
OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 30 JUNE 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

M3 TECHNOLOGIES (ASIA) BERHAD

(Incorporated in Malaysia)
Company No: 482772-D

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

4. Significant accounting judgements, estimates and assumptions (cont'd)

(a) Going concern

The Group's and the Company's management have made an assessment of its ability to continue as a going concern and is satisfied that they have the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Impairment of investments in subsidiaries and interest in an associate and a joint venture

Investments in subsidiaries and interest in an associate and a joint venture are tested for impairment at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts of the investment and the investment's estimated recoverable amounts.

Judgements made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries and interest in associates and joint ventures are as follows:

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends. Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. Significant accounting judgements, estimates and assumptions (cont'd)**(c) Impairment and depreciation of property, plant and equipment**

Property, plant and equipment are tested for impairment at each reporting date. This requires an estimation of the recoverable amounts of the CGU which the property, plant and equipment are allocated.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Changes to the assumptions used by management such as utilisation rate, revenue growth, expected future cash flows and discount rate used may impact recoverable amounts of property, plant and equipment.

The cost of property, plant and machinery is depreciated on the straight-line basis over the assets' useful lives. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(d) Amortisation of intangible assets

The determination of estimated economic useful life of intangible assets requires management's judgements which includes analysing the circumstances, industry and market practice. Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges.

(e) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(f) Deferred tax and income tax

The Group is subject to income taxes in many jurisdictions and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until sometime later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. Significant accounting judgements, estimates and assumptions (cont'd)**(f) Deferred tax and income tax (cont'd)**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

At the reporting date, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain foreign subsidiaries. The Group has determined that these undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

(g) Inventories write-down

Inventories of the Group are written down to net realisable value based on analysis of the ageing profile and taking into account the expected sales patterns and expected selling prices of individual items held in inventory. Changes in future sales patterns and expected selling prices of those inventories may have an impact on the amount of write down recorded.

(h) Investment income from profit guarantee agreement

The profit guarantee agreement provides for an income guarantee to the Company if the associate of the Company, Fotokem Sdn Bhd ("Fotokem") has not achieved a minimum audited net profit for financial years 2014 and 2015. The Directors have recognised an investment income receivable from the profit guarantee agreement using the management accounts of the Fotokem for financial year 2015, as the Directors are certain that circumstances would not change materially so as to require reversal of the investment income.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

5. Revenue

Revenue of the Group represents the invoiced value of goods sold and services rendered, net of sales tax or service tax, trade discounts and returns. Revenue of the Company represents the invoiced value of services, net of service tax and trade discounts.

6. Cost of sales

Cost of sales of the Company consists mainly of Short Message Service (SMS) and leased-line charges, royalty expenses, amortisation of product development expenditure, other incidental costs incurred for the provision of mobile solutions and the cost of inventories.

Cost of sales of the Group includes costs of products, carriage inwards, import duty, goods and service tax and other incidental cost incurred in connection to sale of goods.

7. Other income

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Dividend income	-	-	-	1,308,230
Gain on disposal of property, plant and equipment	3,954	59,061	3,954	-
Realised gain on foreign exchange	820,858	417,446	-	40,259
Interest income	7,882	76,608	4,399	50,945
Service fee charged to subsidiaries	-	-	-	1,791,000
Investment income from profit guarantee (Note 17)	1,854,663	-	1,854,663	-
Other income	159,512	34,491	23,500	22,726
	<u>2,846,869</u>	<u>587,606</u>	<u>1,886,516</u>	<u>3,213,160</u>

8. Finance costs

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expense:				
- Finance lease obligations	13,811	19,534	8,273	11,237
- Term loan	25,385	27,799	25,385	27,799
	<u>39,196</u>	<u>47,333</u>	<u>33,658</u>	<u>39,036</u>

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9. Loss before tax

The following items have been included in arriving at loss before tax:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance for impairment losses on receivables (Note 20)	360,246	502,072	-	23,526
Allowance for impairment of amount due from subsidiaries (Note 20)	-	-	6,477,203	133,336
Amortisation of intangible assets (Note 15)	1,036,496	2,064,825	857,985	1,212,049
Auditors' remuneration:				
Statutory audits				
- auditors of the Company	98,000	98,000	77,000	79,000
- other auditors	77,401	77,803	-	-
- (over)/under provision in previous financial year	(771)	288	-	-
Other services				
- auditors of the Company	-	3,500	-	3,500
- other auditors	7,505	1,314	-	-
Bad debts written off	91,715	2,222	-	-
Depreciation of property, plant and equipment (Note 14)	1,129,216	1,164,749	318,058	318,681
Employee benefits expense (Note 10)	10,205,474	12,997,230	2,322,662	4,491,470
Impairment loss on goodwill (Note 15)	-	5,844,078	-	-
Impairment loss on interest in a joint venture (Note 18)	-	728,775	-	951,649
Impairment loss on investment in subsidiaries (Note 16)	-	-	759,153	3,410,661
Inventories write-down	522,489	374,621	-	-
Inventories write-off	515,504	898,386	-	-
Lease payments for premises	443,338	979,772	-	83,725
Net loss/(gain) on foreign exchange - realised	125,853	212,209	19,352	(33,048)
Net (gain)/loss on foreign exchange - unrealised	(27,407)	(13,076)	65,072	(7,211)
Directors' remuneration (Note 11)	1,284,749	1,348,422	976,547	1,062,280
Property, plant and equipment written off	174,623	20,326	6,222	-
Product development expenditure written off	-	345,572	-	-

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10. Employee benefits expense

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Wages and salaries	10,321,083	12,884,930	2,450,523	4,617,713
Social security contributions	270,189	237,869	23,199	31,352
Contribution to defined contribution plan	820,863	1,125,111	286,656	518,571
Short-term accumulating compensated absences	-	9,200	-	-
Provision for gratuity	20,867	34,602	-	-
Other staff related expenses	133,560	149,518	82,245	145,411
	<u>11,566,562</u>	<u>14,441,230</u>	<u>2,842,623</u>	<u>5,313,047</u>
Less: Capitalised in product development expenditure	<u>(1,361,088)</u>	<u>(1,444,000)</u>	<u>(519,961)</u>	<u>(821,577)</u>
	<u>10,205,474</u>	<u>12,997,230</u>	<u>2,322,662</u>	<u>4,491,470</u>

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,108,749 (2014: RM1,204,422) and RM800,547 (2014: RM918,280) respectively.

11. Directors' remuneration

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors of the Group and Company				
Executive:				
Salaries and other emoluments	989,934	1,095,402	713,651	818,784
Defined contribution plan and social security contributions	118,815	109,020	86,896	99,496
	<u>1,108,749</u>	<u>1,204,422</u>	<u>800,547</u>	<u>918,280</u>
Non-executive:				
Fees	168,000	144,000	168,000	144,000
Other emoluments	8,000	-	8,000	-
	<u>1,284,749</u>	<u>1,348,422</u>	<u>976,547</u>	<u>1,062,280</u>

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11. Directors' remuneration (cont'd)

The number of Directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:

	Number of directors	
	2015	2014
Executive:		
RM50,001 - RM100,000	1	1
RM250,001 - RM300,000	1	-
RM400,001 - RM450,000	-	1
RM450,001 - RM500,000	1	-
Above RM500,000	-	1
Non-executive:		
Below RM50,000	<u>6*</u>	<u>3</u>

*Including two (2) Directors who have retired during the financial year.

12. Income tax expense

The major components of income tax expense are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax:				
Foreign income tax	707,223	434,688	-	-
Foreign withholding tax	43,584	145,169	42,900	130,823
	<u>750,807</u>	<u>579,857</u>	<u>42,900</u>	<u>130,823</u>
Overprovision in prior year:				
Foreign income tax	(47,860)	(6,757)	-	-
	<u>702,947</u>	<u>573,100</u>	<u>42,900</u>	<u>130,823</u>
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(76,864)	(15,442)	-	-
Income tax expense recognised in profit or loss	<u>626,083</u>	<u>557,658</u>	<u>42,900</u>	<u>130,823</u>

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12. Income tax expense (cont'd)

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 30 June 2015 and 2014 are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Loss before tax	<u>(2,848,136)</u>	<u>(14,813,650)</u>	<u>(8,242,166)</u>	<u>(5,292,946)</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	(712,034)	(3,703,413)	(2,060,542)	(1,323,237)
Adjustments:				
Different tax rates in other countries	(517,532)	266,254	-	-
Income not subject to tax	(499,169)	(343,677)	(465,080)	(339,794)
Expenses not deductible for tax purposes	569,534	2,687,029	2,296,058	1,663,031
Deferred tax assets not recognised during the year	1,815,968	1,528,495	229,564	-
Under/(over) provision of income tax in prior year	2,595	(6,757)	-	-
Withholding tax on dividend and other income received	43,585	145,169	42,900	130,823
Origination and reversal of temporary differences	<u>(76,864)</u>	<u>(15,442)</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>626,083</u>	<u>557,658</u>	<u>42,900</u>	<u>130,823</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable loss for the year. For year assessment 2016, corporate tax rate will be 24%. Consequently, deferred tax assets and liabilities are measured using this rate.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

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13. Earnings per share

Basic earnings per share is calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

The following table reflects the loss and share data used in the computation of basic earnings per share for the years ended 30 June:

	2015	Group 2014
Loss attributable to owners of the Company (RM)	<u>(4,364,799)</u>	<u>(15,543,374)</u>
Weighted average number of ordinary shares in issue*	<u>177,557,240</u>	<u>177,057,240</u>
Basic earnings per share (sen)	<u>(2.46)</u>	<u>(8.78)</u>

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

The Company does not have any outstanding convertible instruments. Accordingly, the diluted earnings per share is presented as equal to the basic earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

14. Property, plant and equipment

Group	Buildings RM	Computers and software RM	Furniture, fixture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost						
At 1 July 2013	1,240,000	14,778,060	2,578,070	1,015,798	714,523	20,326,451
Additions	-	731,833	164,708	2,117	152,874	1,051,532
Disposals	-	(23,208)	(62,159)	(203,528)	(50,897)	(339,792)
Write-offs	-	(45,478)	(28,936)	(3,670)	(2,370)	(80,454)
Exchange differences	-	(152,922)	(15,345)	2,953	(12,439)	(177,753)
At 30 June 2014/ 1 July 2014	1,240,000	15,288,285	2,636,338	813,670	801,691	20,779,984
Additions	-	812,554	42,831	43,541	2,219	901,145
Disposals	-	(65,987)	(36,802)	-	-	(102,789)
Write-offs	-	(17,379)	(175,883)	-	(185,696)	(378,958)
Exchange differences	-	634,944	121,871	58,096	37,844	852,755
At 30 June 2015	1,240,000	16,652,417	2,588,355	915,307	656,058	22,052,137
Accumulated depreciation						
At 1 July 2013	92,006	13,095,970	1,766,983	173,268	380,311	15,508,538
Depreciation charge for the year (Note 9)	24,800	688,634	259,442	115,605	76,268	1,164,749
Disposals	-	(939)	(54,166)	(89,573)	(19,602)	(164,280)
Write-offs	-	(34,841)	(20,955)	(3,395)	(937)	(60,128)
Exchange differences	-	(118,783)	(925)	313	(2,689)	(122,084)
At 30 June 2014/ 1 July 2014	116,806	13,630,041	1,950,379	196,218	433,351	16,326,795
Depreciation charge for the year (Note 9)	24,800	682,843	265,898	93,544	62,131	1,129,216
Disposals	-	(15,741)	(17,615)	-	-	(33,356)
Write-offs	-	(6,702)	(120,141)	-	(77,492)	(204,335)
Exchange differences	-	539,019	54,262	16,253	24,798	634,332
At 30 June 2015	141,606	14,829,460	2,132,783	306,015	442,788	17,852,652
Net carrying amount						
At 30 June 2014	1,123,194	1,658,244	685,959	617,452	368,340	4,453,189
At 30 June 2015	1,098,394	1,822,957	455,572	609,292	213,270	4,199,485

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14. Property, plant and equipment (cont'd)

Company	Buildings RM	Computers and software RM	Furniture, fixture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost						
At 1 July 2013	1,240,000	10,959,898	523,859	368,449	341,497	13,433,703
Additions	-	276,018	21,426	-	13,699	311,143
Disposals	-	(74,827)	(1,450)	-	-	(76,277)
Write-offs	-	(20,453)	(390)	-	-	(20,843)
At 30 June 2014						
/ 1 July 2014	1,240,000	11,140,636	543,445	368,449	355,196	13,647,726
Additions	-	297,246	1,360	-	-	298,606
Disposal	-	(26,645)	-	-	-	(26,645)
Write-offs	-	(8,000)	-	-	-	(8,000)
At 30 June 2015	1,240,000	11,403,237	544,805	368,449	355,196	13,911,687
Accumulated depreciation						
At 1 July 2013	92,006	10,327,554	433,134	33,775	252,331	11,138,800
Depreciation charge for the year (Note 9)	24,800	210,509	23,844	36,845	22,683	318,681
Disposals	-	(32,128)	(1,450)	-	-	(33,578)
Write-offs	-	(20,453)	(390)	-	-	(20,843)
At 30 June 2014						
/ 1 July 2014	116,806	10,485,482	455,138	70,620	275,014	11,403,060
Depreciation charge for the year (Note 9)	24,800	215,959	22,863	36,845	17,591	318,058
Disposal	-	(4,677)	-	-	-	(4,677)
Write-offs	-	(1,778)	-	-	-	(1,778)
At 30 June 2015	141,606	10,694,986	478,001	107,465	292,605	11,714,663
Net carrying amount						
At 30 June 2014	1,123,194	655,154	88,307	297,829	80,182	2,244,666
At 30 June 2015	1,098,394	708,251	66,804	260,984	62,591	2,197,024

The Group acquired a motor vehicle of RM44,431 (2014: Nil) of which RM27,734 was financed through finance lease. The carrying amount of motor vehicles held under finance lease at the reporting date is RM383,649 and RM260,984 (2014: RM383,331 and RM297,829) for the Group and the Company respectively. These motor vehicles are charged to financial institutions for finance lease disclosed in Note 28 to the financial statements.

