

EXCEL FORCE MSC BERHAD (570777-X)

Interim Financial Report on unaudited results for the 3rd Quarter Ended 30 September 2005

Condensed Income Statement

	(Unaudited)			(Unaudited)		
	INDIVIDUAL QUARTER ENDED		Increase/ (Decrease) %	CUMULATIVE QUARTER ENDED		Increase/ (Decrease) %
	30.09.05	30.09.04		30.09.05	30.09.04	
	RM'000	RM'000		RM'000	RM'000	
Revenue	1,369	511	168	3,811	2,279	67
Other operating income	54	8	575	172	25	588
Operating expenses	(934)	(468)	100	(2,494)	(1,494)	67
Profit from operations	489	51	859	1,489	810	84
Finance costs	(2)	-	100	(2)	-	100
Profit before taxation	487	51	855	1,487	810	84
Taxation	(11)	-	100	(31)	(47)	(34)
Profit after taxation	476	51	834	1,456	763	91
Minority interests	-	-	-	-	-	-
Profit after taxation and minority interests	476	51	834	1,456	763	91
Net profit attributable to shareholders	476	51	834	1,456	763	91
Earnings per share (Note B13)						
(i) Basic (sen)	0.60	0.11	445	1.82	1.93	(6)
(ii) Diluted (sen)	0.59	-	-	1.81	-	-

For quarter ended 30.9.05, the revenue increased by 168% as compared to the corresponding quarter in the preceding year (30.9.04 : RM511,000). For the nine (9) months ended 30.9.05, the revenue improved by 67% as compared to the corresponding period in the preceding year (30.9.04 : RM2,279,000).

Profit after tax (PAT) for the quarter ended 30.9.05 showed a significant increase compared to the corresponding quarter in the preceding year (30.9.04 : RM51,000). PAT for the nine (9) months ended 30.9.05 has shown a 91% increase as compared to the corresponding period in the preceding year (30.09.04 : RM763,000).

The accompanying explanatory notes form an integral part of this report.

EXCEL FORCE MSC BERHAD (570777-X)

Interim Financial Report on unaudited results for the 3rd Quarter Ended 30 September 2005

Condensed Balance Sheet

	(Unaudited)	(Audited)
	As at the end of current quarter 30.09.05 RM'000	As at preceding financial year ended 31.12.04 RM'000
Property, Plant and Equipment	2,133	1,792
Research and Development Costs	1,830	1,356
Intangible Assets	783	858
Current Assets		
Inventories	233	68
Trade and other receivables	2,120	1,484
Cash and cash equivalents	8,603	9,266
	<u>10,956</u>	<u>10,818</u>
Current Liabilities		
Trade and other payables	426	996
Tax liabilities	12	-
Hire purchase creditor (current)	21	28
Dividend payable	1,200	-
	<u>1,659</u>	<u>1,024</u>
Net Current Assets	9,297	9,794
	<u>14,043</u>	<u>13,800</u>
Capital and Reserves		
Share capital	8,000	8,000
Reserves	6,001	5,745
Shareholders' fund	<u>14,001</u>	<u>13,745</u>
Long Term and Deferred Liabilities		
Hire purchase creditor (non-current)	42	55
	<u>14,043</u>	<u>13,800</u>
Net tangible assets per share (RM)	0.14	0.14

The accompanying explanatory notes form an integral part of this report.

EXCEL FORCE MSC BERHAD (570777-W)**Interim Financial Report on unaudited results for the 3rd Quarter Ended 30 September 2005
Condensed Cash Flow Statement**

	9 MONTHS ENDED 30.09.05 RM'000	9 MONTHS ENDED 30.09.04 RM'000
CASHFLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	1,487	810
Adjustment for Non Cash Items		
Amortisation of intangible assets and development cost	283	76
Depreciation of assets	313	189
Interest income	(156)	(25)
Interest expenses	2	-
Operating profit before working capital changes	<u>1,929</u>	<u>1,050</u>
Changes in Working Capital		
Net Changes in Current Assets	(802)	68
Net Changes in Current Liabilities	<u>(571)</u>	<u>(200)</u>
Cash Generated From Operations	556	918
Tax paid	(18)	(57)
Interest received	156	25
Interest paid	(2)	-
Development cost incurred	<u>(680)</u>	<u>(417)</u>
Net Cash From Operating Activities	<u>12</u>	<u>469</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(739)	(794)
Proceeds from disposal of property, plant and equipment	85	-
Repayment of hire purchase creditor	<u>(21)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(675)</u>	<u>(794)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New Issue of Shares	-	2,720
Dividends Paid	<u>-</u>	<u>(1,371)</u>
Net Cash From Financing Activities	<u>-</u>	<u>1,349</u>
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(663)	1,024
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,266	1,134
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>8,603</u></u>	<u><u>2,158</u></u>

The accompanying explanatory notes form an integral part of this report.

