



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

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

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2008**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007 RM'000	CURRENT YEAR TO DATE 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000
Revenue	A9	4,076	3,534	9,327	11,121
Operating expenses		(4,537)	(5,258)	(11,812)	(13,939)
Other operating income		77	70	241	243
Loss from operations		(384)	(1,654)	(2,244)	(2,575)
Finance costs		(33)	(4)	(61)	(10)
Exceptional items		-	(6,697)	-	(6,697)
Share of loss of associated company		(3)	(43)	-	(85)
Loss before tax		(420)	(8,398)	(2,305)	(9,367)
Tax expense	B5	1	25	-	25
Loss for the period		(419)	(8,373)	(2,305)	(9,342)
Attributable to:					
Shareholders of the Company		(419)	(8,373)	(2,305)	(9,342)
Minority interests		-	-	-	-
Loss for the period		(419)	(8,373)	(2,305)	(9,342)
Earnings per share:					
Basic earnings per share (sen)		(0.5)	(9.4)	(2.6)	(10.4)
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 SEPTEMBER 2008**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2008**

		(UNAUDITED) AS AT 30/9/2008 RM'000	(AUDITED) AS AT 31/12/2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,160	2,455
Associated company	A13	-	312
Intangible assets		274	443
		<u>5,434</u>	<u>3,210</u>
Current assets			
Associated company	A13	312	-
Inventories		662	743
Trade and other receivables		3,555	3,236
Tax recoverable		124	112
Cash and cash equivalents		2,856	5,230
		<u>7,509</u>	<u>9,321</u>
TOTAL ASSETS		<u>12,943</u>	<u>12,531</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		(512)	1,734
		<u>8,433</u>	<u>10,679</u>
Non-current liabilities			
Borrowings	B9	2,296	457
Deferred tax liabilities		3	3
		<u>2,299</u>	<u>460</u>
Current liabilities			
Trade and other payables		1,758	1,083
Deferred revenue		290	182
Borrowings	B9	163	112
Taxation		-	15
		<u>2,211</u>	<u>1,392</u>
Total liabilities		<u>4,510</u>	<u>1,852</u>
TOTAL EQUITY AND LIABILITIES		<u>12,943</u>	<u>12,531</u>
Net assets per share attributable to ordinary shareholders of the Company (RM)		<u>0.09</u>	<u>0.12</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD 30 SEPTEMBER 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	1	0	1	0	1
Loss for the period	0	0	0	0	(9,342)	(9,342)	0	(9,342)
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 30/9/2007	8,945	9,382	126	(16)	(6,296)	12,141	0	12,141
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	59	0	59	0	59
Loss for the period	0	0	0	0	(2,305)	(2,305)	0	(2,305)
Equity settled share-based transactions	0	0	(74)	0	74	0	0	0
At 30/9/2008	8,945	9,382	52	43	(9,989)	8,433	0	8,433

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2008**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/9/2008 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/9/2007 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(2,305)	(9,367)
Adjustments for non-cash flows:		
Non-cash items	626	4,242
Interest income	(57)	(118)
Interest expense	61	10
Operating Loss Before Working Capital Changes	(1,675)	(5,233)
Changes In Working Capital:		
Net change in current assets	(238)	6,039
Net change in current liabilities	783	(1,670)
Net Cash Outflow from Operations	(1,130)	(864)
Income tax (paid)/refunded	(27)	44
Net Cash Outflow from Operating Activities	(1,157)	(820)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	57	118
Purchase of property, plant and equipment	(3,133)	(885)
Purchase of shortcodes	(53)	(19)
Proceed from disposal of property, plant and equipment	24	1
Net Cash Outflow from Investing Activities	(3,105)	(785)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	0	(268)
Interest paid	(61)	(10)
Repayment of bank borrowings	(96)	(30)
Proceed from bank borrowings	1,986	384
Net Cash Inflow from Financing Activities	1,829	76
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,433)	(1,529)
Effects of foreign exchange rate changes	59	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	5,230	7,577
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	2,856	6,049

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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. For the current quarter under review, the demand for the Group's products and services, particularly IT products and solutions, from the Group's customers continued to remain soft.

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*

Current quarter ended 30 September 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	3,435	84.3	-	-	3,435	84.3
China	563	13.8	-	-	563	13.8
India	-	-	-	-	-	-
Indonesia	13	0.3	-	-	13	0.3
Singapore	79	1.9	-	-	79	1.9
Thailand	-	-	-	-	-	-
European Union	(14)*	(0.3)	-	-	(14)	(0.3)
	4,076	100.0	-	-	4,076	100.0
Eliminations	-	-	-	-	-	-
Consolidated	4,076	100.0	-	-	4,076	100.0

* *Relates to the reversal of sales to deferred revenue.*

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2008*(b) Cumulative quarters*

Analysis by geographical location	Cumulative quarters ended 30 September 2008					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	7,706	82.6	-	-	7,706	82.6
China	942	10.0	-	-	942	10.0
India	25	0.3	-	-	25	0.3
Indonesia	28	0.3	-	-	28	0.3
Singapore	346	3.7	-	-	346	3.7
Thailand	8	0.1	-	-	8	0.1
European Union	272	3.0	-	-	272	3.0
	9,327	100.0	-	-	9,327	100.0
Eliminations	-	-	-	-	-	-
Consolidated	9,327	100.0	-	-	9,327	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

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

Save as that disclosed below, there were no other changes to the composition of the Group during the current quarter under review:-

- (i) The Company had on 2 September 2008, 3 September 2008 and 26 September 2008 respectively announced the voluntary winding up of an associate company, Advantech Control (M) Sdn. Bhd., of which the carrying cost of the latter has been reclassified to current assets pursuant to FRS128 (Investment in Associates). As at the date of this announcement, the voluntary winding up has yet to be completed; and
- (ii) The Company had on 9 September 2008 announced the acquisition of the remaining two (2) ordinary shares of SGD1.00 each in Mexter (S) Pte. Ltd. (“MSPL”) by Mexter (M) Sdn. Bhd. (“MMSB”), a wholly-owned subsidiary of the Company. Consequently, MSPL has become a wholly-owned subsidiary of MMSB.