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14. Property, plant and equipment (cont'd)

The Company's building with a carrying amount of RM628,100 (2014: RM641,300) is pledged to a licensed bank to secure the Company's term loan borrowings as disclosed in Note 25 to the financial statements.

The cash outflow on acquisition of property, plant and equipment amounted to RM873,411 (2014: RM1,051,532) and RM298,606 (2014: RM311,143) for the Group and the Company respectively.

15. Intangible assets

	Goodwill RM	Product development expenditure RM	Intellectual properties RM	Total RM
Group				
Cost				
At 1 July 2013	14,744,633	12,358,679	747,424	27,850,736
Additions	-	1,760,022	698,497	2,458,519
Write-offs	-	(1,147,436)	-	(1,147,436)
Exchange differences	-	12,555	34,407	46,962
At 30 June 2014/ 1 July 2014	14,744,633	12,983,820	1,480,328	29,208,781
Additions	-	1,073,596	210,689	1,284,285
Exchange differences	-	1,335,175	550,554	1,885,729
At 30 June 2015	14,744,633	15,392,591	2,241,571	32,378,795
Accumulated amortisation and impairment				
At 1 July 2013	8,900,555	9,889,727	238,183	19,028,465
Amortisation (Note 9)	-	1,894,701	170,124	2,064,825
Write-offs	-	(801,864)	-	(801,864)
Impairment during the financial year (Note 9)	5,844,078	-	-	5,844,078
Exchange differences	-	4,216	9,436	13,652
At 30 June 2014/ 1 July 2014	14,744,633	10,986,780	417,743	26,149,156
Amortisation (Note 9)	-	857,985	178,511	1,036,496
Exchange differences	-	1,090,378	396,847	1,487,225
At 30 June 2015	14,744,633	12,935,143	993,101	28,672,877
Net carrying amount				
At 30 June 2014	-	1,997,040	1,062,585	3,059,625
At 30 June 2015	-	2,457,448	1,248,470	3,705,918

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15. Intangible assets (cont'd)

	Product development expenditure RM
Company	
Cost	
At 1 July 2013	10,838,738
Additions	821,578
At 30 June 2014/ 1 July 2014	<u>11,660,316</u>
Additions	519,960
At 30 June 2015	<u>12,180,276</u>
Accumulated amortisation	
At 1 July 2013	9,584,406
Amortised during the year (Note 9)	1,212,049
At 30 June 2014/ 1 July 2014	<u>10,796,455</u>
Amortised during the year (Note 9)	857,985
At 30 June 2015	<u>11,654,440</u>
Net carrying amount	
At 30 June 2014	<u>863,861</u>
At 30 June 2015	<u>525,836</u>

(a) Amortisation of product development expenditure and intellectual properties

Amortisation of the product development expenditure and intellectual properties (consisting of digital content rights and licenses acquired) of the Group and the Company have been included in the cost of sales.

(b) Goodwill – impairment loss recognised

Management of the Group carried out a review of the recoverable amounts of goodwill on an annual basis. Additional impairment loss of RM Nil (2014: RM5,844,078) was recognised. The recoverable amount was based on value-in-use and was determined at the cash-generating unit ("CGU") level. In determining value-in-use for the CGUs, the discount rate applied to cash flow projections is the Group's internal rate of return.

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16. Investments in subsidiaries

	Company	
	2015 RM	2014 RM
Unquoted shares at cost	38,621,883	38,621,883
Less: Accumulated impairment losses	<u>(15,278,188)</u>	<u>(14,519,035)</u>
	<u>23,343,695</u>	<u>24,102,848</u>

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest	
		2015 %	2014 %
M3 Asia Sdn. Bhd. ("M3Asia") ++,∞	Malaysia	100	100
M3 Online Sdn. Bhd. +,∞	Malaysia	100	100
M3 Mobile Technologies (S) Pte. Ltd. *,+,∞	Singapore	100	100
M3 Asia Distribution (S) Pte. Ltd. *,++, ∞	Singapore	60	60
Messaging Technologies (H.K.) Limited ("M3Tech HK") *,+,++,∞	Hong Kong, SAR	100	100
M3 Technologies (Thailand) Co., Ltd. *,+,++	Thailand	95	95
M3 Technologies Pakistan (Private) Limited ("M3Tech Pakistan") *,+	Pakistan	60	60
PT Surya Genta Perkasa *,+,++	Indonesia	80	80
Virtue Partners International Limited *,+++	British Virgin Islands	100	100

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16. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Effective equity interest	
		2015 %	2014 %
Held under M3Asia			
M3Shoppe (Asia) Sdn. Bhd. ("M3Shoppe") ++++,∞	Malaysia	100	100
Held under M3Tech HK			
M3 Technologies (Xiamen) Co., Ltd ("M3Tech Xiamen") *,+	The People's Republic of China	95	95
M3 Technologies (Shen Zhen) Company Limited *,++	The People's Republic of China	100	100
Way Way Innovations Company Limited *,#	Hong Kong, SAR	100	100
Held under M3Tech Pakistan			
M3 Technologies Middle East FZE *,+, ++	United Arab Emirates	60	60
Held under M3Tech Xiamen			
M3 Interactive (Shen Zhen) Co., Ltd *,+++++	The People's Republic of China	95	95

* Audited by firm of auditors other than Ecovis AHL PLT

+ Involved in provision of mobile solutions

++ Involved in distribution and retailing of fast-moving electronic goods and related products

+++ Investment holding company

++++ Involved in e-Commerce

+++++ Involved in provision of e-Educational services

Dormant

∞ The auditors' report of these subsidiaries contains an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of their financial statements.

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16. Investments in subsidiaries (cont'd)

(a) Impairment assessment of investments in subsidiaries

Investments in subsidiaries are tested for impairment when such indicators exist. This requires an estimation of the value-in-use of these investments. In making this assessment, amongst others, the management has taken into consideration the projected long-term growth in both provision for mobile solutions activities as well as the distribution and retailing activities of the respective subsidiaries of the Group.

Based on the impairment assessment performed, an additional provision for impairment of subsidiaries of RM759,153 (2014: RM3,410,661) has been made in the current year in respect of the investment in M3 Asia Sdn Bhd, M3 Online Sdn Bhd and PT Surya Genta Perkasa as the estimated recoverable amounts of the investments are lower than their carrying amounts.

17. Investment in an associate

	Group	
	2015 RM	2014 RM
Unquoted shares, at cost	5,998,438	5,998,438
Share of post-acquisition reserves [^]	(258,279)	(27,400)
	<u>5,740,159</u>	<u>5,971,038</u>
	Company	
	2015 RM	2014 RM
Unquoted shares, at cost	5,998,438	5,998,438
	<u>5,998,438</u>	<u>5,998,438</u>

[^] Share of post-acquisition reserves is based on the unaudited management accounts of the associate for the financial year ended 30 June 2014 and 2015.

The details of the associate, which is incorporated in Malaysia, is as follow:

Name of associate	Effective equity interest		Principal activities
	2015	2014	
	%	%	
Fotokem Sdn. Bhd. ("Fotokem")	23.993	23.993	Trading in photographic, digital, electronic and ICT goods & services

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17. Investment in an associate (cont'd)

The summarised financial information below represent amounts in the equity-accounted associate's management accounts:

	30.6.2015 (Unaudited) RM	30.4.2014 (Audited) RM
Statement of financial position		
Non-current assets	10,253,997	12,151,248
Current assets	36,342,039	33,005,120
Non-current liabilities	(2,206,735)	(2,212,805)
Current liabilities	<u>(21,154,283)</u>	<u>(16,080,088)</u>
Net assets	<u>23,235,018</u>	<u>26,863,475</u>
Statement of comprehensive income		
Revenue	6,629,794	80,073,092
Total expenses	(7,591,071)	(78,569,991)
Finance cost	(19,911)	(387,503)
(Loss)/profit after tax/total comprehensive (loss)/ income for the year	<u>(962,277)</u>	<u>(280,548)</u>

The Company had on 22 November 2013 signed a profit guarantee agreement with the vendor (a shareholder of Fotokem) for an aggregate audited profit after taxation of RM7 million for the year ended 30 April 2014 and 30 April 2015.

During the financial year, the Company has made accrual for investment income from the profit guarantee agreement of RM1,854,663 in proportion to its equity interest in the associate, as disclosed in Note 7 to the financial statements. The estimation of the investment income is based on the unaudited management accounts of the associate as at 30 June 2015, as the Directors are certain that circumstances would not change materially so as to require reversal of the investment income.

18. Interest in a joint venture

	Group	
	2015 RM	2014 RM
Share of net assets of joint venture:		
Unquoted shares, at cost	46	46
Advances to a joint venture	1,037,184	951,603
Share of post-acquisition reserves	<u>(237,997)</u>	<u>(218,360)</u>
	799,233	733,289
Exchange differences	<u>(70,458)</u>	<u>(4,514)</u>
	728,775	728,775
Less: Allowance for impairment loss	<u>(728,775)</u>	<u>(728,775)</u>
	<u>-</u>	<u>-</u>

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18. Interest in a joint venture (cont'd)

	Company	
	2015 RM	2014 RM
Unquoted shares, at cost	46	46
Advances to a joint venture	951,603	951,603
Less: Allowance for impairment loss	(951,649)	(951,649)
	-	-

The details of the joint venture, which is incorporated in Singapore, are as follow:

Name of joint venture	Effective		Principal activities
	equity interest		
	2015	2014	
	%	%	
M3 Interactive (S) Pte. Ltd.	20	20	Provision of e-Educational services

On 12 June 2012, M3 Interactive has filed a statement of claim in the High Court of Singapore against an ex-director of M3 Interactive and Nexgen Studio Pte Ltd ("Nexgen") (Nexgen is a joint venturer) ("the defendants"). The suit was settled on 11 September 2011 via a settlement agreement, in which the defendants have agreed to pay a settlement sum of SGD120,000 to the Company. An amount of SGD50,000 has been received by M3 Interactive to date.

One the terms of the settlement was that M3 Interactive would buy over Nexgen's share in M3 Interactive. The value of the shares is to be determined by a valuer. The parties subsequently appointed an independent valuer, BDO Pte Ltd, ("BDO") to carry out the valuation. On 14 August 2014, the Company has removed BDO from the exercise due to disputes between parties involved. The Company has urged the defendants to do the same and provided alternative to the defendants to appoint another independent valuer to carry out the valuation. As at the date of this report, the defendants have not responded.

The Company had provided total net advances of RM951,603 (2014: RM951,603) to M3 Interactive. The advances are unsecured, interest free, and were to fund the working capital requirements of M3 Interactive. In view of recent developments and the fact that M3 Interactive has ceased operations, the Company has impaired the entire amount of the advances.

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18. Interest in a joint venture (cont'd)

Summarised financial information in respect of the joint venture is as set out below:

	Group	
	2015 RM	2014 RM
Statement of financial position		
Non-current assets	17,425	22,044
Current assets	2,136	192,634
Current liabilities	<u>(1,492,096)</u>	<u>(1,328,792)</u>
Statement of comprehensive income		
Income	-	28,461
Expenses	<u>58,464</u>	<u>(103,597)</u>

The auditors of M3 Interactive have qualified the accounts of the joint venture for the financial year ended 30 June 2015 on grounds of going concern. This has no impact on the Group as interest in the joint venture and all amounts receivable from the joint venture have been fully impaired.

