

EXTOL MSC BERHAD (643683-U)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	AS AT 31 DEC 2013 (Unaudited) RM'000	AS AT 30 SEP 2013 (Audited) RM'000	AS AT 01 OCT 2012 (Audited) RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	1,050	591	2,490
Investment properties	1,409	1,379	-
Prepaid lease assets	-	-	-
Goodwill	3,541	3,541	3,541
Product development expenditure	2,882	2,863	3,708
	8,882	8,374	9,739
CURRENT ASSETS			
Inventories	1,107	1,107	225
Trade receivables	5,084	2,795	3,019
Other receivables	573	755	443
Fixed deposit with a licensed bank	981	981	854
Cash and bank balances	6,303	5,308	6,771
	14,048	10,946	11,312
TOTAL ASSETS	22,930	19,320	21,051
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12,632	12,632	12,632
Share premium	4,168	4,168	4,168
Retained (loss)/earnings	(678)	148	1,504
Equity attributable to owners of the parent	16,122	16,948	18,304
Non-controlling interests	-	-	-
Total equity	16,122	16,948	18,304
NON-CURRENT LIABILITIES			
Borrowings	500	500	-
Deferred tax liabilities	114	113	254
	614	613	254
CURRENT LIABILITIES			
Trade payables	5,077	867	1,741
Other payables and accruals	531	306	512
Provision for taxation	86	86	224
Borrowings	500	500	-
Lease creditor	-	-	-
	6,194	1,759	2,493
Total Liabilities	6,808	2,372	2,747
TOTAL EQUITY AND LIABILITIES	22,930	19,320	21,051
Number of ordinary shares at RM0.10 par each ('000)	126,320	126,320	126,320
Net Asset per share (Sen)	12.76	13.42	14.49

NOTES:

1.) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached to this report.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 DEC 2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2012 RM'000	CURRENT YEAR TO DATE 31 DEC 2013 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 DEC 2012 RM'000
Revenue	A9	5,241	2,789	5,241	2,789
Cost of sales		(4,616)	(1,766)	(4,616)	(1,766)
Gross profit		625	1,023	625	1,023
Other income		47	60	47	60
Interest income		25	37	25	37
Depreciation and amortisation		(304)	(376)	(304)	(376)
Loss in foreign exchange		-	(39)	-	(39)
Other operating expenses		(1,219)	(1,489)	(1,219)	(1,489)
Loss from operations		(826)	(784)	(826)	(784)
Interest expenses		-	(3)	-	(3)
Loss before taxation		(826)	(787)	(826)	(787)
Taxation	B5	-	37	-	37
Loss after taxation		(826)	(750)	(826)	(750)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(826)	(750)	(826)	(750)
Loss attributable to:					
- Owners of the parent		(826)	(750)	(826)	(750)
- Non-controlling interest		-	-	-	-
		(826)	(750)	(826)	(750)
Total comprehensive loss attributable to:					
- Owners of the parent		(826)	(750)	(826)	(750)
- Non-controlling interest		-	-	-	-
		(826)	(750)	(826)	(750)
Earnings Per Ordinary Share					
- Basic (sen)	B10a	(0.65)	(0.72)	(0.65)	(0.72)
- Diluted (sen)	B10b	N/A	N/A	N/A	N/A

NOTES:

1.) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached to this report.

2.) There is no income/expense in relation to other income including investment income, provision for and written-off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i><----- Attributable to equity holder of the parent -----></i>					
	Share Capital RM'000	Share Premium RM'000	Retained Earnings / (Loss) RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
<i>Distributable</i>						
Three (3) months ended 31 December 2013						
As at 1 October 2013	12,632	4,168	148	16,948	-	16,948
Issue of share capital	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(826)	(826)	-	(826)
As at 31 December 2013	12,632	4,168	(678)	16,122	-	16,122
Three (3) months ended 31 December 2012						
As at 1 October 2012	12,632	4,168	1,504	18,304	-	18,304
Total comprehensive loss for the period	-	-	(750)	(750)	-	(750)
Acquisition of non-controlling interests	-	-	-	-	-	-
As at 31 December 2012	12,632	4,168	754	17,554	-	17,554

NOTES:

1.) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached to this report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	01/10/2013 to 31/12/2013 RM'000	Corresponding period 01/10/2012 to 31/12/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(826)	(787)
Adjustments for:		
Amortisation of product development expenditure	217	211
Depreciation of property, plant and equipment	87	164
Rental income	(23)	(23)
Interest income	(25)	(37)
Interest expenses	-	3
Operating loss before working capital changes	(570)	(469)
Changes in working capital		
Increase in inventories	-	(211)
(Increase)/Decrease in trade receivables	(2,289)	1,168
Decrease in others receivables	182	40
Increase/(Decrease) in trade payables	4,210	(658)
Increase/(Decrease) in other payables	226	(165)
	2,329	174
Cash generated from/(used in) operations	1,759	(295)
Bills payable interest paid	-	(3)
Net cash generated from/(used in) operating activities	1,759	(298)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(576)	(52)
Product development expenditure	(236)	-
Rental income	23	23
Interest income	25	37
Net cash (used in)/generated from investing activities	(764)	8
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to hire purchase creditors	-	(4)
Net cash used in financing activities	-	(4)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	995	(294)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	6,289	7,625
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	7,284	7,331
Cash and cash equivalents comprise :		
Fixed deposit with licensed bank	981	860
Cash and bank balances	6,303	6,471
	7,284	7,331

NOTES:

1.) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached to this report.



