



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 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 September 2010, all property, plant and equipment were stated at cost less accumulated depreciation.

A8. DIVIDEND

No interim or 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 30 Sept 2010	MSS	OTHERS	TOTAL
	RM'000	RM'000	RM'000
Revenue	2,532	26	2,558
Loss from operations	(316)	(3)	*(319)
Year to date	MSS	OTHERS	TOTAL
	RM'000	RM'000	RM'000
Revenue	10,230	128	10,358
(Loss)/Profit from operations	(2,311)	50	*(2,261)

*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 September 2010.

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

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

The Group recorded revenue and loss before taxation of approximately RM2.558 million and RM0.306 million respectively for the current quarter under review as compared to revenue and profit before taxation of approximately RM4.203 million and RM1.101 million respectively in preceding year corresponding quarter. The decline in revenue for the current quarter under review compared to preceding year corresponding quarter was mainly due to lower contribution for MSS products sold to the media telecommunications sector.

For the twelve (12) months period ended 30 September 2010, the Group recorded revenue of approximately RM10.358 million, a decrease of approximately 37.53% from the corresponding period of the preceding year of approximately RM16.580 million. The decrease was mainly due to lower contribution for MSS products sold to the media telecommunications sector and reduction in sales to dealers. For the same period, the Group registered loss before taxation of approximately RM1.982 million compared to a loss before taxation of approximately RM1.504 million for the same period of the preceding year. This was mainly due to lower revenue generated.



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

The Group recorded revenue of approximately RM2.558 million for the current quarter under review. The Group's revenue decreased by approximately 30.56% as compared with the Group's revenue recorded in the previous quarter ended 30 June 2010 of approximately RM3.684 million.

Further, the Group recorded a loss before taxation of approximately RM0.306 million for the current quarter under review as compared with the Group loss before taxation recorded in the previous quarter ended 30 June 2010 of approximately RM0.127 million. This was attributable to the decrease in revenue.

B3. PROSPECTS FOR THE NEXT FINANCIAL YEAR

The Group will continue to take measures in cost reduction and remain focused on its existing core business.

At the same time, the Group will continue to explore new market segments and market expansion oversea to enhance Group performance. One of the key markets identified is the Middle East.

Barring unforeseen circumstances, the Board anticipates that the performance of the Group to be improved in the coming financial year ending 30 September 2011.

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:

	Year-to-date ended 30 September 2010 RM'000	Preceding year corresponding year-to-date ended 30 September 2009 RM'000
In respect of the current period		
Income tax	-	(24)
Deferred tax	254	209
	<u>254</u>	<u>185</u>
Over provision in previous year	14	-
Total	<u><u>268</u></u>	<u><u>185</u></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%.

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 RM254,414 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.



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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 2010 and previous FYE 30 September 2009 are as follows:

		As at 30 Sept 2010 RM’000	As at 30 Sept 2009 RM’000
Short term borrowings			
Bank overdraft	- secured	-	736
Bills payable	- secured	897	1,654
Hire purchase creditor	- secured	52	40
Lease creditor	- secured	377	361
Term loan	- secured	75	72
Long term borrowings			
Hire purchase	- secured	30	37
Lease creditor	- secured	160	503
Term loan	- secured	64	142
Total Borrowings		<u>1,655</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 30 Sept 2010	Year to-date ended 30 Sept 2010
Net loss attributable to equity holders of the Company (RM'000)	139	1,716
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.13	1.64

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 30 September 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 29 November 2010 in accordance with resolution of the board of directors.