



MEXTER

MEXTER TECHNOLOGY BERHAD

(Company No: 647673 - A)

(Incorporated in Malaysia)

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

31 DECEMBER 2013

MEXTER TECHNOLOGY BERHAD

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

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2013

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 31/12/2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2012 RM'000	CURRENT YEAR TO DATE 31/12/2013 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2012 RM'000
Revenue	A8	7,977	7,188	34,673	33,730
Cost of sales		(6,442)	(5,541)	(27,972)	(27,253)
Gross profit		1,535	1,647	6,701	6,477
Operating expenses		(2,559)	(2,686)	(10,595)	(10,144)
Other operating income		103	71	980	368
Loss from operations	B5	(921)	(968)	(2,914)	(3,299)
Interest income		33	18	59	113
Interest expense		(24)	(27)	(104)	(106)
Share of profit/(loss) of associated company		-	-	-	-
(Loss)/ Profit before tax		(912)	(977)	(2,959)	(3,292)
Taxation	B6	-	-	(1)	-
Loss for the period		(912)	(977)	(2,960)	(3,292)
Other comprehensive income					
Foreign currency translation		38	14	4	-
Total other comprehensive income for the period, net of tax		38	14	4	-
Total comprehensive income/ (loss) for the period		(874)	(963)	(2,956)	(3,292)
Loss attributable to:					
Owners of the Company		(842)	(815)	(2,735)	(3,009)
Non-controlling interest		(70)	(162)	(225)	(283)
		(912)	(977)	(2,960)	(3,292)
Total Comprehensive income/ (loss) attributable to:					
Owners of the Company		(804)	(801)	(2,731)	(3,009)
Non-controlling interest		(70)	(162)	(225)	(283)
		(874)	(963)	(2,956)	(3,292)
Earnings per share:					
Basic earnings per share (sen)		(0.7)	(0.9)	(2.4)	(3.4)
Diluted earnings per share (sen)		(0.7)	(0.9)	(2.4)	(3.4)

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

		(UNAUDITED) AS AT 31/12/2013 RM'000	(AUDITED) AS AT 31/12/2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,924	4,302
Goodwill		824	817
Intangible assets		193	621
		<u>4,941</u>	<u>5,740</u>
Current assets			
Other investments		4,711	2,640
Trade and other receivables		6,667	5,114
Inventories		629	82
Tax recoverable		0	5
Cash and bank balances		6,498	2,897
		<u>18,505</u>	<u>10,738</u>
TOTAL ASSETS		<u>23,446</u>	<u>16,478</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		17,890	8,945
Reserves		(7,550)	(4,163)
		10,340	4,782
Non-Controlling interest		588	813
Total equity		<u>10,928</u>	<u>5,595</u>
Non-current liabilities			
Borrowings	B8	1,752	1,910
Deferred tax liabilities		3	3
		<u>1,755</u>	<u>1,913</u>
Current liabilities			
Trade and other payables		10,231	8,554
Deferred income		375	268
Borrowings	B8	157	148
		<u>10,763</u>	<u>8,970</u>
Total liabilities		<u>12,518</u>	<u>10,883</u>
TOTAL EQUITY AND LIABILITIES		<u>23,446</u>	<u>16,478</u>
Net assets per share attributable to owners of the Company (RM)			
		<u>0.06</u>	<u>0.06</u>

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2013**

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

	Share capital	Share premium	Warrants 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	-	42	(13,587)	4,782	813	5,595
Exchange differences on translation of the financial statements of foreign entities	-	-	-	4	-	4	-	4
Total comprehensive income for the period	-	-	-	-	(2,735)	(2,735)	(225)	(2,960)
Right Shares Issued with free detachable warrants	8,945	-	5,385	-	(5,385)	8,945	-	8,945
Share Issue Expenses	-	(656)	-	-	-	(656)	-	(656)
At 31/12/2013	17,890	8,726	5,385	46	(21,707)	10,340	588	10,928
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	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,009)	(3,009)	(283)	(3,292)
Dividend paid to a non-controlling interest of a subsidiary company	-	-	-	-	-	-	(100)	(100)
At 31/12/2012	8,945	9,382	-	42	(13,587)	4,782	813	5,595

