



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2008**

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 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 SECOND QUARTER ENDED 30 JUNE 2008**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Note	CURRENT YEAR QUARTER 30/6/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2007 RM'000	CURRENT YEAR TO DATE 30/6/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2007 RM'000
Revenue	A9	2,910	4,158	5,251	7,587
Operating expenses		(4,024)	(4,970)	(7,275)	(8,681)
Other operating income		103	102	164	173
Loss from operations		(1,011)	(710)	(1,860)	(921)
Finance costs		(18)	(2)	(28)	(6)
Share of profit/(loss) of associated company		1	(42)	3	(42)
Loss before tax		(1,028)	(754)	(1,885)	(969)
Tax expense	B5	-	-	(1)	-
Loss for the period		(1,028)	(754)	(1,886)	(969)
Attributable to:					
Shareholders of the Company		(1,028)	(754)	(1,886)	(969)
Minority interests		-	-	-	-
Loss for the period		(1,028)	(754)	(1,886)	(969)
Earnings per share:					
Basic earnings per share (sen)		(1.1)	(0.8)	(2.1)	(1.1)
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 2008**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008**

		(UNAUDITED) AS AT 30/6/2008 RM'000	(AUDITED) AS AT 31/12/2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,018	2,455
Associated company		315	312
Intangible assets		295	443
		<u>5,628</u>	<u>3,210</u>
Current assets			
Inventories		687	743
Trade and other receivables		3,214	3,236
Tax recoverable		116	112
Cash and cash equivalents		3,160	5,230
		<u>7,177</u>	<u>9,321</u>
TOTAL ASSETS		<u>12,805</u>	<u>12,531</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		(125)	1,734
		<u>8,820</u>	<u>10,679</u>
Non-current liabilities			
Borrowings	B9	2,336	457
Deferred tax liabilities		3	3
		<u>2,339</u>	<u>460</u>
Current liabilities			
Trade and other payables		1,223	1,083
Deferred revenue		259	182
Borrowings	B9	163	112
Taxation		1	15
		<u>1,646</u>	<u>1,392</u>
Total liabilities		<u>3,985</u>	<u>1,852</u>
TOTAL EQUITY AND LIABILITIES		<u>12,805</u>	<u>12,531</u>
Net assets per share attributable to ordinary shareholders of the Company (RM)		<u>0.10</u>	<u>0.12</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 30 JUNE 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	2	0	2	0	2
Loss for the period	0	0	0	0	(969)	(969)	0	(969)
Equity settled share-based transactions	0	0	0	0	0	0	0	0
Dividend – 2006 final	0	0	0	0	(268)	(268)	0	(268)
At 30/6/2007	8,945	9,382	126	(15)	2,077	20,515	0	20,515
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	27	0	27	0	27
Loss for the period	0	0	0	0	(1,886)	(1,886)	0	(1,886)
Equity settled share-based transactions	0	0	(74)	0	74	0	0	0
At 30/6/2008	8,945	9,382	52	11	(9,570)	8,820	0	8,820

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2008

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/6/2008 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/6/2007 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(1,885)	(969)
Adjustments for non-cash flows:		
Non-cash items	425	490
Interest income	(43)	(83)
Interest expense	28	6
Operating Loss Before Working Capital Changes	(1,475)	(556)
Changes In Working Capital:		
Net change in current assets	78	1,212
Net change in current liabilities	217	(961)
Net Cash Outflow from Operations	(1,180)	(305)
Income tax (paid)/refunded	(19)	56
Software development cost paid	0	(110)
Net Cash Outflow from Operating Activities	(1,199)	(359)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	43	83
Purchase of property, plant and equipment	(2,862)	(165)
Proceed from disposal of property, plant and equipment	19	1
Net Cash Outflow from Investing Activities	(2,800)	(81)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(28)	(6)
Repayment of bank borrowings	(56)	(21)
Proceed from bank borrowings	1,986	0
Net Cash Inflow/(Outflow) from Financing Activities	1,902	(27)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,097)	(467)
Effects of foreign exchange rate changes	27	2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	5,230	7,577
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	3,160	7,112

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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

The Group has or will apply the rest of the abovementioned FRSs except for FRS 111 for the annual period beginning 1 January 2008. In this respect, FRS 111 is not applicable to the Group. Hence, no further disclosure is warranted.

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 Industry and accordingly, only the geographical segmental information (based on the known business address of the customers) is presented.

