



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2009**

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2009

The Board of Directors of Mexter Technology Berhad (“Mexter” or “Company”) wishes to announce the following unaudited condensed consolidated results for the financial period ended 30 June 2009 which should be read in conjunction with the audited financial statements of Mexter for the financial year ended 31 December 2008.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2009**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 30/06/2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2008 RM'000	CURRENT YEAR TO DATE 30/06/2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2008 RM'000
Revenue	A9	8,249	2,910	15,338	5,251
Operating expenses		(9,041)	(4,024)	(16,969)	(7,275)
Other operating income		17	103	46	164
Loss from operations		(775)	(1,011)	(1,585)	(1,860)
Finance costs		(15)	(18)	(47)	(28)
Share of profit of associated company		-	1	-	3
Loss before tax		(790)	(1,028)	(1,632)	(1,885)
Tax expense	B5	-	-	(1)	(1)
Loss for the period		(790)	(1,028)	(1,633)	(1,886)
Attributable to:					
Shareholders of the Company		(845)	(1,028)	(1,707)	(1,886)
Minority interest		55	-	74	-
Loss for the period		(790)	(1,028)	(1,633)	(1,886)
Earnings per share:					
Basic earnings per share (sen)		(0.9)	(1.1)	(1.9)	(2.1)
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 2009**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2009**

		(UNAUDITED) AS AT 30/06/2009 RM'000	(AUDITED) AS AT 31/12/2008 RM'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		4,998	5,082
Associated company	B8 (b)	43	42
Intangible assets		122	211
		<u>5,163</u>	<u>5,335</u>
Current assets			
Inventories		882	946
Trade and other receivables		4,472	2,511
Tax recoverable		38	98
Cash and cash equivalents		2,989	4,117
		<u>8,381</u>	<u>7,672</u>
TOTAL ASSETS		<u>13,544</u>	<u>13,007</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		8,945	8,945
Reserves		(3,138)	(1,445)
		<u>5,807</u>	<u>7,500</u>
Minority interest		<u>94</u>	<u>-</u>
Total equity		<u>5,901</u>	<u>7,500</u>
Non-current liabilities			
Borrowings	B9	2,174	2,252
Deferred tax liabilities		3	3
		<u>2,177</u>	<u>2,255</u>
Current liabilities			
Trade and other payables		4,943	2,940
Deferred revenue		349	121
Borrowings	B9	174	191
		<u>5,466</u>	<u>3,252</u>
Total liabilities		<u>7,643</u>	<u>5,507</u>
TOTAL EQUITY AND LIABILITIES		<u>13,544</u>	<u>13,007</u>
Net assets per share attributable to ordinary shareholders of the Company (RM)		<u>0.06</u>	<u>0.08</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009**

	< ----- Attributable to shareholders of the Company ----- >					Total	Minority Interest	Total Equity
	< ----- Non-distributable ----- >		Distributable					
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	RM'000	RM'000	RM'000
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 30/06/2008	8,945	9,382	52	11	(9,570)	8,820	0	8,820
At 1/1/2009	8,945	9,382	50	53	(10,930)	7,500	0	7,500
Minority interest on disposal	0	0	0	0	0	0	20	20
Exchange differences on translation of the financial statements of foreign entities	0	0	0	14	0	14	0	14
Loss for the period	0	0	0	0	(1,707)	(1,707)	74	(1,633)
Equity settled share-based transactions	0	0	(8)	0	8	0	0	0
At 30/06/2009	8,945	9,382	42	67	(12,629)	5,807	94	5,901

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2009**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009**

