

Excel**FORCE** MSC Berhad

力揚科技

C O N T E N T S

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at the Dewan Berjaya, Equestrian Club, Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 24th June 2009 at 10:30 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Reports of the Directors and the Auditors thereon. *(Please refer to Note 1).*
2. To approve the payment of Directors' Fees for the financial year ended 31 December 2008. **(RESOLUTION 1)**
3. To re-elect the following Directors retiring in accordance with Article 103 and Article 110 of the Company's Articles of Association:-
 - a) Ng Kim Huat - Article 103 **(RESOLUTION 2)**
 - b) Wang Chih-Yen @ Vicky Wang - Article 110 **(RESOLUTION 3)**
4. To re-appoint Messrs Tan Chin Huat & Co. as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration. **(RESOLUTION 4)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution: -

5. ORDINARY RESOLUTION

AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(RESOLUTION 5)

6. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board



LIM SECK WAH (MAICSA 0799845)

M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)
Company Secretaries

Dated this 2nd day of June 2009
Kuala Lumpur

Notice of Annual General Meeting

Notes:

1. The Agenda No. 1 is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is not put forward for voting.
2. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.
6. The Form of Proxy must be deposited at the Company's Share Registrar Office at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty- eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
7. **Explanatory note on Special Business**
 - 7.1 The proposed Ordinary Resolution 5 is primarily to give flexibility to the Board of Directors to allot and issue shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Notice of Annual General Meeting

Statement Accompanying Notice of the Seventh Annual General Meeting

(1) Venue, Date and Time of the Seventh Annual General Meeting

Venue : Dewan Berjaya,
Equestrian Club,
Bukit Kiara Resort,
Jalan Bukit Kiara,
Off Jalan Damansara,
60000 Kuala Lumpur

Time & Date : 10.30 a.m., Wednesday, 24th June 2009

(2) Director Standing for Re-election

Mr. Ng Kim Huat (Independent Non-Executive Director) is standing for re-election pursuant to Article 103 of the Company's Articles of Association. His profile is set out in the section on Directors' Profile of this Annual Report.

Ms. Wang Chih-Yen @ Vicky Wang (Non-Independent Non-Executive Director) is standing for re-election pursuant to Article 110 of the Company's Articles of Association. Her profile is set out in the section on Directors' Profile of this Annual Report.

(3) Attendance of Directors at Board Meetings

Details of attendance of Directors at Board meetings held for the financial year ended 31 December 2008 are set out in the Statement of Corporate Governance of this Annual Report.

(4) Securities holdings in the Company and its subsidiaries by the Directors standing for re-election

Please refer to page 53 for the Directors' shareholdings in the Company and its subsidiary.

Corporate Information

BOARD OF DIRECTORS

Wang Kuen-Chung @ Jeff Wang, Chairman and Managing Director

Sun Chin-Chuan @ Sharon Sun, Executive Director

Ng Kim Huat, Independent Non-Executive Director

Aaron Sim Kwee Lein, Independent Non-Executive Director

Wang Chih-Yen @ Vicky Wang, Non-Independent Non-Executive Director

COMPANY SECRETARIES

Lim Seck Wah (MAICSA 0799845)

M. Chandrasegaran a/l S. Murugasu
(MAICSA 0781031)

NOMINATION COMMITTEE

Ng Kim Huat (Chairman)

Aaron Sim Kwee Lein

Wang Chih-Yen @ Vicky Wang

AUDIT COMMITTEE

Aaron Sim Kwee Lein (Chairman)

Ng Kim Huat

Wang Chih-Yen @ Vicky Wang

REMUNERATION COMMITTEE

Ng Kim Huat (Chairman)

Aaron Sim Kwee Lein

Wang Kuen-Chung @ Jeff Wang

BUSINESS OFFICE

33-3A, Block C, Jaya One

No. 72A, Jalan Universiti

46200 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7629 8168

Fax: 03-7629 8161

PRINCIPAL BANKER

Hong Leong Bank Berhad

26, Lorong Rahim Kajai 14

Taman Tun Dr Ismail

60000 Kuala Lumpur

Tel: 03-7729 3716

Fax: 03-7728 6312

REGISTERED OFFICE

Level 15-2, Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel: 03-2692 4271

Fax : 03-2732 5388

SPONSOR

Public Investment Bank Berhad

25th Floor, Menara Public Bank

146, Jalan Ampang, 50450 Kuala Lumpur

Tel: 03-2166 9382

Fax: 03-2166 9386

AUDITORS

Tan Chin Huat & Co. (AF 1395)

Unit 232, 2nd Floor, Block A

Damansara Intan

1 Jalan SS20/27

47400 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7726 8992

Fax: 03-7728 4992

REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 26, Menara Multi-Purpose

Capital Square

No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel: 03-2721 2222

Fax: 03-2721 2530

SOLICITORS

Cheong Wai Meng & Van Buerle

No. 30, 2nd Floor, Jalan USJ 10/1

47620 Subang Jaya

Selangor Darul Ehsan

Tel: 03-5638 7621

Fax: 03-5638 2313

STOCK EXCHANGE LISTING

MESDAQ Market of

Bursa Malaysia Securities Berhad

Management Discussion



Dear valued shareholders,

On behalf of the Board of Directors ("Board"), we are pleased to present to you the financial results and business performance of Excel Force MSC Berhad ("EForce" or "Company") and its subsidiary ("Group") for the financial year ended ("FYE") 31 December 2008.

Industry Trends & Developments

In 2008, the global economy was characterised by two (2) distinct periods of which economies across the world were facing intense inflationary pressures amidst sharp increases in prices of oil, food and other commodities in the first half of the year. However, it was noted that the global economic conditions had experienced a major reversal in the second half of 2008 as the financial crisis developed into a systemic failure of the financial system. As such, the operating environment for 2008 which started off strong was later entered into

a mixed phase as robust domestic demand was moderated by weakening exports, domestic uncertainties, volatile fuel and commodity prices as well as the slowdown of the global economy. Notwithstanding that, Bank Negara Malaysia ("BNM") had embarked on initiatives to implement reliable Information and Communications Technology ("ICT") infrastructure that has the capacity to cater for future expansion while ensuring continuous operational excellence. The ICT management remained focused on providing leading-edge technology solutions to support the various business functions of an organisation especially in the banking and financial institution sectors.

According to the BNM's annual report 2008, the banking institutions and the financial markets continued to support the demand for financing economy. There is continued robust demand for financing from both households and businesses during the year of 2008. However, the demand for financing slowed down towards year-end due to the moderation in economic growth and the more cautious sentiments of the private sectors. The Kuala Lumpur Composite Index ("KLCI") fell lower following concerns about the exposure of regional banks to the sub-prime mortgage and credit markets but rebounded after the federal reserve of the United State of America ("US") cut interest rates in an attempt to revive the credit markets. Thereafter, huge losses on overseas markets finally took a toll on the local bourse, causing a steep market correction. The KLCI declined due to a mixed reaction of disappointing results, fears of recession in the US as well as rising oil prices at the beginning of the year. With domestic uncertainties emerging following the general election in March 2008, KLCI deteriorated further.

With this, EForce believes that domestic financial institutions such as securities firms, investment banks and commercial banks will be encouraged to provide complete and integrated financial solutions to their customers and achieve cost efficiency through group rationalisation. Their emphasis will be on enhancing their role in the country's financial system by adopting strategies that could promote greater income and risk diversification, synergy creation and enhanced branding.

In view of the Government's effort to curb further meltdown, Bursa Malaysia Securities Berhad ("Bursa Securities") has embarked on a series of initiatives to resolve shortcomings in the market infrastructure; one of these efforts is the introduction of Bursa Trade to attract liquidity that demands high speed, low latency access to its trading engines. The largest source of this liquidity would be high speed Direct Market Access ("DMA") users, and by extension, users of programmed or algorithmic trading services. Trading via these mechanisms is expected to increase exponentially and will account for increasing share of overall trading volume in the future.

Global economic and financial conditions, which deteriorated sharply in the fourth quarter of 2008, are not expected to improve significantly in 2009. Despite the downward revision in Malaysia's growth outlook for 2009, EForce still maintains its competitiveness as a dominant player in its field and view this as an opportunity to introduce new products and enhanced its existing solutions that will improve our customers' capacity to deliver new products and services, improve innovation capabilities and enhance the customer relationship management. To remain competitive, we constantly enhance our product and services through continuous research and development by utilising the latest technology that meets international standards. This will keep EForce's online trading systems abreast with the latest technology in order to instill demand from its existing and potential markets as well as to ensure its market presence in this frail capital market. Notwithstanding that, EForce also taps into the international front with its online trading system to capture more market share in the neighbouring emerging Asian countries.

Financial Performance and Business Review

For the FYE 31 December 2008, EForce achieved a total revenue of RM11.49 million as compared to RM11.88 million in the preceding year. This revenue registered a slight decrease of 3.28% compared to the preceding year due mainly to lower sales generated from the Applications Solutions ("AS") and the Application Services Provider ("ASP") related products resulted from lower outright purchase for the AS business segment and lower volume and transaction recorded for the ASP business segment.

For most of 2008, the global economic and financial conditions have suffered from intensified turmoil and sharp deterioration which had adversely affected the global economic growth. This had dampened the performance of our capital market and directly affected EForce, of which this was reflected on the slight decrease in the Company's outright purchase for the AS and the volume in the ASP business segment. The Company's medium term strategy to expand its business segment in the AS and ASP business model has kept the Company's decrease in revenue to a minimal level.

For the FYE 31 December 2008, EForce recorded a profit before tax ("PBT") of RM5.45 million (31.12.07 : RM5.99 million) and profit after tax ("PAT") of RM5.21 million (31.12.07 : RM5.85 million) reflecting a decrease of PBT and PAT of approximately of 9% and 11% respectively compared to the preceding year. However, we believe that the reduction in profit is just a short term condition and is inevitable due to the drastic economic downturn in the fourth quarter of 2008. Again, EForce has kept the decrease in profit to a minimal level by deploying its strategy of expanding the ASP business model in order to maintain a constant income flow to the Company to combat the global economic downturn which will affect the outright purchase more significantly.

EForce's international market had also demonstrated firm growth with rooms for expansion in terms of business opportunities with its existing clients in Vietnam and Thailand and prospective clients in Indonesia, all of which is expected to contribute to the sources of income for the Company in the future.

We are glad that the Company has always adopted a streamlined employee structure and we are well placed to face the challenges of this adverse economic condition. In addition, the management had also strengthened its operational and cost control management to safeguard the shareholders' interests.

