



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

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

30 SEPTEMBER 2011

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 SEPTEMBER 2011**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 30 /09/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2010 RM'000	CURRENT YEAR TO DATE 30 /09/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2010 RM'000
Revenue	A9	12,326	13,164	42,334	37,687
Cost of sales		(10,115)	(11,000)	(34,681)	(30,039)
Gross profit		2,211	2,164	7,653	7,648
Operating expenses		(2,275)	(1,876)	(6,769)	(5,783)
Other operating income		194	37	512	85
Profit from operations		130	325	1,396	1,950
Finance costs		(26)	(31)	(81)	(102)
Share of profit/(loss) of associated companies		-	(18)	(22)	5
Profit before tax		104	276	1,293	1,853
Taxation	B5	-	-	2	-
Profit for the period		104	276	1,295	1,853
Other comprehensive income					
Foreign currency translation		14	(13)	11	(20)
Total other comprehensive income for the period, net of tax		14	(13)	11	(20)
Total comprehensive income for the period		118	263	1,306	1,833
Profit attributable to:					
Equity holders of the Company		(25)	163	814	1,480
Minority interest		129	113	481	373
		104	276	1,295	1,853
Total Comprehensive income attributable to:					
Equity holders of the Company		(11)	150	825	1,460
Minority interest		129	113	481	373
		118	263	1,306	1,833
Earnings per share:					
Basic earnings per share (sen)		(0.0)	0.2	0.9	1.7
Diluted earnings per share (sen)		(0.0)	0.2	0.9	1.7

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

		(UNAUDITED) AS AT 30/09/2011 RM'000	(AUDITED) AS AT 31/12/2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,413	4,584
Investments in an associate		-	28
Intangible assets		287	219
		<u>4,700</u>	<u>4,831</u>
Current assets			
Other investments		5,856	5,167
Trade and other receivables		9,103	8,525
Inventories		150	301
Tax recoverable		24	41
Cash and bank balances		1,748	2,583
		<u>16,881</u>	<u>16,617</u>
TOTAL ASSETS		<u>21,581</u>	<u>21,448</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		8,945	8,945
Reserves		(977)	(1,802)
		<u>7,968</u>	<u>7,143</u>
Minority interest		<u>1,096</u>	<u>665</u>
Total equity		<u>9,064</u>	<u>7,808</u>
Non-current liabilities			
Borrowings	B9	1,807	1,957
Deferred tax liabilities		2	3
		<u>1,809</u>	<u>1,960</u>
Current liabilities			
Trade and other payables		10,224	11,160
Amount due to an associate		-	65
Deferred income		291	260
Borrowings	B9	193	195
		<u>10,708</u>	<u>11,680</u>
Total liabilities		<u>12,517</u>	<u>13,640</u>
TOTAL EQUITY AND LIABILITIES		<u>21,581</u>	<u>21,448</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)			
		<u>0.10</u>	<u>0.09</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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
Exchange differences on translation of the financial statements of foreign entities	0	0	0	11	0	11	0	11
Total comprehensive income for the period	0	0	0	0	814	814	481	1,295
Equity settled share-based transactions	0	0	0	0	0	0	0	0
Dividend paid to a minority interest of a subsidiary company	0	0	0	0	0	0	(50)	(50)
At 30/09/2011	8,945	9,382	0	43	(10,402)	7,968	1,096	9,064
At 1/1/2010:-	8,945	9,382	42	52	(12,459)	5,962	231	6,193
Exchange differences on translation of the financial statements of foreign entities	0	0	0	(20)	0	(20)	0	(20)
Total comprehensive income for the period	0	0	0	0	1,480	1,480	373	1,853
Equity settled share-based transactions	0	0	0	0	0	0	0	0
Dividend paid to a minority interest of a subsidiary company	0	0	0	0	0	0	0	0
At 30/09/2010	8,945	9,382	42	32	(10,979)	7,422	604	8,026