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	AS AT CURRENT FINANCIAL PERIOD ENDED 31/12/2013 RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 31/12/2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(2,959)	(3,292)
Adjustments for:		
Non-cash items	1180	964
Interest income	(59)	(113)
Interest expense	104	106
Operating Loss Before Working Capital Changes	(1,734)	(2,335)
Changes In Working Capital:		
Net change in current assets	(2,241)	1,417
Net change in current liabilities	1,866	(978)
Net Cash Outflow from Operations	(2,109)	(1,896)
Income tax refunded	5	19
Net Operating Cash Flow	(2,104)	(1,877)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	59	113
Disposal/ (Addition) investment in money market fund	(2,071)	1,956
Purchase of intangible assets	(207)	(413)
Purchase of property, plant and equipment	(89)	(549)
Acquisition of subsidiary, net of cash acquired	-	(905)
Net Investing Cash Flow	(2,308)	202
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(104)	(106)
Proceed from borrowings	-	300
Repayment of bank borrowings	(149)	(195)
Dividend paid to a non-controlling interest of a subsidiary		(100)
Proceeds from issuance Right Share	8,945	-
Share issuance expenses paid	(656)	-
Net Financing Cash Flow	8,036	(101)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,624	(1,776)
Effects of foreign exchange rate changes	(23)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	2,897	4,673
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	6,498	2,897

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2013

	Mobile Services	Enterprise Services	Computer Electronic Services	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	28,291	1,378	5,004	-	-	34,673
Inter-segment revenue	-	-	-	-	-	-
	<u>28,291</u>	<u>1,378</u>	<u>5,004</u>	<u>-</u>	<u>-</u>	<u>34,673</u>
Segment results	(181)	(165)	(1,745)	(823)	-	(2,914)
Interest Income	43	-	-	16	-	59
Interest Expense	-	-	(104)	-	-	(104)
Profit/ (loss) before tax	<u>(138)</u>	<u>(165)</u>	<u>(1,849)</u>	<u>(807)</u>	<u>-</u>	<u>(2,959)</u>

b) Period Ended 31 December 2012

	Mobile Services	Enterprise Services	Computer Electronic Services	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	28,384	991	4,355	-	-	33,730
Inter-segment revenue	-	-	-	400	(400)	-
	<u>28,384</u>	<u>991</u>	<u>4,355</u>	<u>400</u>	<u>(400)</u>	<u>33,730</u>
Segment results	(85)	(249)	(2,510)	(455)	-	(3,299)
Interest Income	111	-	-	2	-	113
Interest Expense	(1)	-	(105)	-	-	(106)
Profit/ (loss) before tax	<u>25</u>	<u>(249)</u>	<u>(2,615)</u>	<u>(453)</u>	<u>-</u>	<u>(3,292)</u>

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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 10 December 2013 acquired the entire issued and paid up capital of Locktech International Sdn. Bhd. (“LISB”) 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, LISB has become a wholly-owned subsidiary of MEXTER. The Investment had been completed on 11 December 2013.

A12 –Contingent Liabilities or Contingent Assets

Save for the 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 31 December 2013 RM'000	Preceding year corresponding period ended 31 December 2012 RM'000
Revenue	<u>34,673</u>	<u>33,730</u>
Loss before tax	<u>(2,959)</u>	<u>(3,292)</u>

For the financial period ended 31 December 2013, the Group recorded revenue of approximately RM34.67 million which represents an increase of approximately 2.8% as compared to the preceding year corresponding period’s revenue. The marginal increase in the Group’s revenue was mainly attributable to the additional sales contribution from Enterprise Services division which posted 39.1% higher to RM RM1.38 million. Besides, Computer Electronic Services division has also recorded 14.9% year-on-year rise in revenue to RM5.00 million.

With the higher revenue reported, the Group has registered lower loss before tax of RM2.96 million as compared to loss before tax of RM3.29 million reported in the preceding year corresponding period.

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B2 – Comparison with Preceding Quarter’s Results

	Current quarter ended 31 December 2013 RM’000	Previous quarter ended 30 September 2013 RM’000
Revenue	<u>7,977</u>	<u>7,198</u>
Loss before tax	<u>(912)</u>	<u>(862)</u>

The Group’s revenue for the current quarter of approximately RM7.98 million which represents an increase of approximately RM0.78 million or 10.8% as compared to the revenue of approximately RM7.20 million in the preceding quarter. The increase was primarily from Computer Electronic Services division following higher market demand during the quarter.

However, the Group has widened the loss before tax to approximately RM0.91 million for the quarter under review as compared to the Group’s loss before tax of approximately RM0.86 million reported in the preceding quarter. The higher loss was primary due to impairments loss of intangible assets during the quarter.

