

EXCEL FORCE MSC BERHAD (570777-X)

Interim Financial Report on unaudited results for the 2nd Quarter Ended 30 June 2006

Condensed Income Statement

(The figures have not been audited)

	INDIVIDUAL QUARTER ENDED		Increase/ (Decrease) %	CUMULATIVE QUARTER ENDED		Increase/ (Decrease) %
	30.6.06 RM'000	30.6.05 RM'000		30.6.06 RM'000	30.6.05 RM'000	
Revenue	1,431	1,336	7	2,842	2,442	16
Other operating income	47	50	(6)	98	118	(17)
Operating expenses	(899)	(846)	6	(1,857)	(1,560)	19
Profit from operations	579	540	7	1,083	1,000	8
Finance costs	-	-	-	(3)	-	100
Profit before taxation	579	540	7	1,080	1,000	8
Taxation	(26)	(12)	117	(36)	(20)	80
Profit after taxation	553	528	5	1,044	980	7
Net profit for the period	553	528	5	1,044	980	7
Attributable to:						
Ordinary equity holders of the parent	553	528	5	1,044	980	7
Minority interest	-	-	-	-	-	-
	553	528	5	1,044	980	7
Earnings per share (Note B13)						
(i) Basic (sen)	0.69	0.66	5	1.31	1.23	7
(ii) Diluted (sen)	0.69	0.66	5	1.30	1.22	7

For the three (3) months ended 30.6.06, revenue improved by 7% as compared to the corresponding period in the preceding year (30.6.05 : RM1,336,000).
For the six (6) months ended 30.6.06, revenue improved by 16% as compared to the corresponding period in the preceding year (30.6.05 : RM2,442,000).

Profit after tax (PAT) for the quarter ended 30.6.06 showed a 5% increase compared to the corresponding quarter in the preceding year (30.6.05 : RM528,000).
PAT for the six (6) months ended 30.6.06 has shown a 7% increase as compared to the corresponding period in the preceding year (30.06.05 : RM980,000).

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 2nd Quarter Ended 30 June 2006
Condensed Balance Sheet

	(Unaudited)	(Audited) As at preceding financial year ended
	As at 30.06.06 RM'000	31.12.05 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,016	2,024
Development costs	2,534	2,098
Intangible assets	707	758
	<u>5,257</u>	<u>4,880</u>
Current Assets		
Inventories	306	253
Trade and other receivables	2,397	1,974
Cash and cash equivalents	7,286	7,812
	<u>9,989</u>	<u>10,039</u>
TOTAL ASSETS	<u>15,246</u>	<u>14,919</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	8,000	8,000
Reserves	4,904	4,904
Retained earnings	1,756	1,512
	<u>14,660</u>	<u>14,416</u>
Minority interest	-	-
TOTAL EQUITY	<u>14,660</u>	<u>14,416</u>
Non-current liabilities		
Hire-purchase creditor (non-current)	-	28
	<u>-</u>	<u>28</u>
Current Liabilities		
Trade and other payables	570	439
Taxation	16	8
Hire purchase creditor (current)	-	28
	<u>586</u>	<u>475</u>
Total liabilities	586	503
TOTAL EQUITY AND LIABILITIES	<u>15,246</u>	<u>14,919</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.18	0.18

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 2nd Quarter Ended 30 June 2006
Condensed Cash Flow Statement
(The figures have not been audited)

	6 MONTHS ENDED 30.06.06 RM'000	6 MONTHS ENDED 30.06.05 RM'000
CASHFLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	1,080	1,000
Adjustment for Non Cash Item		
Amortisation of intangible assets and development cost	204	188
Depreciation of assets	250	212
Gain on disposal of assets	-	(15)
Interest income	(98)	(101)
Interest expenses	3	-
Operating profit before working capital changes	<u>1,439</u>	<u>1,284</u>
Changes in Working Capital		
Net Changes in Current Asset	(476)	(550)
Net Changes in Current Liabilities	132	(242)
Cash Generated From Operations	<u>1,095</u>	<u>492</u>
Tax paid	(29)	(4)
Interest received	98	101
Interest paid	(3)	-
Development cost incurred	(590)	(423)
Net Cash From Operating Activities	<u>571</u>	<u>166</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(242)	(707)
Proceeds from disposal of property, plant and equipment	-	85
Net Cash Used In Investing Activities	<u>(242)</u>	<u>(622)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase creditor	(55)	(13)
Dividends paid	(800)	-
Net Cash Used In Financing Activities	<u>(855)</u>	<u>(13)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(526)	(469)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,812	9,266
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>7,286</u></u>	<u><u>8,797</u></u>
Cash and cash equivalents comprise:		
Fixed deposit with licensed banks	7,024	8,653
Cash and bank balances	262	144
	<u><u>7,286</u></u>	<u><u>8,797</u></u>

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

EXCEL FORCE MSC BERHAD (570777-W)
Statement of Changes in Equity
For the period from 1 January 2006 to 30 June 2006
(The figures have not been audited)

	Attributable to equity holders of the parent			
	Share Capital	Share Premium	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
<u>6 months ended 30 June 2006</u>				
Balance at 1 January 2006	8,000	4,904	1,512	14,416
Net profit for the 6 months ended 30 June 2006	-	-	1,044	1,044
Dividends paid	-	-	(800)	(800)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2006	8,000	4,904	1,756	14,660
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Preceding year comparative period ended 30 June 2005</u>				
Balance at 1 January 2005	8,000	4,904	841	13,745
Net profit for the 6 months ended 30 June 2005	-	-	980	980
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2005	8,000	4,904	1,821	14,725
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A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD NO. 134

A1. Basis of Preparation

These interim unaudited financial statements have been prepared in compliance with the Financial Reporting Standard ("FRS") No. 134, Interim Financial Reporting and Appendix 9B 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 2005.