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/09/2011 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/09/2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,293	1,853
Adjustments for:		
Non-cash items	408	526
Interest income	(119)	(22)
Interest expense	81	102
Operating Profit Before Working Capital Changes	1,663	2,459
Changes In Working Capital:		
Net change in current assets	(471)	(2,222)
Net change in current liabilities	(973)	5,435
Net Cash Inflow from Operations	219	5,672
Income tax refunded/(paid)	19	(6)
Net Operating Cash Flow	238	5,666
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	119	22
Investment in money market fund	(689)	(4,021)
Purchase of intangible assets	(68)	(94)
Purchase of property, plant and equipment	(217)	(204)
Proceed from disposal of property, plant and equipment	3	0
Return of capital from an associated company	0	41
Net Investing Cash Flow	(852)	(4,256)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(81)	(102)
Proceeds from loans and borrowings	51	0
Repayment of bank borrowings	(152)	(107)
Dividend paid	(50)	0
Net Financing Cash Flow	(232)	(209)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(846)	1,201
Effects of foreign exchange rate changes	11	(20)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	2,583	5,067
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	1,748	6,248

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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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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 30 SEPTEMBER 2011**A9 – Segmental Information (Continued)***a) Current quarter*

Analysis by geographical location	Current quarter ended 30 September 2011					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	11,981	97.2	-	-	11,981	97.2
Overseas	345	2.8	-	-	345	2.8
	12,326	100.0	-	-	12,326	100.0
Eliminations	-	-	-	-	-	-
Consolidated	12,326	100.0	-	-	12,326	100.0

(b) Cumulative quarters

Analysis by geographical location	Cumulative quarters ended 30 September 2011					
	Revenue from external customers by location of customers		Inter-segment revenue		Total revenue	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	40,915	96.7	-	-	40,915	96.7
Overseas	1,419	3.3	-	-	1,419	3.3
	42,334	100.0	-	-	42,334	100.0
Eliminations	-	-	-	-	-	-
Consolidated	42,334	100.0	-	-	42,334	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

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

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A13 – Changes in Composition of the Group (continued)

- (i) The Company had on 28 September 2011 incorporated a 51%-owned subsidiary namely, Elixir Integrated Systems Sdn Bhd (“Elixir”). In consequent thereof, Elixir has become a subsidiary of Mexter.

A14 –Contingent Liabilities or Contingent Assets

	Cumulative period ended 30 September 2011 RM'000	Preceding year corresponding period ended 30 September 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 RM33,004 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 30 September 2011 RM'000	Preceding year corresponding period ended 30 September 2010 RM'000
Revenue	42,334	37,687
Profit before tax	1,293	1,853

For the financial period ended 30 September 2011, the Group recorded revenue of approximately RM42.33 million which represents an increase of approximately 12% 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 33% year-on-year rise in revenue to RM 37.84 million.

The Group registered profit before tax of approximately RM1.29 million for the period under review which represents a decrease of approximately RM0.56 million or 30% as compared to RM1.85 million reported in the preceding year corresponding period. The lower profit was mainly due to lower contribution from the Group's Enterprise Services Division (ESD) during the year coupled with additional start up cost in setting up Mobile Innovation Division (MID), which is still in its infancy stage.

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B2 – Comparison with Preceding Quarter’s Results

	Current quarter ended 30 September 2011 RM’000	Previous quarter ended 30 June 2011 RM’000
Revenue	<u>12,326</u>	<u>15,774</u>
Profit before tax	<u>104</u>	<u>599</u>

The Group’s revenue for the current quarter of approximately RM12.33 million which represents a decrease of approximately RM3.45 million or 22% as compared to the revenue of approximately RM15.77 million in the preceding quarter.

The Group registered profit before tax of approximately RM0.10 million for the quarter under review which represents a decrease of approximately RM0.50 million or 83% as compared to the Group’s profit before tax of approximately RM0.60 million reported in the preceding quarter. The decrease in profit before tax was mainly attributed to lower contribution from MexComm and additional start up cost in setting up Mobile Innovation Division (MID).

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 5.0% in 2011 amid uncertainty global economy outlook and much depending on the domestic demand which is likely strong due to supportive government policy measures especially on the public infrastructure projects of the Economic Transformation Programme (ETP). 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.

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 a positive result.

