



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 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 March 2010, 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 :-

Current financial quarter ended 31 March 2010

	MSS	OTHERS	TOTAL
	RM'000	RM'000	RM'000
Revenue	2,046	0	2,046
Loss from operations	626	9	*635

Year to date

	MSS	OTHERS	TOTAL
	RM'000	RM'000	RM'000
Revenue	4,105	11	4,116
Loss from operations	1,571	7	*1,578

*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.



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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 2009.

A13. CAPITAL COMMITMENTS

There are no changes in capital commitments from 01 October 2009 to 31 March 2010.

There are no capital commitments in the interim financial statement as at 31 March 2010.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2010

For the current quarter under review, the Group recorded revenue approximately of RM2.046 million, represents an increase approximately of 6.34% from the corresponding quarter of the preceding financial year of approximately RM1.924 million. The Group also incurred a LBT of approximately RM0.626 million for the current quarter under review as compared to LBT of approximately RM1.190 million from the corresponding quarter of the preceding financial year. The Group's LBT contracted by approximately 31.25% mainly as a result of cutting back the marketing expenses and an improvement of gross profit margin by approximately 21.88 percentage points from the higher sale of solutions during the current quarter which carries higher margin.

For the six (6) months to 31 March 2010, the Group recorded a consolidated LBT of approximately RM1.549 million on the back of revenue of approximately RM4.116 million. During the corresponding period of the preceding financial year, the Group recorded a consolidated LBT of approximately RM2.660 million on the back of revenue of approximately RM6.404 million. The decline in revenue was mainly attributable of lower demand of mix of product solutions.



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

For the financial quarter under review, the Group recorded revenue of approximately RM2.046 million and LBT of approximately RM0.626 million.

The Group's revenue decreased slightly by approximately 1.16% as compared with the Group's revenue recorded in the previous quarter ended 31 December 2009 of RM2.070 million.

Despite the reduction in revenue, the Group's LBT contracted by approximately 13.99% mainly as a result of an improvement of gross profit margin by approximately 19.90 percentage points from the higher sale of solutions during the current quarter which carries higher margin.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Barring unforeseen circumstances, the Group will 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:

	Current quarter ended	Preceding year corresponding period ended
	31	31
	March	March
	2010	2009
	RM'000	RM'000
In respect of the current period		
Income tax	(3)	-
Deferred tax	33	106
Total	<u>30</u>	<u>106</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 was granted for 5 years period commencing from 27 September 2004. The Company submitted an application to Multimedia Development Corporation (“MDEC”) for an extension of the pioneer status in August 2009 and approval was granted in 11 May 2010 for another 5 years. The company was 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%.

Income tax of RM3,050 for the financial current quarter ended 31 March 2010 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 RM32,405 due to reversal of deferred tax liabilities.

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 March 2010, 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 2010 and previous FYE 30 September 2009 are as follows:

		As at 31 Mar 2010 RM’000	As at 30 Sep 2009 RM’000
Short term borrowings			
Bank overdraft	- secured	-	736
Bills payable	- secured	1,080	1,654
Hire purchase creditor	- secured	40	40
Lease creditor	- secured	361	361
Term loan	- secured	73	72
Long term borrowings			
Hire purchase	- secured	17	37
Lease creditor	- secured	323	503
Term loan	- secured	103	142
Total Borrowings		<u>1,997</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:

	Current financial quarter ended 31 Mar 2010	Year to-date ended 31 Mar 2010
Net loss attributable to equity holders of the Company (RM'000)	558	1,501
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.53	1.44

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 31 March 2010, 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 2010 in accordance with resolution of the board of directors.