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/06/2009 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/06/2008 RM'000
	Note	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(1,632)	(1,885)
Adjustments for non-cash flows:		
Non-cash items	401	425
Interest income	(19)	(43)
Interest expense	47	28
Operating Loss Before Working Capital Changes	(1,203)	(1,475)
Changes In Working Capital:		
Net change in current assets	(1,897)	78
Net change in current liabilities	2,231	217
Net Cash Outflow from Operations	(869)	(1,180)
Income tax refunded/(paid)	54	(19)
Net Cash Outflow from Operating Activities	(815)	(1,199)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	19	43
Minority interest on disposal of 20% equity interest in a subsidiary	20	0
Purchase of intangible assets	(59)	0
Purchase of property, plant and equipment	(171)	(2,862)
Proceed from disposal of property, plant and equipment	6	19
Net Cash Outflow from Investing Activities	(185)	(2,800)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(47)	(28)
Proceed from bank borrowings	0	1,986
Repayment of bank borrowings	(95)	(56)
Net Cash (Outflow)/Inflow from Financing Activities	(142)	1,902
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,142)	(2,097)
Effects of foreign exchange rate changes	14	27
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	4,117	5,230
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	2,989	3,160

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2009

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 for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008. 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 2008.

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 2008 except for the following Financial Reporting Standards (“FRSs”) and IC Interpretations that had been issued by the Malaysian Accounting Standards Board but not yet adopted by the Group:-

		<u>Effective date</u>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivative	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

Other than FRS 139, the management do not anticipate that the application of the above new FRSs and IC Interpretations, when they are effective, will have a material impact on the results and the financial position 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 2008 was not qualified.

A4 – Seasonal or Cyclicity of Operations

In general, apart from the Group’s business in Telecommunication industry, the Group’s other businesses are primarily exposed to business cycles of the Electronic Manufacturing, Semiconductor and Automotive industries. For the current quarter under review, apart from the demand for the Group’s E-mobile products and solutions, the demand for the Group’s other products and services, particularly IT products and solutions, from the Group’s customers continued to remain soft.

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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 2009					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	7,976	96.7	-	-	7,976	96.7
Overseas	273	3.3	-	-	273	3.3
	8,249	100.0	-	-	8,249	100.0
Eliminations	-	-	-	-	-	-
Consolidated	8,249	100.0	-	-	8,249	100.0

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A9 – Segmental Information (Continued)

(b) *Cumulative quarters*

Analysis by geographical location	Cumulative quarters ended 30 June 2009					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	14,792	96.4	-	-	14,792	96.4
Overseas	546	3.6	-	-	546	3.6
	15,338	100.0	-	-	15,338	100.0
Eliminations	-	-	-	-	-	-
Consolidated	15,338	100.0	-	-	15,338	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 2008.

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:-

The Company had on 30 June 2009 announced that a Share Sale Agreement has been entered by Mexter (M) Sdn. Bhd. (“MMSB”), a wholly-owned subsidiary of the Company with En. Soaib Bin Isehak @ Ishak for the disposal of its equity interest of 252,004 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of Mexter Ventures Sdn. Bhd. (“MVSB”) for a cash consideration of RM1.00 (“Disposal”). As a result of the Disposal, the equity interest of MMSB in MVSB was diluted from 100% to 30% which in turn MVSB ceased as a subsidiary of the Company and become a 30%-owned associated company of the Company. Further details of the Disposal are set out in the Company’s announcement dated 30 June 2009.

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 ACE MARKET

B1 – Review of Performance

	Cumulative period ended 30 June 2009 RM'000	Preceding year corresponding period ended 30 June 2008 RM'000
Revenue	15,338	5,251
Loss before tax	(1,632)	(1,885)

For the financial period ended 30 June 2009, the Group recorded revenue of approximately RM15.34 million which represents a significant increase of 192.1% as compared to the preceding year corresponding quarter's revenue. The increase in the Group's revenue was mainly attributable to the higher sales contribution from its subsidiary, MexComm Sdn. Bhd. ("MexComm") which increased from RM0.54 million to RM12.36 million following the launching and contribution of its Premium Mobile Messaging services in the third quarter last year. However, the higher sales contribution from MexComm was mitigated by a decrease in sales contribution from the Group's E-manufacturing Division and Computer and Electronics Services Division, i.e. from RM1.31 million to RM0.70 million and from RM2.67 million to RM1.86 million, respectively as a result of the overall challenging business environment.