19. Inventories

	Group	
	2015 RM	2014 RM
At cost/net realisable value:		
Trading inventories	2,780,047	6,722,377
Goods in transit	<u>381,057</u>	<u>174,089</u>
	<u>3,161,104</u>	<u>6,896,466</u>
	Company	
	2015 RM	2014 RM
At cost:		
Trading inventories	149,053	76,992
Goods in transit	<u>142,353</u>	<u>-</u>
	<u>291,406</u>	<u>76,992</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM10,411,416 (2014: RM14,112,094).

Trading inventories are written down to their net realisable values when their marketable selling prices are below their purchased costs. In such circumstances, their expected marketable selling prices are the best available measure of their net realisable values.

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20. Trade and other receivables

	Group	
	2015 RM	2014 RM
Trade receivables		
Third parties	19,814,815	14,121,566
Less: Allowance for impairment losses	<u>(1,481,886)</u>	<u>(1,009,248)</u>
	<u>18,332,929</u>	<u>13,112,318</u>
Other receivables		
Amount due from an associate	49,557	108,834
Prepayments	931,077	890,758
Sundry receivables	2,564,199	457,484
Deposits	1,597,662	1,309,682
Advances due from staff	97,430	157,933
	<u>5,239,925</u>	<u>2,924,691</u>
Trade and other receivables	<u>23,572,854</u>	<u>16,037,009</u>
Allowance for impairment losses		
At 1 July	(1,009,248)	(507,176)
Addition during the financial year	(360,246)	(502,072)
Exchange differences	<u>(112,392)</u>	<u>-</u>
At 30 June	<u>(1,481,886)</u>	<u>(1,009,248)</u>
Trade and other receivables	23,572,854	16,037,009
Less: Prepayments	<u>(747,087)</u>	<u>(890,758)</u>
	22,825,767	15,146,251
Add: Deposits, cash and bank balances (Note 21)	<u>3,512,060</u>	<u>5,657,141</u>
Total financial assets classified as loans and receivables	<u>26,337,827</u>	<u>20,803,392</u>

	Company	
	2015 RM	2014 RM
Trade receivables		
Third parties	4,700,028	1,900,649
Less: Allowance for impairment losses	<u>(52,603)</u>	<u>(52,603)</u>
	<u>4,647,425</u>	<u>1,848,046</u>

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20. Trade and other receivables (cont'd)

	Company	
	2015 RM	2014 RM
Other receivables		
Due from subsidiaries	7,108,776	8,187,069
Prepayments	106,168	60,516
Sundry receivables	1,893,663	-
Deposits	248,117	248,696
	<u>9,356,724</u>	<u>8,496,281</u>
Less: Allowance for impairment losses	<u>(7,363,322)</u>	<u>(886,119)</u>
	<u>1,993,402</u>	<u>7,610,162</u>
Trade and other receivables	<u>6,640,827</u>	<u>9,458,208</u>
Allowance for impairment losses		
At 1 July	(938,722)	(781,860)
Addition during the financial year	(6,477,203)	(156,862)
Reversal during the financial year	-	-
At 30 June	<u>(7,415,925)</u>	<u>(938,722)</u>
Trade and other receivables	6,640,827	9,458,208
Less: Prepayments	<u>(106,168)</u>	<u>(60,516)</u>
	6,534,659	9,397,692
Add: Deposits, cash and bank balances (Note 21)	<u>248,185</u>	<u>992,749</u>
Total financial assets classified as loans and receivables	<u>6,782,844</u>	<u>10,390,441</u>

Trade receivables of the Group and the Company are non-interest bearing and normal credit term range from 30 to 90 days (2014: 30 to 90 days). They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The Group and the Company have no significant concentration of credit risk that may arise from exposure to a single customer or to groups of customers, other than as disclosed in Note 31(a).

Amounts due from subsidiaries are mainly in respect of advances. These balances are unsecured and are repayable on demand. Amounts which have been impaired relate mainly to amount due from subsidiaries, due to unfavourable market conditions and demand.

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20. Trade and other receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's and Company's trade receivables is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Neither past due nor impaired	9,923,388	4,604,892	4,080,439	619,978
1 to 30 days past due not impaired	1,339,994	1,549,367	64,517	535,470
31 to 60 days past due not impaired	1,077,690	1,626,707	226,306	287,829
61 to 90 days past due not impaired	1,739,204	3,524,173	184,406	41,990
More than 91 days past due not impaired	4,252,653	1,807,179	91,757	362,779
	8,409,541	8,507,426	566,986	1,228,068
Impaired and provided for	1,481,886	1,009,248	52,603	52,603
	<u>19,814,815</u>	<u>14,121,566</u>	<u>4,700,028</u>	<u>1,900,649</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group or the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM8,409,541 (2014: RM8,507,426) and RM566,986 (2014: RM1,228,068) respectively that are past due at the reporting date but not impaired. These receivables are unsecured.

The management of the Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Receivables that are impaired

The Group and the Company have trade receivables amounting to RM1,481,886 (2014: RM1,009,248) and RM52,603 (2014: RM52,603) respectively that are past due and have been impaired.

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21. Deposits, cash and bank balances

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash on hand and at banks	3,510,296	5,569,925	246,421	905,533
Deposits with licensed banks	1,764	87,216	1,764	87,216
	<u>3,512,060</u>	<u>5,657,141</u>	<u>248,185</u>	<u>992,749</u>

Cash at banks are deposits held at call with licensed banks. Deposits with licensed banks at 30 June 2015 bore interests ranging from 2.87% to 3.15% (2014: 2.12% to 2.79%) per annum and have maturity periods ranging from 1 to 30 days (2014: 1 to 30 days) at financial year end for both Group and Company.

22. Share capital, share premium and treasury shares

	Number of ordinary shares of RM0.10 each				Amount	
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid)	Share premium	Total share capital and share premium	Treasury shares
			RM	RM	RM	RM
Group and Company						
At 1 July 2014	179,614,740	(2,557,500)	17,961,474	4,392,702	22,354,176	(565,639)
Issuance of shares	6,000,000	-	600,000	180,000	780,000	-
At 30 June 2015	<u>185,614,740</u>	<u>(2,557,500)</u>	<u>18,561,474</u>	<u>4,572,702</u>	<u>23,134,176</u>	<u>(565,639)</u>
At 1 July 2013/ 30 June 2014	<u>179,614,740</u>	<u>(2,557,500)</u>	<u>17,961,474</u>	<u>4,392,702</u>	<u>22,354,176</u>	<u>(565,639)</u>

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22. Share capital, share premium and treasury shares (cont'd)

	Number of ordinary shares of RM0.10 each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised share capital				
At 1 July 2013/ 30 June 2014/ 30 June 2015	<u>250,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares which are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

23. Other reserves

	Group	
	2015 RM	2014 RM
Foreign currency translation reserve	<u>1,624,749</u>	<u>(213,125)</u>
	Company	
	2015 RM	2014 RM
Special reserve	<u>16,074,240</u>	<u>16,074,240</u>

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in the functional currency of the foreign operation.

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23. Other reserves (cont'd)

(b) Special reserve

In the financial year ended 30 June 2005, the Company had obtained approval from the High Court of Malaya, pursuant to Section 64 of the Companies Act, 1965, to reduce the share premium account of the Company by RM16,074,240 and for such amount to be transferred to a Special Reserve Account and thereon to set off the goodwill arising from the acquisition of a wholly-owned subsidiary, Messaging Technologies (H.K.) Limited against the Special Reserve Account.

24. Retained earnings

Under the single tier system which came into effect from the year assessment 2008, companies are not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Under this system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

25. Loans and borrowings

	Group	
	2015 RM	2014 RM
Current		
Secured:		
Letters of credit	-	338,696
Term loan	57,833	55,614
Obligation under finance leases (Note 28(b))	102,164	88,661
	<u>159,997</u>	<u>482,971</u>
Non-current		
Secured:		
Term loan	472,832	532,544
Obligation under finance leases (Note 28(b))	115,647	192,252
	<u>588,479</u>	<u>724,796</u>
Total loans and borrowings		
Letters of credit	-	338,696
Term loan	530,665	588,158
Obligation under finance leases (Note 28(b))	217,811	280,913
	<u>748,476</u>	<u>1,207,767</u>

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25. Loans and borrowings (cont'd)

	Company	
	2015 RM	2014 RM
Current		
Secured:		
Letters of credit	-	338,696
Term loan	57,833	55,614
Obligation under finance leases (Note 29(b))	64,638	61,675
	<u>122,471</u>	<u>455,985</u>
Non-current		
Secured:		
Term loan	472,832	532,544
Obligation under finance leases (Note 29(b))	84,887	149,525
	<u>557,719</u>	<u>682,069</u>
Total loans and borrowings		
Letters of credit	-	338,696
Term loan	530,665	588,158
Obligation under finance leases (Note 29(b))	149,525	211,200
	<u>680,190</u>	<u>1,138,054</u>

The Company is required to comply with certain covenants, including the submission of audited financial statements to the lender bank within 6 months after the end of the financial year. The Company must obtain lender bank approval prior to declaring dividend to shareholders.

The term loan of the Company which is obtained from a licensed bank is secured by First Party First Legal Deed of Assignment over a building of the Company as disclosed in Note 14 to the financial statements.

Letters of credit facility is secured by a corporate guarantee from its subsidiary, M3 Asia Sdn. Bhd, as disclosed in note 26.

The loans and borrowings of the Group are denominated in the following currencies:

	Group	
	2015 RM	2014 RM
Thai Baht	45,671	69,713
United States Dollar ("USD")	-	338,696
Indonesia Rupiah	22,615	-
Ringgit Malaysia	680,190	799,358
	<u>748,476</u>	<u>1,207,767</u>

The Company's loans and borrowings are denominated in RM (2014: RM and USD).

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25. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at 30 June are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
On demand or within 1 year	159,997	482,971	122,471	455,985
More than 1 year and less than 2 years	158,943	149,741	128,182	122,755
More than 2 years and less than 5 years	429,536	575,055	429,536	559,314
	<u>748,476</u>	<u>1,207,767</u>	<u>680,189</u>	<u>1,138,054</u>

At reporting date, the applicable interest rates are as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Letters of credit	-	1.20	-	1.20
Term loan	4.50	4.50	4.50	4.50
Obligation under finance leases	<u>2.38-5.59</u>	<u>2.38-5.35</u>	<u>2.38-2.51</u>	<u>2.38-2.51</u>

26. Corporate guarantee provided by a subsidiary

A subsidiary of the Group has provided corporate guarantee amounting to USD1.5 million to a financial institution pertaining to a banking facility of the Company.

27. Deferred tax liabilities

	Group	
	2015 RM	2014 RM
At 1 July	129,853	154,485
Recognised in profit or loss (Note 12)	(76,864)	(15,442)
Exchange differences	2,347	(9,190)
At 30 June	<u>55,336</u>	<u>129,853</u>

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27. Deferred tax liabilities (cont'd)

Presented after appropriate offsetting as follows:

	2015 RM	Group 2014 RM
Deferred tax assets	-	-
Deferred tax liabilities	55,336	129,853
	<u>55,336</u>	<u>129,853</u>

The component and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Property, plant and equipment RM
Group	
As at 1 July 2014	129,853
Recognised in profit or loss	(76,864)
Exchange differences	2,347
	<u>55,336</u>
As at 30 June 2015	
As at 1 July 2013	154,485
Recognised in profit or loss	(15,442)
Exchange differences	(9,190)
	<u>129,853</u>
As at 30 June 2014	

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27. Deferred tax liabilities (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unused tax losses and capital allowances	2,674,204	691,278	825,040	691,278
Other (taxable) temporary differences, net				
	<u>6,464,048</u>	<u>(192,038)</u>	<u>5,278,954</u>	<u>(192,038)</u>
Amounts not recognised, net	<u>9,138,252</u>	<u>499,240</u>	<u>6,103,994</u>	<u>499,240</u>

The deferred tax assets arising from unutilised tax losses and capital allowances have only been recognised to the extent that the Group and the Company have sufficient taxable temporary differences available, as these arose from the Company and certain subsidiaries with recent history of losses and it is not probable that future taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised. The unused tax losses and unabsorbed capital allowances are available indefinitely for offsetting against future taxable profits, subject to no substantial change in shareholding under the Income Tax Act, 1967 and guidelines issued by the tax authority.

At reporting date, no deferred tax liability (2014: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain foreign subsidiaries. The Group has determined that these undistributed earnings of the subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregate to RM17,151,647 (2014: RM12,279,619). The deferred tax liability relating to such temporary differences which is not recognised is estimated to be RM1,715,165 (2014: RM1,247,762).

