

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2005

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL REPORTING

A1 – Basis of Preparation

These interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) for the MESDAQ Market.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company’s, its subsidiary companies’ and associated company (the “Group”) for the financial period ended 30 June 2005.

The accounting policies and method of computation adopted in this interim financial report are consistent with those previously adopted in the preparation of the Group audited financial statements except for the adoption of the merger method of accounting for the acquisition of Mexter (M) Sdn Bhd (“MMSB”) as the basis of consolidation.

Under the merger method of accounting, the cost of investment in the Company’s book is recorded at the nominal value of shares acquired. Credit differences arising between the cost of acquisition and the nominal value of share capital of the subsidiary are regarded as a non-distributable merger reserve. Debit differences arising are accounted for as a merger deficit and are set off against the Group’s reserve. The results of the companies being merged are included as if the merger had been effected throughout the current financial year.

A2 – Auditors’ Report

The auditors’ report on the financial statements of the Company, its subsidiary companies’ and associated company for the financial year ended 31 December 2004 was not subject to any qualification.

A3 – Seasonal or Cyclicity of Operations

In general, the Group’s business is exposed to business cycles of both the electronic and automotive industries which are currently undergoing consolidation.

A4 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

A5 – Changes in Estimates

There were no material changes in estimates of amounts reported in the prior financial period which may have had a material effect on the current quarter under review.

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A6 – Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

Save as disclosed below, there were no issuance and repayment of debts and equity securities during the current quarter under review, except as follows:-

(a) Public issue

On 23 March 2005, the Company issued a prospectus for the public issue of 34,842,000 shares of RM0.10 each of the Company (“Public Issue Shares”) at an issue price of RM0.40 per share in conjunction with the listing of and quotation of the entire enlarged issued and paid-up share capital of the Company on the MESDAQ market of the BMSB. The public issue shares were issued and allotted on 5 April 2005 and was subsequently listed on the BMSB on 12 April 2005.

The Company had not engaged in any share buyback scheme or implemented any share cancellations. The Company does not have any shares held as treasury shares.

A7 – Dividends Paid

No dividend has been declared or paid during the current quarter under review.

A8 – Segmental Information

The Group operates predominantly in one industry and accordingly, only the geographical segmental information is presented.

(a) *Current quarter*

Analysis by geographical location	Current quarter ended 30 June 2005		
	Revenue from external customers by location of customers RM'000	Inter-segment revenue RM'000	Total revenue RM'000
Malaysia	3,045	(29)	3,016
China	0	0	0
Indonesia	29	0	29
Singapore	8	0	8
	3,082	(29)	3,053
Eliminations	0	0	0
Consolidated	3,082	(29)	3,053

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(b) Cumulative quarter

Analysis by geographical location	Cumulative quarter ended 30 June 2005		
	Revenue from external customers by location of customers RM'000	Inter-segment revenue RM'000	Total revenue RM'000
Malaysia	5,213	(33)	5,180
China	324	0	324
Indonesia	161	0	161
Singapore	8	0	8
	<hr/>	<hr/>	<hr/>
	5,706	(33)	5,673
Eliminations	0	0	0
	<hr/>	<hr/>	<hr/>
Consolidated	5,706	(33)	5,673

A9 – Valuation of Property, Plant and Equipment

There has been no valuation on any property, plant and equipment of the Group during the current quarter under review.

A10 – Acquisition of Property, Plant and Equipment

There were no material acquisitions or disposals of property, plant and equipment during the current quarter under review.

A11 – Material Subsequent Events

There were no material events subsequent to the end of the current quarter except that the Company has entered into a Share Sale Agreement (“SSA”) with Tan Kim Boon, Tan Kim Kheng and Lo Mooi Lee, the shareholders of Tonerex Technologies Sdn Bhd (“TTSB”) for the proposed acquisition of 600,000 ordinary shares of RM1.00 each representing 60% equity interest in TTSB for a total purchase consideration of RM2,700,000 to be satisfied in cash.

For more details on the proposed acquisition, please refer to the announcement released by the Company on 26 July 2005.

A12 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter under review.

A13 – Changes in Contingent Liabilities or Contingent Assets

As at the date of this announcement, the Directors of the Company are not aware of any contingent liabilities or contingent assets of the Group.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1 – Review of Performance

	Cumulative quarter ended 30 June 2005 (unaudited)
Revenue	<u>5,673</u>
Profit before taxation	<u>1,158</u>

For the quarter ended 30 June 2005, the Group has achieved a revenue and profit before taxation of RM5.7 million and RM1.2 million, respectively, which were contributed mainly from the sale of E-manufacturing solutions and IT solutions and outsourcing services.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2005 (unaudited)	Previous quarter ended 31 March 2005 (unaudited)
Revenue	<u>3,053</u>	<u>2,620</u>
Profit before taxation	<u>366</u>	<u>792</u>

The Group's revenue for the current quarter of approximately RM3.1 million represents an increase by approximately RM0.4 million or 17% as compared to the revenue of approximately RM2.6 million for the preceding quarter. This is mainly due to the increase in sale of IT and automation hardware as significant orders were received from a customer who will be setting up a new factory in Malaysia. While the IT and automation business increases, the sale of E-manufacturing solution decreases compared to the previous quarter.