Research and Development

Research and Development ("R&D") activities are a continuous endeavor of EForce. We firmly believe in innovation as a key driver for future growth and as such regard R&D as a vital investment for the Group to remain competitive in the market. We have the necessary resources in place to realise further growth opportunities for the Company through continuous R&D activities. It is particularly important for us to develop new and innovative products that can strengthen our core businesses and at the same time continuously optimise our product portfolio and our application development processes to achieve our goals.

Our research activities are closely aligned to the requirements of our markets, with great emphasis on customer needs and technological advances. With innovation projects in particular, our own R&D activities are supplemented by our international network of collaboration with hardware providers, network providers and financial institutions. Through the existence of this pool of expertise, we aim to rapidly translate new ideas into successful products. In the FYE 31 December 2008, we invested a total of RM1,648,434 in R&D as compared to RM1,453,075 in the previous year.

With the introduction of Bursa Trade as mentioned earlier, our existing customers as well as prospective customers will have the option to enhance their current trading solution with our product namely, CyberStock® BTX based on their business and trading requirements. It represents a new generation of solution developed by EForce to meet the demands of our customers that enable their dealers and remisiers with greater mobility by performing trading transactions outside their typical trading environment to improve sales, trading and retain efficiency and productivity.

One of the important milestones from Bursa Trade is the introduction of DMA. Henceforth, EForce has justified its R&D expenditure with the introduction of CyberStock® 3G to remain compatible with the international standards and to cater to the needs of individual professional traders in addition to financial institutions such as securities and investment firms. The proposed new solution will facilitate the trading of multiple financial instruments over multiple exchanges under one common platform. We are confident with these innovative products, as these products will manifest greater interest and higher demands from its existing and target markets which will generate new revenue streams for EForce.

Management Discussion

In order to promote synergy between trading and Back-Office operations, EForce is also pursuing ongoing improvement on its Back-Office solution namely CyberBoss. It is an essential product of EForce that is designed to address a wide spectrum of back-office operations with features and functions that will support our customers' operations starting from the point of dealing, capturing to trade management such as retail trading, margin trading, secured trading, cash up-front trading and intra-day trading; trade settlement; cash management; securities management; nominee services; remisier management along with compliance and reporting activities.

EForce will continuously pursue ongoing improvement for the development of enhanced application solutions that allows equity and derivatives trading in foreign bourses and system functionalities with extra features to meet the expectation of the market. As such, EForce had invested in sophisticated technologies to further improve its existing trading solution in terms of market accessibility as well as trading efficiencies.

Future prospects for EForce

Bursa Securities' introduction of DMA signifies the revolution of the Malaysian capital markets. The introduction of DMA into the Malaysian capital markets allows for competency and demands that the standards of the trading system be internationally competent. This opens up new business opportunities for the Company to penetrate into by introducing these new products. The accolade of being successfully awarded by Bursa Securities as one of their "Approved Vendors" for DMA has lifted the Company a step further and provides the Company with solid grounds to explore and expand its online trading system amongst other international players.

The Company has been aggressively tapping the international market in the online trading system with one of its partners in the stockbroking industry in Vietnam. With the DMA "Approved Vendor" status, EForce is not only at an advantage in branding but definitely has the necessary experience in delivering a scalable solution implemented over a platform that caters for future growth and expansion for creative products and services. This will be the Company's assets in securing more stockbroking based customer in the international front.

Domestically, the Company's strong relationship and goodwill with its customers coupled with a workforce of competent professionals, provides a strong foundation for the Company to weather through this turbulent economic climate. With that in place, the Company is steadily moving in its direction although not without challenges pursuing its claim to be the country's first ICT vendor in its field offering a complete range of products as a one stop solution provider to its customer in the local region.

The global economy is experiencing one of its most significant financial crisis in decades. In the midst of this, the Company embraces the crisis with resilient and envisions the inevitable need for the restructuring of the financial markets in order to brace through these difficult times. The market will call for a highly sophisticated product that will meet the high requirements of the end-users. In other words, during this demanding period, EForce sees it as a challenge rather than a threat; with its strong base of sustainable income and its stringent control over careful business expansion, it is undoubtedly a good time for EForce with its vision to concentrate on the development of its next generation of products and prepares it for introduction into the market when the financial markets are resuscitated.

Being part of the product development plans of the Company, the CyberStock® 3G and the new generation of back office system will be a vital development of the Company to meet the increasing demand of enhanced trading functions that caters for retail and institutional investors in years to come.

Appreciation

On behalf of the Board, we would like to acknowledge the management team for their vision, our dedicated employees at EForce for their commitment, expertise contribution and revolving efforts in driving the Company to success and beyond.

In addition, we would also like to take this opportunity to extend our gratitude to our shareholders for entrusting their confidence in us, our business partners for their invaluable support, their professionalism, trust, and our gratitude towards our clients for their invaluable support. We believe that the goodwill built over the years between us upon strong trust and confidence will take us far, weathering challenges amidst the most challenging global market.

The Management
Excel Force MSC Berhad
30 April 2009

Directors' Profile

Wang Kuen-Chung @ Jeff Wang, a Taiwanese national, aged fifty-two (52), is the founder, Chairman and Managing Director of EForce. Jeff Wang graduated from Dan Jiang University, Taiwan, with a Bachelor of Commerce Degree majoring in International Trade. In 1980, he started his career as a Marketing Engineer in a manufacturing firm in Taiwan. In 1984, he joined Acer Computer Group of Taiwan and managed the distributorship of computer products of AT & T. In 1987, he invested and co-founded a software business that developed and marketed manufacturing resource planning solutions. In 1989, he became a Director cum Personal Assistant to the Chairman of Telework Corporation. He was responsible for the management of the overseas operations of Telework Corporation in China, Hong Kong, Malaysia and Thailand. In 1994, he and his wife, Sharon Sun founded Excel Force Sdn Bhd, a company incorporated in Malaysia to venture into the development and marketing of stock market information systems and application software. In December 2004, Jeff Wang restructured the business and assets of Excel Force Sdn Bhd into Excel Force MSC Bhd and successfully listed the latter on the MESDAQ Market of Bursa Securities. Presently, Jeff Wang is responsible for the overall planning and management of the business and operations of the Company. He is a member of the Remuneration Committee.

Sun Chin-Chuan @ Sharon Sun, a Taiwanese national, aged fifty-two (52), and spouse of Jeff Wang, is the co-founder and Executive Director of EForce. Sharon Sun graduated with a degree in Sociology from the University of Tung Hai, Taiwan. In 1986, she started her career as a General Department Manager with a civil engineering firm in Taiwan where she was responsible for project management. In 1992, she worked as Accounts Manager and rose to the position of Marketing Director in a production house in Taiwan. She was responsible for the management of the production requirements of her clientele. In 1994, she joined Jeff Wang to start up Excel Force Sdn Bhd. Presently, Sharon Sun is responsible for the management of the corporate affairs and administration of EForce. She also plays a key role in the business development activities.

Ng Kim Huat, a Malaysian, aged fifty-one (51), was appointed as an Independent Non-Executive Director of EForce on 1 September 2004. He has twenty-five (25) years of working experience in the IT industry. He obtained a Bachelor of Science (Honours) degree majoring in Computer Science from University Science Malaysia and subsequently obtained a Master of Business Administration degree from University of Bath (UK). He started his career in information technology sector in 1983 and has assumed various positions in banking, stock-broking and the insurance industry. He was involved in many application system development, maintenance and support projects, which include the retail banking system, corporate banking system, shared ATM network under the Malaysia Electronic Payment System (MEPS), Credit Card Administration System, Stock Broking Back Office System, Share Margin Financing System, Online Stock Trading System, General Insurance and Life Insurance Systems. He is currently attached to a large insurance group in Malaysia as an Executive Vice President in charge of information technology systems. He has no family relationship with any Directors or major shareholders of the Company. Presently, he is the Chairman of the Remuneration Committee, Nomination Committee and a member of the Audit Committee.

Aaron Sim Kwee Lein, a Malaysian, aged forty-three (43), was appointed as an Independent Non-Executive Director of EForce on 22 November 2006. He is a Fellow Member of the Chartered Association of Certified Accountants (ACCA), a member of CPA Australia, a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia. He started his career with an international accounting firm and had gained professional exposure over the years in stock-broking, trading, manufacturing and construction companies. Thereafter, he joined a listed company on the Main Board of Bursa Securities, as an Internal Auditor where he was engaged in the audit of stock-broking, manufacturing, retail and distribution companies. In addition, he was also involved in due diligence, operational rationalisation and strategic planning for corporate acquisition exercises. Before he became the Deputy General Manager of Corporate Strategies of a glove manufacturing company, he was the Finance & Administrative manager in a food retail franchise chain company. He is currently the principal consultant of Omni Biz Consulting, a company involved in offering business and financial advisory services. He is also an Independent Non-Executive Director of Freight Management Holdings Bhd. Presently, he is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. He has no family relationship with any Directors or major shareholders of the Company.

Directors' Profile

Wang Chih-Yen @ Vicky Wang, a Taiwanese national, aged twenty-eight (28), daughter of Jeff Wang and Sharon Sun, was appointed as a Non-Independent Non-Executive Director of EForce on 1 January 2009. She obtained a BEs (Hons) in Environmental Studies from York University, Canada and subsequently obtained a MSc in Environment and Development from London School of Economics, UK. She commenced her career with Taiwan Environmental Protection Administration (TEPA), involved in all aspects of the research on various environmental issues related to environmental impacts of globalization. Presently, she is the Associate Researcher with Industrial Technology Research Institute (ITRI), working for the Bureau of Energy, Ministry of Economic Affairs Taiwan, conducting research on energy policy and technology promotion. She is a member of Audit Committee and Nomination Committee.

Conflict of Interest

None of the Directors have any conflict of interest with the Company.

Convictions for Offences

None of the Directors have been convicted for any offence (other than ordinary traffic offences, if any) within the past ten (10) years.

Statement of Corporate Governance

The Malaysian Code on Corporate Governance ("Code") sets out the principles and best practices that companies may apply in the direction and management of their business and affairs towards the ultimate objective of maximising shareholders' value. The Board is pleased to report that the Group is in compliance with the principles and the codes of best practice as set out in Part 1 and Part 2 of the Code in directing and managing businesses and affairs of the Group to safeguard and enhance shareholders' value and performance of the Group.

A. THE BOARD OF DIRECTORS

(i) The Board

The Board has overall responsibility for the strategic direction and control of the Group. The Board comprises of Executive and Non-Executive Directors from various fields to bring together a balance of skills, experience and expertise appropriate to the business.

The Board's function, amongst others, is to guide the Company on its short and long term goals, providing advice, stewardship and directions on management and business development of the Company.

