

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

Condensed Consolidated Financial Statements
For The First Quarter Ended 31 March 2006

EXTOL MSC BERHAD
(Company No: 643683-U)
Interim Financial Reports for the 1st quarter ended 31 March 2006

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim report of Extol MSC Berhad (“Extol MSC” or “Company”) and its subsidiaries (“Extol MSC Group” or “Group”) is unaudited and is prepared in accordance with requirements of the Financial Reporting Standard (FRS)134 : “Interim Financial Reporting” (previously known as MASB 26) issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market. There is no preceding year corresponding quarter/ period comparative, as Extol MSC Group was formed on 19 December 2005.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2005.

The accounting policies and methods of presentation adopted by the Group in the interim financial statements are consistent with those adopted for the financial year ended 31 December 2005.

A2. Audit Report of the preceding Annual Financial Statements

The audit report for the preceding annual financial statements was not subject to any qualification.

A3. Seasonality or Cyclical Factors

The Group’s business operation results are not materially affected by any major seasonal or cyclical factors.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current quarter under review, there are no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, to the effect that is unusual in nature, size or incidence.

A5. Material Change in Estimates

There are no changes in estimates of amounts reported that have material effect on the results for the current quarter under review.

A6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

There are no issuance, cancellations, repurchases, resale and repayment of debt and equity security shares held as treasury shares or resale of treasury shares during the current quarter under review.

A7. Valuation of Property, Plant and Equipment

There are no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that have any effect on the current financial quarter under review.

A8. Dividend

No dividend has been declared or paid during the current quarter under review.

A9. Segmental Information

The Company and the Group are principally carrying out research and development in Information and Communications Technology (ICT) security system and providing professional services which are linked to ICT, and of investment holdings.

The segmental revenue of the Group are as follows :-

Year to date / Group cumulative quarter for period ended 31 March 2006	Anti-Virus Software RM'000	Managed Security Solutions RM'000	Secured Enterprises Applications RM'000	Total RM'000
Revenue	35	2,972	2	3,009

A10. Material Events Subsequent to the Current Quarter Ended 31 March 2006

There are no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements.

A11. Changes in the Composition of the Group

There are no changes in the composition of the Group during the quarter under review.

A12. Contingent Liabilities or Contingent Assets

There are no material contingent liabilities or contingent assets as at 31 March 2006 and up to the date of this report.

A13. Capital Commitments

As at 31 March 2006, the Group has outstanding capital commitments for the purchase of properties amounting to RM338,000 (audited 2005: RM668,000) which have been authorized and contracted but not accounted for in the financial statements. An amount of RM321,100 (audited 2005: RM319,658) has been accounted as deposit for the land and building in the financial statements.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH
QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2005**

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA
SECURITIES BERHAD ('BURSA SECURITIES')**

B1. Review of Performance

For the first quarter and cumulative quarter ended 31 March 2006, the Group recorded revenue of RM3 million and profit after tax of approximately RM0.45 million.

B2. Comparison of Current Quarter Results with the Preceding Quarter

The Group recorded revenue of approximately RM2.35 million and profit before tax of approximately RM1.06 million respectively for the fourth quarter ended 31 December 2005. Hence, there is an improvement in revenue by approximately 28.3% and a decrease in profit before tax by approximately 56.6% since the last quarter.

The improvement in revenue for current quarter was mainly due to higher contributions from dealer channels. The decrease in profit before tax was due to the decrease in gross profit margin by 29 percentage points and an increase in operating expenses by approximately 39.9% such as staff cost, advertisement, amortization of product development expenses and commission. To increase sales volume, the Group has increased its dealer network to have a wider market reach. The decrease in gross profit margin is attributable by lower price sold to dealer as compared to the price sold to end user as dealers typically purchase in bulk.

B3. Prospects for the current financial year

Under the Budget 2006 and the Ninth Malaysian Plan, the Malaysian Government aims to strengthen the Information and Communications Technology (ICT) field and Malaysian ICT companies are encouraged to grow and penetrate into global markets.

In the light of the above and the expected growth of the ICT and ICT related industries both locally and globally, the Company is expected to benefit from these positive developments.

Barring any unforeseen circumstances, the Board is positive of the group's performance for the year ending 31 December 2006. The Group also expects the proceeds from the listing exercise to contribute positively to the Group's performance in this financial year.

B4. Variance on Profit forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B5. Taxation

Income tax expense comprises the followings:

	Individual quarter ended	Cumulative period ended
	31	31
	March	March
	2006	2006
	RM'000	RM'000
In respect of the current period		
Income tax	-	-
Deferred tax	<u>12</u>	<u>12</u>
	<u>12</u>	<u>12</u>

There is no income tax provision for the Company as the Company was granted Pioneer Status in principle under the Promotion of Investments (Amendment) Act, 1986 by the Ministry of International Trade and Industry. The approved Pioneer status is granted for the period from 27 September 2004 to 26 September 2009. As well, the Company was granted the MSC status, which entitles the Company to have tax incentives for five (5) years, with effect from 8 September 2004. Furthermore, there are capital allowances available to set off against the entire current year's income of a subsidiary company. The deferred tax liabilities is provided on the temporary differences arising from the subsidiary company's property, plant and equipment and product development expenditure.

B6. Profit on Sale of Unquoted Investment and/or Properties

There is no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There is no purchase or disposal of quoted securities during the financial quarter under review.

B8. Status of Corporate Proposals

There are no corporate proposals announced but not completed as at the date of this report.

B9. Status of utilization of proceeds

As at 31 March 2006, the Company has utilized approximately 21.9% of the proceeds raised from its Initial Public Offering.

Detail of Utilization	Total amount of proceeds	Utilized as at 31.03.2006		Amount Unutilized
	RM'000	RM '000	%	RM'000
Research and Development Expenses	3,066	85	2.8	2,981
Business Expansion	1,917	28	1.5	1,889
Working Capital	1,247	-	-	1,247
Listing Expenses	1,600	1,600	100.0	-
Total	7,830	1,713	21.9	6,117

B10. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2006 are as follows:

		RM'000
Short term borrowings		
Bank overdraft	- secured	0
Bills payable	- secured	2,033
Hire purchase creditor	- unsecured	15
Term loan	- secured	144
Long term borrowings		
Hire purchase	- unsecured	5
Term loan	- secured	594
Total Borrowings		<u>2,791</u>

B11. Off Balance Sheet Financial Instruments

There are no off balance sheet financial instruments as at the date of this report.

B12. Material Litigations

As at the date of this report, there is no material litigation against the Group.

B13. Earnings Per Share**(a) Basic earnings per share**

The earnings per share for the current quarter to date is calculated by dividing the net profit attributable to shareholders of RM448,000 by the weighted average number of shares in issue of 81,490,000 ordinary shares.

	Current quarter 31/03/2006	Current year to-date 31/03/2006
Weighted average number of ordinary shares of RM0.10 in issue	81,490,000	81,490,000
Basic Earnings per Ordinary Shares (sen)	0.55	0.55

(b) Fully diluted earnings per share

Not applicable as the Company has not granted any ESOS option.

BY ORDER OF THE BOARD

DIRECTOR
Selangor
Dated : 25 May 2006