



MEXTER TECHNOLOGY BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2005**

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

The Board of Directors of Mexter Technology Berhad (“Mexter” or “Company”) is pleased to announce the following unaudited condensed consolidated results for the financial year ended 31 December 2005 which should be read in conjunction with the audited financial statements of Mexter and Mexter (M) Sdn Bhd for the financial year ended 31 December 2004.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005**

		INDIVIDUAL QUARTER (PROFORMA) #		CUMULATIVE QUARTER (PROFORMA) #	
		CURRENT YEAR QUARTER 31/12/2005 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2004 RM'000	CURRENT YEAR TO DATE 31/12/2005 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2004 RM'000
Revenue	A8	3,204	2,661	14,090	12,789
Operating expenses		(3,144)	(2,733)	(12,176)	(9,700)
Other operating income		65	28	189	168
Profit/(loss) from operations		125	(44)	2,103	3,257
Finance costs		(19)	(7)	(30)	(42)
Share of profit/(loss) of associated company		7	21	(88)	145
Profit/(loss) before taxation and after share of profit/(loss) of associated company		113	(30)	1,985	3,360
Taxation	B5	117	27	98	(97)
Profit/(loss) after taxation		230	(3)	2,083	3,263
Minority interest		(149)	0	(189)	1
Net profit/(loss) attributable to shareholders		81	(3)	1,894	3,264
EPS - Basic (sen)		0.1	0.0	2.4	6.0
- Diluted (sen)		N/A	N/A	N/A	N/A

N/A – Not Available

The comparative figures for the preceding year corresponding quarter and preceding corresponding period ended 31 December 2004 has been prepared on a proforma group basis.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005**

		AS AT 31/12/2005 RM'000	(PROFORMA)# AS AT 31/12/2004 RM'000
Non-Current Assets			
Property, plant and equipment		2,358	1,091
Associated company		665	775
Other investment		250	0
Intangible assets	A14	3,150	614
		<u>6,423</u>	<u>2,480</u>
Current Assets			
Inventories		2,568	911
Trade and other receivables		3,500	3,471
Deferred expenditure		0	329
Tax recoverable		206	143
Cash and cash equivalents		10,883	2,357
		<u>17,157</u>	<u>7,211</u>
Current Liabilities			
Trade and other payables		985	1,166
Dividend payable		0	1,593
Borrowings		348	336
Taxation	B9	72	0
		<u>1,405</u>	<u>3,095</u>
Net Current Assets		<u>15,752</u>	<u>4,116</u>
		<u>22,175</u>	<u>6,596</u>
Capital and Reserves			
Share capital		8,945	5,461
Reserves		12,261	984
Shareholders' fund		21,206	6,445
Minority shareholders' interest		725	0
Long Term and Deferred Liabilities			
Borrowings	B9	244	33
Deferred tax liabilities		0	118
		<u>22,175</u>	<u>6,596</u>
Net assets per share (RM)		<u>0.25</u>	<u>0.12</u>

The comparative figures for the preceding financial year ended 31 December 2004 has been prepared on a proforma group basis.

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>Issued and fully paid ordinary shares of RM0.10 each</u>		<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u>
	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>	<u>Share premium RM'000</u>	<u>Translation reserve RM'000</u>	<u>(Accumulated loss) / Retained earnings RM'000</u>	<u>RM'000</u>
At 1/1/2004	^	*	0	0	0	0
Net loss for the year	0	0	0	0	(4)	(4)
At 31/12/2004	^	*	0	0	(4)	(4)
At 1/1/2005	^	*	0	0	(4)	(4)
Merger reserve	0	0	0	0	988	988
Issue of shares						
- acquisition of subsidiary	54,610	5,461	0	0	0	5,461
- public issue	34,842	3,484	10,453	0	0	13,937
- share issue cost	0	0	(1,071)	0	0	(1,071)
Net profit for the year	0	0	0	0	1,894	1,894
Currency translation differences	0	0	0	1	0	1
At 31/12/2005	89,452	8,945	9,382	1	2,878	21,206

^ denotes 2 ordinary shares of RM1.00 each.

* denotes RM2.

