MEXTER TECHNOLOGY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
31 MARCH 2006

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

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2006

The Board of Directors of Mexter Technology Berhad ("Mexter" or "Company") is pleased to announce the following unaudited condensed consolidated results for the period ended 31 March 2006 which should be read in conjunction with the audited financial statements of Mexter for the financial year ended 31 December 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2006

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT YEAR QUARTER 31/3/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2005 RM'000	CURRENT YEAR TO DATE 31/3/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2005 RM'000
Revenue	A9	3,478	2,620	3,478	2,620
Operating expenses		(2,608)	(1,802)	(2,608)	(1,802)
Other operating income		62	0	62	0
Profit from operations		932	818	932	818
Finance costs		(2)	(16)	(2)	(16)
Share of loss of associated company		(3)	(10)	(3)	(10)
Profit before tax		927	792	927	792
Income tax expense	B5	(60)	0	(60)	0
Profit for the period		867	792	867	792
Attributable to:					
Shareholders of the Company		700	792	700	792
Minority interests		167	0	167	0
Profit for the period		867	792	867	792
Earnings per share:					
Basic earnings per share (sen)		0.8	1.5	0.8	1.5
Diluted earnings per share (sen)		N/A	N/A	N/A	N/A

N/A – Not Applicable

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2006

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2006

	Note	AS AT 31/3/2006 RM'000	AS AT 31/12/2005 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,342	2,358
Associated company		662	665
Other investment		250	250
Intangible assets	A15	3,301	3,150
		6,555	6,423
Current assets			
Inventories		2,683	2,568
Trade and other receivables		4,161	3,500
Tax recoverable		165	206
Cash and cash equivalents		10,645	10,883
		17,654	17,157
TOTAL ASSETS		24,209	23,580
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		12,930	12,261
		21,875	21,206
Minority interests		892	725
Total equity		22,767	21,931
Non-current liabilities			
Borrowings	B9	220	244
Current Liabilities			
Trade and other payables		1,066	985
Borrowings	B9	49	348
Taxation		107	72
		1,222	1,405
Total liabilities		1,442	1,649
TOTAL EQUITY AND LIABILITIES		24,209	23,580
Net assets per share attributable to ordinary shareholders of the Company (RM)		0.24	0.24

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2006

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2006

	< ---------------------- Attributable to Shareholders of the Company -------------------- >						Minority Interests	Total Equity
			Non-distributable		Distributable	Total		
	Share capital	Share premium	Capital reserve	Translation reserve	(Accumulated loss) / Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At date of consolidation – 1 February 2005	*	0	0	0	(4)	(4)	0	(4)
Merger reserve	0	0	0	0	988	988	0	988
Issue of ordinary shares - acquisition of subsidiary	5,461	0	0	0	0	5,461	0	5,461
Profit for the period	0	0	0	0	792	792	0	792
At 31/3/2005	5,461	0	0	0	1,776	7,237	0	7,237
At 1/1/2006:-								
- as previously reported	8,945	9,382	0	1	2,878	21,206	725	21,931
- prior period adjustment in respect of equity share-based transactions (Note A2(a))	0	0	149	0	(149)	0	0	0
- as restated, after opening balance adjustment	8,945	9,382	149	1	2,729	21,206	725	21,931
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(8)	0	(8)	0	(8)
Profit for the period	0	0	0	0	700	700	167	867
Equity settled share-based transactions	0	0	(23)	0	0	(23)	0	(23)
At 31/3/2006	8,945	9,382	126	(7)	3,429	21,875	892	22,767