(a) *Current quarter*

Analysis by geographical location	Current quarter ended 30 June 2008					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	2,405	82.6	-	-	2,405	82.6
China	272	9.3	-	-	272	9.3
India	3	0.1	-	-	3	0.1
Indonesia	10	0.4	-	-	10	0.4
Singapore	67	2.3	-	-	67	2.3
Thailand	8	0.3	-	-	8	0.3
European Union	145	5.0	-	-	145	5.0
	2,910	100.0	-	-	2,910	100.0
Eliminations	-	-	-	-	-	-
Consolidated	2,910	100.0	-	-	2,910	100.0

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2008*(b) Cumulative quarters***Cumulative quarters ended 30 June 2008**

Analysis by geographical location	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
	Malaysia	4,271	81.3	-	-	4,271
China	379	7.2	-	-	379	7.2
India	25	0.5	-	-	25	0.5
Indonesia	15	0.3	-	-	15	0.3
Singapore	267	5.1	-	-	267	5.1
Thailand	8	0.1	-	-	8	0.1
European Union	286	5.5	-	-	286	5.5
	5,251	100.0	-	-	5,251	100.0
Eliminations	-	-	-	-	-	-
Consolidated	5,251	100.0	-	-	5,251	100.0

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

Save for the completion of the proposed acquisition of the new corporate office situated at Solaris Mont' Kiara, Kuala Lumpur in May 2008, there were no other material acquisitions or disposals of property, plant and equipment during the current quarter under review.

A12 – Material Subsequent Events

Save for the delivery of the testers/components as per the Company's announcement on 30 July 2008, 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 instigated by Tan Kim Boon and Tan Kim Kheng against the Company and Ivan Sia Teck Fatt [Penang High Court (Civil Suit No. MT1-22-527-2007)], the Directors of the Company are not aware of any material contingent liabilities or contingent assets of the Group.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2008

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 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
Revenue	<u>5,251</u>	<u>7,587</u>
Loss before tax	<u>(1,885)</u>	<u>(969)</u>

For the financial period ended 30 June 2008, the Group recorded revenue of approximately RM5.25 million which represents a 30.8% reduction against the preceding year's corresponding period. This was primarily due to the lower sales contribution from the Group's Computer and Electronic Services ("CES") and Test and Measurement Division ("T&M") from RM4.07 million to RM2.43 million for CES and RM1.50 million to RM0.19 million for T&M, respectively.

For the same financial period, the Group recorded a loss before tax of approximately RM1.89 million compared with the preceding year's corresponding loss before tax of approximately RM0.97 million. The higher losses were primarily due to lower revenue and relatively higher operational cost.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2008 RM'000	Previous quarter ended 31 March 2008 RM'000
Revenue	<u>2,910</u>	<u>2,341</u>
Loss before tax	<u>(1,028)</u>	<u>(857)</u>

The Group's revenue for the current quarter of approximately RM2.91 million represents an increase of approximately RM0.57 million or 24.4% as compared to the revenue of approximately RM2.34 million for the preceding quarter. This is due to the increase in sales contribution from the CES Division.

Despite the higher revenue, the Group recorded a loss before tax of approximately RM1.03 million for the current quarter which represents an increase of losses of approximately RM0.17 million or 19.8% when compared to the Group's loss before tax of approximately RM0.86 million reported in the previous preceding quarter. This can be primarily attributed to the lower gross margins derived from the CES products and services as well as one-off operational expenses incurred during the quarter under review.

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B3 – Current Year Prospects

In spite of the various initiatives taken by the Board and Management to turnaround the Group, prospects for the financial year ending 31 December 2008 remain challenging. The Group continues to face challenges, underlined by sluggish demand for the Group's products and services, thinning margins and relatively higher operational cost. In order to strengthen the Group's sales, Management is currently in the midst of negotiating and bidding for new projects. At the same time, Management is putting in place prudent spending policies to contain escalating cost. The Board and Management will continue to seek feasible solutions to these challenges with the aim of narrowing the Group's losses and ultimately returning to profitability in the future.

B4 – Profit Forecast

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

B5 – Tax Expense

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

B7 – Purchase or Disposal of Quoted Securities

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

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B8 – Status of Corporate Proposals Announced But Not Completed

Save as for the proposed private placement and proposed special issue, details of which are set out in the Company's announcement dated 8 August 2008, there were no other 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)	75
	<hr/> 163 <hr/>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	248
Term loan (Secured)	2,088
	<hr/> 2,336 <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

Save for the various announcement pertaining to the updates of the material litigation, the latest being on 6th August 2008, 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 30 JUNE 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 30 June 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	4,194	11 April 2009	806	16	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	13,131		806	6	

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 30 June 2008, the Group continue to implement its R&D roadmap 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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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 30 June		Cumulative quarters ended 30 June	
		2008	2007	2008	2007
Loss for the period attributable to ordinary shareholders of the Company	(RM'000)	(1,028)	(754)	(1,886)	(969)
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(1.1)	(0.8)	(2.1)	(1.1)

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: 28 August 2008