

# **EXCEL FORCE MSC BERHAD**

Company no. 570777-X  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2007**

**EXCEL FORCE MSC BERHAD (570777-X)**  
**Quarterly Report on Financial Results for the Fourth Quarter Ended 31 December 2007**  
**Condensed Income Statement**  
(The figures have not been audited)

	INDIVIDUAL QUARTER ENDED			CUMULATIVE QUARTER ENDED		
	(Unaudited) 31.12.07 RM'000	(Unaudited) 31.12.06 RM'000	Inc/ (Dec) %	(Unaudited) 31.12.07 RM'000	(Audited) 31.12.06 RM'000	Inc/ (Dec) %
Revenue	4,099	1,417	189	11,883	5,471	117
Other operating income	65	77	(16)	290	228	27
Operating expenses	(2,147)	(919)	134	(6,181)	(3,729)	66
<b>Profit from operations</b>	<b>2,017</b>	<b>575</b>	<b>251</b>	<b>5,992</b>	<b>1,970</b>	<b>204</b>
Finance costs	-	-	-	-	(2)	(100)
<b>Profit before taxation</b>	<b>2,017</b>	<b>575</b>	<b>251</b>	<b>5,992</b>	<b>1,968</b>	<b>204</b>
Taxation	(108)	(10)	980	(146)	(72)	103
<b>Profit after taxation</b>	<b>1,909</b>	<b>565</b>	<b>238</b>	<b>5,846</b>	<b>1,896</b>	<b>208</b>
Minority interests	-	-	-	-	-	-
<b>Profit for the period</b>	<b>1,909</b>	<b>565</b>	<b>238</b>	<b>5,846</b>	<b>1,896</b>	<b>208</b>
<b>Net profit attributable to shareholders of parent company</b>	<b>1,909</b>	<b>565</b>	<b>238</b>	<b>5,846</b>	<b>1,896</b>	<b>208</b>
<b>Earnings per share</b>						
(i) Basic (sen)	1.59	0.47	238	4.87	1.58	208
(ii) Diluted (sen)	1.50	0.47	219	4.62	1.57	194

*(The unaudited condensed income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to this quarterly report.)*

**EXCEL FORCE MSC BERHAD (570777-X)**  
**Quarterly Report on Financial Results for the Fourth Quarter Ended 31 December 2007**  
**Condensed Balance Sheets**  
(The figures have not been audited)

	<b>(Unaudited)</b> <b>As at</b> <b>31.12.07</b> <b>RM'000</b>	<b>(Audited)</b> <b>As at</b> <b>31.12.06</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	3,465	1,931
<b>Prepaid lease payments</b>	304	
<b>Development costs</b>	3,791	3,097
<b>Intangible assets</b>	556	657
<b>Current Assets</b>		
Inventories	10	320
Trade and other receivables	3,164	2,839
Cash and cash equivalents	10,244	7,113
	<u>13,418</u>	<u>10,272</u>
<b>Current Liabilities</b>		
Trade and other payables	658	1,245
Taxation	4	-
	<u>662</u>	<u>1,245</u>
<b>Net Current Assets</b>	12,756	9,027
	<u>20,872</u>	<u>14,712</u>
<b>Capital and Reserves</b>		
Share capital	12,098	8,000
Reserves	8,774	6,712
<b>Shareholder's funds</b>	<u>20,872</u>	<u>14,712</u>
<b>Long Term and Deferred Liabilities</b>		
Hire purchase creditor (non-current)	-	-
	<u>20,872</u>	<u>14,712</u>
<b>Net assets per share (attributable to ordinary equity shares of the parent(RM))</b>	0.17	0.18

*(The unaudited condensed balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to this quarterly report.)*

**EXCEL FORCE MSC BERHAD (570777-X)**  
**Quarterly Report on Financial Results for the Fourth Quarter Ended 31 December 2007**  
**Condensed Cash Flow Statements**  
(The figures have not been audited)

