



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

QUARTERLY REPORT
Notes to the Quarterly Report
for the Third 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 ACE 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 30 June 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.



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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.

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 30 June 2009	Anti-Virus Software RM'000	MSS RM'000	SEA RM'000	Total RM'000
Revenue	2	5,961	10	5,973
(Loss) / Profit from operations	(5)	89	0	*84

Year to date	Anti-Virus Software RM'000	MSS RM'000	SEA RM'000	Total RM'000
Revenue	16	12,296	65	12,377
(Loss) / Profit from operations	(13)	(2,714)	33	*(2,694)

*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.



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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 30 June 2009.

There are no capital commitments in the interim financial statement as at 30 June 2009.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2009

	Individual Quarter	
	Three (3) months ended 30.06.09	Three (3) months ended 30.06.08
	RM'000	RM'000
Revenue	5,973	4,308
Profit / (Loss) before tax ("PBT") / ("LBT")	55	(165)
PBT / (LBT) margin (%)	0.92	(3.83)

Note:

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 30 June 2008 are not presented

For the current quarter under review, the Group recorded revenue of approximately RM5.973 million, representing an increase of approximately 38.65% from approximately RM4.308 million recorded in the three (3) months ended 30 June 2008. Further, the Group recorded a PBT of approximately RM0.055 million for the current quarter under review as compared to LBT of approximately RM0.165 million recorded in the three (3) months ended 30 June 2008. The increase in revenue was due to higher contribution from our existing and new customers from media telecommunications sector.



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

	Current Quarter 30.06.09 RM'000	Immediate Preceding Quarter 31.03.09 RM'000
Revenue	5,973	1,924
Profit /(Loss) before tax ("PBT") / ("LBT")	55	(1,190)
PBT / (LBT) margin (%)	0.92	(61.85)

The Group posted a higher revenue in the current quarter ended 30 June 2009 of approximately RM5.973 million, representing an increase of approximately 210.45% as compared to the previous quarter ended 31 March 2009 of approximately RM1.924. The increase in revenue was due to higher contribution from our existing and new customers from media telecommunications sector.

Further, the Group recorder a PBT of approximately RM0.055 million for the current quarter under review as compared to LBT of approximately RM1.190 million recorded in the previous quarter ended 31 March 2009.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group views the current economic climate remains volatile and uncertain for the remainder of the year. In this regards, the Group has taken measures to mitigate any negative impact with prudent costs control.

The move to expand beyond the Financial Services Industries ("FSI") sector has also started to bear fruit where a significant portion of our revenues from the current quarter are outside the FSI. This initiative will remain one of the Groups' core focus areas.

The Group has also intensified its R&D efforts to focus on more core essential products and services that will reduce the longer sales cycle of more sophisticated solutions. For example, the Group is introducing new products that will help reduce the cost of operations for our customers.

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
	30 June 2009	30 June 2008
	RM'000	RM'000
In respect of the current period		
Income tax	-	-
Deferred tax	204	99
Total	<u>204</u>	<u>99</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 current 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 RM203,774 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 RM631,260 for a total purchase consideration of RM740,000, there were no other sale of unquoted investment during the current financial year-to-date. The above disposal was completed on 26 March 2009. The Group recorded a gain of RM108,740 from the above disposal.

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 30 June 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 30 June 2009 and previous FYE 30 September 2008 are as follows:

		As at 30 June 2009 RM’000	As at 30 Sept 2008 RM’000
Short term borrowings			
Bills payable	- secured	3,960	362
Hire purchase creditor	- secured	40	40
Lease creditor	- secured	361	361
Term loan	- secured	68	81
Long term borrowings			
Hire purchase	- secured	47	77
Lease creditor	- secured	593	864
Term loan	- secured	163	419
Total Borrowings		<u>5,232</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 30 June 2009	Year to-date ended 30 June 2009
Net profit/(loss) attributable to equity holders of the Company (RM'000)	187	(2,296)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic profit/(loss) per ordinary shares (sen)	0.18	(2.20)

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 30 June 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 25 August 2009 in accordance with resolution of the board of directors.