(ii) Board Balance and Independence

The Company is led by an experienced Board, which is made-up of five (5) members; comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. In line with the Listing Requirements of Bursa Securities for the MESDAQ Market ("MMLR"), one third of the Board consists of Independent Non-Executive Directors, thereby bringing objective and independence judgment to facilitate a balanced leadership in the Group as well as safeguard the interest of the stakeholders in ensuring that the highest standard of conduct and integrity are maintained.

The Independent Non-Executive Directors are persons of caliber and credibility with the ability to exercise independent judgment in the Board without fear or favour. Their role is to ensure that any decision of the Board of is deliberated fully and objectively with regards to the long term interest of all stakeholders.

(iii) Board Meeting and Supply of Information

The Board meets on a scheduled basis, at least four (4) times a year to oversee and monitor the development of the Group. Additional meetings will be convened as and when needed. The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give Directors sufficient time to deliberate on the issues to be raised at the Board meetings.

Upon recommendation by the management/committee members, the Board will deliberate and discuss on all matters before any decision will be made. All proceedings of the Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company's activities and its operations on a regular basis. The Directors also have access to all reports on the Company's activities, both financial and operational.

The summary of attendance at the Board meetings held for the FYE 31 December 2008 is as follows:

	<u>Designation</u>	<u>Number of meetings attended</u>
Wang Kuen-Chung @ Jeff Wang	Chairman & Managing Director	4 / 4
Sun Chin-Chuan @ Sharon Sun	Executive Director	4 / 4
Ng Kim Huat	Independent Non-Executive Director	4 / 4
Aaron Sim Kwee Lein	Independent Non-Executive Director	4 / 4
Wang Chih-Yen @ Vicky Wang (Appointed on 01.01.2009)	Non-Independent Non Executive Director	N/A

Statement of Corporate Governance

(iv) Appointments to the Board and Re-election

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise and experience required for an effective Board.

In accordance with the Company's Articles of Association, an election of Directors shall take place each year during the annual general meeting. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election. At the forthcoming Annual General Meeting, Mr. Ng Kim Huat and Ms. Wang Chih-Yen @ Vicky Wang are standing for re-election pursuant to Articles 103 and 110 of the Company's Articles of Association, respectively. Their profiles are set out in the section on Directors' Profile of this Annual Report.

(v) Directors' Training and Continuing Education Programme

All the Directors of the Company are encouraged to attend training programme to supplement their knowledge in the latest developments relevant to the Company, especially in the areas of corporate governance and regulatory development, to enable them to discharge their responsibilities more effectively.

The summary of training attended by the Directors for the FYE 31 December 2008 are as follows:

	<u>Date</u>	<u>Programme</u>
Wang Kuen-Chung @ Jeff Wang	14 November 2008	Directorship: Independent vs Executive
Sun Chin-Chuan @ Sharon Sun	14 November 2008	Directorship: Independent vs Executive
Ng Kim Huat	12 November 2008	Understanding Financial Reporting for Directors and Senior Management
Aaron Sim Kwee Lein	6 March 2008	Equity Valuation Models
	26 June 2008	Financial Evaluation of Investment Projects & Structuring Joint Venture
	15 December 2008	Analysing Financial Data with Microsoft Excel

The newly appointed Director will attend the Mandatory Accreditation Programme in due course.

(vi) Directors' Remuneration

The Remuneration Committee reviews and recommends to the Board the remuneration of the Executive Directors. For the year under review, the aggregate remuneration of Directors paid is categorised into the following table:

	<u>Fees (RM)</u>	<u>Salary and Bonus (RM)</u>	<u>Other Emoluments (RM)</u>	<u>Total (RM)</u>
Executive Directors	120,000	366,800	-	486,800
Non-executive Directors	48,000	-	-	48,000
Total	168,000	366,800	-	534,800

<u>Range of Remuneration</u>	<u>No. of Directors</u>	
	<u>Executive</u>	<u>Non-Executive</u>
RM0 - RM49,999	-	2
RM50,000 - RM99,999	-	-
RM100,000 - RM149,999	-	-
RM150,000 - RM199,999	-	-
RM200,000 - RM249,999	1	-
RM250,000 - RM299,999	1	-

Statement of Corporate Governance

B. BOARD COMMITTEES

The Board has established the following committees:-

(i) The Audit Committee

Term and reference as well as further information on the Audit Committee are set out in the Audit Committee Report of this Annual Report.

(ii) The Nomination Committee

The Company has established the Nomination Committee on 27 February 2007, consisting of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Nomination Committee, which has been appointed by the Board, is primarily empowered by its terms of reference in carrying out the functions amongst others, to review annually the required mix of skills, experience and other qualities of the Directors and to recommend new appointments, if any, to the Board.

The Nomination Committee is also set for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors and Managing Director.

(iii) The Remuneration Committee

The Company has established the Remuneration Committee on 27 February 2007, consisting of two (2) Independent Non-Executive Directors and the Managing Director.

The Remuneration Committee's primary responsibility is to recommend to the Board, the remuneration of Directors. The Board, as a whole, determines the remuneration of the Directors and the individual Director is required to abstain from discussing his own remuneration. The Remuneration Committee meets as and when necessary.

In the case of Executive Directors, the remuneration scheme is structured based on corporate and individual performance. On the other hand, Non-Executive Directors are remunerated based on their experiences and the level of responsibilities undertaken by the respective Non-Executive Director concerned.

(iv) The Employee Share Option Scheme ("ESOS") Committee

The Board resolved to establish a committee to be known as the ESOS Committee on 14 December 2004. The allocation of options in relation to the ESOS was reviewed by the Audit Committee to ensure compliance with the allocation criteria determined by the ESOS Committee. Pursuant to Rule 8.24 of the MMLR, the Audit Committee hereby confirms that the criteria for allocation of options in relation to the ESOS have been verified and that the allocation of the options in relation to the ESOS was in compliance with the criteria determined by the ESOS Committee and in accordance with the By-Laws of the ESOS.

C. SHAREHOLDERS

(i) Dialogue between Companies and Investors

The Company recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Company complies strictly with the disclosure requirements of Bursa Securities for the MESDAQ Market and the Malaysian Accounting Standards Board.

(ii) The Annual General Meeting

All shareholders are encouraged to attend the Annual General Meeting, where the shareholders can participate and ask questions regarding the business operations and financial performance and position of the Company.

Statement of Corporate Governance

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board endeavours to present a set of balanced financial statements that provides a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year. Before presenting the financial statements, the Directors have taken necessary steps to ensure that the Company and the Group applies accounting policies consistently, and that the policies are supported by reasonable and prudent judgment and estimates.

Directors' Responsibilities in Financial Reporting

The Board is required under Paragraph 15.26(a) of Bursa Securities's Listing Requirements to issue a statement explaining their responsibilities in the preparation of the annual financial statements.

The Board is required by the Companies Act, 1965 to prepare financial statements which reflect a true and fair view of the state of affairs in the Company and the Group and the financial results of the Company and the Group for each financial year.

In preparing the financial statements, the Board is required to:

- Adopt suitable accounting policies consistently;
- Make judgments and estimates that are prudent and reasonable;
- Comply with applicable accounting standards;
- Prepare financial statements on a going concern basis unless otherwise stated; and
- Ensure proper keeping of accounting records with reasonable accuracy.

The Board is responsible for ensuring that proper accounting records are kept which discloses, with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Board is satisfied that in preparing the financial statements of the Company and the Group for the FYE 31 December 2008, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements have prepared in accordance with all relevant approved accounting standards and have been prepared on a going concern basis.

(ii) Internal Control

The Board is responsible for the establishment and continuous development of key policies and procedures pertaining to the system of internal control, which provides reasonable assurance of an effective and efficient operation, management of risks, safeguarding of assets, generation and retention of accurate financial records and compliance with laws and regulations.

The Board and Audit Committee work closely with internal and external auditors to review and improve the system of internal controls from time to time with the objective to safeguard the assets of the Company and the Group and to ensure proper accountability at all levels of operations. Details of the Internal Control system are stated in the Statement of Internal Control in the Annual Report.

(iii) Relationship with Auditors

The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements. The auditors have continued to highlight to the Audit Committee and the Board matters that require the Board's attention.

Statement of Corporate Governance

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

There was no material contracts entered into by the Company or its subsidiary which involved the Directors' and substantial shareholders' interests in the FYE 31 December 2008.

Non-Audit Fees

There was no non-audit fees paid to the external auditors by the Company for the FYE 31 December 2008.

Revaluation Policy on Landed Property

The Company does not have a revaluation policy in respect of its landed properties.

Recurrent Related Party Transactions ("RRPT") of Revenue Nature

There were no RRPT in the Company during the financial year under review.

Share Buyback

There were no share buyback, share cancellation, shares held as treasury shares and resale of treasury shares during the financial year under review.

Options, Warrants and Convertible Securities

There were no issuance and repayment of debt, options, warrants or convertible securities for the financial year under review except for the following:

As at 31 December 2008, the issued and paid-up share capital of the Company increased from RM12,097,500 to RM12,111,850 through the issuance of 143,500 new ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS details of which are illustrated below:

Date of Allotment	ESOS options granted on 1 July 2005 which have been exercised	Total
11 March 2008	143,500	143,500

Corporate Social Responsibility (CSR)

The Group views CSR as a continuing commitment for businesses to act ethically and contribute to economic and social development while improving the quality of workforce, stakeholders' value and the local community at large.

The Group supports HOPE Worldwide Kuala Lumpur by donation. HOPE Worldwide is an international non-profit, non-religious organisation focuses on Health, Children, Education and Volunteerism Program to improve lifestyle of needy families. The Group continues its charitable donation practice towards the charity activities of Selangor and Federal Territory Association for Retarded Children (S.A.R.C.). The S.A.R.C. is a non-profit voluntary organisation providing education, training and care for mentally handicapped children and young adults to assist them in realising their full potential. We also contribute to St. Nicholas' Home for their campaign on "make life better" for the blind and visually impaired persons and their families.

Other Information

During the FYE 31 December 2008, the Company:-

- has not undertaken sponsorship of any American Depository or Global Depository Receipt programmes;
- has not been involved in any sanctions and/or penalties imposed on the Company, Directors or management staff by the relevant regulatory bodies;
- has not issued or announced any profit estimate, forecast or projection;
- has not issued any profit guarantees; or
- has not raised any proceeds from any corporate proposals.

Audit Committee Report

The principal objective of the Audit Committee is to assist the Board to discharge its statutory duties and responsibilities in relation to financial, accounting and reporting responsibilities and to ensure proper disclosure to the shareholders of the Company.

The Board is pleased to present the Audit Committee Report for the FYE 31 December 2008.