	<b>(Unaudited)</b> <b>12 MONTHS</b> <b>ENDED</b> <b>31.12.07</b> <b>RM'000</b>	<b>(Audited)</b> <b>12 MONTHS</b> <b>ENDED</b> <b>31.12.06</b> <b>RM'000</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	5,992	1,968
Adjustment for Non Cash Item		
Amortisation of intangible assets and development cost	851	408
Amortisation of leasehold land	2	-
Depreciation of assets	518	514
Gain of disposal of asset	(76)	(32)
Development costs written off	9	-
Shared based payment	82	-
Interest income	(214)	(196)
Interest expenses	-	2
Provision for doubtful debt	233	-
Operating profit before working capital changes	<u>7,397</u>	<u>2,664</u>
Changes in Working Capital		
Net Changes in Current Asset	746	(1,925)
Net Changes in Current Liabilities	213	6
<b>Cash Generated From Operations</b>	<u>8,356</u>	<u>745</u>
Tax paid	(135)	(87)
Interest received	214	196
Interest paid	-	(2)
Development cost incurred	(1,453)	(1,306)
<b>Net Cash From/ (Used in) Operating Activities</b>	<u>6,982</u>	<u>(454)</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,392)	(452)
Proceeds from disposal of property, plant & equipment	109	62
<b>Net Cash Used In Investing Activities</b>	<u>(2,283)</u>	<u>(390)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of hire purchase creditor	-	(55)
Dividends Paid	(800)	(800)
Proceeds from issue of shares	232	-
<b>Net Cash Used In Financing Activities</b>	<u>(568)</u>	<u>(855)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,131	(1,699)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	6,113	7,812
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>10,244</u>	<u>6,113</u>
<b>Cash and cash equivalents comprise:</b>		
Deposits	6,730	5,714
Cash and bank balances	3,514	399
	<u>10,244</u>	<u>6,113</u>

*(The unaudited condensed cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to this quarterly report.)*

**EXCEL FORCE MSC BERHAD (570777-X)**  
**Statement of Changes in Equity**  
**For the period from 1 January 2007 to 31 December 2007**  
(The figures have not been audited)

	<b>Share Capital</b>	<b>Share Premium</b>	<b>ESOS Reserve</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>RM'000</b>
<b><u>Twelve (12) months financial year ended 31 December 2007 (Unaudited)</u></b>					
Balance at 1 January 2007	8,000	4,904	-	1,808	14,712
Issue of Share Pursuant to ESOS	98	134	-	-	232
Bonus Issue	4,000	(4,000)	-	-	-
Share based payment	-	-	82	-	82
Net profit for the 12 months ended 31 December 2007	-	-	-	5,846	5,846
Dividend paid	-	-	-	-	-
	<b>12,098</b>	<b>1,038</b>	<b>82</b>	<b>7,654</b>	<b>20,872</b>
<b><u>Preceding year comparative period ended 31 December 2006 (Audited)</u></b>					
Balance at 1 January 2006	8,000	4,904	-	1,512	14,416
Net profit for the 12 months ended 31 December 2006	-	-	-	1,896	1,896
Dividend paid	-	-	-	(800)	(800)
Dividend payable	-	-	-	(800)	(800)
	<b>8,000</b>	<b>4,904</b>	<b>-</b>	<b>1,808</b>	<b>14,712</b>

**EXCEL FORCE MSC BERHAD (570777-X)**  
**Notes on the Quarterly Report - 31 December 2007**

**A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD NO. 134**

**A1. Basis of Preparation**

These interim unaudited financial report have been prepared in compliance with the Financial Reporting Standard ("FRS") No. 134, Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market ("MMLR"), and should be read in conjunction with the Company's annual audited financial statements for the financial year ended 31 December 2006.

**A2. Changes in accounting policies**

The accounting policies and methods of computation adopted by the Company in this interim unaudited financial report are consistent with those adopted in the financial statements for the year ended 31 December 2006 except for the adoption of the following new Financial Reporting Standards ("FRS") effective for financial period beginning 1st October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the above new and revised FRSs does not result in significant changes in the accounting policies of the Company.

The adoption of all FRS mentioned above does not have a significant impact on the Company's interim unaudited financial report.

**A3. Audit Report**

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

**A4. Seasonality or Cyclicity of Interim Operations**

There were no seasonal or cyclical factors affecting the results of the Company for the current financial quarter under review.

