

**EXCEL FORCE MSC BERHAD (570777-X)**

Interim Financial Report on unaudited results for the 4th Quarter Ended 31 December 2005

**Condensed Income Statement**

	(Unaudited)			(Unaudited)		(Audited)	
	INDIVIDUAL QUARTER ENDED 31.12.05	31.12.04	Increase/ (Decrease) %	CUMULATIVE QUARTER ENDED 31.12.05	31.12.04	Increase/ (Decrease) %	
	RM'000	RM'000		RM'000	RM'000		
Revenue	1,243	2,020	(38)	5,054	4,299	18	
Other operating income	58	16	263	230	41	461	
Operating expenses	(876)	(1,275)	(31)	(3,371)	(2,769)	22	
<b>Profit from operations</b>	<b>425</b>	<b>761</b>	<b>(44)</b>	<b>1,913</b>	<b>1,571</b>	<b>22</b>	
Finance costs	-	-	-	(2)	-	100	
<b>Profit before taxation</b>	<b>425</b>	<b>761</b>	<b>(44)</b>	<b>1,911</b>	<b>1,571</b>	<b>22</b>	
Taxation	(10)	(5)	100	(41)	(52)	(21)	
<b>Profit after taxation</b>	<b>415</b>	<b>756</b>	<b>(45)</b>	<b>1,870</b>	<b>1,519</b>	<b>23</b>	
Minority interests	-	-	-	-	-	-	
<b>Profit after taxation and minority interests</b>	<b>415</b>	<b>756</b>	<b>(45)</b>	<b>1,870</b>	<b>1,519</b>	<b>23</b>	
<b>Net profit attributable to shareholders</b>	<b>415</b>	<b>756</b>	<b>(45)</b>	<b>1,870</b>	<b>1,519</b>	<b>23</b>	
<b>Earnings per share (Note B13)</b>							
(i) Basic (sen)	0.52	1.15	(55)	2.34	3.3	(29)	
(ii) Diluted (sen)	0.51	-	-	2.32	-	-	

For quarter ended 31.12.05, the Company's revenue decreased by 38% as compared to the corresponding quarter in the preceding year (31.12.04 : RM2,020,000). For the twelve (12) months ended 31.12.05, the Company's revenue improved by 18% as compared to the corresponding period in the preceding year (31.12.04 : RM4,299,000).

Profit after tax (PAT) for the quarter ended 31.12.05 showed a 45% decrease compared to the corresponding quarter in the preceding year (31.12.04 : RM756,000). PAT for the twelve (12) months ended 31.12.05 has shown a 23% increase as compared to the corresponding period in the preceding year (31.12.04 : RM1,519,000).

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 4th Quarter Ended 31 December 2005

**Condensed Balance Sheet**

	(Unaudited) As at the end of current quarter ended 31.12.05 RM'000	(Audited) As at preceding financial year ended 31.12.04 RM'000
<b>Property, plant and equipment</b>	2,024	1,792
<b>Research and Development costs</b>	2,098	1,356
<b>Intangible assets</b>	758	858
<b>Current Assets</b>		
Inventories	253	68
Trade and other receivables	1,974	1,484
Cash and cash equivalents	7,812	9,266
	<u>10,039</u>	<u>10,818</u>
<b>Current Liabilities</b>		
Trade and other payables	439	996
Tax Liabilities	8	-
Hire purchase creditor (current)	28	28
	<u>475</u>	<u>1,024</u>
<b>Net Current Assets</b>	9,564	9,794
	<u>14,444</u>	<u>13,800</u>
<b>Capital and Reserves</b>		
Share capital	8,000	8,000
Reserves	6,416	5,745
<b>Shareholder's funds</b>	<u>14,416</u>	<u>13,745</u>
<b>Long Term and Deferred Liabilities</b>		
Hire purchase creditor (non-current)	28	55
	<u>14,444</u>	<u>13,800</u>
<b>Net assets per share (RM)</b>	0.18	0.17

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 4th Quarter Ended 31 December 2005**  
**Condensed Cash Flow Statement**

