



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

QUARTERLY REPORT
Notes to the Quarterly Report
for The Third Quarter Ended 30 September 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”), Paragraph 9.22 and Appendix 9B 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. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

A2. Audit Report of the preceding Annual Financial Statements

The audit report on the financial statements for the financial year ended 31 December 2005 was not subject to any qualification.

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 financial quarter under review, there are no significant 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 significant changes in estimates of amounts reported in prior financial years which may have material effect on the results for the current financial 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 financial 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 financial year ended 31 December 2005. There were no revaluation of plant and equipment during the financial quarter ended 30 September 2006. As at 30 September 2006, all plant and equipment were stated at cost less accumulated depreciation.

A8. Dividend

No interim ordinary dividend has been declared for the financial quarter ended 30 September 2006. In the previous financial quarter, the Company has declared an Interim Dividend of 8% amounting to RM835,200 in respect of 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. The total dividend for the current financial year to date amounts to RM0.08 for every 10 ordinary shares held in the company.

A9. Segmental Information

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

The 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”).



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

Current financial quarter ended 30 September 2006	Anti-Virus Software RM'000	MSS RM'000	SEA RM'000	Total RM'000
Revenue	43	5,426	128	5,597
Profit from operations	6	638	102	*746

Year to date	Anti-Virus Software RM'000	MSS RM'000	SEA RM'000	Total RM'000
Revenue	143	10,435	130	10,708
Profit from operations	31	1,144	36	*1,211

Note:

*Does not include other income and interest income of the Group.

No segmental reporting has been prepared for geographical segments as the Group's revenue is derived predominantly in Malaysia.

A10. Material Events Subsequent to the Current Financial Quarter

There are no material events subsequent to the end of the current financial 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 financial quarter under review and the current financial year to date.

A12. Contingent Liabilities or Contingent Assets

There are no material contingent liabilities or contingent assets as at the audited financial statement for year ended 31 December 2005. There were no significant changes in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2005.

A13. Capital Commitments

There are no capital commitments in the interim financial statements as at 30 September 2006.



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

B1. Review of Performance for the Financial Quarter Ended 30 September 2006

For the third financial quarter ended 30 September 2006, the Group recorded revenue of approximately RM5.597 million and profit before tax of approximately RM0.755 million.

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

For the financial quarter under review, the Group recorded revenue of RM5.597 million and profit before tax of RM0.755 million. This represents an increase of approximately 166% and 1,080% to the revenue and profit before tax of the previous financial quarter of RM2.102 million and RM0.064 million respectively. The increase in revenue and profit before tax was mainly due to the Group securing a higher number of contracts during the financial quarter.

As most of the operational costs of the Group are fixed costs, the increase in revenue contributed to a higher increase in the Group's profit before tax.

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the management is positive of the group's performance for the financial 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.

The Group will continue to focus on research & development to further develop and enhance its product offerings.

B4. Variance on Profit forecast and Profit Guarantee

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

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B5. Taxation

Income tax expense comprises the followings:

	Individual Financial quarter ended 30 September 2006 RM'000	Cumulative period ended 30 September 2006 RM'000
In respect of the current period		
Income tax	0	(5)
Deferred tax	(66)	(66)
	<u>(66)</u>	<u>(71)</u>

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

Income tax of RM4,399 for the cumulative period ended 30 September 2006 was provided on interest income generated from fixed deposit not allowed for tax exemption.

For the financial quarter under review, there is a provision of RM66,450 for deferred tax liabilities 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 current financial 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 financial quarter under review and current financial year-to-date.



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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.

B9. Status of utilization of proceeds

As at 30 September 2006, the Company has utilized approximately 48.95% of the proceeds raised from its Initial Public Offering on 20 March 2006.

Purpose	Proposed Utilisation	Actual utilisation as at 30.09.2006	Amount Unutilised
	RM'000	RM '000	RM'000
Research and Development Expenses	3,066	629	2,437
Business Expansion	1,917	604	1,313
Working Capital	1,247	1,000	247
Listing Expenses	1,600	1,600	-
Total	7,830	3,833	3,997

B10. Group Borrowings and Debt Securities

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

		RM'000
Short term borrowings		
Bank overdraft	- secured	169
Bills payable	- secured	510
Hire purchase creditor	- unsecured	52
Term loan	- secured	102
Long term borrowings		
Hire purchase	- unsecured	157
Term loan	- secured	560
Total Borrowings		<u>1,550</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 financial quarter and current financial quarter to date is calculated by dividing the net profit attributable to shareholders of RM688,920 and RM1,209,629 by the weighted average number of shares in issue of 104,400,000 and 96,874,817 ordinary shares respectively.

	Current financial quarter 30 September 2006	Year to-date 30 September 2006
Weighted average number of ordinary shares of RM0.10 in issue	104,400,000	96,874,817
Net Profit (loss) for the period (RM)	688,920	1,209,629
Basic Earnings per Ordinary Shares (sen)	0.66	1.25

(b) Fully diluted earnings per share

Not applicable as the Company has not granted any employees' share options 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 29 November 2006 in accordance with resolution of the board of directors.