MEXTER TECHNOLOGY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2006

MEXTER TECHNOLOGY BERHAD
(Company No 647673-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 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 SECOND QUARTER ENDED 30 JUNE 2006

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT YEAR QUARTER 30/6/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2005 RM'000	CURRENT YEAR TO DATE 30/6/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2005 RM'000
Revenue	A9	6,343	3,053	9,821	5,673
Operating expenses		(6,269)	(2,781)	(8,877)	(4,592)
Other operating income		106	63	168	64
Profit from operations		180	335	1,112	1,145
Finance costs		(1)	(2)	(3)	(10)
Share of profit/(loss) of associated companies		133	(116)	130	(126)
Profit before tax		312	217	1,239	1,009
Income tax expense	B5	7	0	(53)	0
Profit for the period		319	217	1,186	1,009
Attributable to:					
Shareholders of the Company		318	217	1,018	1,009
Minority interests		1	0	168	0
Profit for the period		319	217	1,186	1,009
Earnings per share:					
Basic earnings per share (sen)		0.4	0.3	1.1	1.4
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 30 JUNE 2006

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2006

	Note	AS AT 30/6/2006 RM'000	AS AT 31/12/2005 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,344	2,358
Associated companies		992	665
Other investment		250	250
Intangible assets	A15	3,373	3,150
		6,959	6,423
Current assets			
Inventories		2,620	2,568
Trade and other receivables		4,978	3,500
Tax recoverable		173	206
Cash and cash equivalents		10,780	10,883
		18,551	17,157
TOTAL ASSETS		25,510	23,580
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		13,247	12,261
		22,192	21,206
Minority interests		893	725
Total equity		23,085	21,931
Non-current liabilities			
Borrowings	B9	209	244
Current Liabilities			
Trade and other payables		2,095	985
Borrowings	B9	49	348
Taxation		72	72
		2,216	1,405
Total liabilities		2,425	1,649
TOTAL EQUITY AND LIABILITIES		25,510	23,580
Net assets per share attributable to ordinary shareholders of the Company (RM)		0.25	0.24

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2006

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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 subsidiaries	5,461	0	0	0	0	5,461	0	5,461
- public issue	3,484	10,453	0	0	0	13,937	0	13,937
- share issue expenses	0	(1,071)	0	0	0	(1,071)	0	(1,071)
Profit for the period before restatement	0	0	0	0	1,158	1,158	0	1,158
- prior period adjustment in respect of equity share-based transactions (Note A2(a))	0	0	149	0	(149)	0	0	0
	0	0	149	0	1,009	1,158	0	1,158
At 30/6/2005	8,945	9,382	149	0	1,993	20,469	0	20,469
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	(9)	0	(9)	0	(9)
Profit for the period	0	0	0	0	1,018	1,018	168	1,186
Equity settled share-based transactions	0	0	(23)	0	0	(23)	0	(23)
At 30/6/2006	8,945	9,382	126	(8)	3,747	22,192	893	23,085

* denotes RM2.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2006

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/6/2006 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/6/2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,239	1,009
Adjustments for non-cash flows:		
Non-cash items	100	471
Interest income	(109)	(1)
Interest expense	3	10
Operating Profit Before Working Capital Changes	1,233	1,489
Changes In Working Capital:		
Net change in current assets	(1,530)	(2,335)
Net change in current liabilities	1,110	1,254
Net Cash Inflow from Operations	813	408
Income tax refunded/(paid)	15	(33)
Software development cost paid	(324)	(393)
Net Cash Inflow/(Outflow) from Operating Activities	504	(18)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	109	1
Investment in an associate	(490)	0
Dividend received	258	0
Purchase of property, plant and equipment	(138)	(324)
Net Cash Outflow from Investing Activities	(261)	(323)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(3)	(10)
Repayment of bank borrowings	(334)	(248)
Proceeds from public issue	0	13,937
Dividend paid to shareholders of a subsidiary prior to the restructuring exercise	0	(1,593)
Payment of share issue expenses	0	(741)
Net Cash (Outflow)/Inflow from Financing Activities	(337)	11,345
NET CHANGE IN CASH AND CASH EQUIVALENTS	(94)	11,004
Effects of foreign exchange rate changes	(9)	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	10,780	13,361

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 9B 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 comparative amounts as at 31 December 2005 are restated and 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 is 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
	=====

	Current quarter ended 30 June 2006 RM'000	**Cumulative period ended 30 June 2006 RM'000**	**Preceding year corresponding quarter ended 30 June 2005 RM'000**	**Preceding year corresponding period ended 30 June 2005 RM'000**
Increase/(decrease) in profit for the period	-	23	(149)	(149)
	=====	=====	=====	=====

(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.

