



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED

30 JUNE 2013

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 30/06/2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2012 RM'000	CURRENT YEAR TO DATE 30/06/2013 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2012 RM'000
Revenue	A8	10,066	8,470	19,498	17,579
Cost of sales		(7,694)	(6,957)	(15,591)	(14,232)
Gross profit		2,372	1,513	3,907	3,347
Operating expenses		(3,238)	(2,551)	(5,711)	(5,023)
Other operating income		461	60	657	120
Loss from operations	B5	(405)	(978)	(1,147)	(1,556)
Interest income		10	39	16	64
Interest expense		(27)	(25)	(54)	(51)
Share of profit/(loss) of associated company		-	-	-	-
(Loss)/ Profit before tax		(422)	(964)	(1,185)	(1,543)
Taxation	B6	-	-	-	-
Loss for the period		(422)	(964)	(1,185)	(1,543)
Other comprehensive income					
Foreign currency translation		1	5	1	2
Total other comprehensive income for the period, net of tax		1	5	1	2
Total comprehensive income/ (loss) for the period		(421)	(959)	(1,184)	(1,541)
Loss attributable to:					
Owners of the Company		(370)	(927)	(1,086)	(1,479)
Non-controlling interest		(52)	(37)	(99)	(64)
		(422)	(964)	(1,185)	(1,543)
Total Comprehensive income attributable to:					
Owners of the Company		(369)	(922)	(1,085)	(1,477)
Non-controlling interest		(52)	(37)	(99)	(64)
		(421)	(959)	(1,184)	(1,541)
Earnings per share:					
Basic earnings per share (sen)		(0.41)	(1.04)	(1.21)	(1.65)
Diluted earnings per share (sen)		(0.41)	(1.04)	(1.21)	(1.65)

MEXTER TECHNOLOGY BERHAD

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

		(UNAUDITED) AS AT 30/06/2013 RM'000	(AUDITED) AS AT 31/12/2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,117	4,302
Goodwill		824	817
Intangible assets		754	621
		<u>5,695</u>	<u>5,740</u>
Current assets			
Other investments		1,762	2,640
Trade and other receivables		7,353	5,114
Inventories		68	82
Tax recoverable		3	5
Cash and bank balances		3,194	2,897
		<u>12,380</u>	<u>10,738</u>
TOTAL ASSETS		<u>18,075</u>	<u>16,478</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		8,945	8,945
Reserves		(5,248)	(4,163)
		3,697	4,782
Non-Controlling interest		714	813
Total equity		<u>4,411</u>	<u>5,595</u>
Non-current liabilities			
Borrowings	B8	1,833	1,910
Deferred tax liabilities		3	3
		<u>1,836</u>	<u>1,913</u>
Current liabilities			
Trade and other payables		11,378	8,554
Deferred income		297	268
Borrowings	B8	153	148
		<u>11,828</u>	<u>8,970</u>
Total liabilities		<u>13,664</u>	<u>10,883</u>
TOTAL EQUITY AND LIABILITIES		<u>18,075</u>	<u>16,478</u>
Net assets per share attributable to owners of the Company (RM)			
		<u>0.04</u>	<u>0.06</u>

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013**

< ----- Attributable to owners of the Company ----- >
< -----Non-distributable-----> Distributable

	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated losses	Total	Non- Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 01/01/2013	8,945	9,382	-	43	(13,588)	4,782	813	5,595
Exchange differences on translation of the financial statements of foreign entities	-	-	-	1	-	1	-	1
Total comprehensive income for the period	-	-	-	-	(1,086)	(1,086)	(99)	(1,185)
Dividend paid to a non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-
At 30/06/2013	8,945	9,382	-	44	(14,674)	3,697	714	4,411
At 01/01/2012	8,945	9,382	-	42	(10,578)	7,791	1,196	8,987
Exchange differences on translation of the financial statements of foreign entities	-	-	-	2	-	2	-	2
Total comprehensive income for the period	-	-	-	-	(1,479)	(1,479)	(64)	(1,543)
Dividend paid to a non-controlling interest of a subsidiary company	-	-	-	-	-	-	(100)	(100)
At 30/06/2012	8,945	9,382	-	44	(12,057)	6,314	1,032	7,346

