



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

**QUARTERLY REPORT**

**Notes to the Quarterly Report**

**for the Fourth Quarter of the Financial Year Ended 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 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 September 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<br>quarter ended 30<br>September 2009 | Anti-<br>Virus     | MSS    | SEA    | Total  |
|---|--------------------|--------|--------|--------|
|   | Software<br>RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue   | 4                  | 4,177  | 22     | 4,203  |
| (Loss) / Profit from<br>operations                      | (2)                | 1,071  | 8      | *1,077 |

  

| Year to date                       | Anti-<br>Virus     | MSS     | SEA    | Total    |
|------------------------------------|--------------------|---------|--------|----------|
|                                    | Software<br>RM'000 | RM'000  | RM'000 | RM'000   |
| Revenue                            | 20                 | 16,473  | 87     | 16,580   |
| (Loss) / Profit from<br>operations | (15)               | (1,643) | 41     | *(1,617) |

*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 01 October 2008 to 30 September 2009.

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

## **B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES**

### **B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009**

|                              | <b>Individual Quarter</b>                      |  |
|------------------------------|--|--|
|                              | <b>Three (3)<br/>months ended<br/>30.09.09</b> | <b>Three (3)<br/>months ended<br/>30.09.08</b> |
|                              | <b>RM'000</b>                                  | <b>RM'000</b>                                  |
| Revenue                      | 4,203  | 2,440  |
| Profit before tax<br>(“PBT”) | 1,101  | 232  |
| PBT margin (%)               | 26.20  | 9.51   |

*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 September 2008 are not presented*

For the current quarter under review, the Group recorded revenue of approximately RM4.203 million, representing an increase of approximately 72.25% from the revenue of approximately RM2.440 million recorded in the three (3) months ended 30 September 2008.

Further, the Group recorded a PBT of approximately RM1.101 million for the current quarter under review as compared to PBT of approximately RM0.232 million recorded in the three (3) months ended 30 September 2008. The increase in revenue in current quarter under review as compared to the corresponding period of the previous year was due to higher contribution for MSS products sold to the media telecommunications sector. The higher margin was primarily due to higher value added product mix sold during the quarter.

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

|                              | <b>Current<br/>Quarter<br/>30.09.09<br/>RM'000</b> | <b>Immediate<br/>Preceding<br/>Quarter<br/>30.06.09<br/>RM'000</b> |
|------------------------------|--|--|
| Revenue                      | 4,203  | 5,973  |
| Profit before tax<br>("PBT") | 1,101  | 55   |
| PBT margin (%)               | 26.20  | 0.92   |

The Group recorded revenue in the current quarter ended 30 September 2009 of approximately RM4.203 million, representing an decrease of approximately 29.63% as compared to the revenue of previous quarter ended 30 June 2009 of approximately RM5.973 million.

Despite the decrease in revenue, the Group achieved higher PBT of approximately RM1.101 million for the current quarter under review as compared to PBT of approximately RM0.055 million recorded in the previous quarter ended 30 June 2009. The increase in PBT despite decline in revenue as compared to the previous quarter was mainly due to improvement of gross profit margin from 32.75% to 68.05% due to undertaking of projects with higher margin.

### **B3. PROSPECTS FOR THE NEXT FINANCIAL YEAR**

The Group views that the current economic climate to remain volatile and uncertain for the next financial year as businesses are still cautious in spending. In this regards, the Group will continue to operate on a leaner basis whilst aspiring to gain market share.

Notwithstanding this, the Group will continue during this challenging business environment to focus on its technology, product development, service enhancement, market expansion and to further enhance the reach of the Group's sales network.

Barring unforeseen circumstances, the Group expects the prospects of the Group to improve in the coming financial year ending 30 September 2010 following anticipated improvement in economic climate.

### **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:

|                                     | <b>Current<br/>quarter<br/>ended<br/>30<br/>September<br/>2009<br/>RM'000</b> | <b>Year-to-<br/>date ended<br/>30<br/>September<br/>2009<br/>RM'000</b> |
|-------------------------------------|---|---|
| In respect of the<br>current period |   |   |
| Income tax                          | (24)  | (24)  |
| Deferred tax                        | 5   | 209   |
| Total income tax<br>expense         | <u>(19)</u>   | <u>185</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 Company had submitted the application to Multimedia Development Corporation (“MDEC”) for the extension of another 5 years of pioneer status tax relief period and the application is under review by MDEC.

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

Income tax of RM24,000 for FYE 30 September 2009 was provided on chargeable / taxable income of its subsidiary.

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 total RM209,307 due to reversal of deferred tax liabilities.



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### **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.

### **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 September 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 September 2009 and previous FYE 30 September 2008 are as follows:

|                        |           | <b>As at<br/>30 Sept 2009<br/>RM’000</b> | <b>As at<br/>30 Sept 2008<br/>RM’000</b> |
|------------------------|-----------|--|--|
| Short term borrowings  |           |  |  |
| Bank overdraft         | - secured | 736                                      | -  |
| Bills payable          | - secured | 1,654                                    | 362                                      |
| Hire purchase creditor | - secured | 40                                       | 40                                       |
| Lease creditor         | - secured | 361                                      | 361                                      |
| Term loan              | - secured | 72                                       | 81                                       |
| Long term borrowings   |           |  |  |
| Hire purchase          | - secured | 37                                       | 77                                       |
| Lease creditor         | - secured | 503                                      | 864                                      |
| Term loan              | - secured | 142                                      | 419                                      |
| Total Borrowings       |           | <u>3,545</u>                             | <u>2,204</u>                             |





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### **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.

### **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:

|  | <b>Current<br/>financial<br/>quarter ended<br/>30 Sept<br/>2009</b> | <b>Year<br/>to-date ended<br/>30 Sept<br/>2009</b> |
|--|---|--|
| Net profit/(loss) attributable to equity holders of the Company (RM'000) | 1,097   | (1,199)  |
| Weighted average number of ordinary shares of RM0.10 in issue ('000)     | 104,400   | 104,400  |
| Basic profit/(loss) per ordinary shares (sen)                            | 1.05  | (1.15)   |

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

Not applicable. As at the financial quarter ended 30 September 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 30 November 2009 in accordance with resolution of the board of directors.