

EXCEL FORCE MSC BERHAD

Company no. 570777-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2008**

EXCEL FORCE MSC BERHAD (570777-X)
Quarterly Report on Consolidated Financial Results for the First Quarter Ended 31 March 2008
Condensed Consolidated Income Statement
(The figures have not been audited)

| | INDIVIDUAL QUARTER ENDED | | Inc/ (Dec) % | CUMULATIVE QUARTER ENDED | | Inc/ (Dec) % |
|---|-----------------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------------------------|-----------------|
| | (Unaudited) 31.03.08 RM'000 | (Unaudited) 31.03.07 RM'000 | | (Unaudited) 31.03.08 RM'000 | (Unaudited) 31.03.07 RM'000 | |
| Revenue | 3,389 | 2,389 | 42 | 3,389 | 2,389 | 42 |
| Other operating income | 74 | 38 | 95 | 74 | 38 | 95 |
| Operating expenses | (1,400) | (1,316) | 6 | (1,400) | (1,316) | 6 |
| Profit from operations | 2,063 | 1,111 | 86 | 2,063 | 1,111 | 86 |
| Finance costs | - | - | - | - | - | - |
| Profit before taxation | 2,063 | 1,111 | 86 | 2,063 | 1,111 | 86 |
| Taxation | (58) | (8) | 625 | (58) | (8) | 625 |
| Net profit for the financial year | <u>2,005</u> | <u>1,103</u> | <u>82</u> | <u>2,005</u> | <u>1,103</u> | <u>82</u> |
| Net profit for the financial year attributable to: | | | | | | |
| Equity holders of the parent | 2,004 | 1,103 | 82 | 2,004 | 1,103 | 82 |
| Minority Interest | 1 | - | - | 1 | - | - |
| | <u>2,005</u> | <u>1,103</u> | <u>82</u> | <u>2,005</u> | <u>1,103</u> | <u>82</u> |
| Earnings per share | | | | | | |
| (i) Basic (sen) | 1.66 | 0.92 | 80 | 1.66 | 0.92 | 80 |
| (ii) Diluted (sen) | 1.56 | 0.88 | 77 | 1.56 | 0.88 | 77 |

(The unaudited condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to this quarterly report.)

EXCEL FORCE MSC BERHAD (570777-X)
Quarterly Report on Consolidated Financial Results for the First Quarter Ended 31 March 2008
Condensed Consolidated Balance Sheets

| | (Unaudited) As at 31.03.08 RM'000 | (Audited) As at 31.12.07 RM'000 |
|--|--|--|
| Property, plant and equipment | 3,433 | 3,465 |
| Prepaid lease payments | 304 | 304 |
| Development costs | 3,927 | 3,791 |
| Intangible assets | 530 | 555 |
| Current Assets | | |
| Inventories | 39 | 10 |
| Trade and other receivables | 4,523 | 3,164 |
| Cash and cash equivalents | 11,249 | 10,244 |
| | <u>15,811</u> | <u>13,418</u> |
| Current Liabilities | | |
| Trade and other payables | 1,013 | 658 |
| Taxation | 9 | 4 |
| | <u>1,022</u> | <u>662</u> |
| Net Current Assets | 14,789 | 12,756 |
| | <u>22,983</u> | <u>20,871</u> |
| Capital and Reserves | | |
| Share capital | 12,112 | 12,098 |
| Reserves | 10,796 | 8,773 |
| Minority Interest | 75 | - |
| Shareholder's funds | <u>22,983</u> | <u>20,871</u> |
| Long Term and Deferred Liabilities | | |
| Hire purchase creditor (non-current) | - | - |
| | <u>22,983</u> | <u>20,871</u> |
| Net assets per share (attributable to ordinary equity shares of the parent)(RM) | 0.19 | 0.17 |

(The unaudited condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to this quarterly report.)

EXCEL FORCE MSC BERHAD (570777-X)
Quarterly Report on Consolidated Financial Results for the First Quarter Ended 31 March 2008
Condensed Consolidated Cash Flow Statements