	<b>(Unaudited)</b> <b>12 MONTHS</b> <b>ENDED</b> <b>31.12.05</b> <b>RM'000</b>	<b>(Audited)</b> <b>12 MONTHS</b> <b>ENDED</b> <b>31.12.04</b> <b>RM'000</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	1,911	1,571
Adjustment for Non Cash Items		
Amortisation of intangible assets and development cost	377	124
Depreciation of assets	430	268
Interest income	(204)	(41)
Interest expenses	2	-
Operating profit before working capital changes	<u>2,516</u>	<u>1,922</u>
Changes in Working Capital		
Net Changes in Current Asset	(677)	(339)
Net Changes in Current Liabilities	(558)	337
<b>Cash Generated From Operations</b>	<u>1,281</u>	<u>1,920</u>
Tax paid	(31)	(58)
Interest received	204	41
Interest paid	(2)	-
Development cost incurred	(1,017)	(646)
<b>Net Cash From Operating Activities</b>	<u>435</u>	<u>1,257</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(747)	(1,161)
Proceeds from disposal of property, plant and equipment	85	24
<b>Net Cash Used In Investing Activities</b>	<u>(662)</u>	<u>(1,137)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New issue of shares	-	10,288
Payment of listing expenses	-	(904)
Repayment of hire purchase creditor	(28)	-
Dividends paid	(1,200)	(1,371)
<b>Net Cash (Used In)/From Financing Activities</b>	<u>(1,228)</u>	<u>8,013</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,455)	8,133
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	9,267	1,134
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>7,812</u></u>	<u><u>9,267</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 4th Quarter Ended 31 December 2005**  
**Condensed Statement of Changes in Equity**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Unaudited 12 months ended 31 December 2005</u></b>				
Balance at 1 January 2005	8,000	4,904	841	13,745
Net profit for the 12 months ended 31 December 2005	-	-	1,870	1,870
Dividend paid	-	-	(1,200)	(1,200)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	8,000	4,904	1,511	14,415
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Audited 12 months ended 31 December 2004</u></b>				
Balance at 1 January 2004	1,600	-	2,542	4,142
Issuance of shares:				
- Bonus Issue	1,920	-	(1,920)	-
- Rights Issue	2,720	-	-	2,720
- Public Issue	1,760	5,808	-	7,568
Listing Expenses	-	(904)	-	(904)
Net profit for the 12 months ended 31 December 2004	-	-	1,519	1,519
Dividend paid	-	-	(1,300)	(1,300)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2004	8,000	4,904	841	13,745
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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**

The first interim tax exempt dividend of 15% equivalent to 1.5 sen per ordinary share was declared on 18 August 2005 and paid on 10 October 2005.

**A8. Segmental Reporting**

**Primary reporting - Business segments**

	----- For the individual quarter ended ----->							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000
<b>REVENUE</b>								
External sales	621	1,387	413	394	209	239	1,243	2,020
<b>RESULT</b>								
Segment Profit <sup>#</sup>	190	284	97	279	80	182	367	745
Other operating income							58	16
Finance Costs							-	-
Profit Before Tax							425	761
Taxation							(10)	(5)
Profit After Tax							415	756

**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 purpose of providing relevant comparison between quarters, the segment profit for the quarter ended 31.12.04 has been restated to reflect a change in cost allocation among segments implemented during the financial year ended 31.12.05.

	----- For the cumulative quarter ended ----->							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000	31.12.05 RM'000	31.12.04 RM'000
<b>REVENUE</b>								
External sales	2,514	2,321	1,660	1,082	880	896	5,054	4,299
<b>RESULT</b>								
Segment Profit	615	405	653	571	415	554	1,683	1,530
Other operating income							230	41
Finance Costs							(2)	-
Profit Before Tax							1,911	1,571
Taxation							(41)	(52)
Profit After Tax							1,870	1,519

**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 31 December 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 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 31 December 2005, the Company achieved a total revenue of RM1,243,000 (31.12.04: RM2,020,000) and profit before taxation ("PBT") of RM425,000 (31.12.04: RM761,000) respectively. For the twelve (12) months ended 31 December 2005, the Company's revenue amounted to RM5,054,000 (31.12.04: RM4,299,000) and PBT amounted to RM1,911,000 (31.12.04: RM1,571,000). The quarter under review show a lower revenue as compared to the corresponding quarter in 2004 as projects that commenced in 2004 were completed and billed in the final quarter of 2004. However, most projects that commenced in 2005, a high number of them are still in progress. This timing difference has contributed to the difference in results between the quarters under review. For the 12 months ended 31 December 2005, the Company's earnings has improved by approximately 23%. This is mainly due to the increase in customer base for ASP services and higher application solutions sales to financial institutions in 2005.

