



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

**QUARTERLY REPORT**  
**Notes to the Quarterly Report**  
**for the Second Quarter Ended 31 March 2011**  
**(The figures have not been audited)**



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## QUARTERLY REPORT

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### A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

#### A1. BASIS OF PREPARATION

The interim financial 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 and should be read in conjunction with the Group’s audited financial statements for the financial year ended (“**FYE**”) 30 September 2010.

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 September 2010, except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective for the financial period commencing on 1 October 2010:

FRSs/Interpretations		Effective Date
FRS 1	First-time Adoption of Financial Reporting Standards (Revised)	1 July 2010
FRS 3	Business Combination (Revised)	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 7	Amendment to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
FRS 101	Presentation of Financial Statements (Revised)	1 January 2010
FRS 123	Borrowing Costs (Revised)	1 January 2010
FRS 127	Consolidated and Separate Financial Statements (Revised)	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 2	Share-based Payment Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 2	Share-based Payment	1 July 2010
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010



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### A1. BASIS OF PREPARATION (CONTINUED)

Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grant	1 January 2010
Amendment to FRS 123	Borrowing Costs	1 January 2010
Amendment to FRS 127	Amendment to FRS 1 and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 128	Investment in Associates	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010 / 1 March 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010 / 1 July 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives Amendment to FRS 139, FRS 7 and IC Interpretation 9	1 January 2010 / 1 July 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010

The adoption of the abovementioned FRS, Amendments to FRS and Interpretations will have no material impact on the interim financial statements of the Group except the following:-

#### **FRS 101 : Presentation of Financial Statements (Revised)**

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to financial statements.

With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flow and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income. This revised FRS does not have any impact on the financial position and results of the Group.



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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 2010 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 31 March 2011, 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”) which is included under OTHERS.

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

<b>Current financial quarter ended 31 March 2011</b>	<b>MSS</b>	<b>OTHERS</b>	<b>TOTAL</b>
	RM'000	RM'000	RM'000
Revenue	1,351	13	1,364
(Loss)/Profit from operations	(827)	1	*(826)

  

<b>Year to date</b>	<b>MSS</b>	<b>OTHERS</b>	<b>TOTAL</b>
	RM'000	RM'000	RM'000
Revenue	3,120	18	3,138
Loss from operations	(1,473)	(3)	*(1476)

*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**

On 18 January 2011, Extol Ventures Sdn Bhd (“**Extol Ventures**”) a wholly-owned subsidiary of the Company entered into a Shares Proceed for an acquisition of 392,000 ordinary shares of RM1.00 each representing 32% equity interest in Innodium Sdn Bhd., for a total purchase consideration of RM64,000 to be satisfied in cash. With the completion of the proposed acquisition, Innodium Sdn. Bhd. has become a 100% owned subsidiary of Extol Ventures Sdn. Bhd., which in turn is a wholly-owned subsidiary of Extol MSC Berhad.

Save for the proposed acquisition of Innodium Sdn Bhd, there are no changes in the composition of the Group during the current 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 2010.

### **A13. CAPITAL COMMITMENTS**

There are no changes in capital commitments from 01 October 2010 to 31 March 2011.

There are no capital commitments in the interim financial statement as at 31 March 2011.

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

### **B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**

The Group recorded revenue and loss before taxation (“**LBT**”) approximately of RM1.364 million and RM0.806 million respectively for the current financial period ended 31 March 2011 as compared to revenue and LBT approximately of RM2.046 million and RM0.626 million respectively in the preceding year’s corresponding period.

For the six (6) months to 31 March 2011, the Group recorded a consolidated LBT of approximately RM1.226 million on the back of revenue of approximately RM3.138 million. During the corresponding period of the preceding financial year, the Group recorded a consolidated LBT of approximately RM1.549 million on the back of revenue of approximately RM4.116 million.

Despite the decline in revenue, the Group’s LBT contracted by approximately 20.85% mainly as a result of an improvement of gross profit margin by approximately 11.40 percentage points and decrease in operating costs such as staff expenses.



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

The Group recorded revenue of approximately RM1.364 million for the current quarter under review as compared with the revenue of approximately RM1.774 million in the preceding quarter ended 31 December 2010.

Further, the Group recorded a LBT of approximately RM0.806 million for the current quarter under review as compared with the Group LBT of approximately RM0.420 million in the preceding quarter ended 31 December 2010. The increase of LBT was mainly due to lower revenue generated.

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

Moving forward and barring any adverse circumstances, the Group expects to ride through the challenging operating environment with optimistic outlook based on our competency. Having said this, the Group will remain vigilant and adopt a cautious approach in ensuring the business operations are effective and efficient.

**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 Mar 2011</b>	<b>Year-to-date ended 31 Mar 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
In respect of the current period		
Income tax	(4)	(11)
Deferred tax	98	70
Total income tax expense	<u>94</u>	<u>59</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 RM11,581 for the financial year to date ended 31 March 2011 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 year to date under review, there is write back of RM70,242 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 2011, 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 2011 and previous FYE 30 September 2010 are as follows:

		<b>As at 31 Mar 2011 RM’000</b>	<b>As at 30 Sep 2010 RM’000</b>
Short term borrowings			
Bills payable	- secured	107	897
Hire purchase creditors	- secured	32	52
Lease creditor	- secured	302	377
Term loans	- secured	76	75
Long term borrowings			
Hire purchase creditors	- secured	23	30
Lease creditor	- secured	53	160
Term loans	- secured	25	64
Total Borrowings		<u>618</u>	<u>1,655</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 quarter ended 31 Mar 2011</b>	<b>Year to-date ended 31 Mar 2011</b>
Net loss attributable to equity holders of the Company (RM'000)	712	1,167
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.68	1.12

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

Not applicable. As at the financial quarter ended 31 March 2011, 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. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profit may be analysed as follows:

	<b>As at 31 Mar 2011 RM'000</b>	<b>As at 31 Dec 2010 RM'000</b>
Total retained profits of the Group		
- Realised	2,265	4,060
- Unrealised	(301)	(400)
	<hr/> 1,964	<hr/> 3,660
Less : Consolidation adjustments	(1,060)	(2,044)
Total retained profits as per statement of financial position	<hr/> 904	<hr/> 1,616



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**B15. AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue on 30 May 2011 in accordance with resolution of the board of directors.