



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED**

31 MARCH 2011

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

The Board of Directors of Mexter Technology Berhad (“Mexter” or “Company”) wishes to announce the following unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Mexter for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 31/03/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000	CURRENT YEAR TO DATE 31/03/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000
Revenue	A9	14,234	11,925	14,234	11,925
Cost of sales		(11,607)	(9,072)	(11,607)	(9,072)
Gross profit		2,627	2,853	2,627	2,853
Operating expenses		(2,159)	(2,121)	(2,159)	(2,121)
Other operating income		165	20	165	20
Profit from operations		633	752	633	752
Finance costs		(28)	(46)	(28)	(46)
Share of profit/(loss) of associated companies		(16)	63	(16)	63
Profit before tax		589	769	589	769
Taxation	B5	-	-	-	-
Profit for the period		589	769	589	769
Other comprehensive income					
Foreign currency translation		(3)	(17)	(3)	(17)
Total other comprehensive income for the period, net of tax		(3)	(17)	(3)	(17)
Total comprehensive income for the period		586	752	586	752
Profit attributable to:					
Equity holders of the Company		392	641	392	641
Minority interest		197	128	197	128
		589	769	589	769
Total Comprehensive income attributable to:					
Equity holders of the Company		389	624	389	624
Minority interest		197	128	197	128
		586	752	586	752
Earnings per share:					
Basic earnings per share (sen)		0.4	0.7	0.4	0.7
Diluted earnings per share (sen)		0.4	0.7	0.4	0.7

MEXTER TECHNOLOGY BERHAD

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

		(UNAUDITED) AS AT 31/03/2011 RM'000	(AUDITED) AS AT 31/12/2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,496	4,584
Investments in an associate		12	28
Intangible assets		220	219
		<u>4,728</u>	<u>4,831</u>
Current assets			
Other investments		2,803	5,167
Trade and other receivables		11,034	8,525
Inventories		284	301
Tax recoverable		41	41
Cash and bank balances		2,070	2,583
		<u>16,232</u>	<u>16,617</u>
TOTAL ASSETS		<u>20,960</u>	<u>21,448</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		8,945	8,945
Reserves		(1,413)	(1,802)
		<u>7,532</u>	<u>7,143</u>
Minority interest		862	665
Total equity		<u>8,394</u>	<u>7,808</u>
Non-current liabilities			
Borrowings	B9	1,903	1,957
Deferred tax liabilities		3	3
		<u>1,906</u>	<u>1,960</u>
Current liabilities			
Trade and other payables		10,086	11,160
Amount due to an associate		-	65
Deferred income		379	260
Borrowings	B9	195	195
		<u>10,660</u>	<u>11,680</u>
Total liabilities		<u>12,566</u>	<u>13,640</u>
TOTAL EQUITY AND LIABILITIES		<u>20,960</u>	<u>21,448</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)			
		<u>0.09</u>	<u>0.09</u>

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011**< ----- Attributable to equity holders of the Company ----- >
< -----Non-distributable-----> Distributable

	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
At 1/1/2011	8,945	9,382	0	32	(11,216)	7,143	665	7,808
Minority interest on disposal	0	0	0	0	0	0	0	0
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(3)	0	(3)	0	(3)
Total comprehensive income for the period	0	0	0	0	392	392	197	589
Equity settled share-based transactions	0	0	0	0	0	0	0	0
At 31/03/2011	8,945	9,382	0	29	(10,824)	7,532	862	8,394
At 1/1/2010:-	8,945	9,382	42	52	(12,459)	5,962	231	6,193
Minority interest on disposal	0	0	0	0	0	0	0	0
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(17)	0	(17)	0	(17)
Total comprehensive loss for the period	0	0	0	0	641	641	128	769
Equity settled share-based transactions	0	0	0	0	0	0	0	0
At 31/03/2010	8,945	9,382	42	35	(11,818)	6,586	359	6,945

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2011**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/03/2011 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 31/03/2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	589	769
Adjustments for:		
Non-cash items	151	267
Interest income	(38)	(5)
Interest expense	28	46
Operating Profit Before Working Capital Changes	730	1,077
Changes In Working Capital:		
Net change in current assets	(2,497)	(2,350)
Net change in current liabilities	(957)	1,641
Net Cash Inflow from Operations	(2,724)	368
Income tax refunded/(paid)	0	(2)
Net Operating Cash Flow	(2,724)	366
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	38	5
Disposal/ (addition) Investment in money market fund	2,364	(2)
Purchase of intangible assets	(1)	0
Purchase of property, plant and equipment	(42)	(18)
Proceed from disposal of property, plant and equipment	2	0
Net Investing Cash Flow	2,361	(15)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(28)	(46)
Net advances to an associate	(65)	0
Repayment of bank borrowings	(54)	(21)
Net Financing Cash Flow	(147)	(67)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(510)	284
Effects of foreign exchange rate changes	(3)	(17)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	2,583	5,067
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	2,070	5,334

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS

A1 – Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standard (“FRS”) No. 134: Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Berhad’s (Bursa Securities”) ACE Market Listing Requirements (“ACE LR”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. 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 companies (the “Group”) since the financial year ended 31 December 2010.