Composition and Meetings

The members of the Audit Committee and details of their attendance of the meetings during the FYE 31 December 2008 are as follows:

<u>Name</u>	<u>Designation/ Directorship</u>	<u>Number of meetings attended</u>
Aaron Sim Kwee Lein	Chairman of Committee/ Independent Non-Executive Director	4/4
Ng Kim Huat	Member of Committee/ Independent Non-Executive Director	4/ 4
Sun Chin-Chuan @ Sharon Sun (Resigned on 01.01.2009)	Member of Committee/ Executive Director	4 / 4
Wang Chih-Yen @ Vicky Wang (Appointed on 01.01.2009)	Member of Committee/ Non-Independent Non-Executive Director	N/A

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Board from among its members shall appoint the Audit Committee that fulfils the following requirements:-

- a) The Audit Committee must be composed of no fewer than three (3) members.
- b) All the Audit Committee members must be Non-Executive Directors, of which a majority of them must be Independent Directors.
- c) All members of the Audit Committee should be able to read, analyse and interpret financial statements. At least one (1) of them :-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- d) The members of the Audit Committee shall elect a Chairman among their number who shall be an Independent Director.
- e) No alternate Director is appointed as a member of the Audit Committee.
- f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of that event, appoint such number of new member as may be required to make up the minimum number of three (3) members.

Audit Committee Report

- g) The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and each of its members have carried out their duties in accordance with their terms of reference. However, the appointment terminates when a member ceases to be a Director.

The Company had complied with Rule 15.09(1)(b) of the MMLR that the Audit Committee comprises exclusively of Non-Executives Directors.

Notice of Meeting and Attendance

The Audit Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

The agenda for Audit Committee meetings shall be circulated before each meeting to members of the Committee. The Audit Committee may require the external auditors and any official of the Company to attend any of its meetings as determined. The external auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.

The Company Secretary shall be the secretary of the Committee. The Company Secretary shall attend all the Audit Committee meetings. Minutes of each meeting are to be prepared and sent to the Audit Committee members inclusive of the Company's Directors who are not members of the Audit Committee.

Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Company in performing its duties;
- c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
- e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Duties and Responsibilities

The Audit Committee has the following duties and responsibilities, namely:-

- a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- b) To review the audit plan and audit report with the external auditors;
- c) To review with the external auditor, his evaluation of the system of internal controls;
- d) To review the assistance given by the Company to the external auditor;
- e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- f) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

Audit Committee Report

- g) To review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
- h) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- i) To review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- j) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year.

Summary of Audit Committee Activities

During the financial year, the Audit Committee has carried out its duties as set out in the terms of reference detailed below:

- a) Reviewed the scope of work of the external auditors and audit plans for the year;
- b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- c) Reviewed the internal auditors' scope of work;
- d) Checked with the internal auditors on any findings which require the committee's attention;
- e) Reviewed the internal control policy and internal control system; and
- f) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- g) Reviewed the annual financial statements before recommending for approval by the Board.

INTERNAL AUDIT FUNCTIONS

The Company has outsourced its internal audit division to an independent professional consulting firm to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively.

The internal audits cover the review of the adequacy of risk management, operational controls, and compliance with established procedures, guidelines and statutory requirements.

The fee (inclusive of service tax) paid to a professional firm in respect of the internal audit function for the FYE 31 December 2008 was RM21,162.

Statement on Internal Control

The revised Malaysian Code on Corporate Governance requires listed companies to maintain a sound internal control system to safeguard shareholders' investments and the Company's assets. With reference to the latest amendments to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market ("MMLR") on 28 January 2008, the Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Company.

Board Responsibility

The Board affirms its overall responsibility for the Company's systems of internal controls, risk management and for reviewing the adequacy and integrity of these systems. The systems of internal controls can only provide reasonable and not absolute assurance against material misstatement or loss as it is designated to manage rather than eliminate the risk of failure to achieve the Company's business objectives.

Risk Management

Risk management is an integral part of the Company business operations and it is subjected to periodic review by the Board. The Company adopted a structured risk management framework with discussions involving different levels of managements to identify and address risks faced by the Company.

During the financial year under review, the Board and the management have put in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives in their daily activities throughout the financial year up to the date of the approval of the Annual Report.

The key elements of the Company's internal control system include:-

1. Organisation structure with clearly defined lines of responsibility, authority and accountability;
2. Policies and procedures for key business processes are formalised and documented for implementation and continuous improvements;
3. Regular Board and management meetings are held where information is provided to the Board and management covering financial performances and operations;
4. Regular training and development programme are being attended by employees with the objective of enhancing their knowledge and competency; and
5. Management accounts and reports are prepared regularly for monitoring of actual performance.

Internal Audit Functions

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to an independent professional consulting firm as part of its efforts to provide adequate and effective internal control systems. The performance of internal audit function is carried out as per the annual audit plan approved by the Audit Committee. The internal audit function adopts a risk-based approach in addition to an independent and objective reporting on the state of Company's internal control system.

The Board continues to take measures to strengthen the control environment. In the financial year under review, there were no material losses, incurred as a result of weakness in the internal control that would require disclosure in this Annual Report. The Board will continue to improve and enhance the existing system of internal control to ensure its adequacy and relevance in safeguarding the shareholders' interests and the Group's assets.

This statement is made in accordance with the resolution given by the Board dated 24 February 2009.

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are in the development, provision and maintenance of computer software application solutions for the financial services industry. During the financial year, the Company acquired 60% equity interest in Insage (MSC) Sdn. Bhd. (formerly known as Machigan Capital Sdn. Bhd.), a company incorporated in Malaysia. The principal activity of the subsidiary is as disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these principal activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:-

	Group RM	Company RM
Net profit for the financial year	<u>5,210,956</u>	<u>5,230,507</u>
Attributable to:		
Equity holders of the Company	5,215,167	5,230,507
Minority interests	<u>(4,211)</u>	<u>-</u>
	<u>5,210,956</u>	<u>5,230,507</u>

DIVIDENDS

A first interim dividend of 1.5 sen per ordinary share, tax exempt, amounting to RM1,816,778, which was proposed and declared in respect of the financial year ended 31st December 2008 was paid by the Company during the financial year.

A second interim dividend of 1.0 sen per ordinary share, tax exempt, amounting to RM1,211,185 has been proposed and declared in respect of the financial year ended 31st December 2008 for payment to shareholders registered in the Register of Members on 31st December 2008. The second interim dividend was paid on 15th January 2009.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

Pursuant to the authority given by the shareholders of the Company at the Annual General Meeting held on 24th June 2008, the issued and paid-up share capital of the Company was increased from RM12,097,500 to RM12,111,850 through the issuance of 143,500 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employees' Share Option Scheme (ESOS) at an exercise price of RM0.23 per ordinary share. The resultant share premium arising from the shares issued during the year of RM18,655 has been credited to the share premium account. These new shares rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

The shareholders of the Company, via a Members' Circular Resolution dated 17th November 2004, approved the Excel Force MSC Berhad ESOS for the benefit of eligible directors and eligible employees of the Company.

The salient features of the ESOS are as follows:

- a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate thirty per cent (30%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- b) eligible persons are employees and directors that have attained the age of eighteen (18) years on the date of offer and either
 - (i) are classified as "employees" based on the terms of employment letter issued by the Company; or
 - (ii) in the case of directors, the name appears in the Register of Directors on or before the date of offer;
- c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the directors and senior management. In addition, the allocation to an eligible employee/director who, either singly or collectively through persons connected with the eligible employee/director, holds twenty per cent (20%) or more of the issued and paid-up share capital of the Company must not exceed ten per cent (10%) of the total number of shares available under the scheme;
- d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and
- e) the duration of the scheme shall be five (5) years from the commencement of the scheme.

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

The movement in the share options during the financial year are as follows:

Option Price RM	← Date of Offer	Number of options over ordinary shares of RM0.10 each				→ As of 31.12.2008
		As of 01.01.2008	Granted	Exercised	Lapsed	
0.29	20.12.2004	1,531,500	-	-	(78,000)	1,453,500
0.23	01.07.2005	13,126,500	-	(143,500)	(819,000)	12,164,000
0.36	05.12.2007	1,690,000	-	-	(390,000)	1,300,000

DIRECTORS

The directors who served since the date of the last report are:

Wang Kuen-Chung @ Jeff Wang
 Sun Chin-Chuan @ Sharon Sun
 Ng Kim Huat
 Aaron Sim Kwee Lein
 Wang Chih-Yen @ Vicky Wang (appointed on 01.01.2009)

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for options granted to certain directors pursuant to the Company's ESOS as disclosed below.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965, are as follows:

Shares in the Company	← Number of ordinary shares of RM0.10 each →			Balance as of 31.12.2008
	Balance as of 01.01.2008	Bought	Sold	
Registered in the name of directors				
Wang Kuen-Chung @ Jeff Wang	7,161,000	-	-	7,161,000
Sun Chin-Chuan @ Sharon Sun	7,125,000	-	-	7,125,000
Ng Kim Huat	225,000	-	-	225,000
Deemed Interest				
Wang Kuen-Chung @ Jeff Wang	53,625,000	-	-	53,625,000
Sun Chin-Chuan @ Sharon Sun	53,661,000	-	-	53,661,000

In addition to the above, the directors are also deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS as follows:-

Shares options in the Company	← Number of options over ordinary shares of RM0.10 each →			Balance as of 31.12.2008
	Balance as of 01.01.2008	Granted	Exercised/ Lapsed	
Registered in the name of directors				
Wang Kuen-Chung @ Jeff Wang	3,285,000	-	-	3,285,000
Sun Chin-Chuan @ Sharon Sun	3,285,000	-	-	3,285,000
Ng Kim Huat	699,000	-	-	699,000
Aaron Sim Kwee Lein	250,000	-	-	250,000

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and

- (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the financial statements of the Group and of the Company have been written down to an amount which they might be expected to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributable to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION

- a) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (b) In the opinion of the directors,
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Messrs Tan Chin Huat & Co, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,



WANG KUEN-CHUNG @ JEFF WANG
Director



SUN CHIN-CHUAN @ SHARON SUN
Director

Petaling Jaya
Date : 03 March 2009

Statement By Directors

We, Wang Kuen-Chung @ Jeff Wang and Sun Chin-Chuan @ Sharon Sun, being two of the directors of EXCEL FORCE MSC BERHAD, do hereby state that, in the opinion of the directors, the accompanying balance sheets and statements of income, cash flows and changes in equity, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31st December 2008 and of the results and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors,



WANG KUEN-CHUNG @ JEFF WANG
Director



SUN CHIN-CHUAN @ SHARON SUN
Director

Petaling Jaya
Date : 03 March 2009

STATUTORY DECLARATION

I, Gan Fei Chen, being the Officer primarily responsible for the financial management of EXCEL FORCE MSC BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, together with the notes thereto, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.