**B2. Comparison with Previous Quarter's PBT**

PBT of RM425,000 for the quarter under review was approximately 13% lower than the PBT of RM487,000 recorded in the previous quarter. This is mainly due to lower ASP income recorded from lower trading volume experienced during the quarter under review.

**B3. Prospects for 2006**

Barring unforeseen circumstances, the Directors are optimistic that the Company shall achieve a satisfactory performance for the financial year ending 31 December 2006.

**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	
	31.12.05	31.12.04	31.12.05	31.12.04
	RM'000	RM'000	RM'000	RM'000
Taxation	10	5	41	52

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 31 December 2005. There were no purchases or disposals of quoted securities made during the quarter under review.

**B8. Status of Corporate Proposals**

(i) As at 31 December 2005, the status of utilisation of the proceeds raised from the Company's listing exercise is as follows: -

	Amount approved for utilisation per Prospectus	Revised amount approved for utilisation*	Amount utilised	Amount not utilised	Extended timeframe for utilisation*
	RM'000	RM'000	RM'000	RM'000	
Working Capital	7,688	7,884	1,918	5,966	By December 2007
Research & Development Expenses	1,500	1,500	1,206	294	By June 2006
Listing Expenses	1,100	904	904	-	-
	<u>10,288</u>	<u>10,288</u>	<u>4,028</u>	<u>6,260</u>	

Note:

\* Following an application on 16 December 2005, the Securities Commission ("SC") approved an extension of time for and variation to the utilisation of listing proceeds on 17 January 2006.

**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.
- 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**

	<b>As at 31.12.05</b>
	<b>RM'000</b>
(a) Portion payable within 12 months	<u>28</u>
(b) Portion payable after 12 months	<u>28</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 of Directors declared a first interim tax exempt dividend of 15% equivalent to 1.5 sen per ordinary share for the financial year ended 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.

On 28 February 2006, the Board of Directors declared a second interim tax exempt dividend of 10% equivalent to 1.0 sen per ordinary share for the financial year ended 31 December 2005 (31 December 2004 : Nil). The dividend will be paid on 18 April 2006 to holders of ordinary shares of RM0.10 each in the Company whose names appear in the Record of Depositors at the close of business on 20 March 2006.

The total tax exempt dividend declared for the financial year ended 31 December 2005 is 2.5 sen per ordinary share (31 December 2004: 3.69 sen).

**B13. Earnings Per Share ("EPS")**

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31.12.05</b>	<b>31.12.04</b>	<b>31.12.05</b>	<b>31.12.04</b>
<b>Basic EPS</b>				
Net profit for the period (RM'000)	415	756	1,870	1,519
Weighted average number of ordinary shares in issue ('000)	80,000	65,843	80,000	46,098
Basic EPS (sen)	<u>0.52</u>	<u>1.15</u>	<u>2.34</u>	<u>3.30</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 twelve (12) months ended 31 December 2005 is lower than the basic EPS for the corresponding period in 2004 even though net profit has increased by 23% period-on-period due to the higher share base following the completion of the Company's listing exercise in December 2004.

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31.12.05</b>	<b>31.12.04</b>	<b>31.12.05</b>	<b>31.12.04</b>
<b>Diluted EPS</b>				
Net profit for the period (RM'000)	415	756	1,870	1,519
Weighted average number of ordinary shares in issue ('000)	80,000	N/A	80,000	N/A
Add: Dilutive potential of ESOS options ('000)	1,207	N/A	568	N/A
	<u>81,207</u>	<u>N/A</u>	<u>80,568</u>	<u>N/A</u>
Diluted EPS (sen)	<u>0.51</u>	<u>N/A</u>	<u>2.32</u>	<u>N/A</u>

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 shares issuable under the ESOS. There were no potential dilutive components in the Company as at 31 December 2004.