**A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

During the current financial 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 current financial 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 financial quarter under review except for the following:-

**(a) Employee Share Option Scheme ("ESOS")**

On 20 December 2004, the Company offered 1,500,000 ESOS options to Eligible Directors and Eligible Employees ("Grantee") of the Company at an exercise price of RM0.43 per share for a period of five (5) years. On 12 October 2007, being the entitlement date for the bonus issue of EFMB, the number of unexercised ESOS Options were adjusted to include additional 750,000 ESOS Option at an adjusted exercise price of RM0.29. As at 31 December 2007, 588,000 ESOS options had lapsed whilst 1,531,500 ESOS Options remained unexercised.

On 6 July 2005, the Company offered 13,280,000 ESOS options to the Grantee at an exercise price of RM0.34 per share for a period of five (5) years. Pursuant to the bonus issue of EFMB, the number of unexercised ESOS Options were adjusted to include additional 6,640,000 ESOS Option at an adjusted exercise price of RM0.23. As at 31 December 2007, 5,949,000 ESOS options had lapsed whilst 13,126,500 ESOS Options remained unexercised.

On 5 December 2007, the Company offered 1,960,000 ESOS options at an exercise price of RM0.36 per share to the Grantee for a period of two (2) years started from 5 December 2007. As at 4 January 2008, 1,690,000 of the ESOS Options offered were accepted.

<u>Date of Allotment</u>	<u>ESOS Options granted on 20 December 2004 which have been exercised</u>	<u>ESOS Options granted on 6 July 2005 which have been exercised</u>
11 December 2007	130,500	844,500

Pursuant thereto, the issued and paid-up share capital of the Company as at 31 December 2007 has been increased to RM12,097,500.00 comprising 120,975,000 ordinary shares of RM0.10.

**A8. Dividend Paid**

No dividend was declared or paid during the current financial quarter under review.

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

A9. Segmental Reporting

Primary reporting - Business segments

	-----> For the individual financial quarter ended <-----							
	Application Solutions (AS) *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	1,828	272	2,066	902	205	243	4,099	1,417
<b>RESULT</b>								
Segment Profit	836	60	993	336	123	102	1,952	498
Gain on Disposal of Property, Plant and Equipment								32
Gain/(Loss) on foreign Exchange							(3)	-
Interest Income							68	45
Profit Before Taxation							2,017	575
Taxation							(108)	(10)
Profit After Taxation							1,909	565

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 cumulative financial quarter ended <-----							
	Application Solutions (AS) *		Application Services Providers (ASP) ^		Maintenance Services		Total	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	3,041	1,524	8,109	2,968	733	979	11,883	5,471
<b>RESULT</b>								
Segment Profit	1,124	268	4,136	1,074	442	399	5,702	1,741
Gain on Disposal of Property, Plant and Equipment							76	32
Gain/(Loss) on foreign Exchange								(1)
Interest Income							214	196
Profit Before Taxation							5,992	1,968
Taxation							(146)	(72)
Profit After Taxation							5,846	1,896

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

The Company did not revalue any of its property, plant and equipment during the current financial quarter under review. Therefore, the valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A11. Subsequent Material Event

Save as disclosed below, there were no material events which have occurred from 1 January 2008 to the date of this announcement.

On 5 February 2008, EFMB announced that it had completed the Subscription for 120,000 ordinary shares of RM1.00 each in Insave (MSC) Sdn Bhd (formerly known as Machigan Capital Sdn Bhd) ("ISB"), representing 60% of the enlarged issued and paid-up share capital of ISB, at par for a total cash consideration of RM120,000.00 ("Subscription"). The Subscription was funded via internally generated funds. Pursuant thereto, ISB has become a 60% owned subsidiary of EFMB.

A12. Changes in Company Composition

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

A13. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets for the current financial quarter under review.

