



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
31 MARCH 2008**

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008

The Board of Directors of Mexter Technology Berhad (“Mexter” or “Company”) wishes to announce the following unaudited condensed consolidated results for the period ended 31 March 2008 which should be read in conjunction with the audited financial statements of Mexter for the financial year ended 31 December 2007.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 31/3/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2007 RM'000	CURRENT YEAR TO DATE 31/3/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2007 RM'000
Revenue	A9	2,341	3,429	2,341	3,429
Operating expenses		(3,251)	(3,711)	(3,251)	(3,711)
Other operating income		61	71	61	71
Loss from operations		(849)	(211)	(849)	(211)
Finance costs		(10)	(4)	(10)	(4)
Share of profit of associated company		2	-	2	-
Loss before tax		(857)	(215)	(857)	(215)
Tax expense	B5	(1)	-	(1)	-
Loss for the period		(858)	(215)	(858)	(215)
Attributable to:					
Shareholders of the Company		(858)	(215)	(858)	(215)
Minority interests		-	-	-	-
Loss for the period		(858)	(215)	(858)	(215)
Earnings per share:					
Basic earnings per share (sen)		(1.0)	(0.2)	(1.0)	(0.2)
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 2008**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2008**

		(UNAUDITED) AS AT 31/3/2008 RM'000	(AUDITED) AS AT 31/12/2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,365	2,455
Associated company		314	312
Intangible assets		369	443
		<u>3,048</u>	<u>3,210</u>
Current assets			
Inventories		730	743
Trade and other receivables		3,937	3,236
Tax recoverable		112	112
Cash and cash equivalents		3,950	5,230
		<u>8,729</u>	<u>9,321</u>
TOTAL ASSETS		<u>11,777</u>	<u>12,531</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		871	1,734
		<u>9,816</u>	<u>10,679</u>
Non-current liabilities			
Borrowings	B9	435	457
Deferred tax liabilities		3	3
		<u>438</u>	<u>460</u>
Current liabilities			
Trade and other payables		1,252	1,083
Deferred revenue		148	182
Borrowings	B9	104	112
Taxation		19	15
		<u>1,523</u>	<u>1,392</u>
Total liabilities		<u>1,961</u>	<u>1,852</u>
TOTAL EQUITY AND LIABILITIES		<u>11,777</u>	<u>12,531</u>
Net assets per share attributable to ordinary shareholders of the Company (RM)		<u>0.11</u>	<u>0.12</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 31 MARCH 2008**

	<----- Attributable to shareholders of the Company ----->					Total	Minority Interests	Total Equity
	<-----Non-distributable----->				Distributable			
	Share capital	Share premium	Capital reserve	Translation reserve	Retained profits/ (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1/1/2007:-	8,945	9,382	126	(17)	3,314	21,750	0	21,750
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(9)	0	(9)	0	(9)
Loss for the period	0	0	0	0	(215)	(215)	0	(215)
Equity settled share-based transactions	0	0	0	0	0	0	0	0
At 31/3/2007	8,945	9,382	126	(26)	3,099	21,526	0	21,526
At 1/1/2008	8,945	9,382	126	(16)	(7,758)	10,679	0	10,679
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(5)	0	(5)	0	(5)
Loss for the period	0	0	0	0	(858)	(858)	0	(858)
Equity settled share-based transactions	0	0	(74)	0	74	0	0	0
At 31/3/2008	8,945	9,382	52	(21)	(8,542)	9,816	0	9,816

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2008**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/3/2008 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 31/3/2007 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(857)	(215)
Adjustments for non-cash flows:		
Non-cash items	164	172
Interest income	(26)	(43)
Interest expense	10	4
Operating Loss Before Working Capital Changes	(709)	(82)
Changes In Working Capital:		
Net change in current assets	(688)	1,079
Net change in current liabilities	135	(963)
Net Cash (Outflow)/Inflow from Operations	(1,262)	34
Income tax refunded/(paid)	3	(3)
Net Cash (Outflow)/Inflow from Operating Activities	(1,259)	31
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	26	43
Purchase of property, plant and equipment	(21)	(73)
Proceed from disposal of property, plant and equipment	19	0
Net Cash Inflow/(Outflow) from Investing Activities	24	(30)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(10)	(4)
Repayment of bank borrowings	(30)	(11)
Net Cash Outflow from Financing Activities	(40)	(15)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,275)	(14)
Effects of foreign exchange rate changes	(5)	(9)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	5,230	7,577
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	3,950	7,554

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008

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 financial year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company, its subsidiary companies and associated company (the “Group”) since the financial year ended 31 December 2007.

