



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

**QUARTERLY REPORT**  
**Notes to the Quarterly Report**  
**for the First Quarter Ended 31 December 2011**  
**(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 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 2011.

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 2011, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs, and Issues Committee (“IC”) interpretations that are effective for the financial period beginning on or after 1 January 2011 and 1 July 2011:

#### **Effective for financial periods beginning on or after 1 January 2011:**

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Improvements to FRSs (2010)	
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

#### **Effective for financial periods beginning on or after 1 July 2011:**

Amendments IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the abovementioned FRSs, Amendments to FRSs and Interpretations will have no material impact on the interim financial statements of the Group.

#### **A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report on the preceding annual financial statements for the FYE 30 September 2011 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.



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### **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 December 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.

### **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 training 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:-



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### A9. SEGMENTAL INFORMATION (Cont'd)

	Individual 3 months ended		Cumulative Quarter 3 months ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
<b>Segment Revenue</b>				
MSS	2,467	2,099	2,467	2,099
OTHERS	294	8	294	8
	<hr/>	<hr/>	<hr/>	<hr/>
	2,761	2,107	2,761	2,107
Inter-segment revenue	(616)	(333)	(616)	(333)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	2,145	1,774	2,145	1,774
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment Results</b>				
MSS	(543)	(390)	(543)	(390)
OTHERS	48	(4)	48	(4)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) from operations	<hr/>	<hr/>	<hr/>	<hr/>
	(495)	(394)	(495)	(394)
	<hr/>	<hr/>	<hr/>	<hr/>
Finance cost	(10)	(26)	(10)	(26)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before taxation	<hr/>	<hr/>	<hr/>	<hr/>
	(505)	(420)	(505)	(420)

### 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 financial 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 2011.

### A13. CAPITAL COMMITMENTS

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

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



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### **A14. SIGNIFICANT RELATED PARTY TRANSACTIONS**

The Directors of the Company are of the opinion that there are no related party transactions which would have a material impact on the financial position and the business of the Group during the current financial quarter under review and financial year-to-date.

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

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

The Group recorded revenue in the current quarter ended 31 December 2011 of RM2.1 million, representing an increase of 20.9% as compared to the revenue of corresponding quarter of the preceding year ended 31 December 2010 of RM1.8 million. The increase in revenue was mainly due to undertaken project from a new customer.

The Group's incurred loss before taxation ("LBT") of RM0.5 million for the current quarter under review as compared to LBT of RM0.4 million recorded in the corresponding quarter of the preceding year. The increase in LBT was mainly due to lower in gross profit margin by approximately 4.4% due to undertaken project with lower margin.

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

The Group recorded revenue in the current quarter ended 31 December 2011 of RM2.1 million, representing a decrease of 33.6% as compared to the revenue of previous quarter ended 30 September 2011 of RM3.2 million.

The Group's incurred LBT of RM0.5 million for the current quarter under review as compared to profit before taxation of RM0.5 million recorded in the previous quarter ended 30 September 2011. The increment of loss was mainly due to the lower revenue generated from the existing clients especially Middle East and Financial Industry and lower in gross profit margin by approximately 12.7%.

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

Barring unforeseen circumstances, the Group continue to strive to improve its financial performance for the year ending 30 September 2012 by continuing to expand the resources for technical support, business development and project management. This effort will increase coverage of existing and new major accounts while penetrating and developing new customers and market segments particularly the Financial Service Industry, Government-Linked Companies, service providers and government to further enhance the reach of the Group.

#### **B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE**

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



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### B5. TAXATION

Income tax expense comprises the followings:

	Current quarter ended	Year-to-date ended
	31 Dec 2011	31 Dec 2011
	RM'000	RM'000
In respect of the current period		
Deferred tax	63	63
Total income tax expense	<u>63</u>	<u>63</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 under review, there is write back of RM63,294 due to reversal of deferred tax liabilities.

### B6. STATUS OF CORPORATE PROPOSALS

- (a) On behalf of Extol MSC Berhad (the “Company”), Hong Leong Investment Bank Berhad (“HLIB”) 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**”), which was completed on 17 February 2012;
  - (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



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### **B6. STATUS OF CORPORATE PROPOSALS (Cont'd)**

- (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**”).

### **B7. STATUS OF UTILISATION OF PROCEEDS**

As at the date of this announcement, the proceeds raised from the Private Placement of the Company would be utilised as working capital within a month.

### **B8. GROUP BORROWINGS AND DEBT SECURITIES**

Particulars of the Group’s borrowings denominated in Ringgit Malaysia as at current financial period ended 31 December 2011 and previous FYE 30 September 2011 are as follows:

		<b>As at 31 Dec 2011 RM’000</b>	<b>As at 30 Sep 2011 RM’000</b>
Short term borrowings			
Bills payable	- secured	321	459
Hire purchase creditors	- secured	15	15
Lease creditor	- secured	83	161
Term loans	- secured	41	61
Long term borrowing			
Hire purchase creditors	- secured	13	16
Total Borrowings		473	712

### **B9. 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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### B10. 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 December 2011</b>	<b>Year to-date ended 31 December 2011</b>
Net loss attributable to equity holders of the Company (RM'000)	442	442
Weighted average number of ordinary shares of RM0.10 in issue ('000)	104,400	104,400
Basic loss per ordinary shares (sen)	0.42	0.42

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

Not applicable. As at the financial year ended 31 December 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.

### B11. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profit may be analysed as follows:

	<b>As at 31 Dec 2011 RM'000</b>	<b>As at 31 Dec 2010 RM'000</b>
Total retained profits/(loss) of the Group		
- Realised	2,359	4,060
- Unrealised	(301)	(400)
	<hr/> 2,058	<hr/> 3,660
Less : Consolidation adjustments	(1,068)	(2,044)
Total retained profits as per statement of financial position	<hr/> 990	<hr/> 1,616

### B12. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 27 February 2012 in accordance with resolution of the board of directors.