



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

QUARTERLY REPORT
Notes to the Quarterly Report
for the Third Quarter Ended 30 June 2013
(The figures have not been audited)



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

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013
(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

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.



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

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013
(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 30 June 2013, all property, plant and equipment were stated at cost less accumulated depreciation.

A8. DIVIDEND

No dividend was paid during the financial quarter ended 30 June 2013.



EXTOL MSC BERHAD (643683-U)

(Incorporated in Malaysia)

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013

(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:-

	Individual		Cumulative Quarter	
	3 months ended		9 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
MSS	3,739	5,053	12,820	10,348
OTHERS	67	227	325	789
	<u>3,806</u>	<u>5,280</u>	<u>13,145</u>	<u>11,137</u>
Inter-segment revenue	(834)	(1,021)	(2,110)	(2,090)
Total revenue	<u>2,972</u>	<u>4,259</u>	<u>11,035</u>	<u>9,047</u>
Segment Results				
MSS	84	431	(544)	(613)
OTHERS	(25)	8	(155)	73
Profit/(Loss) from operations	<u>59</u>	<u>439</u>	<u>(699)</u>	<u>(540)</u>
Finance cost	(3)	(3)	(15)	(19)
Profit/(Loss) before taxation	<u>56</u>	<u>436</u>	<u>(714)</u>	<u>(559)</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.



EXTOL MSC BERHAD (643683-U)

(Incorporated in Malaysia)

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013

(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 30 June 2013.

There are no capital commitments in the interim financial statement as at 30 June 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 30 June 2013 of RM3.0 million, representing a decrease of 30.2% as compared to revenue recorded of RM4.2 million for the corresponding quarter of the preceding year. Further, the Group recorded a profit before taxation ("PBT") of RM0.1 million for the current quarter as compared to PBT RM0.4 million recorded in the corresponding quarter of the preceding year ended 30 June 2012. The decline in revenue was mainly attributable to the market competition.

For the nine (9) months to 30 June 2013, the Group recorded a consolidated loss before taxation ("LBT") of RM0.7 million on the back of revenue of RM11.0 million. During the corresponding period of the preceding year, the Group recorded a consolidated LBT of RM0.5 million on the back of revenue of RM9.0 million.

Whilst revenue for the current financial year to date ended 30 June 2013 showed a marked improvement by approximately 22.0% from the preceding year, LBT for the current financial year to date was higher by approximately RM0.2 million when compared to the preceding year's corresponding period. The reason for the higher LBT despite increase in revenue was mainly due to the Group's gross profit margin reduced by 9.4%, the drop was mainly attributable to higher mix of product solutions sold which carries lower margin than the Group's proprietary solutions for the financial year to date 30 June 2013 when compared to the preceding year to date 30 June 2012.



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

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013
(The figures have not been audited)

B2. MATERIAL CHANGES IN QUARTERLY RESULTS COMPARE TO PRECEDING QUARTER

The Group recorded revenue in the current quarter ended 30 June 2013 of RM3.0 million, representing a decrease of RM2.3 million or 43.6% as compared to the revenue of preceding quarter ended 31 March 2013 of RM5.3 million. . The decline in revenue was mainly attributable to the market competition.

Further, the Group recorder a PBT of RM0.1 million for the current quarter ended 30 June 2013 compared to PBT of RM0.02 million recorded in the preceding quarter ended 31 March 2013.

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 one of the country's leading Managed Security Services Provider (MSSP).

The Group new business in Secured Cloud Data Center, upon being implemented will be able to deliver data center services in the future and will offer niche services such as a Security Service (SECaaS), anti-DDOS, encryption, secured disaster recovery and remote backup solutions.

The Group will continue to improve the resources required to better engage the overseas market. In this regard, the Overseas Business Unit (OBU) will explore several strategic business collaborations especially for overseas 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 3 months ended		Cumulative Quarter 9 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Income tax	(56)	(56)	(77)	(66)
Deferred tax	63	39	111	72
Total income tax expense	<u>7</u>	<u>(17)</u>	<u>34</u>	<u>6</u>



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

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013
(The figures have not been audited)

B5. TAXATION (CONTINUED)

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 RM76,738 for the cumulative quarter ended 30 June 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 RM110,868 due to reversal of deferred tax liabilities.

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 30 June 2013, the Company has fully utilised the proceeds from the Private Placement.



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

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013
(The figures have not been audited)

B8. GROUP BORROWINGS AND DEBT SECURITIES

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

	As at 30.06.2013 RM'000	As at 30.09.2012 RM'000
Short term borrowings		
Hire purchase creditor - secured	5	16
Total Borrowings	<u>5</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.

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 30.06.2013	3 months ended 30.06.2012	9 months ended 30.06.2013	9 months ended 30.06.2012
Net profit/(loss) attributable to equity holders of the Company (RM'000)	63	419	(680)	(553)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	126,324	126,324	126,324
Basic profit/(loss) per ordinary shares (sen)	0.05	0.33	(0.54)	(0.44)

(b) Fully diluted earnings per share

Not applicable. As at the financial quarter ended 30 June 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.



EXTOL MSC BERHAD (643683-U)

(Incorporated in Malaysia)

QUARTERLY REPORT

Notes to the Quarterly Report for the Third Quarter Ended 30 June 2013

(The figures have not been audited)

B12. REALISED AND UNREALISED RETAINED EARNINGS

The retained earnings are analysed as follows:

	As at 30.06.2013 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	(143)	(254)	(365)
	1,892	2,572	2,500
Less : Consolidation adjustments	(1,068)	(1,068)	(1,068)
Total retained earnings as per consolidated statement of financial position	824	1,504	1,432

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 30.06.2013 RM'000	Current Year To Date 30.06.2013 RM'000
Interest income	(30)	(100)
Other income	(45)	(148)
Interest expenses	3	15
Depreciation & amortisation	353	1,088
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	(37)	(9)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

B14. AUTHORISATION FOR ISSUE

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