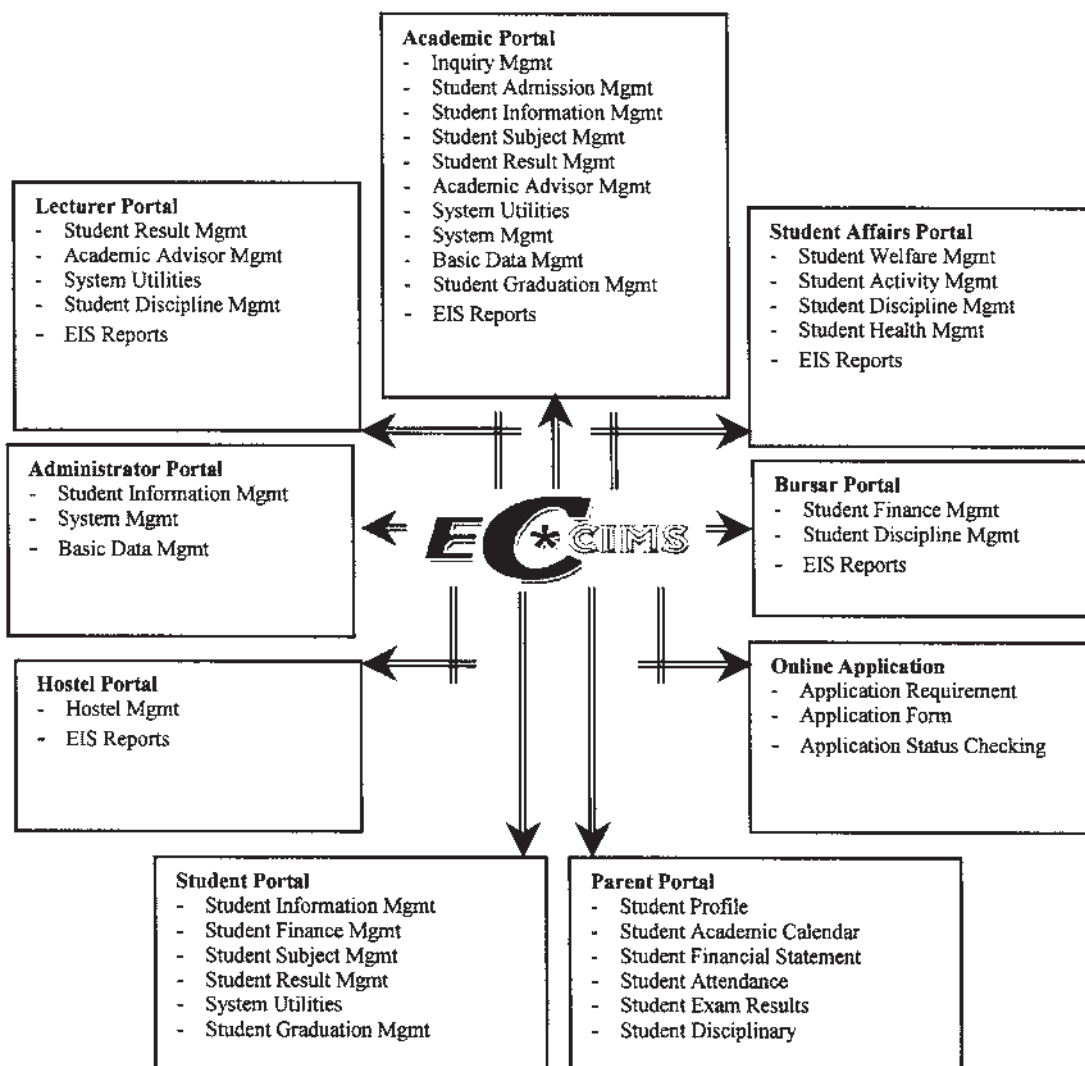
EC\* CIMS complements every aspect of an institution's physical presence with an online dimension, creating your own unique look and feel and supports multiple languages such as English and Bahasa Malaysia.

Since the launch of EC\*CIMS in 2004, the Group has managed to expand its horizon beyond the education sector and is currently marketing EC\*CIMS to governmental bodies.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

4 INFORMATION ON THE COMPANY (Cont'd)

An overview of the portals in EC\*CIMS is illustrated in the diagram below:-



Note : Management is defined herein as 'Mgmt'.

1) Academic Portal

Academics are able to manage inquiries, students' admissions, students' information, subjects, students' results, academic advisors, basic data, students' graduations and system utilities.

Academic officers are able to help with students' subject registration, and change of subjects according to the university's policy. Furthermore, they are able to calculate students' GPA (Grade Point Average) and CGPA (Cumulative GPA) using this portal.

Academic officers are able to setup graduation rules and process graduation applications.