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

**B1. Review of Performance for the Current Financial Quarter and the Cumulative Financial Quarter**

For the current financial quarter ended 31 December 2007, the Company achieved a total revenue of RM4.10 million (31.12.06: RM1.42 million) and profit before taxation ("PBT") of RM2.02 million (31.12.06: RM0.58 million) respectively. The current financial quarter under review recorded an increase of 189% and 251% in revenue and PBT respectively as compared to the corresponding quarter in the preceding year as a result of higher sales generated from the AS and ASP.

For the twelve (12) months financial period ended 31 December 2007, the Company achieved a total revenue and PBT of RM11.88 million (31.12.06: RM5.47 million) and RM5.99 million (31.12.06: RM1.97 million) respectively. The twelve (12) months financial year ended 31 December 2007 recorded an increase of 117% and 204% in revenue and PBT respectively as compared to the corresponding financial period in the preceding year due mainly to higher sales in the AS and ASP.

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

PBT of RM2.02 million for the current financial quarter under review was higher than the PBT of RM1.63 million recorded in the previous quarter. This was due mainly to the significant increase in the sales of AS and ASP resulting from new customers secured under its AS and ASP business segments which are volume and transaction related.

**B3. Prospects for 2008**

Barring any unforeseen circumstances, the Board of Directors are optimistic that the Company shall be able to achieve a satisfactory performance for the financial year ending 31 December 2008.

**B4. Variance of Profit Forecast and Shortfall in Profit Guarantee**

The Company has not issued any profit forecast nor profit guarantee for the current financial quarter under review and the financial period to-date.

**B5. Taxation**

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

	INDIVIDUAL FINANCIAL QUARTER ENDED		CUMULATIVE FINANCIAL QUARTER ENDED	
	31.12.07	31.12.06	31.12.07	31.12.06
	RM'000	RM'000	RM'000	RM'000
Taxation	108	10	146	72

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 and withholding tax arising from foreign sales proceeds.

**B6. Sale of Unquoted Investments and/or Properties**

There were no disposal of unquoted investments and/or properties by the Company during the current financial quarter and the cumulative financial quarter under review.

**B7. Quoted and Marketable Securities**

Investments in quoted securities amounted to RM1 million as disclosed in the quarterly report for the second (2<sup>nd</sup>) quarter has been disposed off on 9 April 2007 at RM1.02 million.

**B8. Status of Corporate Proposals**

**(I) Status of Corporate Proposal**

There were no corporate proposals announced but not completed as at the date of this report.

**(II) Status of Utilisation of Proceeds**

As at 31 December 2007, the listing proceeds raised from the Company's listing exercise is fully utilised as follows:

	Amount approved for utilisation	Revised amount approved for utilisation*	Actual utilisation	Deviation*	Intended timeframe for utilisation*	Explanation *
	RM'000	RM'000	RM'000	RM'000	%	
Working Capital	7,688	7,884	7,884	-	-	-
Research & Development Expenses	1,500	1,500	1,500	-	-	-
Listing Expenses	1,100	904	904	-	-	-
	10,288	10,288	10,288	-	-	-

Note:

\* As disclosed in the extension letter for the variation in utilisation applied on 16 December 2005, the utilisation for the working capital has been extended from June 2006 to December 2007 on the grounds that the Company had revised the business strategy of moving vigorously to overseas markets, which considerably reduces the operational cost thereto. On 17 January 2006, the Securities Commission ("SC") approved an extension of time for the utilisation and variation of the proceeds.



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

**B9. Borrowings and Debt Securities**

The Company does not have any borrowings and debt securities as at 31 December 2007. However, on 8 January 2007, the Company acquired 4 units of new office block located at Jaya 1, Section 13, Petaling Jaya, Selangor Darul Ehsan ("Properties") for a total purchase consideration of RM 2.15 million ("Acquisition"). The Acquisition is financed by secured bank borrowings (approximately 80%) and internally generated funds (approximately 20%). This term loan is for a period of ten (10) years and it has a feature of Savelink Term Loan where interest shall only be calculated at the prescribed rate on the daily outstanding amount.

