



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

**QUARTERLY REPORT**  
**Notes to the Quarterly Report**  
**for the First Quarter Ended 31 December 2012**  
**(The figures have not been audited)**



**EXTOL MSC BERHAD** (643683-U)

(Incorporated in Malaysia)

## QUARTERLY REPORT

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012

(The figures have not been audited)

### 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 Malaysian Financial Reporting Standard (“**MFRS**”) 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 2012.

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 FYE 30 September 2012 except for the first-time adoption of MFRS Framework.

The Group has adopted the new MFRS Framework issued by the MASB with effect from 1 October 2012. This MFRS Framework comprises International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

In the transition to the MFRS Framework, the Group has applied MFRS 1 “First-time Adoption of MFRS” which provides certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group’s financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework as the requirements under the previous Financial Reporting Standards (“**FRS**”) Framework were equivalent to the MFRS Framework, although there are some differences in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

#### **MFRSs and Amendments to MFRSs that are applicable to the Group but not yet effective**

<b>MFRS</b>	<b>Title</b>	<b>Effective date</b>
9	Financial Instruments: <i>Classification and Measurement of Financial Assets and Financial Liabilities</i>	1 January 2015
10	Consolidated Financial Statements	1 January 2013
11	Joint arrangements	1 January 2013
12	Disclosure of Interest in Other Entities	1 January 2013
13	Fair Value Measurement	1 January 2013
119	Employee Benefits	1 January 2013
127	Separate Financial Statements	1 January 2013
132	Financial Instruments: <i>Offsetting Financial Assets and Financial Liabilities (Amendment to FRS 132)</i>	1 January 2014

The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is not expected to be material.



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

## **QUARTERLY REPORT**

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

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

The audit report on the preceding annual financial statements for the FYE 30 September 2012 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**

The Company has reclassified the freehold office building from property, plant and equipment to investment properties.

There were no revaluation of property, plant and equipment during the financial quarter under review and financial year-to-date.

As at 31 December 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.



**EXTOL MSC BERHAD** (643683-U)

*(Incorporated in Malaysia)*

## **QUARTERLY REPORT**

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012

(The figures have not been audited)

### **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 and services, consultancy, forensic research and training known as Managed Security Solutions (“MSS”).

In addition, 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:-

	<b>Individual</b>		<b>Cumulative Quarter</b>	
	<b>Three (3) months ended</b>		<b>Three (3) months ended</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>				
MSS	3,092	2,467	3,092	2,467
OTHERS	164	294	164	294
	<hr/>	<hr/>	<hr/>	<hr/>
	3,256	2,761	3,256	2,761
Inter-segment revenue	(467)	(616)	(467)	(616)
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	2,789	2,145	2,789	2,145
<b>Segment Results</b>				
MSS	(717)	(543)	(717)	(543)
OTHERS	(67)	48	(67)	48
Profit/(Loss) from operations	<hr/>	<hr/>	<hr/>	<hr/>
	(784)	(495)	(784)	(495)
Finance cost	(3)	(10)	(3)	(10)
Profit/(Loss) before taxation	<hr/>	<hr/>	<hr/>	<hr/>
	(787)	(505)	(787)	(505)

### **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.



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

## **QUARTERLY REPORT**

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

### **A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no changes in the contingent liabilities and contingent assets since the last FYE 30 September 2012.

### **A13. CAPITAL COMMITMENTS**

There are no changes in capital commitments from 01 October 2012 to 31 December 2012.

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

### **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 2012**

The Group recorded revenue in the current quarter ended 31 December 2012 of RM2.8 million, representing an increase of 30.0% as compared to the revenue of corresponding quarter of the preceding year ended 31 December 2011 of RM2.1 million. The increase in revenue was mainly due to undertaken project from an existing customer.

The Group's incurred loss before taxation ("LBT") of RM0.8 million for the current quarter under review as compared to LBT of RM0.5 million recorded in the corresponding quarter of the preceding year.

Whilst revenue showed a marked improvement, profitability fall, mainly as a result of lower gross profit margin by approximately 15.8% due to undertaken project with lower margin and the additional resources and qualified personnel required to support the new projects as well as the ongoing expansion plan to diversify the business and new business unit as compared to corresponding quarter of the preceding year ended 31 December 2011.