The Group's profit before taxation for the current quarter of approximately RM0.4 million represents a decrease of approximately RM0.4 million or 50% as compared to the Group's profit before taxation of approximately RM0.8 million reported in the preceding quarter as a result of the lower revenue registered by a subsidiary which sells high margin software solutions and the higher share of losses of associated company.

B3 – Current Year Prospects

While anticipating the electronics and semiconductor industry to only recover from its prolonged seasonal weakness by year end and barring unforeseen circumstances, the Board of Directors anticipate the performance of the Group to be satisfactory for the financial results ended 31 December 2004, due to the following reasons:-

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- the Group will increase its research and development and marketing expenses in the second half of 2005 to ensure that the Group is ready when the market recovers;
- the Group plans to expand its China operations further to strengthen its market presence with bigger local sales and support team; and
- the Group performance in the second half of 2005 is expected to regain once the new versions of the Group's MPM solutions are deployed.

B4 – Profit Forecast

The Group did not publish any profit forecast in its Prospectus.

B5 - Taxation

There was no taxation for the Group during the current quarter under review due to the following:-

- (a) the wholly-owned subsidiary company of Mexter, namely Mexter MSC Sdn. Bhd., was granted a Multimedia Super Corridor status which exempts its income from taxation for a period of five (5) years commencing from 29 November 2002 to 28 November 2007; and
- (b) the current period's business losses incurred by the Company, its subsidiary companies (except for Mexter MSC Sdn. Bhd.) and associated company within the Group.

B6 – Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties during the current quarter under review.

B7 – Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the current quarter under review.

B8 – Status of Corporate Proposals Announced But Not Completed

Save as disclosed below, there were no corporate proposals announced but not completed as of the date of this announcement:-

- (a) The Company has entered into a Share Sale Agreement (“SSA”) with Tan Kim Boon, Tan Kim Kheng and Lo Mooi Lee, the shareholders of Tonerex Technologies Sdn Bhd (“TTSB”) for the proposed acquisition of 600,000 ordinary shares of RM1.00 each representing 60% equity interest in TTSB for a total purchase consideration of RM2,700,000 to be satisfied in cash.
- (b) On 22 July 2005, the Board of Directors of the Company announced that the Company has written to the Securities Commission (“SC”) vide its letter dated 22 July 2005 to seek the SC's approval in the reallocation of RM2,100,000 of the unutilised proceeds earmarked for “purchase of a corporate headquarters-cum-warehouse” to “business expansion”.

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B9 – Group Borrowings and Debt Securities

Group borrowings as the end of the reporting quarter were as follows:-

	Short Term RM'000
<i>Secured</i>	
Bankers' acceptances	83
<i>Unsecured</i>	
Hire purchase liabilities	38
	<u>121</u>

The Group does not have any long term or foreign borrowings as at the date of this announcement.

B10 – Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this announcement.

B11 – Material Litigations

The Group is not engaged in any material litigation neither as a plaintiff nor a defendant and is not aware of any proceedings pending or threatened against the Group as at the date of this announcement.

B12 – Dividends

No dividend has been declared or paid during the current quarter under review.

B13 – Status of Utilisation of Proceeds

The proceeds from the Company's initial public offering amounted to RM13.937 million and as at 30 June 2005, the details of the utilisation of proceeds are as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Business expansion	1,000	11	989
Purchase of a corporate headquarters- cum-warehouse	2,500	294	2,206
R&D expenses	5,000	132	4,868
Working capital	3,637	23	3,614
Estimated listing expenses	1,800	1,070	730 *
Total	<u>13,937</u>	<u>1,530</u>	<u>12,407</u>

* The excess from the estimated listing expenses will be adjusted against working capital.

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B14 - Earnings per Share*(a) Basic earnings per share ("EPS")*

Basic EPS of the Group are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

		Current quarter ended 30 June		Cumulative quarter ended 30 June	
		2005	2004	2005	2004
Net profit after taxation	(RM'000)	366	-	1,158	-
Weighted average number of ordinary shares in issue as at 30 June 2005	('000)	85,240	-	70,010	-
Basic EPS	(sen)	0.4	-	1.7	-

The weighted average number of ordinary shares in issue is determined using the number of days that the specific shares are outstanding in proportion to the total number of days in the corresponding period.

(b) Diluted EPS

Not applicable.

BY ORDER OF THE BOARD

Wong Keo Rou (MAICSA 7021435) / Yeong Peet Foong (MAICSA 7046915)

Company Secretaries

Kuala Lumpur

Dated: 30 August 2005