| | (Unaudited) 3 MONTHS ENDED 31.03.08 RM'000 | (Audited) 12 MONTHS ENDED 31.12.07 RM'000 |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 2,063 | 5,992 |
| Adjustments for: | | |
| Allowance for doubtful debts | 9 | 233 |
| Amortisation of development costs | 239 | 750 |
| Amortisation of intangible assets | 25 | 101 |
| Amortisation of prepaid lease payments | 1 | 2 |
| Depreciation of property, plant and equipment | 134 | 518 |
| Development costs written off | - | 9 |
| Share options expense | - | 82 |
| Finance cost | - | - |
| Gain on disposal of property, plant and equipment | - | (76) |
| Interest income | (74) | (210) |
| Operating profit before working capital changes | <u>2,397</u> | <u>7,401</u> |
| Changes in working capital: | | |
| (Increase)/Decrease in inventories | (30) | 310 |
| Increase in trade receivables | (1,313) | (364) |
| Increase in other receivables and prepaid expenses | (55) | (201) |
| Decrease in marketable securities | - | 1,000 |
| Increase in trade payables | 102 | - |
| Increase in other payables and accrued expenses | 120 | 213 |
| Cash Generated From Operations | <u>1,221</u> | <u>8,359</u> |
| Tax paid | (5) | (135) |
| Finance cost paid | - | - |
| Interest received | 74 | 210 |
| Development costs incurred | (376) | (1,453) |
| Net Cash From Operating Activities | <u>914</u> | <u>6,981</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (102) | (2,085) |
| Additions in prepaid lease payments | - | (307) |
| Proceeds from disposal of property, plant and equipment | - | 109 |
| Net Cash Used In Investing Activities | <u>(102)</u> | <u>(2,283)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | 33 | 232 |
| Proceeds arising from the increase of shares of subsidiary company | 80 | - |
| Dividends paid | - | (800) |
| Net Cash From/(Used In) Financing Activities | <u>113</u> | <u>(568)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 925 | 4,131 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | 10,324 | 6,113 |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD | <u>11,249</u> | <u>10,244</u> |
| Cash and cash equivalents carried forward consist of: | | |
| Deposits with financial institutions | 9,369 | 8,228 |
| Cash and bank balances | 1,880 | 2,016 |
| | <u>11,249</u> | <u>10,244</u> |

(The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to this quarterly report.)

EXCEL FORCE MSC BERHAD (570777-X)**Quarterly Report on Consolidated Financial Results for the First Quarter Ended 31 March 2008****Condensed Consolidated Statement of Changes in Equity**

(The figures have not been audited)

| | Share Capital | Distributable Retained Profits | Non distributable Share Premium | ESOS Reserve | Total Shareholders' Equity | Minority Interest | Total Equity |
|---|--------------------------|---|--|-------------------------|---|------------------------------|-------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at 1 January 2007 | 8,000 | 1,808 | 4,904 | - | 14,712 | - | 14,712 |
| Net profit for the 3 months ended 31 March 2007 | - | 1,103 | - | - | - | - | 1,103 |
| Balance at 31 March 2007 | <u>8,000</u> | <u>2,911</u> | <u>4,904</u> | <u>-</u> | <u>14,712</u> | <u>-</u> | <u>15,815</u> |
| Balance at 1 January 2008 | 12,098 | 7,653 | 1,038 | 82 | 20,871 | - | 20,871 |
| Issue of Share Pursuant to ESOS | 14 | - | 19 | - | 33 | - | 33 |
| Arising from acquisition of shares in Subsidiary Compar | - | - | - | - | - | 74 | 74 |
| Share based payment | - | - | - | - | - | - | - |
| Net profit for the 3 months ended 31 March 2008 | - | 2,004 | - | - | 2,004 | 1 | 2,005 |
| Dividend paid | - | - | - | - | - | - | - |
| Balance at 31 March 2008 | <u>12,112</u> | <u>9,657</u> | <u>1,057</u> | <u>82</u> | <u>22,908</u> | <u>75</u> | <u>22,983</u> |

A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD ("FRS") NO. 134

A1. Basis of Preparation

The interim financial report has been prepared in compliance with FRS No. 134, Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

The accounting policies and methods of computation adopted by the Group for this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2007, except for the adoption of the following revised FRSs and new interpretations effective for financial periods beginning 1 January 2008:

FRS 107, Cash Flow Statements
 FRS 111, Construction Contracts
 FRS 112, Income Taxes
 FRS 118, Revenue
 FRS 120, Accounting for Government Grants and Disclosure of Government Assistance
 FRS 129, Financial Reporting in Hyperinflationary Economies
 FRS 134, Interim Financial Reporting
 FRS 137, Provisions, Contingent Liabilities and Contingent Assets
 FRS 139, Financial Instruments: Recognition and Measurement
 Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
 IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities
 IC Interpretation 2, Member's Shares in Co-operative Entities and Similar Instruments
 IC Interpretation 5, Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
 IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
 IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies
 IC Interpretation 8, Scope of FRS 2

FRS 111, FRS 120, FRS 129, FRS 139 and the interpretations listed above are not applicable to the Group.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

A2. Changes in accounting policies

The accounting policies and methods of computation adopted by the Group in this interim unaudited financial report are consistent with those adopted in the financial statements for the year ended 31 December 2007.

A3. Audit Report

The audit report on the Group'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 Group 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")

| <u>Date of Allotment</u> | <u>ESOS Options granted on 20 December 2004 which have been exercised</u> | <u>ESOS Options granted on 1 July 2005 which have been exercised</u> |
|--------------------------|---|--|
| 11 March 2008 | - | 143,500 |