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 2010 except for the following Financial Reporting Standards (“FRSs”) and IC Interpretations that had been issued by the Malaysian Accounting Standards Board (“MASB”):-

FRSs, Amendments and IC Interpretations

FRS 1 (Revised)	First-time Adoption of Financial Reporting Standards
FRS 3 (Revised)	Business Combinations (Revised)
FRS 127 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 (Revised)
	Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRSs “Improvements to FRS (2010)”	
IC Interpretation 4	Determining Whether An Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The application of the above new FRSs and IC Interpretations do not have material impact on the results and the financial position of the Group.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

A3 – Auditors’ Report on Preceding Audited Financial Statements

The auditors’ report on the Group’s financial statements for the financial year ended 31 December 2010 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, Mobile Messaging Gateway division continue delivered higher financial performance, while E-manufacturing and Computer and Electronic Services divisions posted a positive result.

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 materials 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011**A9 – Segmental Information (Continued)***a) Current quarter*

Analysis by geographical location	Current quarter ended 31 March 2011					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	13,599	95.5	-	-	13,599	95.5
Overseas	635	4.5	-	-	635	4.5
	14,234	100.0	-	-	14,234	100.0
Eliminations	-	-	-	-	-	-
Consolidated	14,234	100.0	-	-	14,234	100.0

(b) Cumulative quarters

Analysis by geographical location	Cumulative quarters ended 31 March 2011					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	13,599	95.5	-	-	13,599	95.5
Overseas	635	4.5	-	-	635	4.5
	14,234	100.0	-	-	14,234	100.0
Eliminations	-	-	-	-	-	-
Consolidated	14,234	100.0	-	-	14,234	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 2010.

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

Save for the disclosure in B11, 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

A14 –Contingent Liabilities or Contingent Assets

	Cumulative period ended 31 March 2011 RM'000	Preceding year corresponding period ended 31 March 2010 RM'000
Corporate guarantee	51	-

The corporate guarantee is executed by the Company for hire purchase facility granted to subsidiary. Out of the total hire purchase facility secured by corporate guarantee, a total of RM49,014 was outstanding at the period end.

Save for the above and 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 other material contingent liabilities or contingent assets that may impact the financial performance of the Group.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING
REQUIREMENTS****B1 – Review of Performance**

	Cumulative period ended 31 March 2011 RM'000	Preceding year corresponding period ended 31 March 2010 RM'000
Revenue	14,234	11,925
Profit before tax	589	769

For the financial period ended 31 March 2011, the Group recorded revenue of approximately RM14.23 million which represents an increase of approximately 19% as compared to the preceding year corresponding period'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 posted 52% year-on-year rise in revenue to RM 12.75 million.

The Group registered profit before tax of approximately RM0.59 million for the quarter under review which represents a decrease of approximately RM0.18 million or 23% as compared to RM0.77million reported in the preceding year corresponding period. The lower profit was mainly due to lesser contribution from the Group's Enterprise Services Division (ESD) during the quarter.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 31 March 2011 RM'000	Previous quarter ended 31 December 2010 RM'000
Revenue	14,234	11,745
Profit/ (Loss) before tax	589	(207)

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

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

The Group’s revenue for the current quarter of approximately RM14.23 million which represents an increase of approximately RM2.49 million or 21% as compared to the revenue of approximately RM11.75 million in the preceding quarter. MexComm has continuously registered satisfactory result with 22% quarter-on quarter rise in revenue to RM 12.75 million.

The Group registered profit before tax of approximately RM0.59 million for the quarter under review which represents an improvement of approximately RM0.80 million or 385% as compared to the Group’s loss before tax of approximately RM0.21 million reported in the preceding quarter. The improvement was mainly due to higher incremental contribution by MexComm and E-Manufacturing division (EMD) coupled by the effectiveness of the Group’s operations and cost control initiatives implemented by management.

B3 – Current Year Prospects

The Malaysian economy has grown rapidly in year 2010 by achieving 7.2% gross domestic product (GDP) growth. However, the economy is expected to see a moderate growth of 5.2% in 2011 amid fresh challenges driven by rising inflation pressure. Moreover, structural impediments in net exports will drag down the overall growth, while domestic demand likely strong due to supportive government policy measures.