28. Trade and other payables

	Group	
	2015 RM	2014 RM
Trade payables		
Third parties	<u>8,189,599</u>	<u>5,200,611</u>
Other payables		
Accruals	2,901,784	2,584,426
Amount due to a Director	500,000	-
Sundry payables	256,617	683,304
Other statutory payables	307,731	869,595
	<u>3,966,132</u>	<u>4,137,325</u>

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28. Trade and other payables (cont'd)

Trade and other payables	12,155,731	9,337,936
Less: Accruals	(3,271,163)	(3,454,021)
Add: Loans and borrowings (Note 25)	748,476	1,207,767
	<u>9,633,044</u>	<u>7,091,682</u>

Total financial liabilities carried at amortised cost

	Company	
	2015 RM	2014 RM
Trade payables		
Third parties	<u>5,991,765</u>	<u>2,946,990</u>
Other payables		
Accruals	612,898	702,928
Amount due to a Director	500,000	-
Sundry payables	93,222	47,512
Other statutory payables	78,417	126,181
	<u>1,284,537</u>	<u>876,621</u>
Trade and other payables	7,276,302	3,823,611
Less: Accruals	(612,898)	(829,109)
Add: Loans and borrowings (Note 25)	680,190	1,138,054
	<u>7,343,594</u>	<u>4,132,556</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 90 days (2014: 30 to 90 days).

Amounts due to a Director is unsecured, interest-free and has no fixed terms of repayment.

29. Commitments

(a) Operating lease arrangements - as lessee

The Group and the Company lease various properties under cancellable operating lease agreements. The Group and the Company are required to give appropriate notice for the termination of those agreements. Certain subsidiaries of the Group have commitments for future minimum lease payments under non-cancellable operating lease rentals as follows:

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29. Commitments (cont'd)

(a) Operating lease arrangements - as lessee (cont'd)

	Group	
	2015 RM	2014 RM
Less than one year	272,552	465,713
Between one and five years	262,620	365,883
	<u>535,172</u>	<u>831,596</u>

(b) Finance lease obligations

The Group and the Company have finance leases for certain motor vehicles (Note 14). Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Minimum lease payments:				
Not later than 1 year	115,028	100,335	69,948	69,948
Later than 1 year and not later than 2 years	105,082	100,335	69,948	69,948
Later than 2 years and not later than 5 years	17,408	105,081	17,408	87,356
Total minimum lease payments	<u>237,518</u>	<u>305,751</u>	<u>157,304</u>	<u>227,252</u>
Amounts representing finance charges	<u>(19,707)</u>	<u>(24,838)</u>	<u>(7,779)</u>	<u>(16,052)</u>
Present value of minimum lease payments (Note 25)	<u>217,811</u>	<u>280,913</u>	<u>149,525</u>	<u>211,200</u>
Present value of payments:				
Not later than 1 year	102,164	88,661	64,638	61,675
Later than 1 year and not later than 2 years	98,363	91,624	67,602	64,638
Later than 2 years and not later than 5 years	17,284	100,628	17,285	84,887
Present value of minimum lease payments	<u>217,811</u>	<u>280,913</u>	<u>149,525</u>	<u>211,200</u>
Less: Amount due within 12 months (Note 25)	<u>(102,164)</u>	<u>(88,661)</u>	<u>(64,638)</u>	<u>(61,675)</u>
Amount due after 12 months (Note 25)	<u>115,647</u>	<u>192,252</u>	<u>84,887</u>	<u>149,525</u>

Other information on financial risks of finance lease obligations is disclosed in Note 31 to the financial statements.

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29. Commitments

(c) Capital commitments

	Group	
	2015 RM	2014 RM
Capital expenditure approved and contracted for:		
- Intangible assets	-	195,000

The amount disclosed for financial year ended 30 June 2014 relates to the commitment to acquire intellectual properties.

30. Significant related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly, or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its subsidiaries, associate, joint venture, Directors and key management personnel.

Related party transactions have been entered into the normal course of business under terms agreed between the Company and the related parties. The significant related party transactions of the Group and of the Company are as follows:

(a) Significant related party transactions

	Company	
	2015 RM	2014 RM
Income:		
<u>Subsidiaries</u>		
- Service fees	-	1,791,000
- Dividend income	-	1,308,230

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30. Significant related party disclosures (cont'd)

(a) Significant related party transactions (cont'd)

	Company	
	2015 RM	2014 RM
Cost of sales:		
<u>Subsidiaries</u>		
- Development costs	31,800	-
Others:		
<u>Subsidiaries</u>		
- Fixed asset transfer from subsidiary	-	(10,469)

(b) Compensation of Directors and key management personnel

The remuneration of Directors and key management personnel during the year are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	2,649,377	3,150,766	1,184,384	1,331,984
Defined contribution plans and social security contributions	280,090	374,822	146,969	162,319
Others	176,000	144,000	176,000	144,000
	<u>3,105,467</u>	<u>3,669,588</u>	<u>1,507,353</u>	<u>1,638,303</u>

The above remuneration relating to Directors is disclosed in Note 11 to the financial statements.

31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

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31. Financial risk management objectives and policies (cont'd)

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reports.

Exposure to credit risk

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20 to the financial statements.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2015		2014	
	RM	%	RM	%
By country:				
Malaysia	6,274,774	34	4,082,941	31
Pakistan	10,488,167	57	7,301,445	56
Thailand	430,242	2	483,595	3
Singapore	82,495	0	115,365	1
China	325,119	2	353,037	3
Indonesia	870,121	5	759,062	6
Other countries	13,890	< 1	16,873	< 1
	18,484,808	100	13,112,318	100

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31. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group and the Company have approximately 19% (2014: 24%) and 35% (2014: 11%) of the outstanding trade receivables as at 30 June 2015 due from various major telecommunication companies for the provision of SMS content and services.

In addition, the Group and the Company have no outstanding trade receivables (2014: 3%) due from certain key distributors and wholesalers for the sales of electronic goods and related products.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20 to the financial statements. Deposits with banks are placed with reputable bank financial institutions high credit ratings and no history of default.

Financial assets that are past due but not impaired and past due and impaired

Information regarding financial assets that are past due but not impaired and past due and impaired are disclosed in Note 20 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and Company maintain sufficient levels of cash and deposits at bank to meet their working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount	Contractual undiscounted cash flows	On demand or within 1 year	1 to 5 years
	RM	RM	RM	RM
2015				
Group				
Financial liabilities:				
Trade and other payables*	12,155,731	12,155,731	12,155,731	-
Loans and borrowings^	748,476	875,511	198,067	677,444
	<u>12,904,207</u>	<u>13,031,242</u>	<u>12,353,798</u>	<u>677,444</u>

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31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within 1 year RM	1 to 5 years RM
2015				
Company				
Financial liabilities:				
Trade and other payables*	7,276,302	7,276,302	7,276,302	-
Loans and borrowings^	680,190	795,297	152,987	642,310
	<u>7,956,492</u>	<u>8,071,599</u>	<u>7,429,289</u>	<u>642,310</u>
2014				
Group				
Financial liabilities:				
Trade and other payables*	9,337,936	9,337,936	9,337,936	-
Loans and borrowings^	1,207,767	1,365,479	522,070	843,409
	<u>10,545,703</u>	<u>10,703,415</u>	<u>9,860,006</u>	<u>843,409</u>
Company				
Financial liabilities:				
Trade and other payables*	3,823,611	3,823,611	3,823,611	-
Loans and borrowings^	1,138,054	1,286,980	491,683	795,297
	<u>4,961,665</u>	<u>5,110,591</u>	<u>4,315,294</u>	<u>795,297</u>

* Excludes items which are not within the scope of MFRS 139

^ Includes the interest portion of finance lease obligations and term loan

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group and the Company's exposure to interest rate risk is minimised, as the Group and the Company do not have any significant loans and borrowings, other than finance lease obligations, term loan and bank borrowings which bear interest at fixed rates.

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31. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank. As such, no sensitivity analysis of interest risk has been disclosed in the financial statements.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The subsidiaries of the Group transact mainly in their respective functional currencies. The transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, are as follows:

Group

2015	USD RM	EUR RM	HKD RM	Total RM
Financial assets				
Trade and other receivables	84	166,264	-	166,348
Cash and bank balances	78,664	-	-	78,664
	<u>78,748</u>	<u>166,264</u>	<u>-</u>	<u>245,012</u>
Financial liabilities				
Trade and other payables	677,295	-	34,422	711,717
Net exposure	<u>(598,547)</u>	<u>166,264</u>	<u>(34,422)</u>	<u>(466,705)</u>
2014				
Financial assets				
Trade and other receivables	107,548	16,175	-	123,723
Cash and bank balances	55,629	-	-	55,629
	<u>163,177</u>	<u>16,175</u>	<u>-</u>	<u>179,352</u>
Financial liabilities				
Trade and other payables	543,005	-	34,196	577,201
Loans and borrowings	338,696	-	-	338,696
	<u>881,701</u>	<u>-</u>	<u>34,196</u>	<u>915,897</u>
Net exposure	<u>(718,524)</u>	<u>16,175</u>	<u>(34,196)</u>	<u>(736,545)</u>

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31. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in exchange rates of the respective functional currencies of the Group entities against the RM and an analysis of the effects of a change in the functional currencies of the Group entities against the RM on equity, with all other variables held constant.

		Group			
		2015		2014	
		Impact on equity Increase/ (decrease) RM	Loss net of tax Decrease/ (increase) RM	Impact on equity Increase/ (decrease) RM	Loss net of tax Decrease/ (increase) RM
USD/RM	- strengthened 5%	47,612	(29,927)	133,121	61,487
	- weakened 5%	(47,612)	29,927	(133,121)	(61,487)
IDR/RM	- strengthened 5%	12,507	-	25,921	-
	- weakened 5%	(12,507)	-	(25,921)	-
RMB/RM	- strengthened 5%	104,280	-	113,471	-
	- weakened 5%	(104,280)	-	(113,471)	-
PKR/RM	- strengthened 5%	720,843	-	238,478	-
	- weakened 5%	(720,843)	-	(238,478)	-
THB/RM	- strengthened 5%	360,039	-	321,626	-
	- weakened 5%	(360,039)	-	(321,626)	-
HKD/RM	- strengthened 5%	(110,021)	-	(145,219)	-
	- weakened 5%	110,021	-	145,219	-
SGD/RM	- strengthened 5%	(183,404)	-	(115,943)	-
	- weakened 5%	183,404	-	115,943	-
AED/RM	- strengthened 5%	66,339	-	37,612	-
	- weakened 5%	(66,339)	-	(37,612)	-
EUR/RM	- strengthened 5%	-	8,313	-	-
	- weakened 5%	-	(8,313)	-	-

		Company	
		2015	2014
		Loss net of tax Decrease/ (increase) RM	Loss net of tax Decrease/ (increase) RM
USD/RM	- strengthened 5%	(18)	14,369
	- weakened 5%	18	(14,369)

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31. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

	Company	
	2015	2014
	Loss net of tax Decrease/ (increase) RM	Loss net of tax Decrease/ (increase) RM
THB/RM - strengthened 5%	95	-
- weakened 5%	(95)	-
PKR/RM - strengthened 5%	3,156	(3)
- weakened 5%	(3,156)	3
	-	-

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's or the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are not exposed to market price risk as they do not have any investment in quoted equity instruments.

32. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables (other than prepayments)	20
Loans and borrowings (current liabilities)	25
Trade and other payables	28

The carrying amounts of the above financial assets and liabilities are reasonable approximation of fair values due to their short-term nature. For balances with related companies, it is impracticable to determine their fair values with sufficient reliability given these balances have no fixed terms of repayment.

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32. Fair value of financial instruments (cont'd)

Determination of fair value (cont'd)

It was not practicable to estimate the fair value of the Group's and Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Fair value, which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the average market rate of interest at the end of the reporting period.

As at the end of the reporting period, the carrying amounts and fair values of finance lease obligations and term loan of the Group are:

	Group	
	2015	2014
	RM	RM
Letters of credit:		
- Carrying amount	-	338,696
- Fair value	-	338,696
Term loan:		
- Carrying amount	530,665	588,158
- Fair value	597,352	656,139
Finance lease liabilities:		
- Carrying amount	217,811	280,913
- Fair value	325,979	374,151

Fair value of financial instruments by classes that are carried at fair value

Fair value hierarchy

Financial instruments that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no financial assets or liabilities of the Group or of the Company which are carried at fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

33. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their business and maximise shareholders' value.

The Group and Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2015 and 30 June 2014.

The Group and the Company are not subject to any externally imposed capital requirements, other than certain debt covenants relating to the term loan (Note 25).

In addition to the covenants on term loan, the Group and the Company monitor capital using the net gearing ratio, which is net debt (or net cash) divided by equity attributable to owners of the parent. The Group's and Company's policy is to keep the Group and Company's net gearing ratio at a level deemed appropriate considering business, economic and investment conditions.