MEXTER TECHNOLOGY BERHAD

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/06/2013 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30/06/2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(1,185)	(1,543)
Adjustments for:		
Non-cash items	396	307
Interest income	(16)	(64)
Interest expense	54	51
Operating Loss Before Working Capital Changes	(751)	(1,249)
Changes In Working Capital:		
Net change in current assets	(2,316)	1,584
Net change in current liabilities	2,848	(334)
Net Cash (Outflow)/ Inflow from Operations	(219)	1
Income tax refunded	2	1
Net Operating Cash Flow	(217)	2
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	16	64
Disposal/ (Addition) investment in money market fund	877	(1,018)
Purchase of intangible assets	(202)	-
Purchase of property, plant and equipment	(51)	(504)
Net Investing Cash Flow	640	(1,458)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(54)	(51)
Proceed from borrowings	-	300
Repayment of bank borrowings	(73)	(99)
Dividend paid to a non-controlling interest of a subsidiary	-	(100)
Net Financing Cash Flow	(127)	50
NET CHANGE IN CASH AND CASH EQUIVALENTS	296	(1,406)
Effects of foreign exchange rate changes	1	2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	2,897	4,673
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	3,194	3,269

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

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 Malaysian Financial Reporting Standard (“MFRS”) No. 134: Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Berhad’s (Bursa Securities”) ACE Market Listing Requirements (“ACE LR”).

The accounting policies and methods of computations adopted by the Group in these quarterly financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2012, except for the adoption of MFRSs relevant to the Group as explained below:

Adoption of a new MASB accounting framework, the MFRS Framework

The Group has adopted the MFRS framework and MFRS1, First-time adoption of Malaysian Financial Reporting Standards for the first time in these condensed consolidated interim financial statements. The transition to the MFRS framework does not have any material impact on the financial position, financial performance and cash flow of the Group and the Company.

A2 – Auditors’ Report on Preceding Audited Financial Statements

The auditors’ report on the Group’s financial statements for the financial year ended 31 December 2012 was not qualified.

A3 – 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.

A4 – 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.

A5 – 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.

A6 – 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 B8) 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.

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013**A7 – Dividends**

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

A8 – Segmental Information

Segmental Information in respect of the Group's business segment is as follows:-

a) Period Ended 30 June 2013

	Mobile Services	Enterprise Services	Computer Electronic Services	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	16,025	565	2,908	-	-	19,498
Inter-segment revenue	-	-	-	-	-	-
	<u>16,025</u>	<u>565</u>	<u>2,908</u>	<u>-</u>	<u>-</u>	<u>19,498</u>
Segment results	137	(123)	(606)	(555)	-	(1,147)
Interest Income	15	-	-	1	-	16
Interest Expense	-	-	(54)	-	-	(54)
Share of result of an associate	-	-	-	-	-	-
Profit/ (loss) before tax	<u>152</u>	<u>(123)</u>	<u>(660)</u>	<u>(554)</u>	<u>-</u>	<u>(1,185)</u>

b) Period Ended 30 June 2012

	Mobile Services	Enterprise Services	Computer Electronic Services	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	15,138	415	2,026	-	-	17,579
Inter-segment revenue	-	-	-	400	(400)	-
	<u>15,138</u>	<u>415</u>	<u>2,026</u>	<u>400</u>	<u>(400)</u>	<u>17,579</u>
Segment results	209	(117)	(1,440)	(208)	-	(1,556)
Interest Income	62	-	-	2	-	64
Interest Expense	(1)	-	(50)	-	-	(51)
Share of result of an associate	-	-	-	-	-	-
Profit/ (loss) before tax	<u>270</u>	<u>(117)</u>	<u>(1,490)</u>	<u>(206)</u>	<u>-</u>	<u>(1,543)</u>

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

A9 – 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 2012.

A10 – Material Subsequent Events

Save for the disclosure in B7 and B9, there were no material events subsequent to the end of the current quarter under review.

A11 – 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 has on 8 April 2013 invested in the issued and paid up capital of MB Universal Holdings Sdn. Bhd. (now known as Mexter eSolutions Sdn Bhd) (“MBU”) for RM7.00 divided into 7 Ordinary Shares of RM1.00 each, for a cash consideration of RM7.00 (“Investment”) in the following manner:-

<u>Event</u>	No. of Ordinary Share of <u>RM1.00 each in</u> <u>MBU</u>	<u>Consideration (RM)</u>
1. By way of acquiring One (1) Ordinary Share of RM1.00 each fully paid from Toy (Tay) Wee Lee	1	1.00
2. By way of subscribing additional Six (6) Ordinary Shares of RM1.00 each in the capital of MBU	6	6.00
Total	<u>7</u>	<u>7.00</u>

Consequently, MBU has become a 70% owned subsidiary of Mexter.

Apart from the above, there were further changes to the composition of the Group after the current quarter:-

The Company has on 15 August 2013 acquired the entire issued and paid up capital of Mexter SunOasis Sdn. Bhd. (“MSSB”) of RM2.00 divided into 2 Ordinary Shares of RM1.00 each, for a cash consideration of RM2.00 (“Investment”) from Ms. Toy (Tay) Wee Lee and Ms. Tan Moy Yean. Consequently, MSSB has become a wholly-owned subsidiary of MEXTER.