B3 – Current Year Prospects

The Malaysian’s economy growth for 2014 will be stronger to between 5.0% and 5.5% after expanding by 4.7% in 2013. The global economy is expected to be on a path of moderate recovery. The sustained improvements in the advanced economies will be a positive impulse for international trade. Besides, 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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013**B5 – Loss from operations**

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

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31-Dec-13 RM'000	31-Dec-12 RM'000	31-Dec-13 RM'000	31-Dec-12 RM'000
Depreciation	(111)	(111)	(461)	(493)
Amortisation of Intangible assets	(36)	-	(142)	-
Interest income	33	18	59	113
Interest expenses	(24)	(27)	(104)	(106)
Allowance for impairment loss on doubtful debt	-	-	(45)	-
Net reversal/ (allowance) for slow moving inventories	(2)	(4)	(9)	10
Net foreign exchange gain/ (loss)	(99)	(34)	12	(60)
Fair value gain/ (loss) on other investments	6	4	16	13
Impairment loss on intangible assets	(494)	-	(494)	-

B6 – Taxation

	31 December 2013	
	Current Quarter RM'000	Cumulative Quarters RM'000
Malaysian income tax:-		
- Current year	-	-
-Under provision in prior year	-	1
	-	1
Deferred taxation:		
- Original and reversal of temporary differences	-	-
	-	1

There was no tax expense for the quarter ended 31 December 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 2013 and May 2009 respectively.

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B7 – Corporate Proposal

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

Gross proceeds of approximately RM8, 945,202 were raised from the rights issue exercise. The proceeds are used by the Group in the following manner:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Time frame for use
i. Working capital	8,295	4,509	3,786	Within 3 years
ii. Share issue expenses	650	656	(6)	Upon completion
Total	<u>8,945</u>	<u>5,165</u>	<u>3,780</u>	

B8 – Borrowings

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

	Current RM'000
Hire purchase liabilities (Unsecured)	59
Term loan (Secured)	98
	<u>157</u>
	Non-current RM'000
Hire purchase liabilities (Unsecured)	158
Term loan (Secured)	1,594
	<u>1,752</u>

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

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, 25 April 2013, 28 June 2013, 4 September 2013 and 3 October 2013 respectively, the Judge in Open Court has further fixed the case for next/continued trial on:-

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B9 – Material Litigations (continued)

- (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 (continued)**

- i) 20 to 21 March 2013;
- ii) 22 to 25 April 2013;
- iii) 5 to 7 June and 24, 25, 27, 28 June 2013;
- iv) 22 to 23 August 2013;
- v) 2 to 4 September 2013;
- vi) 1 to 3 October 2013 and
- vii) 23-25 October 2013.

The trial proceeded for 2 days on 23 and 24 October 2013. The trial on 25 October 2013 was vacated. The next trial date is fixed on 11 November 2013.

During the trial on 11 November 2013, the Defence has closed their case. The hearing which was fixed on 7 January 2014 has been adjourned to 20 January 2014. However, the hearing fixed on 20 January 2014 has been vacated and the Court fixed the hearing on 22 January 2014.

On 22 January 2014, the Court has fixed 14 February 2014 for continued hearing. During the hearing on 14 February 2014, the Court has fixed 6 March 2014 for decision of the case after full trial.

- (i) **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.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013**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 31 December		Cumulative quarters ended 31 December	
		2013	2012	2013	2012
Loss for the period attributable to owners of Mexter	(RM'000)	(842)	(815)	(2,735)	(3,009)
Weighted average number of ordinary shares in issue	('000)	113,224	89,452	113,224	89,452
Basic EPS	(sen)	(0.7)	(0.9)	(2.4)	(3.4)

The weighted average number of ordinary shares in issue is determined using the number of days that the specific shares are outstanding in proportion to the total number of days in the corresponding period.

(b) Diluted EPS

There is no dilution of share capital for the Group.

B12- Realised and Unrealised Retained Profits

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total accumulated losses of the Company and Subsidiaries:		
-Realised	(15,266)	(11,752)
-Unrealised	(5,360)	(33)
Total share of retained profits from an associated company:		
-Realised	-	-
-Unrealised	-	-
	(20,626)	(11,785)
Less: Consolidation adjustments	(1,081)	(1,802)
Total accumulated losses	(21,707)	(13,587)

Dated: 26 February 2014