(a) Current quarter

	Current quarter ended 30 June 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	5,895	0	5,895
China	355	0	355
Indonesia	13	0	13
Singapore	70		70
Southeast Asia *	10	0	10
	6,343	0	6,343
Eliminations	0	0	0
Consolidated	6,343	0	6,343

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

A9 – Segmental Information (continued)

(b) Cumulative quarters

	Cumulative quarters ended 30 June 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	9,265	0	9,265
China	412	0	412
Indonesia	46	0	46
Singapore	79		79
Southeast Asia *	19	0	19
	9,821	0	9,821
Eliminations	0	0	0
Consolidated	9,821	0	9,821

* 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

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

A13 – Changes in Composition of the Group

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 had increased to 2,000,000 ordinary shares with the Company subscribed for 490,000 new ordinary shares of RM1.00 each. ACSPL and Elcomp also subscribed for 1,020,000 and 490,000 new ordinary shares of RM1.00 each respectively in AMY. Subsequent to that, ACSPL became the holding company of AMY and AMY became an associate of the Company.

There were no other 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 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1 – Review of Performance

	Cumulative period ended 30 June 2006 RM'000	Preceding year corresponding period ended 30 June 2005 RM'000
Revenue	9,821	5,673
Profit before tax	1,239	1,009

Group revenue of approximately RM9.8 million for the current period was approximately RM4.1 million or 73% higher than the revenue of approximately RM5.7 million for the preceding year corresponding period due to contribution from the subsidiaries (Tonerex Technologies Sdn. Bhd. and Tonerex MSC Sdn. Bhd.) ("Tonerex group") acquired in September last year amounting to approximately RM4.3 million for the sale of test and measurement solutions.

Group profit before tax for the current period of approximately RM1.2 million was approximately RM0.2 million or 23% higher than the preceding year corresponding period's group profit before tax of approximately RM1.0 million. The increase was mainly due to the profit registered by the subsidiaries (Tonerex group) acquired in September last year which sells test and measurement solutions and higher share of profits from associate companies offset by the lower profit registered by a subsidiary which engaged in software support and maintenance services and e-manufacturing solutions.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2006 RM'000	Previous quarter ended 31 March 2006 RM'000
Revenue	6,343	3,478
Profit before tax	312	927

The Group's revenue for the current quarter of approximately RM6.3 million represents an increase by approximately RM2.9 million or 82% as compared to the revenue of approximately RM3.5 million for the preceding quarter. This is mainly due to the increase in the market demand for sale of IT hardware. In addition, the increase also due to sales contribution from the subsidiary (Tonerex MSC Sdn. Bhd.) acquired in September last year amounting to approximately RM2.2 million for the sale of a testing systems and solutions.

Correspondingly, the Group's profit before tax for the current quarter of approximately RM0.3 million represents an decrease of approximately RM0.6 million or 66% as compared to the Group's profit before tax of approximately RM0.9 million reported in the preceding quarter is mainly due to lower profit generated by the subsidiary (Tonerex Technologies Sdn. Bhd.) acquired in September last year which sell test equipments as a result of lower sales.

B3 – Current Year Prospects

The Board of Directors of Mexter anticipates the Manufacturing Process Management and Information Communication Technology ("ICT") Outsourcing industry will continue to grow in the medium term, although are subject to macro economic situation. Barring unforeseen circumstances, the Board of Directors expect the performance of the Group to be satisfactory for the upcoming financial year ending 31 December 2006, due to the following reasons:

- with the incorporation of a China subsidiary, the Group is improving its China operations by strengthening its market presence with bigger local sales and support team;
- with the new version of MexterEcute++, the Group expects to receive more orders from its automotive customers with potential to install additional new lines in the Peoples Republic of China; and
- continuous contribution from Tonerex group which specialises in test and measurement solutions. In addition, the Group is also able to leverage on Tonerex group's Approved Vendor status with other electronics and semiconductor MNCs.

B4 – Profit Forecast

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

B5 – Income Tax Expense

	30 June 2006	
	Current Quarter RM'000	**Cumulative Quarters RM'000**
Malaysian income tax:-		
Current tax:		
- Current year	(7)	53
- Overprovision in prior years	0	0
	(7)	53
Deferred taxation:		
- Original and reversal of temporary differences	0	0
	(7)	53

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)	34
Term loan (Secured)	175
	209

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 30 June 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 #	993	2,107
Purchase of a corporate headquarters-cum-warehouse	400 #	352	48
R&D expenses	5,000	2,096	2,904
Working capital	4,367 *	2,903	1,464
Estimated listing expenses	1,070 *	1,070	-
Total	13,937	7,414	6,523

\# 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 30 June		**Cumulative quarters ended 30 June**	
		2006	**2005**	**2006**	**2005**
Profit for the period attributable to ordinary shareholders of the Company	(RM'000)	318	217	1,018	1,009
Weighted average number of ordinary shares in issue	('000)	89,452	85,240	89,452	70,010
Basic EPS	(sen)	0.4	0.3	1.1	1.4

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: 25 August 2006