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

A12 –Contingent Liabilities or Contingent Assets

	Cumulative period ended 30 June 2013 RM'000	Preceding year corresponding period ended 30 June 2012 RM'000
Corporate guarantee	-	51

The corporate guarantee is executed by the Company for hire purchase facility granted to subsidiary. The hire purchase was fully settled and there are no 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 B9 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 June 2013 RM'000	Preceding year corresponding period ended 30 June 2012 RM'000
Revenue	19,498	17,579
Loss before tax	(1,185)	(1,543)

For the financial period ended 30 June 2013, the Group recorded revenue of approximately RM19.50 million which represents an increase of approximately 10.9% 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 Computer Electronic Services division which posted 43.5% higher to RM RM2.91 million. Besides, Mobile Services division has also recorded 5.9% year-on-year rise in revenue to RM 16.03 million after expanding to overseas market.

With the higher revenue reported, the Group has registered lower loss before tax of RM1.19million as compared to loss before tax of RM1.54 million reported in the preceding year corresponding period.

B2 – Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2013 RM'000	Previous quarter ended 31 March 2013 RM'000
Revenue	10,066	9,432
Loss before tax	(422)	(762)

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

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

The Group’s revenue for the current quarter of approximately RM10.07 million which represents an increase of approximately RM0.63 million or 6.7% as compared to the revenue of approximately RM9.43 million in the preceding quarter. The increase was primarily from Mobile Services division after uplifting of few short codes by regulators coupled with some advertisement and promotion activities launched during the quarter.

In this respect, the Group has narrowed the loss before tax to approximately RM0.42 million for the quarter under review as compared to the Group’s loss before tax of approximately RM0.76 million reported in the preceding quarter.

B3 – Current Year Prospects

The Malaysian’s economy growth for 2013 will be moderate to between 4.5% and 5% after expanding by 5.6% in 2012. The global environment remains challenging with the on-going European debt crisis and the slowdown of China’s economy growth. However, our domestic demand will continue supporting the country’s growth factoring in resilient private sector spending and accelerations in public sector spending in line with the implementation of the country’s Economic Transformation Programme (ETP).

The Board and management will continue to implement business rationalisation strategies, by focusing on effective marketing activities, penetrating new unsaturated overseas markets, developing new solutions and services, streamlining operations, maintaining prudence in expenditures to ultimately put products and services at a competitive price to the market, while maintaining the level of services that the market and our clients expect. Whilst the results of some of these initiatives have borne fruit, most elements of these strategies are ongoing exercises.

B4 – Profit Forecast

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

B5 – Loss from operations

Loss from operations has been arrived at after crediting/(charging):-

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30-Jun-13 RM’000	30-Jun-12 RM’000	30-Jun-13 RM’000	30-Jun-12 RM’000
Depreciation	(117)	(128)	(235)	(255)
Amortisation of Intangible assets	(35)	-	(70)	-
Interest income	10	39	16	64
Interest expenses	(27)	(25)	(54)	(51)
Allowance for impairment loss on doubtful debt	(1)	-	(74)	-
Net reversal/ (allowance) for slow moving inventories	(11)	-	(11)	5
Net foreign exchange gain/ (loss)	49	52	66	22
Fair value gain/ (loss) on other investments	3	(1)	6	5

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

B6 – Taxation

	30 June 2013	
	Current Quarter RM'000	Cumulative Quarters RM'000
Malaysian income tax:-		
- Current year	-	-
-Over provision in prior year	-	-
	<hr/>	<hr/>
	-	-
Deferred taxation:		
- Original and reversal of temporary differences	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

There was no tax expense for the quarter ended 31 March 2013 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, MexComm Sdn Bhd and Ezymobile International Sdn Bhd were granted Multimedia Super Corridor (“MSC”) status which exempts their income from taxation for a period of five (5) years commencing from August 2008 and May 2009 respectively.