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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 on-going civil suits as disclosed in Note B11 herein, the Directors of the Company are not aware of any material contingent liabilities or contingent assets that may impact the financial performance 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 30 September 2008 RM'000	Preceding year corresponding period ended 30 September 2007 RM'000
Revenue	9,327	11,121
Loss before tax	(2,305)	(9,367)

For the financial period ended 30 September 2008, the Group recorded revenue of approximately RM9.33 million which represents a 16.1% reduction against the preceding year's corresponding revenue. This was primarily attributed to the lower sales contribution from the Group's Computer and Electronics Services ("CES") Division i.e. from RM5.39 million to RM2.88 million as a result of lower demand and intense competition. The lower contribution from the CES Division however, was partly compensated by increase in sales contribution from MexComm Sdn Bhd ("MexComm") of RM2.24 million following the launching and contribution of its Premium Mobile Messaging services during the quarter under review.

For the same financial period, the Group recorded a loss before tax of approximately RM2.31 million which represents a decrease in losses of approximately RM7.06 million or 75.4% when compared to the Group's loss before tax of approximately RM9.37 million reported in the corresponding preceding period. This was mainly attributable to the non-recurring of one off exceptional items i.e. recognition of impairment loss on Mexter Group's goodwill on consolidation of RM2.91 million and the full provision of the carrying value of the testers amounting to RM3.78 million accounted for in the previous corresponding period. The lower losses were also on the back of higher gross profit margins which increased from 33% to 41% and lower operating cost albeit marginally.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 September 2008 RM'000	Previous quarter ended 30 June 2008 RM'000
Revenue	4,076	2,910
Loss before tax	(420)	(1,028)

The Group's revenue for the current quarter of approximately RM4.08 million represents an increase of approximately RM1.17 million or 40.2% as compared to the revenue of approximately RM2.91 million for the preceding quarter. All divisions with the exception of CES and the Group's operations in China registered a growth in revenue during this period with MexComm contributing approximately 41.7% of the total Group revenue following the launching and contribution of its Premium Mobile Messaging services.

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Despite the higher revenue and with it, higher gross profit contribution, the latter was still insufficient to cover the operating cost of the Group which increased marginally during the quarter under review. Hence, the Group registered losses of approximately RM0.42 million for the quarter under review which represents a decrease of approximately RM0.61 million or 59.1% when compared to the Group's loss before tax of approximately RM1.03 million reported in the previous preceding quarter.

B3 – Current Year Prospects

The prospect of the Group registering a full profit for this financial year ending 31 December 2008 remains uncertain. While the Management is working towards becoming profitable in the fourth quarter, the unfavourable economic environment amid the global financial meltdown has made it even more difficult as the same has affected most, if not all, of the Group's major customers which largely depend on the developed and developing economies to spur demand for their products and services. This will further hamper the Management's efforts to improve and push sales. However, the lower demand for the Group's traditional IT products and services is expected to be negated somewhat by the increased contribution from MexComm, which has started to post profits since August 2008. With this and the various other efforts taken by the Management to manage and cushion the impact that any slowdown may have on the Group, it is expected that the prospects of the Group will continue to improve in the near term.

B4 – Profit Forecast

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

B5 – Tax Expense

	30 September 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 with a decision expected to be made in the fourth quarter of this year.

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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

Save for following, there were no other corporate proposals announced but not completed as of the date of this announcement:-

- (a) Proposed Private Placement and Proposed Special Issue which is subject to approvals being obtained from the following parties:-
 - (i) the shareholders of Mexter at an EGM to be convened for the Proposed Special Issue; and
 - (ii) the Bursa Malaysia Securities Exchange for the listing of and quotation for the new ordinary shares of RM1.00 each in Mexter to be issued pursuant to the Proposed Private Placement and Proposed Special Issue; and
- (b) Proposed voluntary winding up of Advantech Control (M) Sdn. Bhd (as disclosed in Note A13).

B9 – Group Borrowings and Debt Securities

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

	Current
	RM'000
Hire purchase liabilities (Unsecured)	87
Term loan (Secured)	76
	<hr/>
	163
	<hr/>
	Non-current
	RM'000
Hire purchase liabilities (Unsecured)	227
Term loan (Secured)	2,069
	<hr/>
	2,296
	<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

On 7 October 2008, the Company's through its solicitors, had served a copy of the amended writ of summon and amended statement of claim on Ms Oung Lay Choon, the 6th Defendant pertaining to the on-going civil suit in the Penang High Court (Civil Suit No. MT1-22-527-2007). Apart from the same and the various updates preceding the same, 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2008**B12 – Dividends**

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

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 September 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	4,483	11 April 2009	517	10	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	13,420		517	4	

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 September 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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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September		Cumulative quarters ended 30 September	
		2008	2007	2008	2007
Loss for the period attributable to ordinary shareholders of the Company	(RM'000)	(419)	(8,373)	(2,305)	(9,342)
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(0.5)	(9.4)	(2.6)	(10.4)

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

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: 14 November 2008