



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

QUARTERLY REPORT
Notes to the Quarterly Report
for the Second Quarter Ended 31 March 2013
(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 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

MFRS	Title	Effective date
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.



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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 March 2013, all property, plant and equipment were stated at cost less accumulated depreciation.

A8. DIVIDEND

No dividend was paid during the financial quarter ended 31 March 2013.



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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:-

	Individual		Cumulative Quarter	
	3 months ended		6 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
MSS	5,989	2,828	9,081	5,295
OTHERS	94	268	258	562
	<hr/>	<hr/>	<hr/>	<hr/>
	6,083	3,096	9,339	5,857
Inter-segment revenue	(809)	(453)	(1,276)	(1,069)
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	5,274	2,643	8,063	4,788
Segment Results				
MSS	89	(501)	(628)	(1,044)
OTHERS	(63)	17	(130)	65
Profit/(Loss) from operations	<hr/>	<hr/>	<hr/>	<hr/>
	26	(484)	(758)	(979)
Finance cost	(9)	(6)	(12)	(16)
Profit/(Loss) before taxation	<hr/>	<hr/>	<hr/>	<hr/>
	17	(490)	(770)	(995)

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.



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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 March 2013.

There are no capital commitments in the interim financial statement as at 31 March 2013.

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

The Group recorded revenue in the current quarter ended 31 March 2013 of RM5.3 million, representing an increase of 100.0% as compared to the revenue of corresponding quarter of the preceding year ended 31 March 2012 of RM2.6 million. The increase in revenue was mainly attributed by higher orders received from customer in Middle East.

In line with the increase in revenue, the Group's achieved profit before taxation ("PBT") of RM0.02 million for the current quarter ended 31 March 2013 as compared to loss before taxation ("LBT") of RM0.5 million recorded in the corresponding quarter of the preceding year ended 31 March 2012.

For the six (6) months period ended 31 March 2013, the Group recorded a consolidated LBT of RM0.8 million on the back of revenue of RM8.1 million. During the corresponding period of the preceding year, the Group recorded a consolidated LBT of RM1.0 million on the back of revenue of RM4.8 million.

B2. MATERIAL CHANGES IN QUARTERLY RESULTS COMPARE TO PRECEDING QUARTER

The Group recorded revenue in the current quarter ended 31 March 2013 of RM5.3 million, representing an increase of RM2.5 million or 89.1% as compared to the revenue of preceding quarter ended 31 December 2012 of RM2.8 million.

Correspondingly, the Group achieved PBT of RM0.02 million for the current quarter ended 31 March 2013 as compared to LBT of RM0.8 million recorded in the preceding quarter ended 31 December 2012. The profit for the current quarter was a result of the increase in revenue.



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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 2013 by continuing 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.

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		Cumulative Quarter	
	3 months ended		6 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Income tax	(21)	(10)	(21)	(10)
Deferred tax	11	(30)	48	33
Total income tax expense	<u>(10)</u>	<u>(40)</u>	<u>27</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 RM21,310 for the cumulative quarter ended 31 March 2013 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 RM48,142 due to reversal of deferred tax liabilities.



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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 (“Proposed 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 Proposed Rights Issue in relation to the addition listing application was approved by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The Company has obtained approval from Bursa Malaysia to extend the completion to implement the proposed rights issues on 12 September 2012 and 19 March 2013 to 20 March 2013 and 20 September 2013 respectively.

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.

As at 31 March 2013, the Company has fully utilised the proceeds from the Private Placement.

B8. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group’s borrowings denominated in Ringgit Malaysia as at current FYE 31 March 2013 and previous FYE 30 September 2012 are as follows:

	As at 31.03.2013 RM’000	As at 30.09.2012 RM’000
Short term borrowings		
Hire purchase creditor - secured	9	16
Total Borrowings	<u>9</u>	<u>16</u>

B9. MATERIAL LITIGATION

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

B10. PROPOSED DIVIDEND

The Board of Directors did not propose any dividend for the financial quarter under review.



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B11. EARNINGS OR LOSS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders over the weighted average number of ordinary shares outstanding.

	3 months ended 31.03.2013	3 months ended 31.03.2012	6 months ended 31.03.2013	6 months ended 31.03.2012
Net profit/(loss) attributable to equity holders of the Company (RM'000)	7	(530)	(743)	(972)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	114,840	126,324	114,840
Basic profit/(loss) per ordinary shares (sen)	0.01	(0.46)	(0.59)	(0.85)

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 31 March 2013, the Company has not granted any employees' share options nor issued securities that have dilutive effects on the Company's existing shares in issue.

B12. REALISED AND UNREALISED RETAINED EARNINGS

The retained earnings are analysed as follows:

	As at 31.03. 2013 RM'000	As at 30.09.2012 RM'000	As at 01.10.2011 RM'000
Total retained earnings of the Group			
- Realised	2,035	2,826	2,865
- Unrealised	(206)	(254)	(365)
	<hr/> 1,829	<hr/> 2,572	<hr/> 2,500
Less : Consolidation adjustments	(1,068)	(1,068)	(1,068)
Total retained earnings as per consolidated statement of financial position	<hr/> 761	<hr/> 1,504	<hr/> 1,432



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B13. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Current Year Quarter 31.03.2013 RM'000	Current Year To Date 31.03.2013 RM'000
Interest income	(33)	(70)
Other income	(43)	(103)
Interest expenses	9	12
Depreciation & amortisation	359	735
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	(11)	28
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

B14. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 30 May 2013 in accordance with resolution of the board of directors.