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Loans and borrowings	25	748,476	1,207,767	680,190	1,138,054
Less: Deposits, cash and bank balances	21	(3,512,060)	(5,657,141)	(248,185)	(992,749)
(Net cash)/net debt		<u>(2,763,584)</u>	<u>(4,449,374)</u>	<u>432,005</u>	<u>145,305</u>
Equity attributable to owners of the Company		<u>26,781,541</u>	<u>28,528,466</u>	<u>31,289,994</u>	<u>38,795,060</u>
Net cash/net gearing		<u>Net cash</u>	<u>Net cash</u>	<u>1.38%</u>	<u>0.37%</u>

34. Significant events during the financial year

(a) Bursa Malaysia Securities Sdn. Bhd. ("Bursa Securities") had vide its letter dated 16 March 2015, approved the listing of and quotation for up to 17,961,474 new shares of the Company (or "M3Tech") to be issued at an issue price to be determined and announced later, subject to the following conditions:

- (i) M3Tech and Public Investment Bank Berhad ("PIVB"), the principal adviser of the Company, must fully comply with the relevant provisions under the ACE Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;

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**NOTES TO THE FINANCIAL STATEMENTS
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34. Significant events during the financial year (cont'd)

- (a) Bursa Malaysia Securities Sdn. Bhd. ("Bursa Securities") had vide its letter dated 16 March 2015, approved the listing of and quotation for up to 17,961,474 new shares of the Company (or "M3Tech") to be issued at an issue price to be determined and announced later, subject to the following conditions: (cont'd)
- (ii) M3Tech and PIVB to inform Bursa Securities upon the completion of the Proposed Private Placement; and
 - (iii) M3Tech to furnish Bursa Securities with a written confirmation of its compliance with the terms.
- (b) On 16 April 2015, an announcement has been made that the Company proposed to undertake the following corporate exercises:
- (i) proposed renounceable rights issue of up to 395,152,428 new ordinary shares of RM0.10 each in M3Tech ("or M3Tech Shares") ("Rights Shares") together with up to 296,364,321 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share on the basis of four Rights Shares together with three Warrants for every two existing M3Tech Shares held on an entitlement date to be determined and announced later based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants ("Proposed Rights Issue with Warrants");
 - (ii) proposed establishment of an employees' share option scheme (or "Scheme") of up to 30% of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors) of M3Tech and its subsidiaries, who meet the criteria of eligibility for participation in the Scheme as set out in the by-laws containing the rules, terms and conditions of the Scheme ("Proposed ESOS");
 - (iii) proposed increase in the authorised share capital of M3Tech from RM25,000,000 comprising 250,000,000 M3Tech Shares to RM200,000,000 comprising 2,000,000,000 M3Tech Shares ("Proposed Increase in the Authorised Share Capital"); and
 - (iv) proposed amendments to the Memorandum and Articles of Association of M3Tech to facilitate the Proposed ESOS and Proposed Increase in Authorised Share Capital in Note 34(b)(ii) and (iii) above ("Proposed Amendments to the M&A").
- (c) On 8 June 2015, the Directors have fixed the issue price for the placement of 6,000,000 new M3Tech Shares, being the first tranche of the proposed private placement in Note 34(a) at RM0.13 per placement share ("1st Issue Price"). The 1st Issue Price represents a discount of approximately 4.2% to the five-day VWAP of M3Tech Shares up to and including 5 June 2015, being the market day immediately preceding the price-fixing date, of RM0.1357 per M3Tech Share.
- (d) On 16 Jun 2015, the Company has procured the written irrevocable undertakings dated 16 June 2015 from certain shareholders of M3Tech to subscribe for up to 80,000,000 Rights Shares together with up to 60,000,000 Warrants pursuant to the proposed rights issue with warrants in Note 34(b)(ii).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

35. Significant events after the financial year (cont'd)

- (a) On 7 September 2015, Bursa Securities approved the Company's application for an extension of time of six months from 16 September 2015 to 15 March 2016 to complete the implementation of the proposed private placement disclosed in Note 34(a) to the financial statements.
- (b) On 17 September 2015, the Company announced that Bursa Securities approved the following:
- (i) admission to the Official List of Bursa Securities and the listing of and quotation for up to 296,364,321 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants disclosed in Note 34(b)(i) to the financial statements;
 - (ii) listing of up to 395,152,428 rights shares to be issued pursuant to the Proposed Rights Issue with Warrants;
 - (iii) listing of up to 296,364,321 new M3Tech Shares to be issued arising from the full exercise of the Warrants; and
 - (iv) listing of such number of new M3Tech Shares representing up to thirty percent of the prevailing issued and paid-up share capital of the Company during the duration of the ESOS (excluding treasury shares, if any) to be issued and allotted pursuant to the Proposed ESOS.

The approval granted by Bursa Securities for the Proposed Rights Issue with Warrants is subject to the following conditions:

- (i) M3Tech and PIVB must fully comply with the relevant provisions under the ACE Market Listing Requirements of Bursa Securities ("ACE LR") pertaining to the implementation of the Proposed Rights Issue with Warrants;
- (ii) M3Tech and PIVB to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;
- (iii) M3Tech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed; and
- (iv) M3Tech is required to furnish Bursa Securities on a quarterly basis, a summary of the total number of shares listed (pursuant to the exercise of the Warrants) as at the end of each quarter together with a detailed computation of listing fees payable.

The approval granted by Bursa Securities for the Proposed ESOS is subject to the following conditions:

- (i) PIVB is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to Rule 6.44 of the ACE LR and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting; and

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

35. Significant events after the financial year (cont'd)

- (b) The approval granted by Bursa Securities for the Proposed ESOS is subject to the following conditions: (cont'd)
- (ii) The Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detailed computation of listing fees payable.
- (c) On 8 October 2015, the Company made an announcement of issuance of circular to shareholders in relation to the:
- (i) Proposed Rights Issue with Warrants;
 - (ii) Proposed ESOS
 - (iii) Proposed increase in the Authorised Share Capital; and
 - (iv) Proposed Amendments to the M&A.

36. Litigation status

During the previous financial year, a singer along with Digital World (Private) Limited ("Digital World") filed a civil suit against a subsidiary of the Group, M3 Technologies Pakistan (Private) Limited ("the subsidiary") and 11 other companies for infringement of rights and proceeded for recovery of damages and royalty in the amount of Rupees 165,600,000 (RM5,382,000). The subsidiary acquired such content rights from Digital World. The case is pending before the Honourable Session Court.

The subsidiary had been arrayed as Defendant no. 12 in the said suit. There is no single specific allegation against the subsidiary hence the legal advisors and the Directors are confident that the likelihood of an unfavourable outcome is quite low if not impossible and accordingly, no provision is made in the financial statements. There has been no material development in the legal proceedings since the end of the previous financial year.

37. Segmental information**(a) Reporting format**

For management purpose, the Group is organised into business segments by the geographical areas in which the business units operate, and has four main reportable operating segments as follows:

- i. Malaysia;
- ii. Thailand;
- iii. Pakistan; and
- iv. Other Countries.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

37. Segmental information (cont'd)**(a) Reporting format (cont'd)**

The Board of Directors is the Group's chief operating decision maker ("CODM"). The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on terms agreed between business segments. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Interest income

Interest income is separately reported from interest expense and excluded from calculation of segment results. Interest revenue is classified under unallocated income while interest expense remains in finance costs.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

37. Segmental information (cont'd)

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

2015	Malaysia RM	Thailand RM	Pakistan RM	Other Countries RM	Elimination RM	Consolidated RM
Revenue						
External sales	20,969,488	1,577,189	10,397,300	2,343,666	-	35,287,643
Inter-segment revenue	282,313	243,588	72,862	1,583,586	(2,182,349)	-
Total revenue	21,251,801	1,820,777	10,470,162	3,927,252	(2,182,349)	35,287,643
Results						
Segment results						(2,585,943)
Interest expense						(39,196)
Interest income						7,882
Share of results in an associate						(230,879)
Loss before tax						(2,848,136)
Income tax expense						(626,083)
Loss for the year						(3,474,219)

OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**NOTES TO THE FINANCIAL STATEMENTS
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37. Segmental information (cont'd)

Geographical segments (cont'd)

2015	Malaysia RM	Thailand RM	Pakistan RM	Other Countries RM	Elimination RM	Consolidated RM
Assets						
Segment assets	37,801,474	7,844,552	17,636,342	13,371,406	(38,502,353)	38,151,421
Investment in an associate						5,740,159
Tax assets						782,589
Total assets						44,674,169
Liabilities						
Segment liabilities	7,933,692	643,769	2,962,981	26,828,957	(25,455,303)	12,914,096
Tax liabilities						73,680
Total liabilities						12,987,776
Other segment information						
Capital expenditure	336,769	6,120	235,663	322,593	-	901,145
Additions of intangible assets	519,961	210,689	-	553,635	-	1,284,285
Depreciation	476,273	84,863	307,809	260,271	-	1,129,216
Amortisation	857,985	-	178,511	-	-	1,036,496
Unrealised loss/(gain) on foreign exchange	806,791	(224,485)	(1,857)	(607,856)	-	(27,407)
Non-cash expenses other than depreciation, amortisation and unrealised exchange differences	1,079,801	148,464	12,618	340,410	-	1,581,293

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**NOTES TO THE FINANCIAL STATEMENTS
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37. Segmental information (cont'd)

Geographical segments (cont'd)

2014	Malaysia RM	Thailand RM	Pakistan RM	Other Countries RM	Elimination RM	Consolidated RM
Revenue						
External sales	24,172,585	2,802,600	8,560,695	3,349,413	-	38,885,293
Inter-segment revenue	434,952	648,976	148,195	3,481,441	(4,713,564)	-
Total revenue	24,607,537	3,451,576	8,708,890	6,830,854	(4,713,564)	38,885,293

Results

Segment results	(14,071,723)
Interest expense	(47,333)
Interest income	76,608
Impairment loss on interest in a joint venture	(728,775)
Share of loss of a joint venture	(15,027)
Share of result in an associate	(27,400)
Loss before tax	(14,813,650)
Income tax expense	(557,658)
Loss for the year	(15,371,308)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

37. Segmental information (cont'd)	Geographical segments (cont'd)						Consolidated
	2014		Other Countries		Elimination		
	Malaysia	Thailand	Pakistan	Other Countries	Elimination	Consolidated	
	RM	RM	RM	RM	RM	RM	
Assets							
Segment assets	47,281,416	7,736,925	12,425,067	17,727,832	(49,067,810)	36,103,430	
Interest in a joint venture						5,971,038	
Tax assets						582,952	
Total assets						<u>42,657,420</u>	
Liabilities							
Segment liabilities	16,916,415	945,837	2,806,433	12,862,729	(22,951,109)	10,580,305	
Tax liabilities						149,835	
Total liabilities						<u>10,730,140</u>	
Other segment information							
Capital expenditure	402,221	138,199	272,136	238,976	-	1,051,532	
Additions of intangible assets	821,577	-	698,497	938,445	-	2,458,519	
Depreciation	482,290	119,139	298,242	265,078	-	1,164,749	
Amortisation	1,212,049	-	170,124	682,652	-	2,064,825	
Impairment loss of goodwill	5,844,078	-	-	-	-	5,844,078	
Unrealised loss/(gain) on foreign exchange	24,474	(228,650)	534	190,566	-	(13,076)	
Non-cash expenses other than depreciation, amortisation and unrealised exchange differences	1,096,665	48,489	1,501	647,620	-	1,794,275	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

37. Segmental information (cont'd)

Non-current assets information, other than deferred tax asset, based on the geographical location of assets is as follows:

	Group	
	2015 RM	2014 RM
Malaysia	8,463,019	9,550,034
Thailand**	344,881	380,430
Pakistan	1,768,125	1,588,303
Other countries**	<u>3,069,537</u>	<u>1,965,085</u>
	<u>13,645,562</u>	<u>13,483,852</u>

** In previous financial year this included the goodwill on consolidation allocated to the respective CGUs

Revenue from external customers classified by service and product is as follows:

	Group	
	2015 RM	2014 RM
Provision of mobile solutions	24,879,975	20,488,591
Sales of fast-moving electronic goods and related products	<u>10,486,350</u>	<u>18,396,702</u>
	<u>35,366,325</u>	<u>38,885,293</u>

The revenue derived from various telecommunication companies in different countries constitutes 70% (2014: 53%) of the Group's total revenue.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Nine (9) months ended 31 March 2016