EXCEL FORCE MSC BERHAD (570777-W)
Interim Financial Report on unaudited results for the 3rd Quarter Ended 30 September 2005
Condensed Statement of Changes in Equity

	Share Capital	Share Premium	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
<u>Unaudited 9 months ended 30 September 2005</u>				
Balance at 1 January 2005	8,000	4,904	841	13,745
Net profit for the 9 months ended 30 September 2005	-	-	1,456	1,456
Dividend payable	-	-	(1,200)	(1,200)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2005	8,000	4,904	1,097	14,001
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Preceding year comparative period ended 30 September 2004</u>				
Balance at 1 January 2004	1,600	-	2,542	4,142
Issuance of shares:				
- Bonus Issue	1,920	-	(1,920)	-
- Right Issue	2,720	-	-	2,720
Net profit for the 9 months ended 30 September 2004	-	-	763	763
Dividend paid	-	-	(1,300)	(1,300)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2004	6,240	-	85	6,325
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying explanatory notes form an integral part of this report.

A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARDS NO. 134

A1. Basis of Preparation

These interim unaudited financial statements have been prepared in compliance with the Financial Reporting Standards ("FRS") No. 134, Interim Financial Reporting and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange") for the MESDAQ Market, and should be read in conjunction with the Company's annual audited financial statements for the financial year ended 31 December 2004. The accounting policies and methods of computation adopted by the Company in the interim financial statements are consistent with those adopted for the financial year ended 31 December 2004.

A2. Audit Report

The audit report on the Company's preceding annual financial statements was not subject to any qualification.

A3. Seasonality or Cyclical of Interim Operations

The Company's interim operations were not affected by seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. Changes In Estimates

There were no material changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have a material effect on the quarter under review.

A6. Debt And Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current quarter under review.

A7. Dividend Paid

No dividend was paid in the quarter under review.

A8. Segmental Reporting

Primary reporting - Business segments

	----- For the individual quarter ended ----->							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000
REVENUE								
External sales	635	-	485	300	249	211	1,369	511
RESULT								
Segment Profit/ (Loss)	58	(118)	259	73	118	88	435	43
Other operating income							54	8
Finance Costs							(2)	-
Profit Before Tax							487	51
Taxation							(11)	-
Profit After Tax							476	51

Notes :

* Application Solutions are sales of software applications and product on an outright purchase basis.

^ Application Services Providers (ASP) income is outsourcing service charge which is volume and transaction based.

For the quarter ended 30.9.04, there were no sales of Application Solutions recognised as most of the projects that existed then were still ongoing, and were only completed and billed in the final quarter of 2004. However, overhead costs were allocated to that segment, which resulted in the loss for that quarter for Application Solutions.

	----- For the cumulative quarter ended ----->							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000
REVENUE								
External sales	1,893	934	1,247	688	671	657	3,811	2,279
RESULT								
Segment Profit/ (Loss)	426	235	556	180	335	370	1,317	785
Other operating income							172	25
Finance Costs							(2)	-
Profit Before Tax							1,487	810
Taxation							(31)	(47)
Profit After Tax							1,456	763

Notes :

* Application Solutions are sales of software applications and product on an outright purchase basis.

^ Application Services Providers (ASP) income is outsourcing service charge which is volume and transaction based.

A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARDS NO. 134

A9. Valuation of Property, Plant and Equipment

There were no changes or revaluation on the value of the Company's property, plant and equipment from the previous quarters and preceding annual audited financial statements.

A10. Subsequent Material Event

There was no material event subsequent to the current financial quarter ended 30 September 2005 up to the date of this report which is likely to substantially affect the results of the operations of the Company for the quarter under review.

A11. Changes in Company Composition

There were no changes in the composition of the Company during the quarter under review.

A12. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last audited financial year ended 31 December 2004.

B. EXPLANATORY NOTES AS PER MESDAQ LISTING REQUIREMENT (APPENDIX 7A)

B1. Review of Performance for the Quarter and Year to Date

For the quarter ended 30 September 2005, the Company achieved total revenue of RM1,369,000 (30.9.04: RM511,000) and profit before taxation ("PBT") of RM487,000 (30.9.04: RM51,000) respectively. For the nine (9) months ended 30 September 2005, the revenue amounted to RM3,811,000 (30.9.04: RM2,279,000) and PBT to RM1,487,000 (30.9.04: RM810,000) respectively. The results under review show an apparently significant improvement over the corresponding financial periods in 2004. The improved results were partly due to increase in customer base for ASP models and application solutions sales to financial institutions in 2005. However, the Company reported a lower revenue in the corresponding quarter of 2004 as most of the projects that existed then were still ongoing, and were only completed and billed in the final quarter of 2004. This timing difference has contributed to the difference in the comparison of the financial results.