B7 – Corporate Proposals Announced But Not Completed

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

On 5 April 2013, RHB Investment Bank Berhad (“RHBIB”) had, on behalf of the Company announced that it proposed to undertake the following:-

- i. Renounceable rights issue of up to 89,452,020 new ordinary shares of RM0.10 each in Mexter (“Mexter Share(s)” or “Shares(s)”) (“Right Share(s)”) on the basis of one (1) Rights Share for every one (1) existing Mexter Share held, together with up to 89,452,020 free detachable warrants in Mexter (“Warrant(s)”) on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for, on an entitlement date to be determined later (“Right Issue with Warrants”);
- ii. The exemption under Paragraph 16.1 of Practice Note 9 of The Malaysian Code On Take-Over And Mergers, 2010 (“Codes”) to Ivan Sia Teck Fatt from the obligation to undertake a mandatory take-over offer for all the remaining Mexter Shares not already owned by him pursuant to the Rights Issue with Warrants (“Exemption”);
- iii. The increase in the authorised share capital of Mexter from RM25,000,000 comprising 250,000,000 Mexter Shares to RM50,000,000 comprising 500,000,000 Mexter Shares (“Increase in Authorised Share Capital”); and
- iv. The amendment to the Memorandum of Association of Mexter (“Amendment”).

(Collectively referred to as the “Corporate Exercises”)

The Controller of Foreign Exchange (via Bank Negara Malaysia) had, vide its letter dated 25 April 2013 (which was received on 30 April 2013), approved the allotment and issuance of the Warrants to the non-resident shareholders of Mexter pursuant to the Rights Issue with Warrants.

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

B7 – Corporate Proposals Announced But Not Completed (continued)

Bursa Securities had, vide its letter dated 28 May 2013, resolved to approve the following:-

- i. Listing and quotation of up to 89,452,020 Rights Shares to be issued pursuant to the Rights Issue with Warrants;
- ii. Admission to the official list and listing and quotation of up to 89,452,020 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- iii. Listing and quotation of up to 89,452,020 new Mexter Shares to be issued pursuant to the exercise of Warrants.

On 22 July 2013, the shareholders of the Company had approved the Corporate Exercises at their Extraordinary General Meeting.

On 7 August 2013, the Company had resolved to fix the issue price of the Rights Shares at RM0.10 per Rights Share and the exercise price of the Warrants to be issued at RM0.13 per Warrant.

On 12 August 2013, RHBIB had, on behalf of the Company has announced Book Closure Date for the Rights Shares with Warrants together with the relevant dates.

The Rights Issue with Warrants is expected to be completed in the third quarter of 2013.

B8 – Borrowings

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

	Current RM'000
Hire purchase liabilities (Unsecured)	57
Term loan (Secured)	96
	<hr/> 153 <hr/>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	188
Term loan (Secured)	1,645
	<hr/> 1,833 <hr/>

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

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

B9 – Material Litigations

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

- (i) **Civil Suit in the Penang High Court (Civil Suit No. MT1-22-527-2007) against Tan Kim Boon, Tan Kim Kheng, Lo Mooi Lee, Ang Chai Khee, Ottus Sdn. Bhd. and Oung Lay Choon**

The 18-22 February 2013 trial dates had been vacated. Subsequently, during the trial conducted on 21 March 2013 and 25 April 2013 respectively, the Judge in Open Court has further fixed the case for next/continued trial on:-

- i) 20 to 21 March 2013;
ii) 22 to 25 April 2013; and
iii) 5 to 7 June and 24, 25, 27, 28 June 2013.

During the trial conducted on 28 June 2013, the Judge in open Court has further fixed the following dates for trial:-

- 1) 22, 23 August 2013
2) 2, 3, 4 September 2013

- (ii) **Kuala Lumpur High Court (Appeal No. R3-12B-212-2011) against Mobile Bluezone Sdn Bhd**

During the hearing conducted on 11 January 2013, the Court of Appeal has unanimously dismissed Mobile Bluezone's appeal with cost of RM5000 to be paid to Mexcomm.

B10 – Dividends

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

B11 –Earnings Per Share

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

Basic EPS of the Group is calculated by dividing the profit/ (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.

		Current quarter ended 30 June		Cumulative quarters ended 30 June	
		2013	2012	2013	2012
Loss for the period attributable to owners of Mexter	(RM'000)	(370)	(927)	(1,086)	(1,479)
Weighted average number of ordinary shares in issue	('000)	89,452	89,452	89,452	89,452
Basic EPS	(sen)	(0.41)	(1.04)	(1.21)	(1.65)

MEXTER TECHNOLOGY BERHAD

(Company No 647673-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

B11 –Earnings Per Share (continued)

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.

B12- Realised and Unrealised Retained Profits

	As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
Total accumulated losses of the Company and Subsidiaries:		
-Realised	(13,436)	(11,752)
-Unrealised	75	(34)
Total share of retained profits from an associated company:		
-Realised	-	-
-Unrealised	-	-
	<hr/>	<hr/>
	(13,361)	(11,786)
Less: Consolidation adjustments	(1,313)	(1,802)
Total accumulated losses	<hr/>	<hr/>
	(14,674)	(13,588)

Dated: 27 August 2013