A2 – Changes in Accounting Policies

The significant accounting policies adopted during the current quarter under review are consistent with those of the audited financial statements for the financial year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRSs”) which are effective and applicable for the financial period beginning 1 July 2007:-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments 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
FRS 139	Financial Instruments: Recognition and Measurement

The Group applied the rest of the abovementioned FRSs except for FRS 111, FRS 120 and Amendment to FRS 121 for the annual period beginning 1 January 2008. In this respect, FRS 111, FRS 120 and Amendment to FRS 121 are not applicable to the Group. Hence, no further disclosure is warranted.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs did not have any material impact on the financial statements of the Group.

A3 – Auditors’ Report on Preceding Audited Financial Statements

The auditors’ report on the Group’s financial statements for the financial year ended 31 December 2007 was not qualified.

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A4 – Seasonal or Cyclicity of Operations

In general, the Group's business is primarily exposed to business cycles of the Electronic Manufacturing, Semiconductor and Automotive industries with IT spending from the MNC's within the said industries remaining soft during the current quarter under review.

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 (other than the hire purchase and term loan debts disclosed in Note B9) 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

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

A9 – Segmental Information

The Group operates predominantly in the Information and Communications Technology sector and accordingly, only the geographical segmental information (based on the known business address of the customers) is presented.

Analysis by geographical location	Current and cumulative quarters ended 31 March 2008					
	Revenue from external customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	1,866	79.7	-	-	1,866	79.7
China	107	4.6	-	-	107	4.6
India	22	0.9	-	-	22	0.9
Indonesia	5	0.2	-	-	5	0.2
Singapore	200	8.6	-	-	200	8.6
Thailand	141	6.0	-	-	141	6.0
	2,341	100.0	-	-	2,341	100.0
Eliminations	-	-	-	-	-	-
Consolidated	2,341	100.0	-	-	2,341	100.0

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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. Hence, the valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements of the Group for the financial year ended 31 December 2007.

A11 – Acquisition/Disposal 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

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, save for any potential damages or cost to be awarded pursuant to the civil suit [Penang High Court (Civil Suit No. MT1-22-527-2007)] (please refer to Note B11 for further information), the Directors of the Company are not aware of any material contingent liabilities or contingent assets of the Group.

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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 31 March 2008 RM'000	Preceding year corresponding period ended 31 March 2007 RM'000
Revenue	<u>2,341</u>	<u>3,429</u>
Loss before tax	<u>(857)</u>	<u>(215)</u>

For the financial period ended 31 March 2008, the Group recorded revenue of approximately RM2.34 million which represents a 31.8% reduction against the preceding year's corresponding revenue. The lower revenue was on the backdrop of softer demand from the Group's Computer and Electronic Services ("CES") as well as its Test and Measurement Solutions, the latter of which is a result of past events which affected the business operations of the Tonerex group of companies.

For the same financial period, the Group recorded a loss before tax of approximately RM0.86 million compared with the preceding year's corresponding loss before tax of approximately RM0.22 million. The losses were primarily attributed to lower revenue, hence gross margin contributions which were unable to sufficiently cover overheads. Further, the Groups investment in MexComm Sdn Bhd has yet to start to contribute to the Group's earnings.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 31 March 2008 RM'000	Previous quarter ended 31 December 2007 RM'000
Revenue	<u>2,341</u>	<u>2,369</u>
Loss before tax	<u>(857)</u>	<u>(1,453)</u>

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The Group's revenue for the current quarter of approximately RM2.34 million represents a decrease of approximately RM0.03 million or 1.3% as compared to the revenue of approximately RM2.37 million for the preceding quarter. This is mainly due to a marginal decrease in sales contribution from the CES Division as the 1st and 4th quarters have traditionally been lacklustre quarters.