GAN FEI CHEN

Subscribed and solemnly declared by the
abovenamed GAN FEI CHEN
at Petaling Jaya, on 03 March 2009

Before me,



No. 76A (Tkt Sa...)
Jalan SS 2/60
47300 Petaling Jaya
Selangor Darul Ehsan
Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCEL FORCE MSC BERHAD (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Excel Force MSC Berhad, which comprise the balance sheets as of 31st December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 51.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December 2008 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary have been properly kept in accordance with the provisions of the said Act.
- b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.
- c) Our auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



TAN CHIN HUAT & CO.
Firm No. AF 1395
Chartered Accountants



TAN CHIN HUAT
Approval No. 2037/06/10(J)
Proprietor

Date : 03 March 2009
Petaling Jaya

Income Statements FOR THE YEAR ENDED 31ST DECEMBER 2008

		GROUP	COMPANY	
	Note	2008	2008	2007
		RM	RM	RM
Revenue		11,485,295	11,485,295	11,883,446
Other operating income		375,067	374,917	290,143
Changes in inventories		53,665	53,665	(310,431)
Purchases and other direct costs		(1,375,460)	(1,375,460)	(1,742,108)
Staff costs		(1,288,703)	(1,288,703)	(870,025)
Directors' remuneration	6	(534,800)	(534,800)	(459,520)
Depreciation of property, plant and equipment	9	(539,495)	(538,145)	(517,652)
Amortisation of prepaid lease payments	10	(3,254)	(3,254)	(2,383)
Amortisation of development costs	11	(996,446)	(996,446)	(749,808)
Amortisation of intangible assets	12	(101,000)	(101,000)	(101,000)
Other operating expenses		(1,629,859)	(1,611,508)	(1,428,977)
Profit before tax		<u>5,445,010</u>	<u>5,464,561</u>	<u>5,991,685</u>
Profit before tax is stated after charging/(crediting):-				
Allowance for doubtful debts		141,176	141,176	233,165
Amortisation of development costs		996,446	996,446	749,808
Amortisation of intangible assets		101,000	101,000	101,000
Amortisation of prepaid lease payments		3,254	3,254	2,383
Auditor's remuneration:				
- statutory audit		9,000	8,500	8,500
- other services		-	-	5,000
Depreciation of property, plant and equipment		539,495	538,145	517,652
Development costs written off		-	-	9,445
Directors' remuneration				
- fees		168,000	168,000	148,000
- other emoluments		366,800	366,800	311,520
Loss on foreign exchange		-	-	77,626
Property, plant and equipment written off		16,658	16,658	-
Rental of premises		101,581	93,931	59,205
Interest income from short term deposits		(305,395)	(305,245)	(210,519)
Gain on foreign exchange		(63,053)	(63,053)	-
Gain on Disposal property, plant and equipment		<u>(52)</u>	<u>(52)</u>	<u>(75,593)</u>
Income tax expense	7	(234,054)	(234,054)	(145,898)
Net profit for the financial year		<u>5,210,956</u>	<u>5,230,507</u>	<u>5,845,787</u>
Attributable to:				
Equity holders of the Company		5,215,167		
Minority Interests		<u>(4,211)</u>		
		<u>5,210,956</u>		
Earnings per ordinary share				
Basic (sen)	8	<u>4.31</u>		
Diluted (sen)	8	<u>4.26</u>		

The above income statements are to be read in conjunction with the accompanying notes to the financial statements.

Balance Sheets AS OF 31ST DECEMBER 2008

		GROUP 2008 RM	2008 RM	COMPANY 2007 RM
ASSETS				
Non-current assets				
Property, plant and equipment	9	3,833,291	3,824,126	3,465,051
Prepaid lease payments	10	317,312	317,312	304,419
Development costs	11	4,442,626	4,229,314	3,790,638
Intangible assets	12	454,500	454,500	555,500
Investment in subsidiary	13	-	120,000	-
Current assets				
Inventories	14	63,188	63,188	9,523
Trade receivables	15	3,789,909	3,790,168	2,573,862
Other receivables and prepaid expenses	15	555,715	551,127	590,570
Amount owing by subsidiary	13	-	200,000	-
Deposits with financial institutions	16	9,697,364	9,697,364	8,227,523
Cash and bank balances		2,827,929	2,671,435	2,016,322
		<u>16,934,105</u>	<u>16,973,282</u>	<u>13,417,800</u>
Total assets		<u>25,981,834</u>	<u>25,918,534</u>	<u>21,533,408</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	17	12,111,850	12,111,850	12,097,500
Reserves	18	10,979,803	10,995,143	8,773,944
Equity attributable to equity holders of the Company		<u>23,091,653</u>	<u>23,106,993</u>	<u>20,871,444</u>
Minority interests		69,774	-	-
Total equity		<u>23,161,427</u>	<u>23,106,993</u>	<u>20,871,444</u>
Current liabilities				
Trade Payables	19	248,517	248,517	-
Other payables and accrued expenses	19	2,554,140	2,545,274	657,504
Tax liabilities		17,750	17,750	4,460
Total current liabilities		<u>2,820,407</u>	<u>2,811,541</u>	<u>661,964</u>
Total equity and liabilities		<u>25,981,834</u>	<u>25,918,534</u>	<u>21,533,408</u>

The above balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

Statements Of Changes In Equity FOR THE YEAR ENDED 31ST DECEMBER 2008

COMPANY	Note	Issued capital RM	Distributable reserve- Unappropriated profit RM	Non distributable reserve Share premium RM	Share option reserve RM	Total RM
Balance as of 1st January 2007		8,000,000	1,807,511	4,904,145	-	14,711,656
Issuance of shares during the financial year:						
- Bonus issue		4,000,000	-	(4,000,000)	-	-
- ESOS		97,500	-	134,580	-	232,080
Net profit for the financial year		-	5,845,787	-	-	5,845,787
Share options granted under ESOS		-	-	-	81,921	81,921
Balance as of 31st December 2007		12,097,500	7,653,298	1,038,725	81,921	20,871,444
Issuance of shares pursuant to ESOS		14,350	-	18,655	-	33,005
Share options lapsed		-	18,905	-	(18,905)	-
Net profit for the financial year		-	5,230,507	-	-	5,230,507
Dividends	20	-	(3,027,963)	-	-	(3,027,963)
Balance as of 31st December 2008		12,111,850	9,874,747	1,057,380	63,016	23,106,993

The above statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

Cash Flow Statements

FOR THE YEAR ENDED 31ST DECEMBER 2008

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	5,445,010	5,464,561	5,991,685
Adjustments for:			
Allowance for doubtful debts	141,176	141,176	233,165
Amortisation of development costs	996,446	996,446	749,808
Amortisation of intangible assets	101,000	101,000	101,000
Amortisation of prepaid lease payments	3,254	3,254	2,383
Depreciation of property, plant and equipment	539,495	538,145	517,652
Development costs written off	-	-	9,445
Share options expense	-	-	81,921
Property, plant and equipment written off	16,658	16,658	-
Gain on disposal of property, plant and equipment	(52)	(52)	(75,593)
Interest income	(305,395)	(305,245)	(210,519)
Operating profit before working capital changes	<u>6,937,592</u>	<u>6,955,943</u>	<u>7,400,947</u>
Changes in working capital:			
(Increase)/Decrease in inventories	(53,665)	(53,665)	310,431
Increase in trade receivables	(1,357,223)	(1,357,482)	(364,228)
(Increase)/Decrease in other receivables and prepaid expenses	34,855	39,443	(201,227)
Increase in amount owing by subsidiary	-	(200,000)	-
Decrease in marketable securities	-	-	1,000,000
Increase in trade payables	248,517	248,517	-
Increase in other payables and accrued expenses	501,241	492,375	212,660
Cash Generated From Operations	<u>6,311,317</u>	<u>6,125,131</u>	<u>8,358,583</u>
Tax paid	(36,554)	(36,554)	(134,564)
Interest received	305,395	305,245	210,519
Development costs incurred	<u>(1,648,434)</u>	<u>(1,435,122)</u>	<u>(1,453,075)</u>
Net Cash From Operating Activities	<u>4,931,724</u>	<u>4,958,700</u>	<u>6,981,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(924,841)	(914,326)	(2,084,860)
Acquisition of investment in subsidiary (Note 13)	73,985	(120,000)	-
Additions in prepaid lease payments	(16,147)	(16,147)	(306,802)
Proceeds from disposal of property, plant and equipment	500	500	109,000
Net Cash Used In Investing Activities	<u>(866,503)</u>	<u>(1,049,973)</u>	<u>(2,282,662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	33,005	33,005	232,080
Dividends paid	(1,816,778)	(1,816,778)	(800,000)
Net Cash Used In Financing Activities	<u>(1,783,773)</u>	<u>(1,783,773)</u>	<u>(567,920)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,281,448	2,124,954	4,130,881
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	10,243,845	10,243,845	6,112,964
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>12,525,293</u>	<u>12,368,799</u>	<u>10,243,845</u>
Cash and cash equivalents carried forward consist of:			
Deposits with financial institutions (Note 16)	9,697,364	9,697,364	8,227,523
Cash and bank balances	<u>2,827,929</u>	<u>2,671,435</u>	<u>2,016,322</u>
	<u>12,525,293</u>	<u>12,368,799</u>	<u>10,243,845</u>

The above cash flow statements are to be read in conjunction with the accompanying notes to the financial statements.

Notes To The Financial Statements

1) GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are in the development, provision and maintenance of computer software application solutions for the financial services industry. During the financial year, the Company acquired 60% equity interest in Insage (MSC) Sdn. Bhd. (formerly known as Machigan Capital Sdn. Bhd.), a company incorporated in Malaysia. The principal activity of the subsidiary is as disclosed in Note 13 to the Financial Statements. There have been no significant changes in the nature of these principal activities during the financial year.

The registered office of the Company is located at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Unit 33-3A, Block C, Jaya One, No. 72A, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 3rd March 2009.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

Adoption of New and Revised Financial Reporting Standards

At the beginning of the current financial year, the Group and the Company adopted the following new/ revised Financial Reporting Standards (FRSs) issued by MASB that are relevant to their operations and effective for financial periods beginning on or after 1st July 2007:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned FRSs did not result in substantial changes to the Group's and the Company's accounting policies and did not have any material financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

Notes To The Financial Statements

Accounting Standards and IC Interpretations Issued but Not Effective

As of the date of issuing the financial statements, the following new/revised FRSs and IC Interpretations have been issued but not yet effective:

FRS 4	Insurance Contracts **
FRS 7	Financial Instruments: Disclosures **
FRS 8	Operating Segments *
FRS 139	Financial Instruments: Recognition and Measurement **
IC Interpretation 9	Reassessment of Embedded Derivatives **
IC Interpretation 10	Interim Financial Reporting and Impairment **

* Effective for accounting periods beginning on or after 1st July 2009.

