



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

**QUARTERLY REPORT**  
**Notes to the Quarterly Report**  
**for The Second Quarter Ended 30 June 2006**  
**(The figures have not been audited)**



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**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 Paragraph 9.22 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, as the adoption of new and revised FRS which are effective for financial period beginning 1 January 2006 does not have significant impact on the Group.

**A2. Audit Report of the preceding Annual Financial Statements**

The audit report on the financial statements for the year ended 31 December 2005 was not qualified.

**A3. Seasonality or Cyclical Factors of Interim operations**

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, that are unusual by reason of their 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.



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### 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

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2005.

### A8. Dividend

The Company has declared an Interim Dividend of 8% for the financial year ending 31 December 2006 out of the Income from Exempt Account under Section 12 of the Income Tax (Amendment) Act, 1999, on the amounts paid on the ordinary shares capital of the Company to the shareholders, who were on the Company's Register of Members on 17 July 2006.

### A9. Segmental Information

Extol MSC Berhad and its subsidiary companies are a one-stop Information and Communications Technology (“ICT”) security solutions provider offering a comprehensive spectrum of ICT security products and services to counter ICT security threats.

The Group offers ICT security products and services such as hardware and software security solutions, consultancy, forensic research and education known as Managed Security Solutions (“MSS”).

The Group also offers security-enhanced enterprise applications solutions known as Secured Enterprise Applications (“SEA”).

The segmental revenue and results of the Group are as follows :-

Current quarter ended 30 June 2006	Anti-Virus Software	MSS	SEA	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	66	2,036	0	2,102
Profit from operations	21	34	(34)	21
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Year to date	Anti-Virus Software	MSS	SEA	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	101	5,008	2	5,111
Profit from operations	25	507	(66)	466



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**A10. Material Events Subsequent to the Current Quarter**

Except as disclosed in note A8, there are no material events subsequent to the end of the current quarter under review that has 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 since the last annual balance sheet as at 31 December 2005.

**A13. Capital Commitments**

As at 30 June 2006, the Group has outstanding capital commitments for the purchase of properties amounting to RM338,000 (FYE 2005: RM668,000) which have been authorized and contracted but not accounted for in the financial statements. An amount of RM321,100 (FYE 2005: RM319,658) has been accounted as deposit for the land and building in the financial statements.



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

**B1. Review of Performance for the Quarter Ended 30 June 2006**

For the second quarter ended 30 June 2006, the Group recorded revenue of RM2.10 million and profit before tax of approximately RM0.06 million.

**B2. Comparison of Current Quarter Results with the Preceding Quarter**

For the quarter under review, the Group recorded revenue of RM2.102 million and profit before tax of RM0.064 million. This represents a decline of approximately 30.14% and 86.12% to the revenue and profit before tax of the previous quarter.

The decline in revenue can be mainly attributable to delay in several large contracts to the third quarter of the financial year ending 31 December 2006.

Despite a decline in revenue, most of the operational costs are fixed costs and as such, the profit before tax margin has eroded from 15.32% in the previous quarter to 3.04% in this quarter.

**B3. Prospects for the current financial year**

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**

Not applicable as the Group did not provide any profit forecast or profit guarantee.

**B5. Taxation**

Income tax expense comprises the followings:

	Individual quarter ended	Cumulative period ended
	30 June 2006	30 June 2006
	RM'000	RM'000
In respect of the current period		
Income tax	(4)	(4)
Deferred tax	12	-
	<u>8</u>	<u>(4)</u>



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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. The Company was also granted the MSC status, which entitles the Company to have tax incentives for five (5) years, with effect from 8 September 2004.

The deferred tax liabilities is provided on the temporary differences arising from the subsidiary company's property, plant and equipment and product development expenditure. For the quarter under review, there is write back of RM12,709 due to reversal of deferred tax liabilities. The income tax of RM4,399 for the cumulative period ended 30 June 2006 is provided on interest income generated from fixed deposit

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

There is no disposal of unquoted investment or properties during the current quarter under review and current financial year-to-date.

**B7. Purchase and Disposal of Quoted Securities**

There is no purchase or disposal of quoted securities during the current quarter under review and current financial year-to-date.

**B8. Status of Corporate Proposals announced but not completed**

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



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### B9. Status of utilization of proceeds

As at 30 June 2006, the Company has utilized approximately 39.92% of the proceeds raised from its Initial Public Offering in 20 March 2006.

Purpose	Proposed Utilisation	Actual utilisation as at 30.06.2006		Amount Unutilised	% unutilised
	RM'000	RM'000	%	RM'000	%
Research and Development Expenses	3,066	345	11.3	2,721	88.7
Business Expansion	1,917	181	9.4	1,736	90.6
Working Capital	1,247	1,000	80.19	247	19.81
Listing Expenses	1,600	1,600	100.0	-	-
<b>Total</b>	<b>7,830</b>	<b>3,126</b>	<b>39.92</b>	<b>4,704</b>	<b>60.08</b>

### B10. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 30 June 2006 are as follows:

		RM'000
Short term borrowings		
Bank overdraft	- secured	-
Bills payable	- secured	-
Hire purchase creditor	- unsecured	15
Term loan	- secured	124
Long term borrowings		
Hire purchase	- unsecured	1
Term loan	- secured	576
Total Borrowings		<u>716</u>

### B11. Off Balance Sheet Financial Instruments

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



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### **B12. Material Litigations**

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

There is no material litigation (including status of any pending material litigation) since the last annual balance sheet date up to the date of this report.

### **B13. Earnings Per Share**

#### **(a) Basic earnings per share**

The earnings per share for the current quarter and current quarter to date is calculated by dividing the net profit attributable to shareholders of RM72,000 and RM520,710 respectively by the weighted average number of shares in issue of 93,070,879 ordinary shares.

	<b>Current quarter 30 June 2006</b>	<b>Year to-date 30 June 2006</b>
Weighted average number of ordinary shares of RM0.10 in issue	104,400,000	93,070,879
Net Profit (loss) for the period (RM'000)	72	521
Basic Earnings per Ordinary Shares (sen)	0.07	0.56

#### **(b) Fully diluted earnings per share**

Not applicable as the Company has not granted any ESOS option nor issued securities that have dilutive effects on the existing shares in issue.

### **B14. Authorisation for Issue**

The interim financial statement is authorised to be issued on 30 August 2006 in accordance with resolution of the Director.