



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

QUARTERLY REPORT

Notes to the Quarterly Report

for the Second Quarter of the Financial Year Ending 30 September 2009

(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 has been prepared in accordance with requirements of the Financial Reporting Standard (FRS) 134 : “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“**MASB**”), Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the MESDAQ Market and should be read in conjunction with the Group’s audited financial statements for the financial year ended (“**FYE**”) 30 September 2008.

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those used in the preparation of last audited financial statements for the FYE 30 September 2008.

At the date of authorisation of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group is exempted from disclosing the possible impact, if any, that the application of FRS 139 will have on its financial statements in the period of initial application.



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A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the preceding annual financial statements for the FYE 30 September 2008 was not subject to any qualification.

A3. SEASONALLY OR CYCLICAL FACTORS OF INTERIM OPERATIONS

The Group's operations are not materially affected by any major seasonal or cyclical factors during the financial quarter under review and current financial year-to-date.

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

During the current financial quarter under review and the current financial year-to-date, there are no unusual significant items or events that arose, which affected the assets, liabilities, equity, net income or cash flows.

A5. MATERIAL CHANGE IN ESTIMATES

There were no material changes in estimates that have had material effect on the current financial quarter under review and financial year-to-date results.

A6. ISSUANCES, CANCELLATIONS, REPURCHASE, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities held as treasury shares or resale of treasury shares during the current financial quarter under review and the current financial year-to-date.

A7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the financial quarter under review and financial year-to-date.

As at 31 March 2009, all property, plant and equipment were stated at cost less accumulated depreciation.

A8. DIVIDEND

No interim nor final ordinary dividend has been declared, recommended or paid during the financial quarter under review and the financial year-to-date.

A9. SEGMENTAL INFORMATION

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



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The Group offers ICT security products and solutions 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 financial quarter ended 31 March 2009	Anti-Virus Software	MSS	SEA	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	5	1,882	37	1,924
(Loss)/Profit from operations	(3)	(1,346)	24	*(1,325)
Year to date	Anti-Virus Software	MSS	SEA	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	14	6,335	55	6,404
(Loss)/Profit from operations	(8)	(2,803)	33	*(2,778)

*Note: *Does not include other income, interest income and expenses 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 were no material events subsequent to the end of the current financial quarter under review and financial year-to-date that has not been reflected in the interim financial statements.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter under review and financial year-to-date.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in the contingent liabilities and contingent assets since the last FYE 30 September 2008.

A13. CAPITAL COMMITMENTS

There are no changes in capital commitments from 30 September 2008 to 31 March 2009.



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There are no capital commitments in the interim financial statement as at 31 March 2009.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2009

	Three (3) months ended 31.03.09	Three (3) months ended 31.03.08
	RM'000	RM'000
Revenue	1,924	3,131
Gross profit	697	1,713
Gross profit margin (%)	36.23	54.71
(Loss)/Profit before tax ("LBT"/"PBT")	(1,190)	5
(LBT)/PBT margin (%)	(61.85)	0.16

On 26 March 2008, the Company had announced the change in FYE from 31 December to 30 September. Pursuant to the above, comparative figures for the cumulative period ended 31 March 2008 are not presented

For the financial quarter under review, the Group recorded revenue of approximately RM1.924 million, a decrease of approximately 38.55% from approximately RM3.131 million recorded in the three (3) months ended 31 March 2008. Further, the Group incurred a LBT of approximately RM1.190 million for the financial quarter under review as compared to PBT of approximately RM0.005 million recorded in the three (3) months ended 31 March 2008.

The decline in revenue can be mainly attributable to deterioration in the Group's business as a result of enterprises cutting back on technology spending during this economic downturn.

The decline in profitability is mainly due to lower revenue contribution and an increase in operating costs such as marketing and rental expenses.



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B2. COMPARISON OF CURRENT FINANCIAL QUARTER RESULTS WITH THE PRECEDING QUARTER

	Current Quarter 31.03.09 RM'000	Immediate Preceding Quarter 31.12.08 RM'000
Revenue	1,924	4,480
Gross profit	697	630
Gross profit margin (%)	36.23	14.06
LBT	(1,190)	(1,470)
LBT margin (%)	(61.85)	(32.81)

For the financial quarter under review, the Group recorded revenue of approximately RM1.924 million and LBT of approximately RM1.190 million.

The Group's revenue decreased by approximately 57.05% as compared with the Group's revenue recorded in the previous quarter ended 31 December 2008 of RM4.480 million.

The decline in the Group's revenue from the previous quarter is mainly due to deterioration of business as a result of enterprises cutting back on spending during this economic downturn.

Despite the decline in revenue, the Group's LBT contracted by approximately 19.05% mainly as a result of an improvement of gross profit margin by approximately 22.17 percentage points from the higher sale of solutions during the current quarter which carries higher margin.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group views the current economic situation to continue to be volatile and uncertain for the remainder of the year. In this regards, the Group has initiated proactive measures to control operating costs and will continue to assess and evaluate new business opportunities for enhance the Group's value in future.

Notwithstanding the current economic situation, the Group expects the second half of the FYE 30 September 2009 to show a moderate improvement in turnover.

B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee was published.



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B5. TAXATION

Income tax expense comprises the followings:

	Current quarter ended	Preceding year corresponding period ended
	31 March 2009 RM'000	31 March 2008 RM'000
In respect of the current period		
Income tax	-	(27)
Deferred tax	106	5
Total	<u>106</u>	<u>(22)</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.

The Group's effective tax rate is thus lower than the Malaysian Statutory tax rate of 25%.

The deferred tax liabilities are provided on the temporary differences arising from the subsidiary company's property, plant and equipment and product development expenditure. For the financial quarter to date under review, there is write back of RM105,818 due to reversal of deferred tax liabilities.

B6. PROFIT ON SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES

Save for the disposal by Extol Corporation (M) Sdn Bhd of two (2) shop offices with net book value of RM625,693 for a total purchase consideration of RM740,000, there were no other sale of unquoted investment during the current financial quarter under review and current financial year-to-date. The above disposal was completed on 26 March 2009.

B7. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

B9. STATUS OF UTILISATION OF PROCEEDS

The Initial Public Offering (“IPO”) was completed on 20 March 2006. As at 31 March 2009, the Company has fully utilised the proceeds raised from the IPO.

B10. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group’s borrowings denominated in Ringgit Malaysia as at current financial period ended 31 March 2009 and previous FYE 30 September 2008 are as follows:

		As at 31 Mar 2009 RM’000	As at 30 Sept 2008 RM’000
Short term borrowings			
Bills payable	- secured	2,999	362
Hire purchase creditor	- secured	40	40
Lease creditor	- secured	361	361
Term loan	- secured	68	81
Long term borrowings			
Hire purchase	- secured	57	77
Lease creditor	- secured	683	864
Term loan	- secured	181	419
Total Borrowings		<u>4,389</u>	<u>2,204</u>

B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B12. MATERIAL LITIGATION

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



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B13. EARNINGS OR LOSS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the current financial quarter and current financial quarter to date are computed as follows:

	Current financial quarter ended 31 March 2009	Year to-date ended 31 March 2009
Net loss attributable to equity holders of the Company (RM'000)	1,102	2,483
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	1.06	2.38

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 31 March 2009, the Company has not granted any employees' share options nor issued securities that have dilutive effects on the Company's existing shares in issue.

B14. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 26 May 2009 in accordance with resolution of the board of directors.