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31-Mar-16 Unaudited RM'000	31-Mar-15 Unaudited RM'000	31-Mar-16 Unaudited RM'000	31-Mar-15 Unaudited RM'000
Revenue	10,178	9,807	32,011	24,763
Operating Expenses	(9,401)	(10,057)	(30,503)	(27,237)
Profit/(Loss) from Operations	<u>777</u>	<u>(250)</u>	<u>1,508</u>	<u>(2,474)</u>
Net interest income/(expense)	(8)	(3)	(21)	(16)
Share of results in a jointly controlled entity	-	16	-	11
Share of results in an associate	(205)	(351)	(753)	(536)
Profit/(Loss) before taxation	<u>564</u>	<u>(588)</u>	<u>734</u>	<u>(3,015)</u>
Income tax expense	(391)	(168)	(1,116)	(441)
Net Profit/(Loss) for the period	<u>173</u>	<u>(756)</u>	<u>(382)</u>	<u>(3,456)</u>
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences	(1,963)	1,039	(836)	2,380
Other comprehensive income/(loss) for the period, net of tax	<u>(1,963)</u>	<u>1,039</u>	<u>(836)</u>	<u>2,380</u>
Total comprehensive income/(loss) for the period	<u>(1,790)</u>	<u>283</u>	<u>(1,218)</u>	<u>(1,076)</u>
Attributable to:				
Equity holders of the Company	(316)	(903)	(1,983)	(4,013)
Non-controlling interests	489	147	1,601	557
	<u>173</u>	<u>(756)</u>	<u>(382)</u>	<u>(3,456)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	(1,716)	(91)	(2,718)	(2,179)
Non-controlling interests	(74)	374	1,500	1,103
	<u>(1,790)</u>	<u>283</u>	<u>(1,218)</u>	<u>(1,076)</u>
Earnings/(loss) per share				
Basic / Diluted (sen)	(0.16)	(0.51)	(1.05)	(2.27)

(The Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015 and the accompanying explanatory notes attached to these interim financial statements)

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)

(Incorporated in Malaysia)

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

For the Nine (9) months ended 31 March 2016

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation				
Included in the Profit/(loss) before tax are the following items:				
Amortisation of product development expenditure	241	316	776	1,018
Bad debts recovered	100	111	100	77
Bad debts written off	-	-	-	4
Depreciation of plant and equipment	300	302	953	852
(Gain)/loss on disposal of plant and equipment	-	1	-	2
<u>(Gain)/loss on foreign exchange translation</u>		-		
- Realised	9	68	34	65
- Unrealised	161	184	37	275
- Interest expense	10	9	29	29
- Interest income	(2)	(7)	(8)	(13)
Inventories written off	-	115	-	83
Plant and equipment written off	-	1	9	61
Provision for doubtful debts	-	313	288	614

There is no income/expenses in relation to the below items :

- Gain/loss on derivatives
- Exceptional items (Otherwise disclosed)
- Impairment loss on goodwill
- Impairment loss on investment in a jointly controlled entity
- Inventories written down; and
- Product development expenditure written off

(The Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015 and the accompanying explanatory notes attached to these interim financial statements)

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(Cont'd)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 March 2016

	31-Mar-16 Unaudited RM'000	30-Jun-15 Audited RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	4,038	4,199
Intangible assets	4,236	3,706
Interest in a jointly controlled entity	-	-
Investment in an associate	4,988	5,740
	<u>13,262</u>	<u>13,645</u>
Current Assets		
Inventories	4,912	3,161
Trade and other receivables	24,731	23,573
Amount due from related company	-	-
Tax refundable	1,585	783
Cash and bank balances	7,696	3,512
	<u>38,924</u>	<u>31,029</u>
TOTAL ASSETS	<u>52,186</u>	<u>44,674</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	19,732	18,561
Share premium	4,631	4,573
Treasury shares	(566)	(566)
Retained earnings	270	2,588
Foreign currency translation reserve	1,225	1,625
	<u>25,292</u>	<u>26,781</u>
Non-controlling interests	<u>5,659</u>	<u>4,904</u>
Total equity	<u>30,951</u>	<u>31,685</u>
Current Liabilities		
Trade and other payables	19,107	11,658
Loans and borrowings	159	160
Amount due to a director	1,390	500
Tax payable	41	18
	<u>20,697</u>	<u>12,336</u>
Non-current Liabilities		
Loans and borrowings	481	588
Deferred tax liabilities	57	55
Provision for gratuity	-	10
	<u>538</u>	<u>653</u>
Total liabilities	<u>21,235</u>	<u>12,989</u>
TOTAL EQUITY AND LIABILITIES	<u>52,186</u>	<u>44,674</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	12.99	14.63

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015 and the accompanying explanatory notes attached to these interim financial statements)

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016 (Cont'd)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine (9) months ended 31 March 2016

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Currency		Retained Earnings RM'000	Non-Controlling Interests RM'000	Total RM'000
				Translation Reserve RM'000	Total RM'000			
Nine (9) months ended 31 March 2016								
Balance at 1 July 2015	18,561	4,572	(566)	1,625	2,588	4,905	31,685	
Issuance of shares	1,171	59	-	-	-	1,230	1,230	
Total comprehensive income/(loss) for the period	-	-	-	(400)	(2,318)	754	(1,964)	
Balance at 31 March 2016	19,732	4,631	(566)	1,225	270	5,659	30,951	
Nine (9) months ended 31 March 2015								
Balance at 1 July 2014	17,961	4,393	(566)	(213)	6,953	3,399	31,927	
Total comprehensive income/(loss) for the period	-	-	-	1,834	(4,013)	1,103	(1,076)	
Balance at 31 March 2015	17,961	4,393	(566)	1,621	2,940	4,502	30,851	

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015 and the accompanying explanatory notes attached to these interim financial statements)

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine (9) months ended 31 March 2016

	9 months ended	
	31-Mar-16 Unaudited RM'000	31-Mar-15 Unaudited RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	734	(3,015)
Adjustment for :		
Amortisation of product development expenditure	776	1,018
Bad debts recovered	100	77
Bad debts written off	-	4
Depreciation of plant and equipment	953	852
(Gain)/loss on disposal of plant and equipment	-	2
(Gain)/loss on foreign exchange translation - Unrealised	37	275
Interest expense	29	29
Interest income	(8)	(13)
Inventories written off	-	83
Plant and equipment written off	9	61
Provision for doubtful debts	288	614
Share of results in an associate	753	536
Share of results in a jointly controlled entity	-	(11)
Operating profit/(loss) before working capital changes	<u>3,671</u>	<u>512</u>
Changes in working capital :		
(Increase)/Decrease in inventory	(1,751)	2,555
(Increase)/Decrease in receivables	(1,546)	(3,871)
Increase/(Decrease) in payables	8,329	(206)
Cash (used in)/generated from operating activities	<u>8,703</u>	<u>(1,010)</u>
Tax paid	(1,893)	(956)
Net cash (used in)/generated from operating activities	<u>6,810</u>	<u>(1,966)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	8	13
Purchase of plant and equipment	(802)	(590)
Product development expenditure	(1,306)	(1,378)
Net cash (used in)/generated from investing activities	<u>(2,100)</u>	<u>(1,955)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(29)	(29)
Repayment of loans and borrowings	(108)	(425)
Net cash (used in)/generated from financing activities	<u>(137)</u>	<u>(454)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,573	(4,375)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(389)	1,868
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>3,512</u>	<u>5,657</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>7,696</u>	<u>3,150</u>

The cash and cash equivalents at beginning of year and quarter end represents cash on hand, cash and banks balances.

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015 and the accompanying explanatory notes attached to these interim financial statements)

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)
(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2015. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to understanding the changes in the financial position and performance of the Group since the financial year ended 30 June 2015.

2. Significant Accounting Policies

The accounting policies applied by the Group in preparing the condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 30 June 2015. The Group will adopt the following MFRSs, amendments to MFRSs and IC Interpretation when they become effective in the following financial year:

(i) Effective for financial periods beginning on or after 1 July 2015:

- Amendments to MFRS 11 'Accounting for Acquisition of Interests in Joint Operations'
- Amendments to MFRS 127 'Equity Method in Separate Financial Statements'
- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Annual Improvements to MFRSs 2012-2014
- Amendments to MFRS 10, 12 and 128 'Investment Entities – Applying the Consolidation Exception'
- Amendments to MFRS 101 'Presentation of Financial Statements – Disclosure Initiative'

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

3. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

4. Unusual Items due to their Nature, Size or Incidence

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter under review.

5. Changes in Accounting Estimates and Errors

There were no changes in accounting estimates or error that have a material effect in the current quarter under review.

6. Debt and Equity Securities

The Company had on 6 November 2015 issued 11,705,700 new ordinary shares of RM0.10 each at par value and RM0.005 per share as share premium under the private placement.

Saved as disclosed above, there were no issuance, repurchases and repayments of debt and equity securities in the current quarter under review.

7. Dividend Paid

No dividend has been proposed or paid in the current quarter under review.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

8. Segmental Information

Segmental information of the results of the Group for the cumulative quarter is as follows:

(i) Geographical Segment

<u>9 months ended</u> <u>31 Mar 16</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	15,936	701	12,301	4,198	(1,125)	32,011
Segment results	(2,552)	(453)	5,101	(842)	254	1,508
Interest (expense)/income	(14)	(3)	-	(4)	-	(21)
Share of results in an Associate	-	-	-	-	(753)	(753)
Profit/(loss) before taxation	(2,566)	(456)	5,101	(846)	(499)	734
Segment assets	12,426	6,847	19,738	(2,865)	16,040	52,186

<u>9 months ended</u> <u>31 Mar 15</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	14,508	1,188	7,119	3,202	(1,254)	24,763
Segment results	(3,212)	(250)	2,611	(1,614)	(9)	(2,474)
Interest income/(expense)	(26)	(3)	-	-	13	(16)
Share of results in a joint venture	-	-	-	-	11	11
Share of results in an Associate	-	-	-	-	(536)	(536)
Profit/(loss) before taxation	(3,238)	(253)	2,611	(1,614)	(521)	(3,015)
Segment assets	49,999	8,046	16,453	17,149	(50,809)	40,838

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

8. Segmental Information (cont'd)

(ii) Business Segment

<u>9 months ended</u> <u>31 Mar 16</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	26,278	6,858	(1,125)	32,011
Segment results	2,174	(920)	254	1,508
Interest income/(expense)	(15)	(6)	-	(21)
Share of results in an associate	-	-	(753)	(753)
Profit/(loss) before taxation	2,159	(926)	(499)	734
Segment assets	33,834	2,312	16,040	52,186
<u>9 months ended</u> <u>31 Dec 15</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	16,062	9,955	(1,254)	24,763
Segment results	(1,345)	(1,120)	(9)	(2,474)
Interest income/(expense)	(26)	(3)	13	(16)
Share of results in a joint venture	-	-	11	11
Share of results in an associate	-	-	(536)	(536)
Loss before taxation	(1,371)	(1,123)	(521)	(3,015)
Segment assets	74,150	16,934	(50,246)	40,838

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

9. Related parties transactions

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31-Mar-16 RM'000	31-Mar-15 RM'000	31-Mar-16 RM'000	31-Mar-15 RM'000
Administration fee	8	-	24	-
Sales to an associate	-	29	113	72
	<u>8</u>	<u>29</u>	<u>137</u>	<u>72</u>

The transactions were carried out in the ordinary course of business and are on normal commercial terms

10. Subsequent Events

There was no material event that took place between 1st January 2016 to the seventh day before the date of issuing this report.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market

11. Performance Review

Business Segment	Current quarter 3 months ended			Cumulative quarter 9 months ended	
	31-Mar-16	31-Mar-15	31-Dec-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	7,342	6,213	9,516	26,278	16,062
Profit/(loss) before taxation	406	32	784	2,159	(1,371)
% Profit/(loss) before taxation	5.5%	0.5%	8.2%	8.2%	-8.5%
Trading & Distribution					
Revenue	2,836	3,593	1,450	5,733	8,700
Profit/(loss) before taxation	134	(287)	(918)	(926)	(1,123)
% Profit/(loss) before taxation	4.7%	-8.0%	-63.3%	-16.1%	-12.9%
Adjustment					
Profit/(loss) before taxation	24	(334)	(122)	(499)	(521)
Total					
Revenue	10,178	9,807	10,966	32,011	24,763
Profit/(loss) before taxation	564	(588)	(256)	734	(3,015)
% Profit/(loss) before taxation	5.5%	-6.0%	-2.3%	2.3%	-12.2%

Q3-2016 vs. Q3-2015

Group generated total revenue of RM 10.18 million for this quarter ended 31 March 2016 ("Q3-2016"), representing an increase of RM 0.37 million as compared to RM 9.81 million generated in the previous year corresponding quarter ended 31 March 2015 ("Q3-2015").

The result before tax has been turnaround from loss before taxation of RM 0.59 million in "Q3-2015" to profit before taxation of RM 0.56 million in "Q3-2016".

Q3-2016 vs. Q2-2016

Comparing to the previous quarter ended 31 December 2015 ("Q2-2016"), the Group's revenue was decreased RM 0.79 million from RM 10.97 million to RM 10.18 million in "Q3-2016".