** Effective for accounting periods beginning on or after 1st January 2010.

The Group and the Company have not early adopted these new/revised standards and IC Interpretations. The Group and the Company have applied the transitional provisions in the respective following standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Group and of the Company:

FRS 7	Financial Instruments: Disclosures
FRS 139	Financial Instruments: Recognition and Measurement

The preparation of financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported results during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the director's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 to the Financial Statements.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including foreign currency exchange risk, market risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign currency exchange risk

The Group's foreign currency exposure arise mainly from trade transactions denominated in foreign currencies. Management believes that the Group's foreign currency exchange risk is minimal and accordingly, no hedging is performed.

Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better services. The Group regularly takes part in various roadshows and advertisement to promote its products.

Interest rate risk

The Group enters into various interest rate risk management transactions for the purpose of reducing net interest costs and to achieve interest rates within predictable, desired ranges.

Notes To The Financial Statements

Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funds for contingent funding requirement of working capital.

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair values

The fair values of the financial assets and financial liabilities reported in the balance sheet as of 31st December 2008 approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these financial instruments.

4) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention.

b) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from goods sold is recognised upon delivery of goods and when the risks and rewards of ownership have passed. Other operating income mainly consist of interest income and is recognised on accrual basis.

Revenue represents the invoiced value of goods sold and services rendered net of discounts and returns.

c) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Notes To The Financial Statements

d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial year in which they are incurred.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 4(l) on impairment of assets.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual depreciation rates used are :-

	%
Freehold building	2
Leasehold building	Over the remaining lease period
Motor vehicles	20
Furniture and fittings	10
Office equipment	15
Renovation	20
Computer	20

Capital work-in-progress will only be depreciated when the assets are ready for their intended use.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in the income statements.

e) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition dates, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Notes To The Financial Statements

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

All significant intercompany balances and transactions have been eliminated on consolidation.

f) Investment

Investment in subsidiary is shown at cost. Where there is an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for recognition and measurement of impairment losses is in accordance with Note 4(l).

g) Leases and Prepaid Land Lease Payment

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the income statements on a straight-line basis over the lease term.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

h) Research and Development Costs

Research costs are recognised as an expense in the year in which they are incurred

Development costs are expensed off to the income statements in the year in which it is incurred. In the case of clearly-defined projects undertaken where it is reasonably anticipated that development costs can and will be recovered through future commercial activities, such development costs are recognised as an intangible asset and amortised on a straight-line basis over the expected life of the respective project from the date of commencement of commercial operations. The average expected life of the development projects is five (5) years.

i) Intangible Assets

Intangible assets which represent trade marks and copyrights are stated at cost less accumulated amortisation and impairment losses. Trade marks and copyrights are amortised over a period of ten (10) years.

j) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories. Cost is determined on the first-in, first-out method. Cost consists of purchases and other direct costs in bringing the inventories to its present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

k) Receivables

Trade and other receivables are stated at nominal values as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statements immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

m) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statements with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statements, with a corresponding adjustment to the share option reserve over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

Notes To The Financial Statements

n) Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

o) Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange which approximate rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are reported in Ringgit Malaysia at rates ruling at that date. Exchange differences are dealt with through the income statements.

The principal closing rates used in the translation of foreign currency amounts are as follows:

	2008 RM	2007 RM
1 US Dollar	3.47	3.30
1 Singapore Dollar	N/A	2.30

p) Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

q) Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

Notes To The Financial Statements

Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (apart from those involving estimations which are dealt with below).

(i) Capitalisation of Development Expenditure

The Group follows the guidance of FRS 138: Intangible Assets in determining the amount and nature of development expenditure to be capitalised as development costs. This determination requires significant judgement. The Group makes an assessment, among other factors, if the product or process is technically feasible and if the Group has sufficient technical, financial and other resources to use or market the product or process. In addition, the Group also applies its judgement to assess the probability of expected future economic benefits, that are attributable to the use of these capitalised development expenditure that will flow to the Group. Expenditure capitalised includes cost of labour, depreciation of property, plant and equipment and an appropriate portion of overheads.

(ii) Allowance for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of the ability to collect and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, allowance for bad and doubtful debts may be required.

(iii) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and function. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non strategic assets that have been abandoned or sold.

6) DIRECTORS' REMUNERATION

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Executive directors:			
Other emoluments	366,800	366,800	311,520
Fees	120,000	120,000	100,000
Non-executive directors:			
Fees	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>
	<u>534,800</u>	<u>534,800</u>	<u>459,520</u>

Notes To The Financial Statements

7) INCOME TAX EXPENSE

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Taxation based on short term deposit interest received			
- current year	49,845	49,845	32,712
- underprovision in prior year	-	-	13,554
	49,845	49,845	46,266
Foreign tax	184,209	184,209	99,632
	<u>234,054</u>	<u>234,054</u>	<u>145,898</u>

A reconciliation of the statutory income tax rate to the effective tax rate of the Group and of the Company has not been presented as there is no tax charge on the business source of income for the year other than foreign tax paid in other jurisdictions, of which the tax is calculated at the rate prevailing in that jurisdiction.

The Company and its subsidiary have been awarded Multimedia Super Corridor status by the Government of Malaysia. Accordingly, there is no tax charge on the business income of the Group and of the Company in 2008 and 2007 as the Company and its subsidiary have been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997.

8) EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2008
Profit attributable to equity holders of the Company (RM)	5,215,167
Weighted average number of ordinary shares in issue	121,091,373
Basic earnings per share (sen)	<u>4.31</u>

Diluted

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of share options:

	2008
Profit attributable to equity holders of the Company (RM)	5,215,167
Weighted average number of ordinary shares in issue	121,091,373
Effect of dilution	
- Share options	<u>1,342,380</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>122,433,753</u>
Diluted earnings per share (sen)	<u>4.26</u>

9) PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold building RM	Leasehold building RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Capital work-in-progress RM	Computers RM	Total RM
Cost									
As of 1st January 2008	490,700	-	884,290	80,784	146,733	111,175	1,738,548	1,568,636	5,020,936
Additions	-	91,502	-	162,320	38,949	504,010	-	128,060	924,841
Disposals	-	-	-	-	(2,370)	-	-	-	(2,370)
Written off	-	-	-	(24,063)	(24,926)	-	-	-	(48,989)
Reclassification	-	1,738,548	-	-	-	-	(1,738,548)	-	-
As of 31st December 2008	<u>490,770</u>	<u>1,830,050</u>	<u>884,290</u>	<u>219,041</u>	<u>158,386</u>	<u>615,185</u>	<u>-</u>	<u>1,696,696</u>	<u>5,894,418</u>
Accumulated depreciation									
As of 1st January 2008	38,444	-	406,716	30,737	87,288	106,301	-	886,399	1,555,885
Charge for the year	9,815	9,151	176,858	9,446	22,690	13,274	-	298,261	539,495
Disposals	-	-	-	-	(1,922)	-	-	-	(1,922)
Written off	-	-	-	(11,279)	(21,052)	-	-	-	(32,331)
As of 31st December 2008	<u>48,259</u>	<u>9,151</u>	<u>583,574</u>	<u>28,904</u>	<u>87,004</u>	<u>119,575</u>	<u>-</u>	<u>1,184,660</u>	<u>2,061,127</u>
Net book value									
as of 31st December 2008	<u>442,511</u>	<u>1,820,899</u>	<u>300,716</u>	<u>190,137</u>	<u>71,382</u>	<u>495,610</u>	<u>-</u>	<u>512,036</u>	<u>3,833,291</u>

Notes To The Financial Statements

9) PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY

	Freehold building RM	Leasehold building RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Capital work-in-progress RM	Computers RM	Total RM
Cost									
As of 1st January 2008	490,700	-	884,290	80,784	146,733	111,175	1,738,548	1,568,636	5,020,936
Additions	-	91,502	-	162,320	35,569	504,010	-	120,925	914,326
Disposals	-	-	-	-	(2,370)	-	-	-	(2,370)
Written off	-	-	-	(24,063)	(24,926)	-	-	-	(48,989)
Reclassification	-	1,738,548	-	-	-	-	(1,738,548)	-	-
As of 31st December 2008	<u>490,770</u>	<u>1,830,050</u>	<u>884,290</u>	<u>219,041</u>	<u>155,006</u>	<u>615,185</u>	-	<u>1,689,561</u>	<u>5,883,903</u>
Accumulated depreciation									
As of 1st January 2008	38,444	-	406,716	30,737	87,288	106,301	-	886,399	1,555,885
Charge for the year	9,815	9,151	176,858	9,446	22,648	13,274	-	296,953	538,145
Disposals	-	-	-	-	(1,922)	-	-	-	(1,922)
Written off	-	-	-	(11,279)	(21,052)	-	-	-	(32,331)
As of 31st December 2008	<u>48,259</u>	<u>9,151</u>	<u>583,574</u>	<u>28,904</u>	<u>86,962</u>	<u>119,575</u>	-	<u>1,183,352</u>	<u>2,059,777</u>
Net book value									
as of 31st December 2008	<u>442,511</u>	<u>1,820,899</u>	<u>300,716</u>	<u>190,137</u>	<u>68,044</u>	<u>495,610</u>	-	<u>506,209</u>	<u>3,824,126</u>

9) PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY

	Freehold building RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Capital work-in-progress RM	Computers RM	Total RM
Cost								
As of 1st January 2007	490,770	926,740	80,564	146,733	111,175	-	1,411,829	3,167,811
Additions	-	189,285	220	-	-	1,738,548	156,807	2,084,860
Disposals	-	(231,735)	-	-	-	-	-	(231,735)
As of 31st December 2007	<u>490,770</u>	<u>884,290</u>	<u>80,784</u>	<u>146,733</u>	<u>111,175</u>	<u>1,738,548</u>	<u>1,568,636</u>	<u>5,020,936</u>
Accumulated depreciation								
As of 1st January 2007	28,628	424,299	22,668	65,278	94,786	-	600,902	1,236,561
Charge for the year	9,816	180,745	8,069	22,010	11,515	-	285,497	517,652
Disposals	-	(198,328)	-	-	-	-	-	(198,328)
As of 31st December 2007	<u>38,444</u>	<u>406,716</u>	<u>30,737</u>	<u>87,288</u>	<u>106,301</u>	<u>-</u>	<u>886,399</u>	<u>1,555,885</u>
Net book value as of 31st December 2007	<u>452,326</u>	<u>477,574</u>	<u>50,047</u>	<u>59,445</u>	<u>4,874</u>	<u>1,738,548</u>	<u>682,237</u>	<u>3,465,051</u>

Included in property, plant and equipment of the Group and of the Company as of 31st December 2008 are fully depreciated assets which are still in use, with a cost of RM323,091 (2007: RM164,640).