B4 – Profit Forecast

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

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B5 – Taxation

	30 June 2011	
	Current Quarter RM'000	Cumulative Quarters RM'000
Malaysian income tax:-		
- Current year	0	0
-Over provision in prior year	0	(2)
	<hr/>	<hr/>
	0	(2)
Deferred taxation:		
- Original and reversal of temporary differences	0	0
	<hr/>	<hr/>
	0	(2)

There was no tax expense for the quarter ended 30 September 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)	101
Term loan (Secured)	92
	<hr/>
	193
	<hr/>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	7
Term loan (Secured)	1,800
	<hr/>
	1,807
	<hr/>

The Group does not have any foreign borrowings as at the date of this announcement.

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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:-

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

On 12 September 2011, the Defendants' solicitor had served the sealed copy of the Amendment Application to Mexter's solicitor. In view of that, the Judge has postponed the Hearing scheduled to 17 October 2011 and for further case management directions, the Parties are to file their replies, if any before the 17 October 2011.

Subsequent thereof, all parties (except for the 6th Defendant) had prepared written submissions and submitted orally before the Judge. During the hearing conducted on 17 October 2011, the Judge accepted only the Proposed Amendment which was filed with the Summons in Chambers and disregarded the one handed into court. The Judge has tentatively fixed 25 October 2011 for decision.

Subsequent to the case hearing on 25 October 2011, the Learned Judge had dismissed the 1st and 2nd Defendants' Application to amend their Defence (Enclosure 126) and awarded costs of RM4,000 each to the Plaintiffs and Ivan Sia Teck Fatt (the 2nd Defendant in the 1st and 2nd Defendants' counterclaim) respectively. The Learned Judge's brief grounds are:

- 1) The amendment application was made too late in the day, 3 years after the Statement of Claim ("SOC") was amended and only after trial dates were fixed;
- 2) The proposed amendments changed the character of the Defence;
- 3) The proposed amendments were not limited to the amendments in the SOC, but to the rest of the SOC as well.
- 4) The format of the proposed amendments was incorrect, in that it did not reflect the original Defence.

Case management for this matter has been fixed on 9 January 2012 for parties to file and exchange witness statements and Trial dates have been fixed on 9 - 10 February 2012 and 27-29 February 2012.

(ii) Kuala Lumpur High Court (Appeal No. R3-12B-212-2011)

During the hearing of appeal conducted on 2 June 2011, the Judge of the Kuala Lumpur High Court allowed MexComm's appeal against the whole decision of the Kuala Lumpur Sessions Court's Judge, amongst others, as follows:-

1. MexComm's application for enlargement of time to serve the endorsed Notice of Appeal on the Respondent was allowed with costs of RM500.00 to be paid to the Respondent;
2. MexComm's appeal proper was allowed with cost of the High Court appeal fixed at RM2,000.00, and a further order that the cost of the Sessions Court proceedings be determined in accordance with the Subordinate Court's scale costs;

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B11 – Material Litigation

(ii) **Kuala Lumpur High Court (Appeal No. R3-12B-212-2011) (Continued)**

3. Judgment was entered against the Respondent in the sum of RM175,657.20 plus 8% per annum interest on the judgment sum calculated from the date of the Summons (i.e. 18 May 2010) until full settlement;

4. The decision of the Sessions Court awarding the Respondent general damages of RM250,000.00 on the Respondent's counterclaim was set aside.

There are no further material developments as of the date of this report.

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

		Current quarter ended 30 September		Cumulative quarters ended 30 September	
		2011	2010	2011	2010
Profit for the period attributable to ordinary equity holders of Mexter	(RM'000)	(25)	163	814	1,480
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(0.0)	0.2	0.9	1.7

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.

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B14- Realised and Unrealised Retained Profits

	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of the Company and Subsidiaries:		
-Realised	(6,771)	(7,936)
-Unrealised	24	1
Total share of retained profits from an associated company:		
-Realised	(22)	3
-Unrealised	-	-
	<hr/>	<hr/>
	(6,769)	(7,932)
Less: Consolidation adjustments	(3,633)	(3,284)
Total Group retained profit	<hr/>	<hr/>
	(10,402)	(11,216)

Dated: 23 November 2011