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

##### 2) Student Affairs Portal

Student affairs officers are able to manage students' welfare, activities, discipline and health records. Student affairs officers will also be able to manage students' scholarships and loans and set up societies/clubs or external activities.

In the discipline management area, student affairs officers are able to view and update students' offence records, students' penalties and payment records, while in the student health management area, they are able to view and update the students' health records.

##### 3) Bursar Portal

This is a billing system with the flexibility of different modes of payment, payment reminders, receipts and aging analysis to ensure easy management of students' billing records.

This feature is essentially an expanded accounts receivable management system. Bills and receipts are printed out easily and quickly.

##### 4) Online Application

For potential students applying to the university, EC\*CIMS offers online student applications and online application status.

Applications can be submitted through online registration and applicants may also view their application status online.

##### 5) Parent Portal

With access to students' profiles, parents are able to counter check the students' personal particulars and where the students are currently residing. Parents will also be able to access the academic calendar and keep track of fee payments.

Parents are also able to view attendance records, exam results and disciplinary records. In that way, parents can monitor their children's disciplinary status.

##### 6) Student Portal

The student portal has a broad grouping of new applicants, new students and current students. When a new applicant has been accepted by the university, the new applicant is able to access the portals offered to new students and current students.

##### 7) Hostel Portal

Hostel officers are able to check the availability of rooms and accordingly assign students to these available rooms. With the student record search engine, this module is able to trace students' previous and current accommodation records.

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

##### 8) Administrator Portal

Administrators are able to manage the various portals and system users, eg. Assets / room reservations, define the user groups and user access rights. Furthermore, they are able to monitor transaction logs and error logs to prevent illegal access. Administrators are also able to setup an auto e-mail notification to inform the users of their asset / room reservation status, inform application of the online application status, etc.

##### 9) Lecturer Portal

Lecturers are able to set subject policies at the beginning of each semester, update students' marks and gradings, and post lecture notes and announcements online. Lecturers are able to view and monitor students' classroom and laboratory attendance records.

For lecturers who are academic advisors, they are able to record/track the advisory appointments and view/monitor the students' personal information such as student's profile, subject registration, disciplinary records and financial status.

#### 4.5 FUTURE PRODUCTS

##### (i) Development of X-Net

The Group currently adopts an expert-based AI for its system ("expert system"). Expert system is a branch of AI technology which allows a computer to 'behave' like a human expert. It is used to perform critical functions efficiently and effectively based on pre-set rules and knowledge database. The current programming base for the Group's expert system is known as Rule-Based Programming, as explained in Section 4.6(i) of this Prospectus.

Moving forward, the Group intends to add the NN technology into its solutions. NN simulates the human brain's learning process by imitating the thousands of network of highly interconnected nodes called neurons in the human brain. This NN engine is named X-Net. Unlike the expert system, which produces results and actions based on rules and preset knowledge base, the X-Net produces results based on pattern recognition. The X-Net also has predictive capability which is not available in the expert system. Although the X-Net has the advantage of a predictive capability, it is less exact than the expert system and may identify non-threat data as hostile. As such, the data produced by the X-Net have to be further analysed and confirmed. In this light, the X-Net would not entirely replace the existing expert system but will be an additional component of the Group's total AI system. The Group believes that it is the first Malaysian company to embed the expert system and NN technology into its application software.

The Group has successfully developed the X-Net for its FS9000 series server and has incorporated the X-Net into the ARC6 which is part of the FS9000 server series for Fraud Detection and Management under its suite of MSS offerings. This server has been installed and is currently running at some of the Group's clients' sites and has been proven to be successful. Other proprietary applications and appliances which utilises the X-Net are the iPatrol iFilter and iPatrol Log Analysis. The Group plans to incorporate the X-Net into more proprietary products.

#### 4 INFORMATION ON THE COMPANY (Cont'd)

---

The Group is continuously fine-tuning and upgrading the X-Net based on feedback from its existing clients.

(ii) **Enhancement of existing security products by incorporating X-Net engine into the products**

Pursuant to the development of the first version X-Net, the Group plans to incorporate of X-Net into other products under its MSS range, i.e. the application for iPatrol IntruGUARD. This is expected to complete by 2006.

(iii) **Development of new application for MSS – Anti-money laundering feature**

Money laundering refers to situations where funds are generated by illegal means. The Group plans to develop an anti-money laundering feature to widen its MSS range of offerings.

With the increasing use of online banking, banks and IB users are more likely to be victims of fraudulent transactions. The Group's anti-money laundering feature can easily and quickly spot suspicious transactions, thus will be able to alert its client on possible fraudulent activities.

The development of the anti-money laundering feature is expected to complete by 2007.