* denotes RM2.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2006

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/3/2006 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 31/3/2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	927	792
Adjustments for non-cash flows:		
Non-cash items	105	73
Interest income	(55)	(1)
Interest expense	2	16
Operating Profit Before Working Capital Changes	979	880
Changes In Working Capital:		
Net change in current assets	(776)	55
Net change in current liabilities	81	(149)
Net Cash Inflow from Operations	284	786
Income tax refunded/(paid)	16	(19)
Software development cost paid	(201)	(144)
Net Cash Inflow from Operating Activities	99	623
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	55	1
Purchase of property, plant and equipment	(59)	(33)
Net Cash Outflow from Investing Activities	(4)	(32)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(2)	(16)
Repayment of bank borrowings	(323)	(164)
Proceeds from bank borrowings	0	112
Dividend paid to shareholders of a subsidiary prior to the restructuring exercise	0	(1,125)
Payment of share issue expenses	0	(397)
Net Cash Outflow from Financing Activities	(325)	(1,590)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(230)	(999)
Effects of foreign exchange rate changes	(8)	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	10,883	2,357
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	10,645	1,358

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

A1 – Basis of Preparation

The interim financial report is unaudited and has 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 interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial report 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") since the year ended 31 December 2005.

A2 – Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the accounting policies changes that are expected to be reflected in the 2006 annual financial statements. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised Financial Reporting Standards ("FRSs") are discussed below:

(a) Employee share option scheme (FRS 2, Share-based Payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2006, in order to comply with FRS2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings. If the options forfeited due to resignation of employee before the vesting date, the related capital reserve is transferred directly to income statement.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the opening balance of retained profits as at 1 January 2006 has been adjusted.

No adjustments to the opening balances as at 1 January 2005 and no restatement to the comparatives for the period ended 31 March 2005 are required as no options existed at that time which were unvested at 1 January 2006.

The financial impact to the Group arising from this change in accounting policy is as follows:

	As at 1.1.2006 RM'000
Decrease in retained profits	(149)
Increase in capital reserve	149
	=====

	Cumulative period ended 31 March 2006 RM'000	**Preceding year corresponding period ended 31 March 2005 RM'000**
Increase in profit for the period	23	0
	=====	=====

(b) Changes in presentation (FRS 101, Presentation of Financial Statements and FRS 127, Consolidated and Separate Financial Statements) – Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

A3 – Auditors' Report on Preceding Audited Financial Statements

The auditors' report on the Group's financial statements for the year ended 31 December 2005 was not qualified.

A4 – Seasonal or Cyclicality 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.

A5 – 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.

A6 – 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.

A7 – 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.

A8 – Dividends Paid

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

A9 – Segmental Information

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

	Current and cumulative quarters ended 31 March 2006		
Analysis by geographical location	**Revenue from external customers by location of customers RM'000**	**Inter-segment revenue RM'000**	**Total revenue RM'000**
Malaysia	3,370	0	3,370
China	57	0	57
Singapore	33	0	33
Indonesia	9	0	9
Southeast Asia *	9	0	9
	3,478	0	3,478
Eliminations	0	0	0
Consolidated	3,478	0	3,478

* denotes Southeast Asia countries other than Malaysia, Singapore and Indonesia.

A10 – 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.

A11 – Acquisition of Property, Plant and Equipment

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

A12 – Material Subsequent Events

On 1 April 2006, the Company entered into a shareholders agreement ("SA") with Advantech Co. Singapore Pte. Ltd. ("ACSPL") and Elcomp Trading Sdn. Bhd. ("Elcomp"), companies incorporated in Singapore and Malaysia respectively, to transfer the business operations of an associate, Advantech Control (M) Sdn. Bhd. ("ACMSB") to Advantech Co. Malaysia Sdn. Bhd. ("AMY"), a company incorporated in Malaysia. Under the SA, the ordinary share capital of AMY will be increased to 2,000,000 ordinary shares with the Company subscribing for 490,000 new ordinary shares of RM1.00 each. ACSPL and Elcomp will also subscribe for 1,020,000 and 490,000 new ordinary shares of RM1.00 each respectively in AMY. Subsequent to that, ACMSB will become dormant and ACSPL will become the holding company of AMY.

There were no other material events subsequent to the end of the current quarter under review.