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	AS AT CURRENT FINANCIAL YEAR ENDED 31/12/2005 RM'000	(PROFORMA)# AS AT PRECEDING FINANCIAL YEAR ENDED 30/12/2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,985	3,360
Adjustments for non-cash flows:		
Non-cash items	616	160
Interest income	(171)	(3)
Interest expense	30	42
Operating Profit Before Working Capital Changes	2,460	3,559
Changes In Working Capital:		
Net change in current assets	255	1,027
Net change in current liabilities	(1,798)	(2,014)
Net Cash Inflow from Operations	917	2,572
Income tax (paid)/refunded	(47)	14
Software development cost paid	(838)	(532)
Net Cash Inflow from Operating Activities	32	2,054
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	171	3
Proceeds from disposal of property, plant and equipment	0	403
Purchase of property, plant and equipment	(1,177)	(446)
Acquisition of trademark	(3)	
Net Cash Outflow from Investing Activities	(1,009)	(40)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(30)	(42)
Acquisition of subsidiary, net of cash acquired	(1,691)	0
Repayment from Directors	0	208
Repayment from bank borrowings	(883)	(354)
Proceeds from bank borrowings	505	165
Proceeds from public issue	13,937	0
Dividend paid to shareholders of a subsidiary prior to the restructuring exercise	(1,593)	(687)
Payment of share issue expenses	(742)	(329)
Net Cash Inflow/(Outflow) from Financing Activities	9,503	(1,039)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,526	975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	2,357	1,382
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	10,883	2,357

The comparative figures for the preceding financial year ended 31 December 2004 has been prepared on a proforma group basis.

MEXTER TECHNOLOGY BERHAD

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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, its subsidiary companies and associated company (the “Group”) for the financial year ended 31 December 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 recovering from the downturn experience.

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.

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005**A6 – Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities during the current quarter under review and 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 the information technology industry and accordingly, only the geographical segmental information is presented.

(a) Current quarter

Analysis by geographical location	Current quarter ended 31 December 2005		
	Revenue from external customers by location of customers RM'000	Inter-segment revenue RM'000	Total revenue RM'000
Malaysia	1,938	0	1,938
China	772	0	772
India	88	0	88
Southeast Asia *	354	0	354
European Union	52	0	52
	<hr/>	<hr/>	<hr/>
	3,204	0	3,204
Eliminations	0	0	0
	<hr/>	<hr/>	<hr/>
Consolidated	3,204	0	3,204

(b) Cumulative quarter

Analysis by geographical location	Cumulative quarter ended 31 December 2005		
	Revenue from external customers by location of customers RM'000	Inter-segment revenue RM'000	Total revenue RM'000
Malaysia	11,943	0	11,943
China	1,343	0	1,343
India	88	0	88
Southeast Asia *	561	0	561
European Union	155	0	155
	<hr/>	<hr/>	<hr/>
	14,090	0	14,090
Eliminations	0	0	0
	<hr/>	<hr/>	<hr/>
Consolidated	14,090	0	14,090

* denotes Southeast Asia countries other than Malaysia

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)
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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

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 under review.

A12 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter under review except as follows:-

The incorporation of a wholly-owned subsidiary, Mexter International Limited (“MIL”) in Shanghai, Peoples’ Republic of China with an approved investment of USD130,000.00 (equivalent to RM491,887.50 based on exchange rate of USD1.00 = RM3.784) as the initial paid-up capital of MIL has been completed in the current quarter.

The principal activity of MIL is the provision of information technology products and services.

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.

A14 – Intangible assets

Included in the intangible assets is goodwill on consolidation of RM1,896,000 which arise from the acquisition of a subsidiary in the previous quarter.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

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 year ended 31 December 2005 RM'000	(Proforma) # Preceding year corresponding year ended 31 December 2004 RM'000
Revenue	<u>14,090</u>	<u>12,789</u>
Profit before taxation	<u>1,985</u>	<u>3,360</u>

The comparative figures for the preceding financial year ended 31 December 2004 has been prepared on a proforma group basis.

Group revenue of approximately RM14.1 million for the current quarter was approximately RM1.3 million or 10% higher than the revenue of approximately RM12.8 million for the preceding year corresponding quarter due to maiden contribution from the China subsidiary amounting to approximately RM0.4 million for the sale of e-manufacturing solutions and partial contribution by the newly acquired subsidiary.