The implementation of structural reforms, as envisioned in the government’s New Economic Model, will be vital for boosting competitiveness and sustaining growth in 2011. By executing the various economic transformation plans also, we aim to become a high-income developed nation with a per capita income of US\$15,000, more than double the current level of US\$7,000.

In 2011, the Board anticipates a better financial performance contributed by the Mobile Services and E- Manufacturing divisions. The Board and management will continue to implement business rationalisation strategies, by focusing on innovative marketing activities, investing in R&D, streamlining its operations, and implementing cost control measures. Whilst the results of some of these initiatives have borne fruit, most elements of these strategies are ongoing exercises.

Barring any unforeseen circumstances, the Board expects the Group to register positive growth and improve on its earnings and financial position.

B4 – Profit Forecast

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

B5 – Taxation

	31 March 2011	
	Current Quarter RM’000	Cumulative Quarters RM’000
Malaysian income tax:-		
Current tax:		
- Current year	0	0
	<hr/>	<hr/>
	0	0
Deferred taxation:		
- Original and reversal of temporary differences	0	0
	<hr/>	<hr/>
	0	0

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

B5 – Taxation (Continued)

There was no tax expense for the quarter ended 31 March 2011 due to the utilisation of unabsorbed tax losses and capital allowances brought forward. This is, however, subject to confirmation by the Inland Revenue Board. Besides, Mexter MSC Sdn. Bhd. (“MMSC”), MexComm and Ezymobile International Sdn Bhd (“EISB”) were granted Multimedia Super Corridor (“MSC”) status which exempts their income from taxation for a period of five (5) years commencing from November 2007, August 2008 and May 2009 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 – Corporate Proposals Announced But Not Completed

There was no other corporate proposal announced but not completed as at the date of this report.

B9 – Borrowings

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

	Current RM’000
Hire purchase liabilities (Unsecured)	104
Term loan (Secured)	91
	<hr/> 195
	Non-current RM’000
Hire purchase liabilities (Unsecured)	57
Term loan (Secured)	1,846
	<hr/> 1,903

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:-

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

B11 – Material Litigation (Continued)

(i) Penang High Court (Civil Suit No.MT1-22-527-2007)

The Penang High Court has fixed a final case management date on 17 December 2010. The Court has also directed that counsel for all parties be present with their respective free dates for trial and have available the number of witnesses they intend to adduce at the trial. On 17 December 2010, the Court has fixed trial dates for the Civil Suit from 6 June 2011 to 10 June 2011. A case management date has also been fixed on 14 March 2011.

Subsequent to the case management conducted on 14 March 2011, the Registrar directed that the parties file in their respective witness statements by 8 April 2011 together with an agreed bundle of documents. The next case management date is on 15 April 2011.

During the case management conducted on 15 April 2011, the Court Registrar has fixed a final case management date on 19 May 2011 for the Defendants to comply with the Court's directions. A case management has been further fixed on 1 June 2011.

(ii) Kuala Lumpur Session Court (Civil Summons No. 52-16693-2010)

The Kuala Lumpur High Court had via its letter dated 5 April 2011, received by Messrs. Skrine, the current solicitors of Mexter, notifying the said solicitors that the Court had received MexComm's Notice of Appeal and accordingly registered the appeal as "Kuala Lumpur High Court Civil Appeal No. R3-12B-212-2011".

The appeal was fixed for hearing on 5 May 2011. MexComm's solicitors have however, on 13 April 2011, written a request to the Court to seek an adjournment of the hearing date to enable MexComm to file its Record of Appeal due for filing on 11 May 2011.

Subsequently, the Kuala Lumpur High Court had via its letter dated 21 April 2011 adjourned the hearing of the appeal originally scheduled for 5 May 2011 to be now heard on 2 June 2011.

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 equity holders of Mexter by the weighted average number of ordinary shares in issue during the financial period.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011**13 –Earnings per Share (Continued)**

		Current quarter ended 31 March		Cumulative quarters ended 31 March	
		2011	2010	2011	2010
Profit/for the period attributable to ordinary equity holders of Mexter	(RM'000)	392	641	392	641
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	0.4	0.7	0.4	0.7

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.

B14- Realised and Unrealised Retained Profits

	As at 31 March 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of the Company and Subsidiaries	(7,328)	(7,936)
- Realised		
-Unrealised	(30)	1
Total share of retained profits from an associate		
- Realised	12	3
-Unrealised	-	-
	<u>(7,346)</u>	<u>(7,932)</u>
Less: Consolidation adjustments	<u>(3,479)</u>	<u>(3,284)</u>
Total Group retained profit	<u>(10,825)</u>	<u>(11,216)</u>

BY ORDER OF THE BOARD

How Wee Ling (MAICSA 7033850)

Ooi Ean Hoon (MAICSA 7057078)

Company Secretaries

Kuala Lumpur

Dated: 25 May 2011