A13 – Changes in Composition of the Group

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

A14 – 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.

A15 – 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 third (3^{rd}) quarter of 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 period ended 31 March 2006 RM'000	Preceding year corresponding period ended 31 March 2005 RM'000
Revenue	3,478	2,620
Profit before tax	927	792

Group revenue of approximately RM3.5 million for the current period was approximately RM0.9 million or 33% higher than the revenue of approximately RM2.6 million for the preceding year corresponding period due to contribution from the subsidiary acquired in September last year amounting to approximately RM1.2 million for the sale of test measurement and solutions.

Group profit before tax for the current period of approximately RM0.9 million was approximately RM0.1 million or 17% higher than the preceding year corresponding period's group profit before tax of approximately RM0.8 million. The increase was mainly due to the profit registered by the subsidiary acquired in September last year which sells test measurement and solutions offset by the lower sales registered by a subsidiary which engaged in software support and maintenance services.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 31 March 2006 RM'000	Previous quarter ended 31 December 2005 RM'000
Revenue	3,478	3,204
Profit before tax	927	113

The Group's revenue for the current quarter of approximately RM3.5 million represents an increase by approximately RM0.3 million or 9% as compared to the revenue of approximately RM3.2 million for the preceding quarter. This is mainly due to the increase in the market demand for sale of e-manufacturing solutions.

Correspondingly, the Group's profit before tax for the current quarter of approximately RM0.9 million represents an increase of approximately RM0.8 million or 720% as compared to the Group's profit before tax of approximately RM0.1 million reported in the preceding quarter is mainly due to higher sales recorded as well as saving of operating costs.

B3 – Current Year Prospects

While anticipating the electronics and semiconductor industry to only recover from its seasonal weakness by year end and barring any unforeseen circumstances, the Board of Directors anticipate the performance of the Group to be satisfactory for the financial year ending 31 December 2006, due to the following reasons:-

- the Group continue to intensify its effort to expand its China operations by strengthening its market presence with bigger local sales and support team by the China subsidiary;
- the Group anticipates improved sales from the MNC plants in the Asia Pacific region after it has been awarded Asia Pacific Vendor status with a multinational semiconductor company;
- the Group expects to secure new contracts with MNC clients for its Enterprise Services Division which specialises in Information Communication Technology ("ICT") outsource services including Client Services, Middleware Integration, Software Applications Development and Systems Maintenance & Support;
- 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; and
- the Group anticipates to enjoy continuous contribution from its newly acquired subsidiary last year which specialises in test and measurement solutions and continuous leveraging 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 – Income Tax Expense

	31 March 2006 Current Quarter RM'000	31 March 2006 Cumulative Quarters RM'000
Malaysian income tax:-		
Current tax:		
- Current year	60	60
- Overprovision in prior years	0	0
	60	60
Deferred taxation:		
- Original and reversal of temporary differences	0	0
	60	60

The effective tax rate for the current financial period to date is significantly lower than the statutory tax rate mainly because Mexter MSC Sdn Bhd and Tonerex MSC 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
Term loan (Secured)	27
	49

	Long Term RM'000
Hire purchase liabilities (Unsecured)	39
Term loan (Secured)	181
	220

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.

B13 – Status of Utilisation of Proceeds

The proceeds from the Company's initial public offering amounted to RM13.937 million and as at 31 March 2006, 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	1,882	3,118
Working capital	4,367 *	2,785	1,582
Estimated listing expenses	1,070 *	1,070	-
Total	13,937	6,587	7,350

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 profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

		Current quarter ended 31 March		Cumulative quarters ended 31 March	
		2006	**2005**	**2006**	**2005**
Profit for the period attributable to ordinary shareholders of the Company	(RM'000)	700	792	700	792
Weighted average number of ordinary shares in issue	('000)	89,452	54,610	89,452	54,610
Basic EPS	(sen)	0.8	1.5	0.8	1.5

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: 26 May 2006