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

The Group recorded revenue in the current quarter ended 31 December 2012 of RM2.8 million, representing a decrease of 54.1 % as compared to the revenue of previous quarter ended 30 September 2012 of RM6.1 million. The decrease in revenue mainly due to fewer orders from overseas customers.

The Group incurred LBT of RM0.8 million for the current quarter under review as compared to profit before taxation ("PBT") of RM0.7 million recorded in the previous quarter ended 30 September 2012. The loss incurred by the Group was a result of the decrease in revenue.



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

## QUARTERLY REPORT

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

### B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group remains committed to further enhance its position as the country's leading Managed Security Services Provider (MSSP).

The Group new Secured Cloud Data Center will be ready to deliver data center services and also will offer niche services such Security as a Service (SECaaS), anti-DDOS, encryption, secured disaster recovery and remote backup solutions. The Group new Managed Infrastructure Services (MIS) business unit was setup to effectively engage network, infrastructure and data center projects, and have managed to secure a strategic project for the Group.

The Group will continue to improve the resources required to better engage the overseas market. The Overseas Business Unit (OBU) will initiate several strategic business collaborations especially for this market.

The Group will continue the effort to further commercialize our products such as ePassport, eSIRON and face verifications.

### 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:

	Individual 3 months ended		Cumulative Quarter 3 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Deferred tax	37	63	37	63
Total income tax expense	<u>37</u>	<u>63</u>	<u>37</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 RM36,875 due to reversal of deferred tax liabilities.



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

## QUARTERLY REPORT

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

### B6. STATUS OF CORPORATE PROPOSALS

The Company had on 18 April 2012, announced 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.

The Company had obtained approval from Bursa Malaysia Securities Berhad for an extension of time up to 20 March 2013 to complete the proposed right issue exercise. In the event 20 March 2013 deadline is not achievable, an extension may be sought from the relevant authority.

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 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 31 December 2012 is as follows:

<b>Purpose</b>	<b>Proceeds Raise RM’000</b>	<b>Amount Utilised RM’000</b>	<b>Amount Unutilised RM’000</b>
Working Capital	2,740	2,740	-
Listing Expenses	319	319	-
<b>Total</b>	<b>3,059</b>	<b>3,059</b>	<b>-</b>

### B8. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group’s borrowings denominated in Ringgit Malaysia as at current FYE 31 December 2012 and previous FYE 30 September 2012 are as follows:

		<b>As at 31 Dec 2012 RM’000</b>	<b>As at 30 Sep 2012 RM’000</b>
Short term borrowings			
Hire purchase creditor	- secured	13	16
<b>Total Borrowings</b>		<b>13</b>	<b>16</b>



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

## QUARTERLY REPORT

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

### B9. MATERIAL LITIGATION

There was no material litigation against the Group as at the reporting date.

### 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 2012</b>	<b>Year to-date ended 31 December 2012</b>
Net loss attributable to equity holders of the Company (RM'000)	750	750
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	126,324
Basic loss per ordinary shares (sen)	0.59	0.59

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

Not applicable. As at the financial quarter ended 31 December 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:

	<b>As at 31 Dec 2012 RM'000</b>	<b>As at 31 Dec 2011 RM'000</b>
Total retained profits of the Group		
- Realised	2,039	2,359
- Unrealised	(217)	(301)
	<hr/> 1,822	<hr/> 2,058
Less : Consolidation adjustments	(1,068)	(1,068)
Total retained profits as per statement of financial position	<hr/> 754	<hr/> 990





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

## QUARTERLY REPORT

Notes to the Quarterly Report for the First Quarter Ended 31 December 2012  
(The figures have not been audited)

### **B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Total comprehensive income for the period was derived after charging / (crediting) the following items:

	<b>Current Year Quarter 31.12.2012 RM'000</b>	<b>Current Year To Date 31.12.2012 RM'000</b>
Interest income	(37)	(37)
Other income	(60)	(60)
Interest expenses	3	3
Depreciation & amortisation	376	376
Provision for write-off of receivables	-	-
Provision for write-off of inventories	-	-
(Gain)/loss on disposal of quoted or unquoted investments	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Impairment of assets	-	-
(Gain)/loss on foreign exchange	39	39
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

### **B13. AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue on 28 February 2013 in accordance with resolution of the board of directors.