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Notes to the Quarterly Report
for the First Quarter Ended 31 December 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 2013.

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 2013 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 2013. 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 2013 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 2013, 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.



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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	
	Three (3) months ended		Three (3) months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
MSS	7,869	3,092	7,869	3,092
OTHERS	68	164	68	164
	<u>7,937</u>	<u>3,256</u>	<u>7,937</u>	<u>3,256</u>
Inter-segment revenue	<u>(2,516)</u>	<u>(467)</u>	<u>(2,516)</u>	<u>(467)</u>
Total revenue	<u>5,421</u>	<u>2,789</u>	<u>5,421</u>	<u>2,789</u>
Segment Results				
MSS	(815)	(717)	(815)	(717)
OTHERS	(11)	(67)	(11)	(67)
Loss from operations	<u>(826)</u>	<u>(784)</u>	<u>(826)</u>	<u>(784)</u>
Finance cost	-	(3)	-	(3)
Loss before taxation	<u>(826)</u>	<u>(787)</u>	<u>(826)</u>	<u>(787)</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.



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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 2013.

A13. CAPITAL COMMITMENTS

There are no changes in capital commitments from 1 October 2013 to 31 December 2013.

There are no capital commitments in the interim financial statement as at 31 December 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 FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2013

The Group recorded revenue in the current quarter ended 31 December 2013 of RM5.24 million, representing an increase of 88.0% as compared to the revenue of corresponding quarter of the preceding year ended 31 December 2012 of RM2.8 million. The increase in revenue was mainly due to undertaken project from a new and existing customer.

The Group's incurred loss before taxation ("LBT") of RM0.82 million for the current quarter under review as compared to LBT of RM0.75 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 24.5% due to project undertaken by the Group that includes higher percentage of traded items as compared to services provided.

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

The Group recorded revenue in the current quarter ended 31 December 2013 of RM5.24 million, representing an increase of 111.8 % as compared to the revenue of previous quarter ended 30 September 2013 of RM2.4 million. The revenue showed an improvement while the gross profit margin reduced by approximately 16.75%. The reduction on the gross profit margin is due to sales mix which substantially includes of the supply of hardware.

The Group incurred LBT of RM0.82 million for the current quarter under review as compared to profit before taxation ("PBT") of RM0.67 million recorded in the previous quarter ended 30 September 2013. The loss incurred by the Group was a result of the decrease in profit margin.



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B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Barring unforeseen circumstances, the Group continues to strive to improve its financial performance for the quarter ended 31 December 2013 by continuous commitment to further enhance its position as one of the country's leading Managed Security Services Provider (MSSP).

The Group's 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 its resources 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 3 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Deferred tax	114	37	114	37
Total income tax expense	114	37	114	37

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.



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B6. STATUS OF CORPORATE PROPOSALS

On 3 October 2013, Hong Leong Investment Bank Berhad (“HLIB”), on behalf of the Company had announced the proposal to undertake a private placement (“Private Placement”) of new ordinary shares of RM0.10 each which representing up to 10% of the issued and paid-up share capital of the Company to investor(s) to be identified and at an issue price at RM0.105 per Placement Share.

On 28 January 2014, the issued and paid-up share capital of the Company increased to RM13,895,640 comprising of 138,956,400 ordinary shares of RM0.10 each with the completion of the Private Placement.

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 12,632,400 new ordinary share was completed on 28 January 2014.

The status of utilisation of the proceeds from Private Placement as at 25 February 2014 as follows:-

Purpose	Proceeds Raise RM’000	Amount Utilised RM’000	Amount Unutilised RM’000
Working Capital	1,177	180	997
Listing Expenses	149	149	-
Total	1,326	329	997

B8. GROUP BORROWINGS AND DEBT SECURITIES

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

		As at 31 Dec 2013 RM’000	As at 30 Sep 2013 RM’000
Short term borrowings	- secured	500	500
Long term borrowings	- secured	500	500
Total Borrowings		<u>1,000</u>	<u>1,000</u>



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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:

	Current quarter ended 31 December 2013	Year to-date ended 31 December 2013
Net loss attributable to equity holders of the Company (RM'000)	826	750
Weighted average number of ordinary shares of RM0.10 in issue ('000)	126,324	126,324
Basic loss per ordinary shares (sen)	0.65	0.59

(b) Fully diluted earnings per share

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

B11. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profit may be analysed as follows:

	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Total retained profits of the Group		
- Realised	504	2,039
- Unrealised	(114)	(217)
	<u>390</u>	<u>1,822</u>
Less : Consolidation adjustments	(1,068)	(1,068)
Total retained (loss)/profits as per statement of financial position	<u>(678)</u>	<u>754</u>



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B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Current Year Quarter 31.12.2013 RM'000	Current Year To Date 31.12.2013 RM'000
Interest income	(25)	(25)
Other income	(26)	(26)
Interest expenses	-	-
Depreciation & amortisation	304	304
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 on foreign exchange	(21)	(21)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 26 February 2014 in accordance with resolution of the board of directors.