



**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 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 30 June 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 :-

<b>Current financial quarter ended 30 June 2010</b>	<b>MSS</b>	<b>OTHERS</b>	<b>TOTAL</b>
	RM'000	RM'000	RM'000
Revenue	3,593	91	3,684
(Loss)/Profit from operations	(424)	60	*(364)

  

<b>Year to date</b>	<b>MSS</b>	<b>OTHERS</b>	<b>TOTAL</b>
	RM'000	RM'000	RM'000
Revenue	7,698	102	7,800
(Loss)/Profit from operations	(1,995)	53	*(1,942)

*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 30 June 2010.

There are no capital commitments in the interim financial statement as at 30 June 2010.

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

### **B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010**

For the current quarter under review, the Group recorded revenue approximately of RM3.684 million, a decrease of approximately 38.32% from approximately RM5.973 million recorded in the three (3) months ended 30 June 2009. Further, the Group recorded a LBT of approximately RM0.127 million for the current quarter under review as compared to PBT of approximately RM0.055 million recorded in the three (3) months ended 30 June 2009. The decline in revenue was mainly attributable to the increase in market competition and reduction in sales to dealers.

For the nine (9) months to 30 June 2010, the Group recorded a consolidated LBT of approximately RM1.676 million on the back of revenue of approximately RM7.800 million. During the corresponding period of the preceding financial year, the Group recorded a consolidated LBT of approximately RM2.605 million on the back of revenue of approximately RM12.377 million. Despite the reduction in revenue, The Group's shown an improvement of gross profit margin by approximately 16.38 percentage points from the higher sale of solutions which carries higher margin and reduction in operating costs such as marketing and staff expenses.



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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 RM3.684 million. The Group's revenue increased by approximately 80.06% as compared with the Group's revenue recorded in the previous quarter ended 31 March 2010 of approximately RM2.046 million.

Further, the Group recorded a LBT of approximately RM0.127 million for the current quarter under review as compared with the Group's LBT recorded in the previous quarter ended 31 March 2010 of approximately RM0.626 million. This was attributable to the increase in revenue and reduction in operating costs such as staff expenses.

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

The Group will remain focused on its technology, product development, service enhancement, and targeting more on overseas markets to further enhance the reach of the Group sales network and performance.

### **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</b>	<b>Preceding year corresponding period ended</b>
	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
In respect of the current period		
Income tax	(5)	-
Deferred tax	64	204
Total	<u>59</u>	<u>204</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 RM5,346 for the financial current quarter ended 30 June 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 RM63,964 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 30 June 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 30 June 2010 and previous FYE 30 September 2009 are as follows:

		<b>As at 30 Jun 2010 RM’000</b>	<b>As at 30 Sep 2009 RM’000</b>
Short term borrowings			
Bank overdraft	- secured	-	736
Bills payable	- secured	547	1,654
Hire purchase creditor	- secured	40	40
Lease creditor	- secured	361	361
Term loan	- secured	76	72
Long term borrowings			
Hire purchase	- secured	7	37
Lease creditor	- secured	233	503
Term loan	- secured	82	142
Total Borrowings		<u>1,346</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 30 June 2010</b>	<b>Year to-date ended 30 June 2010</b>
Net Loss attributable to equity holders of the Company (RM'000)	76	1,577
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.07	1.51

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

Not applicable. As at the financial quarter ended 30 June 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 August 2010 in accordance with resolution of the board of directors.