The Group recorded a loss before tax of approximately RM0.86 million for the current quarter which represents a decrease of losses of approximately RM0.59 million or 40.7% when compared to the Group's loss before tax of approximately RM1.45 million reported in the previous preceding quarter. The lower loss registered in the current quarter was mainly due to the implementation of the various strategic initiatives by the Management, which are starting to show results especially in the area of operations and cost control.

B3 – Current Year Prospects

The Board and Management maintain that the operating environment hence the outlook for 2008 will remain challenging with the Group continuing to experience on-going pressure on sales and margins which in-turn will hurt profitability. However, the Board and Management remain upbeat that despite the various challenges, the Group will continue to persevere and on a cautious note, are optimistic of an improved financial performance vis-à-vis 2007.

B4 – Profit Forecast

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

B5 – Tax Expense

	31 March 2008	
	Current Quarter RM'000	Cumulative Quarters RM'000
Malaysian income tax:-		
Current tax:		
- Current year	-	-
- Underprovision in prior years	(1)	(1)
	<hr/>	<hr/>
	(1)	(1)
Deferred taxation:		
- Original and reversal of temporary differences	-	-
	<hr/>	<hr/>
	(1)	(1)

There is no tax expense for the current period as the Company and most of the subsidiaries posted losses. The subsidiary which posted profits had sufficient tax losses to offset profit made. Mexter MSC Sdn. Bhd. ("MMSC") and Tonerex MSC Sdn. Bhd. were granted Multimedia Super Corridor ("MSC") status which exempts their income from taxation for a period of five (5) years commencing from November 2002 and July 2005 respectively. MMSC had on 30 August 2007 submitted an application to Multimedia Development Corporation ("MDEC") seeking an extension to the MSC/pioneer status for a further period of five (5) years from the expiry date in December 2007. The said application is in the midst of being processed by MDEC.

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.

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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 are 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:-

	Current RM'000
Hire purchase liabilities (Unsecured)	88
Term loan (Secured)	16
	<hr/> 104 <hr/>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	270
Term loan (Secured)	165
	<hr/> 435 <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

There have not been any changes in material litigation since 31 December 2007, being the last balance sheet date up to 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 MARCH 2008**B13 – Status of Utilisation of Proceeds**

The proceeds arising from the Company's initial public offering amounted to RM13.937 million and as at 31 March 2008, the details of the utilisation of proceeds are as follows:-

Purpose	Original proposed utilisation RM'000	Revised proposed utilisation RM'000	Actual utilisation RM'000	Revised Timeframe For Utilisation	Balance unutilised RM'000	%	
Business expansion	1,000	3,100 #	3,100	31 December 2007	-	-	
Purchase of a corporate headquarters-cum-warehouse	2,500	400 #	400	31 July 2007	-	-	
R&D expenses	5,000	5,000	3,824	11 April 2009	1,176	24	Note 1
Working capital	3,637	4,367 *	4,367	31 December 2007	-	-	
Estimated listing expenses	1,800	1,070 *	1,070	11 April 2005	-	-	
Total	13,937	13,937	12,761		1,176	8	

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.

Note 1

As of 31 March 2008, the Group has achieved satisfactory progress in its R&D for product line extension and considers the time frame of four (4) years from the Company's listing date of 12 April 2005 to be sufficient for the Group to fully utilise the proceeds for its intended purposes.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008**B14 –Earnings per Share***(a) Basic earnings per share (“EPS”)*

Basic EPS of the Group are calculated by dividing the profit or loss for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

		Current quarter ended 31 March		Cumulative quarters ended 31 March	
		2008	2007	2008	2007
Loss for the period attributable to ordinary shareholders of the Company	(RM'000)	(858)	(215)	(858)	(215)
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(1.0)	(0.2)	(1.0)	(0.2)

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

There is no dilution of share capital for the Group.

BY ORDER OF THE BOARD

Ooi Ean Hoon (MAICSA 7057078)

Angelina Cheah Gaik Suan (MAICSA 7035272)

Tee Choon Wee (MIA 27070)

Company Secretaries

Kuala Lumpur

Dated: 29 May 2008