This quarter has generated a profit before taxation of RM 0.56 million as compared to loss before taxation of RM 0.26 million in the previous quarter ended 31 December 2015. The profit generated during this quarter was mainly due to improvements in the trading and distribution businesses where new product lines were introduced. These have been aggressively promoted and sold through with higher profit margins during the quarter under review.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

12. Commentary on Prospects

We are confident that several recent collaborative business ventures will have a positive impact in future sales revenue and recurring income. The first of these is the signing of a Memorandum of Understanding with Shenzhen User Display Technologies Company Limited (“USER”), whereby they will promote our GetSnapps platform, along with our i3Displays technology, throughout their entire export market worldwide. Secondly, one of our subsidiaries PT Surya Genta Perkasa has entered into a collaborative venture with Indonesia’s largest mobile operator, Telkomsel. Together they have launched the T-Bike Smart Assistant for motorcycles, which is quickly gaining traction in the market.

i3TeamWorks is our highly functional and in-house developed corporate productivity software suite. It is a Cloud-hosted SaaS (“Software as a Service”) solution. Numerous modules within i3TeamWorks facilitate task management, sales lead management, human resources management, etc., with new modules currently in development that will be launched in a timely manner.

In conjunction with the above new business collaborations and products, we continue to remain highly focused in our core competencies; mobile solutions, trading and distribution. Budgets have been set aside for an intensive marketing campaign to properly introduce all the above to the market. Barring any unforeseen circumstances, it is our belief that the future performance of the group will be positive.

13. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

14. Taxation

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	(13)	-	-
- Foreign tax	391	181	1,116	441
	<u>391</u>	<u>168</u>	<u>1,116</u>	<u>441</u>

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by a subsidiary.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

15. Corporate Proposals

Multiple Proposals

The company had on 16 April 2015 proposed the following corporate exercise:

(a) Proposed Right Issue with warrants;

Proposed renounceable rights issue of up to 395,152,428 new ordinary shares of RM0.10 each in M3Tech together with up to 296,364,321 free detachable warrants at an issue price of RM0.10 per Rights Share on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing M3Tech Shares held on an entitlement date to be determined and announced later based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants.

(b) Proposed Employees Share Option Scheme (“ESOS”)

Proposed establishment of ESOS of up to 30% of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors) of M3Tech and its subsidiaries who meet the criteria of eligibility for participation in the Scheme as set out in the by-laws containing the rules, terms and conditions of the Scheme.

(c) Proposed increase in authorised share capital; and

Proposed increase in the authorised share capital of M3Tech from RM25,000,000 comprising 250,000,000 M3Tech Shares to RM200,000,000 comprising 2,000,000,000 M3Tech Shares.

(d) Proposed M&A amendments

Proposed amendments to the Memorandum and Articles of Association of M3Tech to facilitate the Proposed Increase in Authorised Share Capital and the Proposed ESOS.

On 16 June 2015, we had procured the written Irrevocable Undertakings from certain shareholders of M3Tech to subscribe for up to 80,000,000 Rights Shares together with up to 60,000,000 Warrants pursuant to the Proposed Rights Issue with Warrants.

On 3 July 2015, we had submitted the application to Bursa Malaysia Securities Berhad for :

- (i) admission of the Warrants to the Official List of the ACE Market of Bursa Securities; and
- (ii) listing of and quotation for the Rights Shares, the Warrants and the new M3Tech Shares to be issued arising from the exercise of the Warrants and Options on the ACE Market of Bursa Securities.

Save and except for Ordinary Resolution 5 which has been withdrawn and not tabled for shareholders' approval at the Extraordinary General Meeting (“EGM”) on 25 November 2015, the above Proposals were duly passed at the EGM.

The Company had 20 January 2016 obtained the approval of extension of time to complete the implementation of the above Multiple Proposals by 16 September 2016.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

16. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2016 and 30 June 2015 are as follows:

	31-Mar-16	30-Jun-15
	RM'000	RM'000
Current		
<u>Secured</u>		
- Term loan	55	58
- Obligations under finance leases	104	102
	<u>159</u>	<u>160</u>
Non-current		
<u>Secured</u>		
- Term loan	431	472
- Obligations under finance leases	50	116
	<u>481</u>	<u>588</u>
 Total Group borrowings	 <u>640</u>	 <u>748</u>

The Group did not have any debt securities as at 31 March 2016.

17. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2016 and 30 June 2015 are analysed as follows:

	31-Mar-16	30-Jun-15
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	(11,818)	(12,002)
- Unrealised	(94)	(28)
 Total share of retained profits from a joint venture		
- Realised	(218)	(218)
 Total share of retained profits from an associate		
- Realised	(1,011)	(258)
 Consolidation adjustments	 13,411	 15,094
 Total Group retained earnings as per unaudited consolidated financial statement	 <u>270</u>	 <u>2,588</u>

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FPE 31 MARCH 2016
(Cont'd)

18. Changes in Material Litigation

As at the seventh (7th) day before the date of issuing this report, the Company was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

19. Earnings Per Share

The earnings per share was calculated by dividing the Company's profit after taxation and non-controlling interests by the weighted average number of ordinary shares in the respective period as follows:

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Profit/(Loss) after tax and non-controlling interests (RM'000)	(316)	(903)	(1,983)	(4,013)
Weighted average number of ordinary shares in issue	194,762,940	177,057,240	188,389,837	177,057,240
<u>Profit/(Loss) Per Share</u>				
Basic Earnings/(Diluted) Sen	(0.16)	(0.51)	(1.05)	(2.27)

20. Derivatives

The Group did not enter into any derivatives during the current quarter under review.

21. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

22. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2015 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
27 May 2016

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825)
Chartered Accountants. Kuala Lumpur, Malaysia

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Kuala Lumpur, 24.06.2016

The Board of Directors
M3 TECHNOLOGIES (ASIA) BERHAD
Unit 708 Block A
Pusat Dagangan Phileo Damansara II
Jalan SS 16/11
46350 Petaling Jaya

Dear Sirs

M3 TECHNOLOGIES (ASIA) BERHAD ("M3TECH" OR "THE COMPANY") AND ITS SUBSIDIARIES ("M3TECH GROUP" OR "THE GROUP")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

Report on the Compilation of Pro Forma Consolidated Statements of Financial Position

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position as at 30 June 2015 of M3Tech Group together with the accompanying notes thereon prepared by the Board of Directors of M3Tech ("the Directors"). The pro forma consolidated statements of financial position which is set out in Appendix I (which we have stamped for the purpose of identification) has been compiled by the Directors for inclusion in the abridged prospectus to shareholders of M3Tech in connection with:

- (i) Renounceable rights issue of up to 394,640,880 new ordinary shares of RM0.10 each in M3Tech ("M3Tech Shares") ("Rights Shares") together with up to 295,980,660 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing M3Tech Shares held at 5.00 p.m. on 13 July 2016 based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants ("Rights Issue with Warrants"); and
- (ii) Establishment of a employees' share options scheme ("ESOS" or "Scheme") of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the ESOS for the eligible Directors and employees of M3Tech Group (excluding dormant subsidiaries) ("ESOS").

(Collectively referred to as the "Corporate Exercises")

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OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)**

The pro forma consolidated statements of financial position have been compiled by the Directors to illustrate the impact of the Corporate Exercises on the audited consolidated statements of financial position of M3Tech Group as at 30 June 2015 as if the Corporate Exercises had taken place on that date.

The pro forma consolidated statements of financial position, because of its nature, may not be reflective of M3Tech Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of M3Tech Group.

Directors' Responsibilities

It is the sole responsibility of the Directors to prepare the pro forma consolidated statements of financial position as at 30 June 2015 on the basis described in notes to the pro forma consolidated statements of financial position as set out in Appendix I.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the proper compilation of the pro forma consolidated statements of financial position as at 30 June 2015, in all material respects, by the Directors on the basis describe in notes to the pro forma consolidated statements of financial position as set out in Appendix I.

In providing this opinion, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position is solely to illustrate the impacts of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions has been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Basis of Opinion

We conducted our work in accordance with Malaysian Approved Standards on Assurance Engagements - (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis described in notes to the pro forma consolidated statements of financial position.

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OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)**

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis described in notes to the pro forma consolidated statements of financial position, involves performing procedures to assess whether the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to the pro forma consolidated statements of financial position; and
- (ii) the pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (i) the pro forma consolidated statements of financial position of M3Tech Group as 30 June 2015, which have been prepared by the Directors of M3Tech, have been properly compiled, in all material respects, on the basis stated in the accompanying notes to the pro forma consolidated statements of financial position using the audited financial statements of M3Tech Group as at 30 June 2015, which were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the consolidated statements of financial position and the accounting policies of M3Tech Group; and
- (ii) the adjustments made to the information used in the preparation of the pro forma consolidated statements of financial position are appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)****Other Matters**

This letter is issued for the sole purpose of inclusion in the abridged prospectus to shareholders of M3Tech in connection with the Corporate Exercises. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Corporate Exercises described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ecovis'.

ECOVIS AHL PLT
AF 001825
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Chua Kah Chun'.

Chua Kah Chun
No. 2696/09/17 (J)
Chartered Accountant

ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015**

Scenario I: Minimum scenario

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V
	Adjustment for	After pro forma I	After pro forma	After pro forma	After pro forma
	subsequent events	and Rights Issue	II and the ESOS	III and assuming	IV and assuming
	up to LPD	with Warrants	II and the ESOS	full exercise of	full exercise of
	RM	RM	RM	the Warrants	the ESOS
				Options	Options
				RM	RM
Assets					
Non-current assets					
Property, plant and equipment	4,199,485	4,199,485	4,199,485	4,199,485	4,199,485
Intangible assets	3,705,918	3,705,918	3,705,918	3,705,918	3,705,918
Investment in an associate	5,740,159	5,740,159	5,740,159	5,740,159	5,740,159
	13,645,562	13,645,562	13,645,562	13,645,562	13,645,562
Current assets					
Inventories	3,161,104	3,161,104	3,161,104	3,161,104	3,161,104
Trade and other receivables	23,572,854	23,572,854	23,572,854	23,572,854	23,572,854
Tax refundable	782,589	782,589	782,589	782,589	782,589
Deposit, cash and bank balances	3,512,060	4,641,159	11,641,159	17,641,159	26,708,336
	31,028,607	32,157,706	39,157,706	45,157,706	54,224,883
Total assets	44,674,169	45,803,268	52,803,268	58,803,268	67,870,445



OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)**

Scenario I: Minimum scenario (cont'd)

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V
	Adjustment for subsequent events up to LPD	After pro forma I and Rights Issue with Warrants	After pro forma II and the ESOS	After pro forma III and assuming full exercise of the Warrants	After pro forma IV and assuming full exercise of the ESOS Options
	RM	RM	RM	RM	RM
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	18,561,474	19,732,044	27,732,044	33,732,044	41,974,932
Share premium	4,572,702	4,531,231	3,531,231	3,531,231	8,872,623
Treasury shares	(565,639)	(565,639)	(565,639)	(565,639)	(565,639)
Foreign currency translation reserve	1,624,749	1,624,749	1,624,749	1,624,749	1,624,749
Warrants reserve	-	3,144,000	3,144,000	-	-
Other reserve	-	(3,144,000)	(3,144,000)	-	-
Options reserve	-	-	4,517,103	4,517,103	-
Retained earnings/ (Accumulated losses)	2,588,255	2,588,255	(1,928,848)	(1,928,848)	(1,928,848)
	26,781,541	27,910,640	34,910,640	40,910,640	49,977,817
Non-controlling interests	4,904,852	4,904,852	4,904,852	4,904,852	4,904,852
Total equity	31,686,393	32,815,492	39,815,492	45,815,492	54,882,669
Non-current liabilities					
Loan and borrowings	588,479	588,479	588,479	588,479	588,479
Deferred tax liabilities	55,336	55,336	55,336	55,336	55,336
Provision for gratuity	9,889	9,889	9,889	9,889	9,889
	653,704	653,704	653,704	653,704	653,704

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)**

Scenario I: Minimum scenario (cont'd)

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V
	Adjustment for subsequent events up to LPD 30 June 2015	After pro forma I and Rights Issue with Warrants	After pro forma II and the ESOS	After pro forma III and assuming full exercise of the Warrants	After pro forma IV and assuming full exercise of the ESOS Options
	RM	RM	RM	RM	RM
Equity and liabilities (cont'd)					
Current liabilities					
Loan and borrowings	159,997	159,997	159,997	159,997	159,997
Trade and other payables	12,155,731	12,155,731	12,155,731	12,155,731	12,155,731
Income tax payable	18,344	18,344	18,344	18,344	18,344
	<u>12,334,072</u>	<u>12,334,072</u>	<u>12,334,072</u>	<u>12,334,072</u>	<u>12,334,072</u>
Total liabilities	<u>12,987,776</u>	<u>12,987,776</u>	<u>12,987,776</u>	<u>12,987,776</u>	<u>12,987,776</u>
Total equity and liabilities	<u>44,674,169</u>	<u>45,803,268</u>	<u>52,803,268</u>	<u>58,803,268</u>	<u>67,870,445</u>
No. of M3Tech Shares outstanding (excluding treasury shares)	183,057,240	194,762,940	274,762,940	334,762,940	417,191,822
NA per M3Tech Share (RM)	0.15	0.14	0.13	0.12	0.12
Total borrowings (RM)	748,476	748,476	748,476	748,476	748,476
Gearing (times)	0.03	0.03	0.02	0.02	0.01