Despite the higher revenue contribution, the Group recorded a loss before tax of approximately RM1.63 million for the financial period ended 30 June 2009 due to the lower gross profit margin from MexComm's contribution. However, the loss before tax of approximately RM1.63 million represents a slight improvement of approximately RM0.26 million or 13.4% as compared to the Group's loss before tax of approximately RM1.89 million reported in the preceding year corresponding quarter. The improvement was attributed to the higher revenue contribution and overall lower operation cost.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2009 RM'000	Previous quarter ended 31 March 2009 RM'000
Revenue	8,249	7,089
Loss before tax	(790)	(842)

The Group's revenue for the current quarter of approximately RM8.25 million which represents an increase of approximately RM1.16 million or 16.4% as compared to the revenue of approximately RM7.09 million for the preceding quarter. MexComm has continuously registered a growth in revenue during this quarter with MexComm contributing approximately 90.2% of the total Group revenue following the launching and contribution of its Premium Mobile Messaging services in the third quarter last year.

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B2 – Comparison with Preceding Quarter’s Results (Continued)

The Group registered loss before tax of approximately RM0.79 million for the quarter under review which represents an improvement of approximately RM0.05 million or 6.2% as compared to the Group’s loss before tax of approximately RM0.84 million reported in the preceding quarter. The improvement was mainly due to positive contribution by MexComm in the current quarter, coupled by the effectiveness of the Group’s operations and cost control initiatives implemented by management.

B3 – Current Year Prospects

The Board expects to face a challenging year ahead mainly due to the slowdown in demand from the Group’s customers in the core industries, such as Electronic Manufacturing, Semiconductor and Automobile industries as a result of the volatile global economic climate. In response to this, the Group will continue to diversify its earnings in telecommunication industry and focus its technology, products development and maintaining or securing technical/strategic partnerships in these core industries in order to capitalise on any opportunities that may arise during the recovery of the market later. In addition, the Group will also continue to exercise prudent measures to manage costs in order to ride out this period of global financial turbulence, taking into consideration prevailing sentiments and market conditions.

B4 – Profit Forecast

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

B5 – Tax Expense

	30 June 2009	
	Current Quarter RM’000	Cumulative Quarters RM’000
Malaysian income tax:-		
Current tax:		
- Current year	-	-
- Underprovision in prior years	-	(1)
	-	(1)
Deferred taxation:		
- Original and reversal of temporary differences	-	-
	-	(1)

There is no tax expense for the current period as the Company and most of its subsidiaries posted losses. Mexter MSC Sdn. Bhd. (“MMSC”), Tonere MSC Sdn. Bhd. and MexComm were granted Multimedia Super Corridor (“MSC”) status which exempts their income from taxation for a period of five (5) years commencing from November 2002, July 2005 and August 2008 respectively. MMSC had submitted an application to Multimedia Development Corporation (“MDeC”) seeking for a further extension of its MSC/pioneer status for an additional of five (5) years. Subsequently, the said application has been approved by MDeC via its letter dated 17 August 2009 and hence the pioneer status of MMSC has been extended for another five (5) year period from the date of expiry of the first five year period (27 December 2007). As at the date of this announcement, the said approval is still pending formal notification from Ministry of International Trade and Industry (“MITI”). On 28 May 2009, Ezymobile International Sdn. Bhd., a wholly-owned subsidiary of MexComm was also granted MSC status by MDeC. As at the date of this announcement, the approval from MITI conferring its pioneer status is still pending.

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

- (a) The Proposed Private Placement and Proposed Special Issue as announced on 8 August 2008 is subject to the approvals from:-
 - (i) the shareholders of Mexter, for the Proposed Special Issue, which was obtained on 29 June 2009 at the Company's extraordinary general meeting whilst the Proposed Private Placement was approved under a general mandate granted by Mexter's shareholders at its annual general meeting on 29 June 2009 pursuant to Section 132D of the Companies Act, 1965 ("General Mandate");
 - (ii) Bursa Malaysia Securities Berhad ("Securities Exchange") for the listing of and quotation for the new ordinary shares of RM0.10 each in Mexter to be issued pursuant to the Proposed Private Placement and Proposed Special Issue; and
 - (iii) the Securities Commission ("SC") which was obtained on 4 September 2008.

