



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

**QUARTERLY REPORT**

**Notes to the Quarterly Report**

**for the First Quarter of the Financial Year Ending 30 September 2010**

**(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 2009.

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 2009.

#### **A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report on the preceding annual financial statements for the FYE 30 September 2009 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.



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### **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 December 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.

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”) which is included under OTHERS.

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

<b>Current financial quarter and year-to-date ended 31 December 2009</b>	<b>MSS</b>	<b>OTHERS</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	2,059	11	2,070
(Loss)/Profit from operations	(945)	2	*943

*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.



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### **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 2009.

### **A13. CAPITAL COMMITMENTS**

There are no changes in capital commitments from 01 October 2009 to 31 December 2009.

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

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

### **B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2009**

	<b>Individual Quarter</b>	
	<b>Three (3) months ended 31.12.09</b>	<b>Three (3) months ended 31.12.08</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	2,070	4,480
Loss before tax ("LBT")	923	1,470
LBT margin (%)	44.59	32.81

For the financial current quarter under review, the Group recorded revenue of approximately RM2.070 million, a decrease of approximately 53.79% from approximately RM4.480 million recorded in the three (3) months ended 31 December 2008. The decline in revenue mainly due to a drop in demand mix of product solutions.

The Group also incurred a LBT of approximately RM0.923 million for the financial current quarter under review as compared to LBT of approximately RM1.470 million recorded in the three (3) months ended 31 December 2008.



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

	<b>Current Quarter 31.12.09 RM'000</b>	<b>Immediate Preceding Quarter 30.09.09 RM'000</b>
Revenue	2,070	4,203
(Loss) / Profit before tax ("LBT") / ("PBT")	(923)	1,101
(LBT) / PBT margin (%)	(44.59)	26.20

The Group recorded revenue in the current quarter ended 31 December 2009 of approximately RM2.070 million, representing an decrease of approximately 50.75% as compared to the revenue of previous quarter ended 30 September 2009 of approximately RM4.203 million.

The Group's incurred LBT of approximately RM0.923 million for the current quarter under review as compared to PBT of approximately RM1.101 million recorded in the previous quarter ended 30 September 2009. The loss was mainly due to the lower revenue generated and reduction in gross profit margin by approximately 29.84 percentage points.

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

Barring unforeseen circumstances, the Group continue to strive to improve its financial performance for the financial year ending 30 September 2010 with its continue 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.

### **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 quarter ended 31 December 2009 RM'000</b>	<b>Year-to- date ended 31 December 2009 RM'000</b>
In respect of the current period		
Income tax	(6)	(6)
Deferred tax	(10)	(10)
Total income tax expense	<u>(16)</u>	<u>(16)</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 RM6,400 for the financial current quarter ended 31 December 2009 was provided on chargeable / taxable income of its subsidiary.

For the financial current quarter under review, there is a provision of RM10,108 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 was no sale of unquoted investment and / or properties during the current financial quarter under review and current financial year-to-date.

### 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 December 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 December 2009 and previous FYE 30 September 2009 are as follows:

		<b>As at 31 Dec 2009 RM’000</b>	<b>As at 30 Sep 2009 RM’000</b>
Short term borrowings			
Bank overdraft	- secured	587	736
Bills payable	- secured	786	1,654
Hire purchase creditor	- secured	40	40
Lease creditor	- secured	361	361
Term loan	- secured	73	72
Long term borrowings			
Hire purchase	- secured	27	37
Lease creditor	- secured	413	503
Term loan	- secured	121	142
Total Borrowings		<u>2,408</u>	<u>3,545</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:

	<b>Current financial quarter ended 31 Dec 2009</b>	<b>Year to-date ended 31 Dec 2009</b>
Net loss attributable to equity holders of the Company (RM'000)	943	943
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.90	0.90

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

Not applicable. As at the financial quarter ended 31 December 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 24 February 2010 in accordance with resolution of the board of directors.