Group profit before taxation for the current year of approximately RM2.0 million was approximately RM1.4 million or 42% lower than the preceding year corresponding quarter's group profit before taxation of approximately RM3.4 million. The decrease was due to lower sales registered by a subsidiary which sells high margin software solutions and the higher share of losses from an associated company.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 31 December 2005 (unaudited) RM'000	Previous quarter ended 30 September 2005 (unaudited) RM'000
Revenue	<u>3,204</u>	<u>5,213</u>
Profit before taxation	<u>113</u>	<u>714</u>

The Group's revenue for the current quarter of approximately RM5.2 million represents a decrease by approximately RM2.0 million or 38% as compared to the revenue of approximately RM3.2 million for the preceding quarter. This is mainly due to the decrease in the market demand for sale of IT and automation hardware and e-manufacturing solutions.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

Correspondingly, the Group's profit before taxation for the current quarter of approximately RM0.1 million represents a decrease of approximately RM0.6 million or 84% as compared to the Group's profit before taxation of approximately RM0.7 million reported in the preceding quarter is mainly due to lower sales recorded and higher operating costs such as an allowance for doubtful debts and additional amortisation of software development cost incurred in the current quarter by approximately RM0.1 million.

B3 – Future Prospects

The Board of Directors of Mexter anticipates the Manufacturing Process Management industry will continue to grow in the medium term. Barring any unforeseen circumstances, the Board of Directors expect the performance of the Group to be satisfactory for the upcoming FY2006, due to the following reasons:-

- with the incorporation of the China subsidiary, the Group intends to expand its China operations by strengthening its market presence with bigger local sales and support team;
- the Group has been awarded Asia Pacific Vendor status with a multinational semiconductor company and thus is expecting to gradually receive sales from the MNC plants in the Asia Pacific region;
- the Group expects to continue to receive new orders from its automotive customers with potential to install its solutions in new sites in the Peoples Republic of China and Korea when a new version of MexterEcute++ is ready for deployment in the second quarter of 2006;
- the Group is the only Asian company which has been invited to participate for a long term global project with a leading electronics manufacturing service company from the United States of America; and
- continuous contribution from its newly acquired subsidiary which specializes in test and measurement solutions and the Group can also leverage on the 'Approved Vendor Status' of the subsidiary with other electronics and semiconductor multinational companies.

B4 – Profit Forecast

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

B5 – Taxation

	31 December 2005	
	Current Quarter RM'000	Cumulative Quarters RM'000
Malaysian income tax:-		
Current tax:		
- Current year	30	3
- Overprovision in prior years	0	8
	<hr/>	<hr/>
	30	11
Deferred taxation:		
- Original and reversal of temporary differences	87	87
	<hr/>	<hr/>
	117	98
	<hr/>	<hr/>

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

The effective tax rate for the current financial year to date is significantly lower than the statutory tax rate mainly because Mexter MSC Sdn Bhd and Tonerex MSC Sdn Bhd (previously known as Generate Creative Sdn Bhd) were granted Multimedia Super Corridor status which exempts their income from taxation for a period of five (5) years commencing from their approval dates of November 2002 to November 2007 and July 2005 to July 2010, respectively.

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

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

B9 – Group Borrowings and Debt Securities

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

	Short Term RM'000
Hire purchase liabilities (Unsecured)	22
Banker's acceptance (Secured)	310
Term loan (Secured)	16
	<hr/> 348 <hr/>
	Long Term RM'000
Hire purchase liabilities (Unsecured)	45
Term loan (Secured)	199
	<hr/> 244 <hr/>

The Group does not have any 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005**B13 – Status of Utilisation of Proceeds**

The proceeds from the Company's initial public offering amounted to RM13.937 million and as at 31 December 2005, the details of the utilisation of proceeds are as follows:-

Purpose	Revised utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Business expansion	3,100 #	503	2,597
Purchase of a corporate headquarters-cum-warehouse	400 #	347	53
R&D expenses	5,000	1,651	3,349
Working capital	4,367 *	2,618	1,749
Estimated listing expenses	1,070 *	1,070	-
Total	13,937	6,189	7,748

Revision as approved by the Securities Commission vide its letter dated 17 October 2005.

* The excess of RM0.73 million from the estimated listing expenses which has not been utilised has been reallocated to working capital.

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

Basic EPS of the Group are calculated by dividing the net profit/(loss) attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the period.

		Current quarter ended 31 December		Cumulative quarter ended 31 December	
		2005	2004#	2005	2004#
Net profit/(loss) attributable to shareholders	(RM 000)	81	(3)	1,894	3,264
Weighted average number of ordinary shares in issue as at 31 December	(000)	89,452	54,610	79,811	54,610
Basic EPS	(sen)	0.1	0.0	2.4	6.0

The comparative figures for the preceding financial year ended 31 December 2004 has been prepared on a proforma group basis.

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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

(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: 27 February 2006