B2. Comparison with Previous Quarter's Profit Before Tax

PBT of RM487,000 for the quarter under review was approximately 10% lower than the PBT of RM540,000 recorded in the previous quarter. The lower profit return was due to incurrence of higher cost of sales and operating expenses.

B3. Prospects for 2005

Barring unforeseen circumstances, the Directors are optimistic that the Company can achieve a satisfactory financial performance for the year ending 31 December 2005.

B4. Variance of Profit Forecast

Not applicable as no profit forecast was announced.

B5. Taxation

The taxation charge for the individual and cumulative quarter are as follows:

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER ENDED	
	30.09.2005	30.09.2004	30.09.2005	30.09.2004
	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Taxation	11	-	31	47

The Company has been granted Pioneer Tax Status under the Promotion of Investments (Amendment) Act, 1997. Accordingly, the Company is exempted from tax on business income. The reported tax expense is attributed to interest income on term deposits.

B6. Sale of Unquoted Investments and/or Properties

There were no disposal of unquoted investments or properties during the quarter under review.

B7. Quoted and Marketable Securities

The Company did not own any quoted or marketable securities as at 30 September 2005. There were no purchases or disposals of quoted securities made during the quarter under review.

B8. Status of Corporate Proposals

(i) As at 30 September 2005, the status of utilisation of the proceeds raised from the Company's listing exercise is as follows: -

	Amount			Timeframe for utilisation
	approved for utilisation	Amount utilised	Amount not utilised	
	RM'000	RM'000	RM'000	
Working Capital	7,688	1,614	6,074	By June 2006
Research & Development	1,500	767	733	By December 2005
Listing Expenses	1,100	904	196 *	By December 2004
	<u>10,288</u>	<u>3,285</u>	<u>7,003</u>	

Note:

* The balance shall be used as working capital.

B. EXPLANATORY NOTES AS PER MESDAQ LISTING REQUIREMENT (APPENDIX 7A)

B8. Status of Corporate Proposals

- (ii) On 10 December 2004, the Company implemented an Employee's Share Option Scheme (ESOS) prior to the listing of the Company on 21 December 2004. The Company offered to grant options in respect of 15,000,000 shares to eligible directors and employees. At the closing date, the Company received acceptances for options in respect of 1,500,000 shares. As at the date of this report, none of the options granted has been exercised.
- (iii) On 1 July 2005, the Company offered to grant options for 13,500,000 shares to the eligible directors and employees. At the closing date, the Company received acceptances for options in respect of 13,280,000 shares. As at the date of this report, none of the options granted has been exercised.

B9. Borrowings and Debt Securities

	As at 30.09.05
	RM'000
(a) Portion payable within 12 months	<u>21</u>
(b) Portion payable after 12 months	<u>42</u>

The borrowings in respect of a hire purchase of a motor vehicle is denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

The Company does not have any financial instruments involving off balance sheet risk as at the date of this report.

B11. Material Litigation

The Company is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Company as at the date of this report.

B12. Dividend

On 18 August 2005, the Board declared a first interim tax exempt dividend of 15% equivalent to 1.5 sen per ordinary share for the financial year ending 31 December 2005 (30 September 2004 : 3.69 sen per share tax exempt). The dividend was paid on 10 October 2005 to holders of ordinary shares of RM0.10 each whose names appeared in the Record of Depositors of the Company at the close of business on 12 September 2005.

B13. Earnings Per Share ("EPS")

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.05	30.9.04	30.9.05	30.9.04
Basic EPS				
Net profit for the period (RM'000)	476	51	1,456	763
Weighted average number of ordinary shares in issue ('000)	80,000	47,913	80,000	39,469
Basic EPS (sen)	<u>0.60</u>	<u>0.11</u>	<u>1.82</u>	<u>1.93</u>

Basic EPS is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period. The basic EPS for the nine (9) months ended 30 September 2005 is lower than the basic EPS for the corresponding period in 2004 even though net profit has increased by 91% period-on-period due to the higher share base following the completion of the Company's listing exercise in December 2004.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.05	30.9.04	30.9.05	30.9.04
Diluted EPS				
Net profit for the period (RM'000)	<u>476</u>	N/A	<u>1,456</u>	N/A
Weighted average number of ordinary shares in issue ('000)	80,000	N/A	80,000	N/A
Add: Dilutive potential of ESOS options ('000)	<u>1,229</u>	N/A	<u>588</u>	N/A
	<u>81,229</u>	N/A	<u>80,588</u>	N/A
Diluted EPS (sen)	<u>0.59</u>	N/A	<u>1.81</u>	N/A

The calculation of the diluted EPS is based on the net profit for the period under review, divided by the weighted average number of ordinary shares of RM0.10 each in issue adjusted for the shares issuable under the exercise of share options granted under the ESOS. There were no potential dilutive components in the Company for the nine (9) months ended 30 September 2004.