Pursuant thereto, the issued and paid-up share capital of the Company as at 31 March 2008 has been increased to RM12,111,850 comprising 121,118,500 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 * | | Application Services Providers ^ | | Maintenance Services | | Total | |
| | 31.03.08 RM'000 | 31.03.07 RM'000 | 31.03.08 RM'000 | 31.03.07 RM'000 | 31.03.08 RM'000 | 31.03.07 RM'000 | 31.03.08 RM'000 | 31.03.07 RM'000 |
| REVENUE | | | | | | | | |
| External sales | 1,042 | 329 | 2,167 | 1,863 | 180 | 197 | 3,389 | 2,389 |
| RESULT | | | | | | | | |
| Segment Profit | 649 | 5 | 1,219 | 946 | 121 | 122 | 1,989 | 1,073 |
| Gain on Disposal of Property, Plant and Equipment | | | | | | | - | - |
| Gain/(Loss) on foreign Exchange | | | | | | | 74 | 38 |
| Interest Income | | | | | | | - | - |
| Profit Before Taxation | | | | | | | 2,063 | 1,111 |
| Taxation | | | | | | | (58) | (8) |
| Net profit for the financial year | | | | | | | 2,005 | 1,103 |
| Net profit for the financial year attributable to: | | | | | | | | |
| Equity holders of the parent | | | | | | | 2,004 | 1,103 |
| Minority Interest | | | | | | | 1 | - |
| | | | | | | | 2,005 | 1,103 |

Notes:

* Application Solutions ("AS") 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 Group 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 April 2008 to the date of this announcement.

On 11 April 2008, the Board of Directors of the Company ("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 2008. The dividend has been paid on 9 May 2008 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 30 April 2008.

A12. Changes in the Composition of the Group

Save as disclosed below, there were no other material changes in the composition of the Group for the current financial quarter under review:-

On 5 February 2008, the Company announced that it had completed the subscription for 120,000 ordinary shares of RM1.00 each in Insage (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 became a 60% owned subsidiary of EFMB.

A13. Changes in Contingent Liabilities or Contingent Assets

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

A14. Recurrent Related Party Transactions ("RRPT")

There were no RRPT in the Group during 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

For the current financial quarter ended 31 March 2008, the Group achieved a total revenue of RM3.39 million (31.03.07: RM2.39 million) and profit before taxation ("PBT") of RM2.06 million (31.03.07: RM1.11 million) respectively. The current financial quarter under review recorded an increase of 42% and 86% 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 business segments.

B2. Comparison with Previous Financial Quarter's PBT

PBT of RM2.06 million for the current financial quarter under review was higher than the PBT of RM2.02 million recorded in the previous quarter. This was due mainly to the slight 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 is optimistic that the Group 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 Group 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 | |
|----------|------------------------------------|----------|------------------------------------|----------|
| | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | 58 | 8 | 58 | 8 |

The Group has been granted Pioneer Tax Status under the Promotion of Investments (Amendment) Act, 1997. Accordingly, the Group 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 Group during the current financial quarter and the cumulative financial quarter under review.

B7. Quoted and Marketable Securities

There were no purchase or disposal of quoted and marketable securities during the current financial quarter under review.

B8. Status of Corporate Proposals

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

B9. Borrowings and Debt Securities

The Company does not have any borrowings and debt securities as at 31 March 2008. 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 Group 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 Group as at the date of this report.

Kuala Lumpur High Court Originating Summons No. No. D7-24-118-2007
Automatic Identification Technology Sdn Bhd v Excel Force MSC Bhd

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.

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

B11. Material Litigation (Continued)

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.

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.

At the hearing on 29 February 2008, the High Court had dismissed AIT's originating Summons and Summons in Chamber with cost for an injunction to restrain the Company from filling the winding-up petition pursuant to the Statutory Notice dated 30 March 2007 issued by the Company against AIT for failing to settle the long outstanding amount of RM150,000 claimed by the Company.

AIT had on the 17 March 2008 filed an appeal to the Court of Appeal against the High Court's decision and thereafter filed a Summon In Chamber in the High Court on 28 March 2008 for an Erinford Injunction to stop EFMB from proceeding with the winding-up petition against AIT pending the disposal of the appeal in the Court of Appeal. The Court had initially fixed 18 April 2008 for hearing of AIT's application for Erinford Injunction but the Court had adjourned hearing to 11 June 2008 to allow parties to discuss the possibility of settlement.

B12. Dividend

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

B13. Earnings Per Share ("EPS")

| | Individual Financial Quarter Ended | | Cumulative Financial Quarter Ended | |
|--|------------------------------------|----------|------------------------------------|----------|
| Basic EPS* | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 |
| Net profit for the period (RM'000) | 2,004 | 1,103 | 2,004 | 1,103 |
| Weighted average number of ordinary shares in issue ('000) | 121,008 | 120,000 | 121,008 | 120,000 |
| Basic EPS (sen) | 1.66 | 0.92 | 1.66 | 0.92 |

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 March 2008 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 | |
|--|------------------------------------|----------|------------------------------------|----------|
| Diluted EPS** | 31.03.08 | 31.03.07 | 31.03.08 | 31.03.07 |
| Net profit for the period (RM'000) | 2,004 | 1,103 | 2,004 | 1,103 |
| Weighted average number of ordinary shares in issue ('000) | 121,008 | 120,000 | 121,008 | 120,000 |
| Add: Dilutive potential of ESOS options ('000) | 7,932 | 5,115 | 7,932 | 5,115 |
| | 128,940 | 125,115 | 128,940 | 125,115 |
| Diluted EPS (sen) | 1.55 | 0.88 | 1.55 | 0.88 |

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 March 2008, 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.