A2. Changes in accounting policies

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 2005 except for the adoption of the following new FRS effective for financial periods beginning 1 January 2006:-

FRS 2	Share based payment
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 112	Income Taxes
FRS 114	Segment Reporting
FRS 116	Property, Plant and Equipment
FRS 119	Employee Benefits
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 138	Intangible Assets

The adoption of all FRS mentioned above does not have a significant impact on the Company.

A3. Audit Report

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

A4. Seasonality or Cyclicity of Interim Operations

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

A5. 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.

A6. 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.

A7. 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.

A8. Dividend Paid

The second interim tax exempt dividend for the financial year ended 31 December 2005 of 10% equivalent to 1.0 sen per ordinary share declared on 28 February 2006 was paid on 18 April 2006.

A9. Segmental Reporting

Primary reporting - Business segments

	----- For the individual quarter ended ----->							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
REVENUE								
External sales	436	766	774	363	221	207	1,431	1,336
RESULT								
Segment Profit	118	247	317	123	97	120	532	490
Other operating income							47	50
Finance Costs							-	-
Profit Before Taxation							579	540
Taxation							(26)	(12)
Profit After Taxation							553	528

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 STANDARD NO. 134

A9. Segmental Reporting (Cont'd)
Primary reporting - Business segments

	For the cumulative quarter ended							
	Application Solutions *		Application Services Providers (ASP) ^		Maintenance Services		Total	
REVENUE	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
External sales	1,040	1,259	1,365	761	437	422	2,842	2,442
RESULT								
Segment Profit	232	368	573	297	180	217	985	882
Other operating income							98	118
Finance Costs							(3)	-
Profit Before Taxation							1,080	1,000
Taxation							(36)	(20)
Profit After Taxation							1,044	980

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.

A10. 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.

A11. Subsequent Material Event

There was no material event subsequent to the current financial quarter ended 30 June 2006 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.

A12. Changes in Company Composition

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

A13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last financial year ended 31 December 2005.

B. EXPLANATORY NOTES AS PER MESDAQ LISTING REQUIREMENT (APPENDIX 9B)

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

For the quarter ended 30 June 2006, the Company achieved a total revenue of RM1,431,000 (30.6.05: RM1,336,000) and profit before taxation ("PBT") of RM579,000 (30.6.05: RM540,000) respectively. For the six (6) months ended 30.6.06, the revenue and PBT recorded amounted to RM2,842,000 and RM1,080,000 respectively. The period under review showed a higher revenue compared to the corresponding period in 2005 due to higher Application Services Providers ("ASP") Sales that also more than compensate for the dip in Application Solution sales. The 16% improvement in revenue only resulted an increase in PBT of 8% as higher operating expenses, RM1,857,000 (30.6.05:RM1,560,000) was incurred in the period under review.

B2. Comparison with Previous Quarter's PBT

PBT of RM579,000 for the quarter under review was higher by 16% than the PBT of RM499,000 recorded in the previous quarter. This is due to an increase in revenue mainly from ASP income and a lower operating cost for 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	
	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
Taxation	26	12	36	20

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 June 2006. There were no purchases or disposals of quoted securities made during the quarter under review.

B. EXPLANATORY NOTES AS PER MESDAQ LISTING REQUIREMENT (APPENDIX 9B)

B8. Status of Corporate Proposals

(i) As at 30 June 2006, the status of utilisation of the proceeds raised from the Company's listing exercise is as follows: -

	Amount approved for utilisation per Prospectus RM'000	Revised amount approved for utilisation* RM'000	Amount utilised RM'000	Amount not utilised RM'000	Extended timeframe for utilisation*
Working Capital	7,688	7,884	3,215	4,669	By December 2007
Research & Development Expenses	1,500	1,500	1,500	-	-
Listing Expenses	1,100	904	904	-	-
	10,288	10,288	5,619	4,669	

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.

(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

The Company does not have any borrowings nor have the Company issued any debt securities as at 30 June 2006.

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

As at the date of this report, no dividends have been declared for the current financial year. Total tax exempt dividend declared for the corresponding period in the preceding financial year ended 31 December 2005 is 1.5 sen per ordinary share.

B13. Earnings Per Share ("EPS")

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.06	30.6.05	30.6.06	30.6.05
Basic EPS				
Net profit for the period (RM'000)	553	528	1,044	980
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic EPS (sen)	0.69	0.66	1.31	1.23

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 six (6) months ended 30 June 2006 is higher than the basic EPS for the corresponding period in 2005 as a result of higher net profit.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.06	30.6.05	30.6.06	30.6.05
Diluted EPS				
Net profit for the period (RM'000)	553	528	1,044	980
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Add: Dilutive potential of ESOS options ('000)	445	36	368	112
	80,445	80,036	80,368	80,112
Diluted EPS (sen)	0.69	0.66	1.30	1.22

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.