(iv) **Conversion of ICT security methodology into Software**

The Group currently has its unique security framework methodology as detailed in Section 4.6 (iii). The Group's ICT security methodology involves among others, the profiling of threats in a tree-like structure, whereby the findings are then translated into a countermeasure threat matrix, which maps the most appropriate countermeasures to the corresponding identified threats. To capitalise on this unique framework, the Group plans to convert this framework into a generic, platform independent software which will perform threat management and threat profiling for an organisation.

The conversion of ICT security methodology into a generic software is expected to complete by 2007.

(v) **Periodic enhancement of products to incorporate any new technology in the future**

The Group plans to continuously enhance its MSS and SEA products to remain competitive and to ensure these applications meet the changing demands of the market. The Group will incorporate new technologies according to industry trends and its experience through MSS activities into its SEA products.

---

## 4 INFORMATION ON THE COMPANY (Cont'd)

---

### 4.6 TECHNOLOGY AND IP

#### TECHNOLOGY

The Group's core technologies can be broadly categorised into these areas, namely:

- (i) AI technology;
- (ii) Software programming language (coding) technology; and
- (iii) ICT security methodology.

#### (i) AI Technology

AI refers to the science and engineering of making intelligent machines, especially intelligent computer programs. The AI system is incorporated into the Group's products and applications to analyse and process data and information to produce the desired results, for example, identifying viruses and intrusion attempts as well as selecting and instructing the executions of the correct remedial actions and countermeasures.

The Group currently adopts an expert-based AI system ("expert system") for its applications. Expert system is a branch of AI technology which allows a computer to 'behave' like a human expert. It is used to perform critical functions efficiently and effectively based on pre-set rules and knowledge database.

The creation of an expert system involves the programming of complex algorithms that would enable the system to recognise the correct data, conduct the appropriate expert analysis and produce the correct results or actions. The current programming base for the Group's expert system is known as the Rule-Based Programming, a summary of which is illustrated in the box below.

#### **Rule Based Programming**

The Group uses rule-based programming to develop its expert system. In this programming paradigm, rules are used to represent heuristics, or "rules of thumb," which specify a set of actions to be performed for a given situation. A rule is composed of an *if* portion and a *then* portion. The *if* portion of a rule is a series of patterns which specify the data which cause the rule to be applicable. The process of matching data to patterns is called pattern matching. The expert system tool provides a mechanism, called the inference engine, which automatically matches data against patterns and determines which rules are applicable. The *if* portion of a rule can actually be thought of as the *whenever* portion of a rule since pattern matching always occurs whenever changes are made to data. The *then* portion of a rule is the set of actions to be executed when the rule is applicable. The actions of applicable rules are executed when the inference engine is instructed to begin execution. The inference engine selects a rule and then the actions of the selected rule are executed (which may affect the list of applicable rules by adding or removing data). The inference engine then selects another rule and executes its actions. This process continues until no applicable rules remain.

The Group's expert system underwent rigorous research and testing to ensure its effectiveness and robustness before it was embedded into the Group's products. Some of the Group's applications which feature AI technology are iPatrol iFilter, iPatrol Log Analysis and FS9000.

#### **4 INFORMATION ON THE COMPANY (Cont'd)**

---

The Group is in the process of incorporating the NN technology into more of its solutions. This first of this type of technology to be incorporated will be an NN engine called the X-Net. NN simulates the human brain's learning process by imitating the thousands of network of highly interconnected nodes called neurons in the human brain.

Unlike the expert system, which produces results and actions based on rules and preset knowledge base, the NN system produces results based on pattern recognition. The NN system also has predictive capability which is not available in the expert system.

The NN system can also work with 'noisy' data (incomplete data) unlike the expert system which requires 'clean' data (data which has been filtered and set to the format of the expert system). This gives the NN system the advantage of identifying unknown or possible threats which would have passed through the expert system.

The NN system, working together with the existing expert system but will be an additional component of the Group's AI system. The resultant combined feature of the AI system would have the advantages of both the expert and NN systems which would make the Group's solution more technologically advanced.

The Group has successfully integrated the X-Net into its proprietary application and appliances, such as the FS9000, iPatrol iFilter and iPatrol Log Analysis and plans to incorporate the X-Net into more of its proprietary applications and appliances.

#### **(ii) Software programming language (coding) technology**

The Group's ICT security applications and appliances are mainly software programs designed and developed to enable the Group to provide solutions for its core activities.

The Group currently uses programming languages which are compatible with other commercial systems like Sun Microsystems, Hewlett Packard, International Business Machines and Microsoft as well as Open source systems like Linux and BSD systems.

Moving forward, the Group plans to focus more towards Open source technology, which is in line with movement in the ICT industry trend. The Malaysian Government is encouraging both the private and public organisations to adopt Open source technology.

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
- redistribution is not restricted.

The main advantages of using Open source software are reduced cost and increased speed of technology transfer.