Notes To The Financial Statements

10) PREPAID LEASE PAYMENTS

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Balance as of beginning of year	306,802	306,802	-
Additions during the year	16,147	16,147	306,802
	322,949	322,949	306,802
Less:			
Accumulated amortisation:			
Balance as of beginning of year	2,383	2,383	-
Charge for the year	3,254	3,254	2,383
	5,637	5,637	2,383
Net carrying amount	<u>317,312</u>	<u>317,312</u>	<u>304,419</u>

11) DEVELOPMENT COSTS

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Balance as of beginning of year	5,146,595	5,146,595	3,702,965
Additions during the year	1,648,434	1,435,122	1,453,075
Written off during the year	-	-	(9,445)
	6,795,029	6,581,717	5,146,595
Less:			
Accumulated amortisation:			
Balance as of beginning of year	(1,355,957)	(1,355,957)	(606,149)
Charge for the year	(996,446)	(996,446)	(749,808)
	(2,352,403)	(2,352,403)	(1,355,957)
Balance as of end of year	<u>4,442,626</u>	<u>4,229,314</u>	<u>3,790,638</u>

12) INTANGIBLE ASSETS

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
At Cost			
Balance as of beginning and end of year	1,010,000	1,010,000	1,010,000
Less:			
Accumulated amortisation:			
Balance as of beginning of year	(454,500)	(454,500)	(353,500)
Charge for the year	(101,000)	(101,000)	(101,000)
	(555,500)	(555,500)	(454,500)
Balance as of end of year	<u>454,500</u>	<u>454,500</u>	<u>555,500</u>

Notes To The Financial Statements

13) INVESTMENT IN SUBSIDIARY

	COMPANY	
	2008 RM	2007 RM
Unquoted shares - At cost	<u>120,000</u>	<u>-</u>

During the financial year, the Company acquired 60% equity interest in Insage (MSC) Sdn. Bhd. (formerly known as Machigan Capital Sdn. Bhd.), a company incorporated in Malaysia, for a cash consideration of RM120,000. The principal activity of the subsidiary is in the business of software solutions provider.

The effect of the acquisition on the financial results of the Group for the financial year is as follows:

Post-acquisition results of the subsidiary acquired:

	RM
Revenue	-
Other operating income	150
Other operating expenses	<u>(19,701)</u>
Net loss	<u>(19,551)</u>
Minority interests	4,211
Decrease in Group's profit attributable to shareholders	<u>(15,340)</u>

The effect of this acquisition on the financial position of the Group as of end of year is as follows:

	RM
Net assets acquired:	
Cash and bank balances	193,985
Minority interests	<u>(73,985)</u>
Total cash consideration	120,000
Less: Cash and bank balances	<u>(193,985)</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>(73,985)</u>

The amount owing by subsidiary, which arose mainly from expenses paid on behalf and interest-free advances given, is unsecured and bears no fixed terms of repayment.

14) INVENTORIES

	GROUP	COMPANY	
	2008 RM	2008 RM	2007 RM
System installation in progress - At cost	<u>63,188</u>	<u>63,188</u>	<u>9,523</u>

15) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	GROUP	COMPANY	
	2008 RM	2008 RM	2007 RM
Trade receivables	4,164,249	4,164,508	2,807,027
Less: Allowance for doubtful debts	<u>(374,340)</u>	<u>(374,340)</u>	<u>(233,165)</u>
Net	<u>3,789,909</u>	<u>3,790,168</u>	<u>2,573,862</u>

Notes To The Financial Statements

Trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit period granted on sale of goods and services rendered ranges from 60 to 90 days.

The currency profile of trade receivables is as follows:

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Ringgit Malaysia	2,299,197	2,299,456	2,573,862
US Dollar	<u>1,490,712</u>	<u>1,490,712</u>	<u>-</u>
	<u><u>3,789,909</u></u>	<u><u>3,790,168</u></u>	<u><u>2,573,862</u></u>

Other receivables and prepaid expenses consist of:-

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Other receivables	100,873	100,873	128,306
Refundable deposits	404,291	401,531	400,947
Prepaid expenses	<u>50,551</u>	<u>48,723</u>	<u>61,317</u>
	<u><u>555,715</u></u>	<u><u>551,127</u></u>	<u><u>590,570</u></u>

16) DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Deposits with Licensed banks	9,697,364	9,697,364	3,662,795
Other financial institutions	<u>-</u>	<u>-</u>	<u>4,564,728</u>
	<u><u>9,697,364</u></u>	<u><u>9,697,364</u></u>	<u><u>8,227,523</u></u>

Deposits of the Group and of the Company have an average maturity period of 30 days. Bank balances are deposits held at call with banks. Deposits of the Group and of the Company earn return at range of 2.50% - 3.45% (2007: 2.55% - 3.10%) per annum.

17) SHARE CAPITAL

	GROUP AND COMPANY 2008 RM	COMPANY 2007 RM
Authorised:		
250,000,000 ordinary shares of RM0.10 each	<u><u>25,000,000</u></u>	<u><u>25,000,000</u></u>

Notes To The Financial Statements

	GROUP AND COMPANY		GROUP AND COMPANY	
	No. of ordinary shares of RM0.10 each		2008 RM	
	2008	2007	2008 RM	2007 RM
Issued and fully paid:				
As of beginning of year	120,975,000	80,000,000	12,097,500	8,000,000
Issued during the financial year	<u>143,500</u>	<u>40,975,000</u>	<u>14,350</u>	<u>4,097,500</u>
As of end of year	<u>121,118,500</u>	<u>120,975,000</u>	<u>12,111,850</u>	<u>12,097,500</u>

Pursuant to the authority given by the shareholders of the Company at the Annual General Meeting held on 24th June 2008, the issued and paid-up share capital of the Company was increased from RM12,097,500 to RM12,111,850 through the issuance of 143,500 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employees' Share Option Scheme (ESOS) at an exercise price of RM0.23 per ordinary share. The resultant share premium arising from the shares issued during the year of RM18,655 has been credited to the share premium account. These new shares rank pari passu with the then existing ordinary shares of the Company.

The shareholders of the Company, via a Members' Circular Resolution dated 17th November 2004, approved the Excel Force MSC Berhad Employees' Share Option Scheme for the benefit of eligible directors and eligible employees of the Company.

The salient features of the ESOS are as follows:

- a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate thirty per cent (30%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- b) eligible persons are employees and directors that have attained the age of eighteen (18) years on the date of offer and either
 - (i) are classified as "employees" based on the terms of employment letter issued by the Company; or
 - (ii) in the case of directors, the name appears in the Register of Directors on or before the date of offer;
- c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the directors and senior management. In addition, the allocation to an eligible employee/director who, either singly or collectively through persons connected with the eligible employee/director, holds twenty per cent (20%) or more of the issued and paid-up share capital of the Company must not exceed ten percent (10%) of the total number of shares available under the scheme;
- d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and
- e) the duration of the scheme shall be five (5) years from the commencement of the scheme.

The movement in the share options during the financial year are as follows:

Option price RM	Date of offer	← Number of options over ordinary shares of RM0.10 each →				
		As of 01.01.2008	Granted	Exercised	Lapsed	As of 31.12.2008
0.29	20.12.2004	1,531,500	-	-	(78,000)	1,453,500
0.23	01.07.2005	13,126,500	-	(143,500)	(819,000)	12,164,000
0.36	05.12.2007	1,690,000	-	-	(390,000)	1,300,000

Notes To The Financial Statements

18) RESERVES

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Non Distributable Reserves:			
Share premium	1,057,380	1,057,380	1,038,725
Share option	63,016	63,016	81,921
Distributable Reserve:			
Unappropriated profit	<u>9,859,407</u>	<u>9,874,747</u>	<u>7,653,298</u>
	<u>10,979,803</u>	<u>10,995,143</u>	<u>8,773,944</u>

Share Premium

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Issuance of 17,600,000 new ordinary shares of RM0.10 each at a premium of RM0.33 per share	5,808,000	5,808,000	5,808,000
Issuance of 975,000 new ordinary shares of RM0.10 each pursuant to the Company's ESOS at a premium of approximately RM0.14 per share	134,580	134,580	134,580
Issuance of 143,500 new ordinary shares of RM0.10 each pursuant to the Company's ESOS at a premium of RM0.13 per share	18,655	18,655	-
Capitalised for bonus issue	(4,000,000)	(4,000,000)	(4,000,000)
Share issue expenses	<u>(903,855)</u>	<u>(903,855)</u>	<u>(903,855)</u>
Balance at end of year	<u>1,057,380</u>	<u>1,057,380</u>	<u>1,038,725</u>

Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

19) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade and ongoing costs. The average credit period granted to the Group and the Company for trade purchases is 60 days.

The currency profile of trade payables is as follows:

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Ringgit Malaysia	231,167	231,167	-
US Dollar	<u>17,350</u>	<u>17,350</u>	-
	<u>248,517</u>	<u>248,517</u>	-

Notes To The Financial Statements

Other payables and accrued expenses consist of :-

	GROUP	COMPANY	
	2008	2008	2007
	RM	RM	RM
Other payables	1,292,185	1,292,185	71,700
Accrued expenses	827,445	818,579	353,853
Advanced billings	434,510	434,510	231,951
	<u>2,554,140</u>	<u>2,545,274</u>	<u>657,504</u>

20) DIVIDENDS

	GROUP	COMPANY	
	2008	2008	2007
	RM	RM	RM
First interim dividend			
- 1.5 sen per ordinary share, tax exempt	1,816,778	1,816,778	-
Second Interim dividend			
- 1.0 sen per ordinary share, tax exempt	1,211,185	1,211,185	-
	<u>3,027,963</u>	<u>3,027,963</u>	<u>-</u>

A first interim dividend of 1.5 sen per ordinary share, tax exempt, amounting to RM1,816,778, which was proposed and declared in respect of the financial year ended 31st December 2008 was paid by the Company during the financial year.

A second interim dividend of 1.0 sen per ordinary share, tax exempt, amounting to RM1,211,185 has been proposed and declared in respect of the financial year ended 31st December 2008 for payment to shareholders registered in the Register of Members on 31st December 2008. The second interim dividend was paid on 15th January 2009.

21) BANKING FACILITIES

As of 31st December 2008, the Group and the Company has term loan facility amounting to RM1,722,400 obtained from a licensed bank. The facility bears interest at 4.25% - 7.00% per annum and is secured by a legal charge over the long leasehold land of the Group and of the Company.

22) RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year are as follows:

	GROUP	COMPANY	
	2008	2008	2007
	RM	RM	RM
Short-term employee benefits	693,551	693,551	633,272
EPF expenses	62,914	62,914	60,641
Share-based payment	-	-	12,118
Total	<u>756,465</u>	<u>756,465</u>	<u>706,031</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management personnel of the Group includes the directors, Chief Executive Officer and Heads of Finance and Information Technology of the Group.

Notes To The Financial Statements

Included in the total key management personnel are:

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Directors' remuneration (Note 6)	<u>534,800</u>	<u>534,800</u>	<u>459,520</u>

Executive directors of the Company and other members of key management have been granted the following number of options under the ESOS:

	GROUP 2008	COMPANY 2008	2007
As of 1st January	8,758,000	8,758,000	6,190,000
Granted/Bonus issue	-	-	3,345,000
Exercised	-	-	(777,000)
As of 31st December	<u>8,758,000</u>	<u>8,758,000</u>	<u>8,758,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 17).

23) SEGMENTAL INFORMATION

	Application Solutions Division RM	Maintenance Services Division RM	Application Services Provider Division RM	Consolidated RM
2008 REVENUE				
Sales	<u>3,672,451</u>	<u>895,399</u>	<u>6,917,445</u>	<u>11,485,295</u>
RESULTS				
Segment results	1,611,489	482,177	2,982,844	5,076,510
Gain on disposal of property, plant and equipment				52
Gain on foreign exchange				63,053
Interest income				<u>305,395</u>
Profit before tax				5,445,010
Income tax expense				<u>(234,054)</u>
Profit before tax				<u>5,210,956</u>

Notes To The Financial Statements

	Application Solutions Division RM	Maintenance Services Division RM	Application Services Provider Division RM	Consolidated RM
OTHER INFORMATION				
Segment assets	8,307,754	2,025,556	15,648,524	25,981,834
Segment liabilities	896,156	218,496	1,688,005	2,802,657
Tax liabilities	5,676	1,384	10,690	17,750
Total liabilities	<u>901,832</u>	<u>219,880</u>	<u>1,698,695</u>	<u>2,820,407</u>
Capital expenditure	827,974	201,873	1,559,575	2,589,422
Depreciation	172,505	42,059	324,931	593,495
Non-cash expenses other than depreciation:				
Amortisation of development costs	318,616	77,683	600,147	996,446
Amortisation of intangible assets	32,295	7,874	60,831	101,000
Amortisation of prepaid lease payments	1,040	254	1,960	3,254

The Group operates predominantly in Malaysia. The following is an analysis of the Group's sales by geographical market:-

	2008 RM
Malaysia	8,713,192
Vietnam	2,498,248
Thailand	273,855
	<u>11,485,295</u>

24) CAPITAL COMMITMENTS

	GROUP 2008 RM	COMPANY 2008 RM	2007 RM
Capital expenditure Approved and contracted for: Leasehold land and buildings	<u>-</u>	<u>-</u>	<u>67,650</u>

List of Properties

A summary of the Group's properties as at 31 December 2008 is as follows:

Location	Approximate Built-up Area (square feet)	Description	Current Use	Tenure/ Date of Expiry of Leasehold Land	Date of Acquisition	Audited Net Book Value as at 31.12.08 (At cost)	Age of building (years)
Pusat Dagangan Phileo Damansara II, 611, Block B, No 15, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan	2,583	Office unit	Business	Freehold	9 February 2004	RM442,511	9
33-3A, 35-3A, 37-3A & 39-3A, Block C, Jaya One, No. 72A, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan.	8,612	Office Unit	Business	Leasehold for 99 years expiring on 28 May 2105	8 January 2007	RM1,820,899	1

Analysis of Shareholdings as at 30 April 2009

Authorised Capital	RM25,000,000
Issued and Fully Paid Up Capital	RM12,111,850
Class of Shares	Ordinary Share of RM0.10 each fully paid
Voting Rights	One vote per RM0.10 share

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No of Holders		Total Shareholdings		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 shares	9	-	475	-	#	-
100 - 1,000 shares	27	-	15,500	-	0.01	-
1,001 - 10,000 shares	245	4	1,278,225	28,000	1.06	0.02
10,001 - 100,000 shares	225	8	8,436,700	417,500	6.97	0.34
100,001 - 6,055,924 shares*	84	8	40,056,400	24,385,700	33.07	20.13
6,055,925 and above**	-	1	-	46,500,000	-	38.39
Total	590	21	49,787,300	71,331,200	41.11	58.89

Notes:

- # Negligible.
- * Less than 5% of issued and paid-up shares.
- ** 5% and above of issued and paid-up shares.

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2009

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Exacta Co., Ltd	46,500,000	38.39	-	-
Wang Kuen-Chung @ Jeff Wang	7,161,000	5.91	53,625,000*	44.27
Sun Chin-Chuan @ Sharon Sun	7,125,000	5.88	53,661,000^	44.30

Notes:

- * Deemed interest by virtue of his shareholding in Exacta Co., Ltd and the shareholding of Sun Chin-Chuan @ Sharon Sun, his spouse, pursuant to Section 6A of the Companies Act, 1965.
- ^ Deemed interest by virtue of the shareholding of Wang Kuen-Chung @ Jeff Wang, her spouse, and his shareholding in Exacta Co., Ltd pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2009

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Wang Kuen-Chung @ Jeff Wang	7,161,000	5.91	53,625,000*	44.27
Sun Chin-Chuan @ Sharon Sun	7,125,000	5.88	53,661,000^	44.30
Ng Kim Huat	225,000	0.19	-	-
Aaron Sim Kwee Lein	-	-	-	-
Wang Chih-Yen @ Vicky Wang	-	-	-	-

Notes:

- * Deemed interest by virtue of his shareholding in Exacta Co., Ltd and the shareholding of Sun Chin-Chuan @ Sharon Sun, his spouse, pursuant to Section 6A of the Companies Act, 1965.
- ^ Deemed interest by virtue of the shareholding of Wang Kuen-Chung @ Jeff Wang, her spouse, and his shareholding in Exacta Co., Ltd pursuant to Section 6A of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Wang Kuen-Chung @ Jeff Wang and Sun Chin-Chuan @ Sharon Sun are deemed to be interested in the shares of the subsidiary of the Company to the extent the Company has an interest.

Other than as disclosed above, the other Directors do not have any interest in the shares of the Company or its subsidiary.

Thirty (30) Largest Shareholders as at 30 April 2009

(Without aggregating securities from different securities accounts belonging to the same person)

NO	NAME	NO. OF SHARES	%
1	EXACTA CO., LTD	46,500,000	38.39
2	WANG KUEN-CHUNG @ JEFF WANG	6,000,000	4.95
3	SUN CHIN-CHUAN @ SHARON SUN	6,000,000	4.95
4	HLG NOMINEE (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG, CHI-CHAO (CCTS)	5,374,300	4.44
5	HLG NOMINEE (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HUNG, CHUNG-CHE (CCTS)	4,367,200	3.61
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOKE FONG	2,651,500	2.19
7	KOH THUAN TECK	1,998,000	1.65
8	TAN BEH @ HUAN BEK	1,935,000	1.60
9	LEE YOKE FONG	1,934,500	1.60
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG SU LIM (E-BMM)	1,485,000	1.23
11	MOHD RADZUAN BIN AB HALIM	1,379,850	1.14
12	HOW TECK SANG	1,344,000	1.11
13	HOW TECK SANG	1,216,900	1.00
14	ECML NOMINEES (ASING) SDN BHD WANG KUEN-CHUNG @ JEFF WANG (PCS)	1,161,000	0.96
15	ECML NOMINEES (ASING) SDN BHD SUN CHIN-CHUAN @ SHARON SUN (PCS)	1,125,000	0.93
16	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAI FATT (CEB)	1,050,000	0.87
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WENDY LEE YOKE PENG (CEB)	1,041,500	0.86
18	CHAN PING PING	1,012,800	0.84
19	FONG TING WONG	1,000,000	0.83
20	LOO LEONG FATT	990,000	0.82
21	WENDY LEE YOKE PENG	837,000	0.69
22	LEE SEW KIM	821,000	0.68
23	CHUA HUI CHENG	814,500	0.67
24	KEK CHIN WU	720,400	0.59
25	LIM HOE	712,650	0.59
26	CHIA KEE SIONG	645,000	0.53
27	TAN YIK BOR	638,850	0.53
28	WONG II LE	600,000	0.50
29	TE TIAM SING @ TAY KIAM SENG	600,000	0.50
30	KEK CHIN WU	576,000	0.48
	TOTAL	96,531,950	79.70

Proxy Form

(Before completing this form please refer to the notes below)

ExcelFORCE MSC Berhad

(Company No. 570777 X)
Incorporated in Malaysia

I/WE _____ NRIC No./Passport No./Company No. _____
(Full name in block letters)
CDS. A/C No. _____ of _____
(Full address)

being a member/members of EXCEL FORCE MSC BERHAD hereby appoint the following person(s) or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Dewan Berjaya, Equestrian Club, Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 24th June 2009 at 10.30 a.m. and at every adjournment thereof to vote as indicated below:-

Name of proxy, NRIC No. & Address

No. of shares to be represented by proxy

1. _____
2. _____

In case of a vote taken by a show of hands, the first-named proxy shall vote on *my/our behalf. In the event of a poll being demanded, *my/our proxy/proxies shall vote as indicated below:-

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		

(Please indicate with "x" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

As witness my hand this _____ day of _____ 2009

Signature/Common Seal

No. of ordinary shares held

* Strike out whichever is not desired.

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.
5. The Form of Proxy must be deposited at the Company's Share Registrar Office at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please Fold Here

Affix
Stamp
Here

THE SHARE REGISTRAR
EXCEL FORCE MSC BERHAD
Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No.8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

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Annual Report 2008 Request Form

EXCEL FORCE MSC BERHAD (570777 X)

The Annual Report 2008 of Excel Force MSC Berhad is issued in CD-ROM format. The Company shall forward a hard copy of the Annual Report to the member upon request within four (4) market days from the date of receipt of the verbal or written request.

Members of the Company may contact Ms. Sun Chin-Chuan @ Sharon Sun at 03-7629 8618 for requisition of the Annual Report or any queries in respect of viewing of the CD-ROM.

Particulars of Member

Full name	:	_____
I.C./Company No.	:	_____
CDS Account No.	:	_____
Correspondence Address	:	_____

Telephone Contact	:	_____

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**THE BOARD OF DIRECTORS
EXCEL FORCE MSC BERHAD**
33-3A, Block C, Jaya One,
No. 72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor Darul Ehsan.

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ExcelFORCE
MSC Berhad
(570777-X)