



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

QUARTERLY REPORT
Notes to the Quarterly Report
for the Second Quarter Ended 31 March 2012
(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 March 2012, 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 6 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
Segment Revenue				
MSS	2,828	1,883	5,295	3,982
OTHERS	268	16	562	24
	<u>3,096</u>	<u>1,899</u>	<u>5,857</u>	<u>4,006</u>
Inter-segment revenue	(453)	(535)	(1,069)	(868)
Total revenue	<u>2,643</u>	<u>1,364</u>	<u>4,788</u>	<u>3,138</u>
Segment Results				
MSS	(501)	(787)	(1,044)	(1,177)
OTHERS	17	1	65	(3)
Loss from operations	<u>(484)</u>	<u>(786)</u>	<u>(979)</u>	<u>(1,180)</u>
Finance cost	(6)	(20)	(16)	(46)
Loss before taxation	<u>(490)</u>	<u>(806)</u>	<u>(995)</u>	<u>(1,226)</u>

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 March 2012.

There are no capital commitments in the interim financial statement as at 31 March 2012.



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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 MARCH 2012

The Group recorded revenue of RM2.6 million and RM4.8 million respectively in the current quarter and cumulative quarter compared to revenue of RM1.4 million and RM3.1 million respectively in the corresponding quarter and cumulative quarter of the preceding year. The revenue of the Group for the current year to date has improved by 52.6% as compared to the preceding year corresponding period. The increase in revenue was mainly due from a new customer in Middle East. This reflects the group's enhanced marketing effort in Middle East.

The Group recorded loss before taxation ("LBT") of RM0.5 million and RM1.0 million respectively in the current quarter and cumulative quarter compared to the LBT of RM0.8 million and RM1.2 million respectively in the corresponding quarter and cumulative quarter of the preceding year. The lower loss incurred of the group was in line with the increase in revenue.

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

The Group recorded revenue in the current quarter ended 31 March 2012 of RM2.6 million representing an increase of 23.2% as compared to the revenue of previous quarter ended 31 December 2011 of RM2.1 million.

The Group's incurred LBT of RM0.5 million for the current quarter under review as compared to LBT of RM0.5 million recorded in the previous quarter ended 31 December 2011.

Whilst revenue showed a marked improvement, profitability fell, mainly as a result of lower gross profit margin by approximately 18.3% due to higher sale of proprietary solutions in the current quarter, which command a lower margin.



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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 Institutions, 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.

B5. TAXATION

Income tax expense comprises the followings:

	Current quarter ended 31 Mar 2012 RM'000	Year-to-date ended 31 Mar 2012 RM'000
In respect of the current period		
Income tax	(10)	(10)
Deferred tax	(30)	33
Total income tax expense	<u>(40)</u>	<u>23</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 RM9,540 for the financial year to date ended 31 March 2012 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 RM32,971 due to reversal of deferred tax liabilities.



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B6. STATUS OF CORPORATE PROPOSALS

On behalf of Extol MSC Berhad (the “Company”), Hong Leong Investment Bank Berhad had on 18 April 2012, announced to Bursa Malaysia Securities Berhad that the shareholders of the Company have at the Extraordinary General Meeting (“EGM”) approved all the ordinary resolutions as following:-

- (a) Proposed private placement of up to 11,484,000 new ordinary shares of RM0.10 each in Extol (“Extol Shares”), representing up to 10% of the issued and paid-up share capital of Extol, expected to be completed by 23 May 2012; and
- (b) Proposed renounceable rights issue of up to 378,972,000 new ordinary shares of RM0.10 each in Extol (“Rights Shares”) on the basis of three (3) rights shares for every one (1) Extol Share together with up to 252,648,000 free detachable warrants (“Warrants”) on the basis of two (2) warrants for every three (3) rights shares subscribed on an entitlement date to be determined later.

Save and except for the above, there were no other corporate proposal announced but not completed as at the date of this report.

B7. STATUS OF UTILISATION OF PROCEEDS

The company’s Private Placement of 10,440,000 new ordinary shares was completed on 17 February 2012.

The status of utilisation of the proceeds from the Private Placement as at 31 March 2012 are as follows:

Purpose	Proceeds Raise RM’000	Amount Utilised RM’000	Amount Unutilised RM’000
Working Capital	1,512	587	925
Listing Expenses	54	54	-
Total	1,566	641	925



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B8. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at current financial period ended 31 March 2012 and previous FYE 30 September 2011 are as follows:

		As at 31 Mar 2012 RM'000	As at 30 Sep 2011 RM'000
Short term borrowings			
Bills payable	- secured	-	459
Hire purchase creditor	- secured	15	15
Lease creditor	- secured	53	161
Term loans	- secured	21	61
Long term borrowing			
Hire purchase creditor	- secured	9	16
Total Borrowings		<u>98</u>	<u>712</u>

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:

	Current quarter ended 31 March 2012	Year to-date ended 31 March 2012
Net loss attributable to equity holders of the Company (RM'000)	530	972
Weighted average number of ordinary shares of RM0.10 in issue ('000)	114,840	114,840
Basic loss per ordinary shares (sen)	0.46	0.85

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 31 March 2012, 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:

	As at 31 Mar 2012 RM'000	As at 31 Mar 2011 RM'000
Total retained profits of the Group		
- Realised	1,860	2,265
- Unrealised	(332)	(301)
	<hr/> 1,528	<hr/> 1,964
Less : Consolidation adjustments	(1,068)	(1,060)
Total retained profits as per statement of financial position	<hr/> 460	<hr/> 904

B12. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 22 May 2012 in accordance with resolution of the board of directors.