



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 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 September 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 12 months ended	
	30.09.2012 RM'000	30.09.2011 RM'000	30.09.2012 RM'000	30.09.2011 RM'000
Segment Revenue				
MSS	7,853	4,431	18,201	10,948
OTHERS	185	257	974	295
	<hr/>	<hr/>	<hr/>	<hr/>
	8,038	4,688	19,175	11,243
Inter-segment revenue	(1,965)	(1,457)	(4,055)	(2,887)
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	6,073	3,231	15,120	8,356
Segment Results				
MSS	727	459	114	(623)
OTHERS	17	98	90	91
Profit/(Loss) from operations	<hr/>	<hr/>	<hr/>	<hr/>
	744	557	204	(532)
Finance cost	(1)	(13)	(20)	(78)
Profit/(Loss) before taxation	<hr/>	<hr/>	<hr/>	<hr/>
	743	544	184	(610)

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 September 2012.

There are no capital commitments in the interim financial statement as at 30 September 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 SEPTEMBER 2012

The Group recorded higher revenue of RM6.1 million and RM15.1 million respectively in the current quarter and cumulative quarter compared to revenue of RM3.2 million and RM8.4 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 80.9% as compared to the preceding year corresponding period. The increase in revenue was attributed to the higher contribution of proprietary solutions from overseas as well as local customers.

The Group recorded profit before taxation ("PBT") of RM0.7 million and of RM0.2 million respectively in the current quarter and cumulative quarter compared to the PBT of RM0.5 million and loss before taxation ("LBT") of RM0.6 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 Sept 2012 of RM6.1 million representing an increase of 42.6% as compared to the revenue of previous quarter ended 30 June 2012 of RM4.2 million.

The Group's incurred PBT of RM0.7 million for the current quarter under review as compared to PBT of RM0.4 million recorded in the previous quarter ended 30 June 2012. The profit performance of the Group was in line with the increase in revenue.



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B3. PROSPECTS FOR THE NEXT FINANCIAL YEAR

The Group remains committed to further enhance its position as the country's leading Managed Security Services Provider (MSSP). The Group is embarking on an enhancement plan for Managed Security Services Unit (MSS) to further upgrade the technical resources and capabilities of the Security Operation Center (SOC). The MSS Service Delivery and Technical Delivery resources and processes will be realigned to better manage our customers Service Level Agreements (SLAs) and deliverables.

The Group have also started a bold step towards building the foundation to become a leading full-fledged Managed Services Provider (MSP). The Group is setting up a Secured Cloud Data Center to deliver not just typical data center services but to offer niche services such Security as a Service (SECaaS), anti-DDOS, encryption, secured disaster recovery and remote backup solutions. The Group's primary SOC and Network Operation Center (NOC) will be re-located to the new data center. It has also setup a new Managed Infrastructure Services (MIS) business unit to effectively engage network, infrastructure and data center projects. The Group is also planning to expand the current services offering to include security training and education.

The Group recognized the growing importance of our overseas market and have setup up the Overseas Business Unit (OBU) to better manage the customers and opportunities. The Group will continue to increase and improve the resources required to better engage the overseas market. OBU will initiate several strategic business collaborations especially for this market.

The Group will continue to pursue strategic business alliance with local and multi-national companies especially for high impact projects. It will also continue the effort to further commercialize our products such as ePassport, eSIRON and face verifications. The research & development unit resources will also be partly re-align to MSS future product development requirement and joint product collaboration.

Premised on the above and barring any unforeseen circumstances, the Board expects the financial performance of the Group to improve in the FYE 30 September 2013.

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:

	Individual 3 months ended		Cumulative Quarter 12 months ended	
	30.09.2012 RM'000	30.09.2011 RM'000	30.09.2012 RM'000	30.09.2011 RM'000
In respect of the current period				
Income tax	(157)	(4)	(223)	(22)
Under provision in previous year	-	(6)	-	(6)
Deferred tax	39	(25)	111	7
Total income tax expense	(118)	(35)	(112)	(21)

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 RM223,386 for the financial year to date ended 30 September 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 RM110,919 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 September 2012 is as follows:

Purpose	Proceeds Raise RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Working Capital	2,740	2,359	381
Listing Expenses	319	319	-
Total	3,059	2,678	381

B8. GROUP BORROWINGS AND DEBT SECURITIES

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

		As at 30 Sep 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	-	161
Term loans	- secured	-	61
Long term borrowing			
Hire purchase creditor	- secured	1	16
Total Borrowings		<u>16</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 September 2012	Year to-date ended 30 September 2012
Net profit attributable to equity holders of the Company (RM'000)	625	72
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	126,324
Basic profit per ordinary shares (sen)	0.49	0.06

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 30 September 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 September 2012 RM'000	As at 30 September 2011 RM'000
Total retained profits of the Group		
- Realised	2,826	2,865
- Unrealised	(254)	(365)
	<hr/> 2,572	<hr/> 2,500
Less : Consolidation adjustments	(1,068)	(1,068)
Total retained profits as per statement of financial position	<hr/> 1,504	<hr/> 1,432

B12. AUTHORISATION FOR ISSUE

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