



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

QUARTERLY REPORT
Notes to the Quarterly Report
for the Third Quarter Ended 30 June 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 30 June 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		Cumulative Quarter	
	3 months ended		9 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
MSS	5,053	2,535	10,348	6,517
OTHERS	227	14	789	38
	<u>5,280</u>	<u>2,549</u>	<u>11,137</u>	<u>6,555</u>
Inter-segment revenue	(1,021)	(562)	(2,090)	(1,430)
Total revenue	<u>4,259</u>	<u>1,987</u>	<u>9,047</u>	<u>5,125</u>
Segment Results				
MSS	431	95	(613)	(1,082)
OTHERS	8	(4)	73	(7)
Profit/(Loss) from operations	<u>439</u>	<u>91</u>	<u>(540)</u>	<u>(1,089)</u>
Finance cost	(3)	(19)	(19)	(65)
Profit/(Loss) before taxation	<u>436</u>	<u>72</u>	<u>(559)</u>	<u>(1,154)</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 30 June 2012.

There are no capital commitments in the interim financial statement as at 30 June 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 30 JUNE 2012

The Group recorded revenue of RM4.2 million and RM9.0 million respectively in the current quarter and cumulative quarter compared to revenue of RM2.0 million and RM5.1 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 76.5% as compared to the preceding year corresponding period. The improved revenue was mainly due to an increase in the contribution of proprietary solutions from overseas customers.

The Group recorded profit before taxation (“PBT”) of RM0.4 million and loss before taxation (“LBT”) of RM0.5 million respectively in the current quarter and cumulative quarter compared to the PBT of RM0.1 million and LBT of RM1.2 million respectively in the corresponding quarter and cumulative quarter of the preceding year. The profit performance 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 30 June 2012 of RM4.2 million representing an increase of 61.1% as compared to the revenue of previous quarter ended 31 March 2012 of RM2.6 million.

The Group’s incurred PBT of RM0.4 million for the current quarter under review as compared to LBT of RM0.5 million recorded in the previous quarter ended 31 March 2012. The profit performance of the Group was in line with the increase in revenue.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Board of Directors is of view that the Group will continue to operate in competitive environment and the management has taken measure to ensure the group performance improves.

The Group is optimistic of improving its results for the financial year ending 30 September 2012.



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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 30 June 2012 RM'000	Year-to-date ended 30 June 2012 RM'000
In respect of the current period		
Income tax	(56)	(66)
Deferred tax	39	72
Total income tax expense	<u>(17)</u>	<u>6</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 RM66,037 for the financial year to date ended 30 June 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 RM71,991 due to reversal of deferred tax liabilities.

B6. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed as at the date of this report.



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B7. STATUS OF UTILISATION OF PROCEEDS

The company's Private Placement of 10,440,000 and 11,484,000 new ordinary shares was completed on 17 February 2012 and 23 May 2012 respectively.

The status of utilisation of the proceeds from the Private Placement as at 30 June 2012 are as follows:

Purpose	Proceeds Raise RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Working Capital	2,740	1,462	1,278
Listing Expenses	319	319	-
Total	3,059	1,781	1,278

B8. GROUP BORROWINGS AND DEBT SECURITIES

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

		As at 30 Jun 2012 RM'000	As at 30 Sep 2011 RM'000
Short term borrowings			
Bills payable	- secured	52	459
Hire purchase creditor	- secured	15	15
Lease creditor	- secured	21	161
Term loans	- secured	6	61
Long term borrowing			
Hire purchase creditor	- secured	5	16
Total Borrowings		<u>99</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 30 June 2012	Year to-date ended 30 June 2012
Net profit/(loss) attributable to equity holders of the Company (RM'000)	419	(553)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	126,324
Basic profit/(loss) per ordinary shares (sen)	0.33	(0.44)

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 30 June 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 30 June 2012 RM'000	As at 30 June 2011 RM'000
Total retained profits of the Group		
- Realised	2,240	2,331
- Unrealised	(293)	(340)
	<hr/> 1,947	<hr/> 1,991
Less : Consolidation adjustments	(1,068)	(1,060)
Total retained profits as per statement of financial position	<hr/> 879	<hr/> 931

B12. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 29 August 2012 in accordance with resolution of the board of directors.