The Proposed Private Placement and Proposed Special Issue have an implementation period of 6 months and 12 months from the date of receipt of SC's approval, respectively.

Mexter had on 16 February 2009 submitted an application to the SC to seek a six (6) month extension to implement the Proposed Private Placement. The SC had, vide its letter dated 23 February 2009, approved an extension of time of six (6) months to 3 September 2009 for Mexter to complete the Proposed Private Placement. The Company had recently decided not to seek a further extension from SC for the implementation of the Proposed Private Placement after its expiry on 3 September 2009. Notwithstanding the above, Mexter will observe the General Mandate granted by Mexter's shareholders and obtain the approvals from the Securities Exchange and other relevant governmental/regulatory authorities where necessary, to issue and allot shares in Mexter from time to time.

The approval for the implementation of the Proposed Special Issue will also be expiring on 3 September 2009. As such, the Company had on 19 August 2009 submitted an application to the SC to seek an extension of six (6) months until 3 March 2010 for the implementation of the said proposal. As at the date of this announcement, the said application is still pending the approval of the SC.

The Company will continue to identify potential investors for the Proposed Special Issue and will seek the outstanding approvals once investors have been procured.

- (b) In third quarter last year, the Company had announced the voluntary winding-up of its associate company, Advantech Control (M) Sdn. Bhd. ("AKL"). As part of the voluntarily winding-up exercise, the Company has received the return of capital from AKL amounting to RM270,000 in the fourth quarter last year. As at the date of this announcement, the voluntary winding-up has yet to be completed.

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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)	79
Term loan (Secured)	95
	<hr/> 174 <hr/>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	182
Term loan (Secured)	1,992
	<hr/> 2,174 <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 Litigation

Save for the following, there have not been any changes in material litigation since the last update up to the date of this announcement:-

- (a) The hearing originally fixed on 28 May 2009 on the 3rd Defendant's (i.e. Lo Mooi Lee) application for an Order to vary the Mareva Injunction granted on 3 September 2007 was adjourned to 3 July 2009 as the 3rd Defendant's legal counsel was not feeling well.

On 3 July 2009, the Judge has directed the parties to come to an agreement on a reasonable amount for the 3rd Defendant's son's insurance policy. In this respect, if the parties are unable to agree by the next hearing date on 17 July 2009, the Judge would make a decision on the matter. Subsequently, the parties had by consent recorded on 17 July 2009 that a sum of RM9,000.00 a year will be paid to the 3rd Defendant from her Citibank Account in order to pay for her son's insurance policy premium. In this respect, the 3rd Defendant is required to file in Court and serve on the Plaintiff's solicitors, Skrine, a monthly statement of income expenditure by the 7th day of the following month.

- (b) On 28 May 2009, the application to enter final judgment in default of defence against the 6th Defendant, Oung Lay Choon has been fixed for hearing on 3 July 2009 as the 6th Defendant's legal counsel will file a notice to discharge himself for the reason that he is unable to obtain instructions from the 6th Defendant.

The hearing originally fixed on 3 July 2009 was adjourned to 17 July 2009 as the newly appointed solicitors of the 6th Defendant, Messrs. R. Nethaji Rayer & Co. has requested for an adjournment because he was only appointed the day before the hearing on 3 July 2009. The Judge has then fixed a short date on 17 July 2009 and gave the 6th Defendant's legal counsel two (2) weeks to file the 6th Defendant's defence, failing which, judgment in default will be entered against the 6th Defendant. Subsequently, the application to enter final judgment in default of defence against the 6th Defendant, Oung Lay Choon has been withdrawn and with no order as to costs on 17 July 2009 as the 6th Defendant has filed the defence within time period stipulated by the Judge.

The next case management date has been fixed on 6 October 2009.

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B12 – Dividends

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

B13 – Earnings per Share

(a) *Basic earnings per share (“EPS”)*

Basic EPS of the Group is 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	
		2009	2008	2009	2008
Loss for the period attributable to ordinary shareholders of the Company	(RM'000)	(845)	(1,028)	(1,707)	(1,886)
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(0.9)	(1.1)	(1.9)	(2.1)

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: 27 August 2009