



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 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



EXTOL MSC BERHAD (643683-U)
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QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

(The figures have not been audited)

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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QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

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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 30 September 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.



EXTOL MSC BERHAD (643683-U)
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QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

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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 :-

Current financial quarter ended 30 Sept 2011

	MSS RM'000	OTHERS RM'000	TOTAL RM'000
Revenue	3,044	187	3,231
Profit from operations	142	98	*240

Year to date

	MSS RM'000	OTHERS RM'000	TOTAL RM'000
Revenue	8,143	213	8,356
(Loss)/Profit from operations	(1,505)	91	*(1,414)

*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.

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.



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 2011

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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 30 September 2011.

There are no capital commitments in the interim financial statement as at 30 September 2011.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

For the current quarter under review, the Group recorded revenue of approximately RM3.231 million, an increase of approximately 26.31% from the corresponding quarter of the preceding financial year of approximately RM2.558 million. The Group also achieved a profit before taxation (“PBT”) of approximately RM0.544 million for the financial quarter under review as compared to loss before taxation (“LBT”) of approximately RM0.306 million for the corresponding quarter of the preceding financial year. The profit performance of the Group was in line with the increase in revenue.

For the financial year ended 30 September 2011, the Group recorded revenue of approximately RM8.356 million, as compared with revenues of RM10.358 million for the same period last year, a decrease of approximately 19.33%. For the same period, the Group recorded a consolidated LBT of approximately RM0.610 million as compared to LBT of approximately RM1.982 million for the same period last year, resulting of an improvement in the performance of approximately 69.22%.

Despite recording a lower revenue, the Group’s gross profit margin increased by approximately 17.77 percentage points as compared to the same period last year. The increase in gross profit margin was attributed to higher yielding projects arising from realigned business activities.

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

For the current quarter under review, the Group recorded revenue of approximately RM3.231 million, representing an increase of approximately 62.61% as compared to the preceding quarter of approximately RM1.987 million.



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QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

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Further, the Group recorded a PBT of approximately RM0.544 million for the current quarter under review as compared to PBT of approximately RM0.072 million in the preceding quarter. The profit performance has improved due to higher revenue recorded for the current quarter.

B3. PROSPECTS FOR THE NEXT FINANCIAL YEAR

The Group remains positive about the overall business outlook for the local IT security market segment. The Group will continue to remain focus on growth in terms of revenue and profitability, and in controlling operational cost. The Group is strategizing and realigning existing resources within the company to effectively engage the market to grow the business and increase market share, by focusing on growth market segment, expanding our services portfolio and entering new market segment. While strengthening our current core competency in security solutions, the Group will focus on expanding the business for Managed Security Services (MSS) which provides critical recurring revenue income stream. Security Operation Center (SOC) and Security Incidence and Event Monitoring (SIEM) are identified as strategic value proposition and key differentiator for the Group while providing continuous revenue in a growing market segment. The Group planned to expand our current services portfolio to include Network Operation Center (NOC), Digital Rights Management (DRM), Data Loss Protection (DLP) and security awareness program in anticipation to current market demands.

The Group remained optimistic about the middle-east market as a high growth contributor and had prepared a business plan to effectively engage the market and eventually to be managed as a business unit. In line with the expected overall growth in business, the Group will continue to expand the resources for technical support, business development and project management to increase coverage of existing and new major accounts while penetrating and developing new customers and market segments particularly the Financial Service Industry (FSI), GLC companies, service providers and government.

The Group also planned to embark on several strategic alliances with local and international partners particularly for new market segment in delivering solutions for NOC, multi-factor authentication, secured data center, secured cloud computing, secured hosted services and solution bundling programs. The Group will also participate in selected high impact projects directly or with strategic local partners. The Group will continue the effort to further market and commercialize our Research & Development products particularly eSIRON, ePassport and Face Technology product range through various channel development programs.

B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee was published.



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QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

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B5. TAXATION

Income tax expense comprises the followings:

	Current quarter ended	Year-to-date ended
	30 Sept 2011	30 Sept 2011
	RM'000	RM'000
In respect of the current period		
Income tax	(4)	(22)
Under provision in previous year	(6)	(6)
Deferred tax	(25)	7
Total income tax expense	<u>(35)</u>	<u>(21)</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 RM22,149 for the financial year to date ended 30 Sept 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 quarter to date under review, there is write back of RM7,092 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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QUARTERLY REPORT

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B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

On behalf of Extol MSC Berhad (the “Company”), Hong Leong Investment Bank Berhad had on 26 July 2011, announced to Bursa Malaysia Securities Berhad that the Company proposed to undertake the following:-

- (i) proposed private placement of up to 10,440,000 new ordinary shares of RM0.10 each in Extol (“**Extol Shares**” or “**Shares**”) (“**Placement Shares**”), representing up to 10% of the total issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined by the Board and announced later (“**Proposed Private Placement**”);
- (ii) proposed bonus issue of up to 28,710,000 new Extol Shares (“**Bonus Shares**”), to be credited as fully paid-up, on the basis of 1 Bonus Share for every 4 existing Extol Shares held after the Proposed Private Placement by the entitled shareholders of the Company on the entitlement date to be determined and announced later (“**Entitlement Date**”) (“**Proposed Bonus Issue**”); and
- (iii) proposed renounceable rights issue of up to 71,775,000 new warrants in Extol (“**Warrants**”) on the basis of 1 Warrant for every 2 existing Extol Shares held after the Proposed Private Placement and Proposed Bonus Issue by entitled shareholders of the Company on the Entitlement Date (“**Proposed Rights Issue of Warrants**”).

For implementation purposes, the Proposed Private Placement is expected to be completed before the implementation of the Proposed Bonus Issue and the Proposed Rights Issue of Warrants.

On 12 Aug 2011, approval was obtained from Bursa Malaysia Securities Berhad for the Proposed Private Placement.

The Proposals are currently pending implementation by the Company.

B9. STATUS OF UTILISATION OF PROCEEDS

As at the date of this announcement, the proceeds raised from the Initial Public Offering (“**IPO**”) of the Company have been fully utilised.



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B10. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at current financial period ended 30 September 2011 and previous FYE 30 September 2010 are as follows:

		As at 30 Sep 2011 RM'000	As at 30 Sep 2010 RM'000
Short term borrowings			
Bills payable	- secured	459	897
Hire purchase creditor	- secured	15	52
Lease creditor	- secured	161	377
Term loans	- secured	61	75
Long term borrowings			
Hire purchase creditor	- secured	16	30
Lease creditor	- secured	-	160
Term loans	- secured	-	64
Total Borrowings		<u>712</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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QUARTERLY 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 quarter ended 30 September 2011	Year to-date ended 30 September 2011
Net profit/(loss) attributable to equity holders of the Company (RM'000)	509	(631)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic profit/(loss) per ordinary shares (sen)	0.49	(0.60)

(b) Fully diluted earnings per share

Not applicable. As at the financial year ended 30 September 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:

	As at 30 Sep 2011 RM'000	As at 30 Sep 2010 RM'000
Total retained profits/(loss) of the Group		
- Realised	2,865	4,479
- Unrealised	(365)	(372)
	<hr/> 2,500	<hr/> 4,107
Less : Consolidation adjustments	(1,068)	(2,044)
Total retained profits as per statement of financial position	<hr/> 1,432	<hr/> 2,063



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(Incorporated in Malaysia)

QUARTERLY REPORT

Notes to the Quarterly Report for the fourth quarter of the financial year ended 30 September 2011

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B15. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 25 November 2011 in accordance with resolution of the board of directors.