**B10. Off Balance Sheet Financial Instruments**

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

**B11. Material Litigation**

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

**Kuala Lumpur High Court Originating Summons No. No. D7-24-118-227**  
***Excel Force MSC Bhd ("Plaintiff") -vs- Automatic Identification Technology ("Defendant")***

On 30 March 2007, Excel Force MSC Bhd ("EFMB") served a statutory notice under Section 218 of the Act to Automatic Identification Technology ("AIT") ("Statutory Notice") for a long outstanding amount of RM150,000, being the cost of application, software with installation and configuration of a system at an end client.

On 9 April 2007, AIT through its legal counsel, served EFMB with an express notice not to file any winding up petition and requested EFMB to withdraw the said Statutory Notice immediately and to provide an undertaking within forty eight (48) hours not to proceed further with the said Statutory Notice as well as an undertaking not to file any winding up petition based on the Statutory Notice. EFMB did not withdraw the said Statutory Notice.

AIT then proceeded to file an application for injunction to stop EFMB from proceeding with the winding-up petition against AIT on the ground *inter-alia* AIT has a claim of RM557,160 against EFMB (*See Kuala Lumpur High Court Origination Summons No. No. D8-24-131-2007 below*).

At the hearing on 16 May 2007, the Court has directed both parties to file written submissions and had fixed 17 October 2007 to hear the oral submission. EFMB has filed a further affidavit on 27 July informing the Court of the fact that AIT's claim of RM557,160 vide the statutory notice under Kuala Lumpur High Court No. D8-24-131-2007 has been withdrawn.

EFMB's solicitors is of the opinion that with the withdrawal of AIT's statutory notice, AIT will be deprived of a ground in the 'Injunction application' that AIT has a claim of RM557,160 against EFMB. As such, EFMB has a fair chance of successfully defending and defeating AIT's application for injunction and thereafter proceeding with its claim for the long outstanding amount of RM150,000 against AIT.

The hearing on 7 December 2007 has been vacated and a new date for hearing has been fixed for 29 February 2008.

**Kuala Lumpur High Court Originatin Summons No. D8-24-131-2007**  
***Automatic Identification Technology ("Plaintiff") - vs - Excel Force MSC Bhd ("Defendant")***

On 12 April 2007, AIT served a statutory notice under Section 218 of the Act to the Company claiming a sum of RM557,160 for services provided and works done by the Company that were inadequate, defective and not up to specifications at the site of a client ("Notice"). EFMB had on the same day responded that the alleged amount in the Notice was not particularised and is therefore unable to plead thereto and demanded that AIT withdraw the Notice immediately which was not met with.

On 27 April 2007 EFMB vide its solicitors filed an Originating Summons for an injunction to stop AIT from proceeding with the winding-up petition against EFMB. At the hearing on 17 July 2007, the Court had requested AIT to withdraw the Notice as it was ambiguous and does not show that EFMB owe monies to AIT.

AIT subsequently withdrew the Notice and thereafter EFMB vide its solicitors also withdrew the application for injunction from the Court. The Court had also ordered AIT to pay the cost of the application for injunction. As at 12 February 2008, the cost of the application for injunction has not been paid by AIT.

**B12. Dividend**

No interim/ final dividend was declared or paid during the current financial quarter under review.

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

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

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.12.07	31.12.06	31.12.07	31.12.06
<b>Basic EPS*</b>				
Net profit for the period (RM'000)	1,909	565	5,846	1,896
Weighted average number of ordinary shares in issue ('000)	120,148	120,000	120,037	120,000
Basic EPS (sen)	1.59	0.47	4.87	1.58

Note:

\* The calculation of the basic EPS is based on the net profit for the current financial quarter under review and the cumulative financial quarter ended 31 December 2007 divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue during the current financial quarter and the said cumulative financial quarter.

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31.12.07	31.12.06	31.12.07	31.12.06
<b>Diluted EPS**</b>				
Net profit for the period (RM'000)	1,909	565	5,846	1,896
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Add: Dilutive potential of ESOS options ('000)	6,957	897	6,640	697
	126,957	120,897	126,640	120,697
Diluted EPS (sen)	1.50	0.47	4.62	1.57

Note:

\*\* The calculation of the diluted EPS is based on the net profit for the current financial quarter under review and the cumulative financial quarter ended 31 December 2007, divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue and issuable under the exercise of share options granted under the ESOS.