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

M3 TECHNOLOGIES (ASIA) BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)

Scenario II: Maximum scenario

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V	Pro forma VI
	Adjustment for	After pro forma I	After pro forma	After pro forma	After pro forma	After pro forma
	subsequent event	and assuming all	II and the Rights	III and the ESOS	IV and assuming	V and assuming
	up to LPD	Treasury Shares	Issue with	Warrants	full exercise of	full exercise of
	RM	open market	Warrants	RM	the Warrants	the ESOS
		RM	RM	RM	RM	Options
						RM
Audited as at						
30 June 2015						
RM						
Assets						
Non-current assets						
Property, plant and equipment	4,199,485	4,199,485	4,199,485	4,199,485	4,199,485	4,199,485
Intangible assets	3,705,918	3,705,918	3,705,918	3,705,918	3,705,918	3,705,918
Investment in an associate	5,740,159	5,740,159	5,740,159	5,740,159	5,740,159	5,740,159
	13,645,562	13,645,562	13,645,562	13,645,562	13,645,562	13,645,562
Current assets						
Inventories	3,161,104	3,161,104	3,161,104	3,161,104	3,161,104	3,161,104
Trade and other receivables	23,572,854	23,572,854	23,572,854	23,572,854	23,572,854	23,572,854
Tax refundable	782,589	782,589	782,589	782,589	782,589	782,589
Deposit, cash and bank balances	3,512,060	4,948,059	43,412,147	43,412,147	73,010,213	92,544,937
	31,028,607	32,157,706	70,928,694	70,928,694	100,526,760	120,061,484
Total assets	44,674,169	45,803,268	84,574,256	84,574,256	114,172,322	133,707,046

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

M3 TECHNOLOGIES (ASIA) BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)

Scenario II: Maximum scenario (cont'd)

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V	Pro forma VI
Audited as at 30 June 2015	Adjustment for subsequent event up to LPD	After pro forma I and assuming all Treasury Shares are resold in the open market	After pro forma II and the Rights Issue with Warrants	After pro forma III and the ESOS Warrants	After pro forma IV and assuming full exercise of the Warrants	After pro forma V and assuming full exercise of the ESOS Options
RM	RM	RM	RM	RM	RM	RM
Equity and liabilities						
Equity attributable to owners of the Company						
Share capital	18,561,474	19,732,044	59,196,132	59,196,132	88,794,198	106,553,038
Share premium	4,572,702	4,531,231	3,531,231	3,531,231	3,531,231	15,038,959
Treasury shares	(565,639)	-	-	-	-	-
Foreign currency translation reserve	1,624,749	1,624,749	1,624,749	1,624,749	1,624,749	1,624,749
Warrants reserve	-	-	15,509,387	15,509,387	-	-
Other reserve	-	-	(15,509,387)	(15,509,387)	-	-
Options reserve	-	-	-	9,731,844	9,731,844	-
Retained earnings/ (Accumulated losses)	2,588,255	2,588,255	2,329,516	(7,402,328)	(7,402,328)	(7,402,328)
Non-controlling interests	26,781,541	27,910,640	66,681,628	66,681,628	96,279,694	115,814,418
Total equity	4,904,852	4,904,852	4,904,852	4,904,852	4,904,852	4,904,852
Non-current liabilities	31,686,393	32,815,492	71,586,480	71,586,480	101,184,546	120,719,270
Loan and borrowings	588,479	588,479	588,479	588,479	588,479	588,479
Deferred tax liabilities	55,336	55,336	55,336	55,336	55,336	55,336
Provision for gratuity	9,889	9,889	9,889	9,889	9,889	9,889
	653,704	653,704	653,704	653,704	653,704	653,704

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)**

Scenario II: Maximum scenario (cont'd)

	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V	Pro forma VI
	Adjustment for	After pro forma I	After pro forma	After pro forma	After pro forma	After pro forma
	subsequent event	Treasury Shares	II and the Rights	III and the ESOS	IV and assuming	V and assuming
	up to LPD	are resold in the	Issue with	the ESOS	full exercise of	full exercise of
	RM	open market	Warrants	RM	the Warrants	the ESOS
	RM	RM	RM	RM	RM	Options
Audited as at						RM
30 June 2015						
RM						
	159,997	159,997	159,997	159,997	159,997	159,997
Loan and borrowings	12,155,731	12,155,731	12,155,731	12,155,731	12,155,731	12,155,731
Trade and other payables	18,344	18,344	18,344	18,344	18,344	18,344
Income tax payable	12,334,072	12,334,072	12,334,072	12,334,072	12,334,072	12,334,072
Total liabilities	12,987,776	12,987,776	12,987,776	12,987,776	12,987,776	12,987,776
Total equity and liabilities	44,674,169	45,803,268	46,110,168	84,574,256	114,172,322	133,707,046

No. of M3Tech Shares outstanding (excluding treasury shares)	183,057,240	194,762,940	197,320,440	591,961,320	591,961,320	887,941,980	1,065,530,376
NA per M3Tech Share (RM)	0.15	0.14	0.14	0.11	0.11	0.11	0.11
Total borrowings (RM)	748,476	748,476	748,476	748,476	748,476	748,476	748,476
Gearing (times)	0.03	0.03	0.03	0.01	0.01	0.01	0.01

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I
**M3 TECHNOLOGIES (ASIA) BERHAD
 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2015**

The pro forma consolidated statements of financial position has been prepared by the Directors for inclusion in the abridged prospectus of M3Tech for the following:

- (i) the renounceable rights issue of up to 394,640,880 new ordinary shares of RM0.10 each in M3Tech ("M3Tech Share") ("Rights Share") together with up to 295,980,660 free detachable warrants ("Warrants") at the issue price of RM0.10 per Rights Share on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing M3Tech Shares held at 5.00 p.m. on 13 July 2016, based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants ("Rights Issue with Warrants").
- (ii) the establishment of an employees' share options scheme ("ESOS" or "Scheme") of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the ESOS for the eligible Directors and employees of M3Tech and its subsidiaries ("M3Tech Group") (excluding dormant subsidiaries) ("ESOS").

(Collectively referred to as the "Corporate Exercises")

1.0 Basis of Preparation

- 1.1 The pro forma consolidated statements of financial position of M3Tech Group as at 30 June 2015, for which the Board of M3Tech are solely responsible, have been prepared for illustrative purposes only, to show the effects on the pro forma consolidated statements of financial position of M3Tech Group as at 30 June 2015 had the Corporate Exercises as described in Section 1.5 below been effected on that date, and should be read in conjunction with the notes accompanying thereto.
- 1.2 The pro forma consolidated statements of financial position of M3Tech Group have been prepared based on the audited consolidated statement of financial position of the M3Tech Group as at 30 June 2015 and is presented in Ringgit Malaysia ("RM").
- 1.3 The audited financial statements of M3Tech Group for the financial year ended 30 June 2015 were reported by the auditors without any qualification.
- 1.4 The pro forma consolidated statements of financial position has been prepared by the Board in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of M3Tech Group as disclosed in its audited financial statements for the financial year ended 30 June 2015.
- 1.5 The pro forma consolidated statements of financial position has been prepared solely for illustrative purposes, to show the effects of the following:

(I) Private placement exercise

The private placement exercise has been completed on 13 November 2015 following the listing of and quotation for 11,705,700 Placement Shares at an issue price of RM0.105 per Placement Share, being the second (2nd) and final tranche of the private placement exercise ("Private Placement").

The first (1st) tranche of 6,000,000 Placement Shares at an issue price of RM0.13 per Placement Share was completed on 12 June 2015.

(II) Rights Issue with Warrants

Renounceable rights issue of up to 394,640,880 M3Tech Shares together with up to 295,980,660 Warrants at an issue price of RM0.10 per Rights Share on the basis of four (4) Rights Share together with three (3) Warrants for every two (2) existing M3Tech Shares held at 5.00 p.m. on 13 July 2016, based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants.

Total proceeds raised	: Up to a maximum of RM39,464,088
Minimum subscription level	: RM8,000,000
Undertaking from shareholders	: RM8,000,000
Underwriting	: NIL

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

1.0 Basis of Preparation (cont'd)

- 1.5 The pro forma consolidated statement of financial position has been prepared solely for illustrative purposes, to show the effects of the following (cont'd):

(III) Warrants reserve

The allocated fair values of the Warrants are credited to a warrants reserve which is non-distributable. Warrants reserve shall be set off against "other reserve" upon full exercise of the Warrants.

(IV) ESOS

The establishment of an ESOS of up to thirty percent (30%) of M3Tech prevailing issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the Scheme for eligible employees of M3Tech Group (excluding dormant subsidiaries).

- 1.6 Effects of the pro forma under the Minimum Scenario are as follows:

1.6.1 Pro forma I – Assuming the completion of the Private Placement

Upon completion of the Private Placement of 11,705,700 Placement Shares with existing 2,557,500 treasury shares continued to be held by the Company, the issued and paid-up share capital of M3Tech will increase to RM19,732,044. The Placement Shares are being placed at a price fixed by the Board of Directors on 6 November 2015 at RM0.105 per Placement Share, creating a share premium of RM58,528 before deducting the estimated expenses for the Private Placement of approximately RM100,000.

1.6.2 Pro forma II - After pro forma I and the Rights Issue with Warrants

The pro forma II is stated after pro forma I and incorporates the effect of completion of the Rights Issue with Warrants based on the minimum subscription level of RM8,000,000. The issued and paid-up share capital of M3Tech Group will increase to RM27,732,044 with issuance of 80,000,000 Rights Shares. Correspondingly, there will be creation of a warrants reserve of RM3,144,000 from issuance of 60,000,000 Warrants.

The Warrants are assumed to have a fair value of RM0.0524 each and is determined using the Black-Scholes option pricing model.

The Directors estimate that expenses to be incurred for the Corporate Exercises will be approximately RM1,000,000 and these expenses will be set off against share premium.

1.6.3 Pro forma III – After pro forma II and the ESOS

The pro forma III is stated after pro forma II and incorporates the effects of the ESOS, whereby 82,428,882 options ("ESOS Options") are granted to eligible employees, assuming vesting conditions are met. Correspondingly, there will be creation of an options reserve amounting to RM4,517,103.

The ESOS Options are assumed to have a fair value of RM0.0548 each, and is determined using the Black-Scholes option pricing model.

1.6.4 Pro forma IV - After pro forma III and assuming full exercise of the Warrants

The pro forma IV is stated after pro forma III and incorporates the effects of the full exercise of 60,000,000 Warrants at an exercise price of RM0.10 per Warrant.

Upon completion of the full exercise of the Warrants, the issued and paid-up share capital of M3Tech Group will increase to RM33,732,044.

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

1.0 Basis of Preparation (cont'd)

1.6.5 Pro forma V – After pro forma IV and assuming full exercise of the ESOS Options

The pro forma V is stated after pro forma IV and incorporates the effects of the full exercise of 82,428,882 ESOS Options pursuant to the ESOS at an indicative exercise price of RM0.11 per M3Tech Share, assuming full exercise of the ESOS Options.

Share premium of RM0.01 per M3Tech Share amounting to RM824,289 will be created. In addition, the fair value of ESOS Options in options reserve created on grant date amounting RM4,517,103 is transferred to share premium.

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OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

1.0 Basis of Preparation (cont'd)

1.7 Effects of the pro forma under the Maximum Scenario are as follows:

1.7.1 Pro forma I – Assuming the completion of the Private Placement

Upon completion of the Private Placement of 11,705,700 Placement Shares with existing 2,557,500 treasury shares continued to be held by the Company, the issued and paid-up share capital of M3Tech will increase to RM19,732,044. The Placement Shares are being placed at a price fixed by the Board of Directors on 6 November 2015 at RM0.105 per Placement Share, creating a share premium of RM58,529 before deducting the estimated expenses for the Private Placement of approximately RM100,000.

Assuming 2,557,500 treasury shares were resold at the closing price as at 21 June 2016 of RM0.12 per M3Tech Share in the open market, loss arising from the resale of the treasury shares of approximately RM258,739 is debited into the retained earnings.

1.7.2 Pro forma II - After pro forma I and Rights Issue with Warrants

The pro forma II is stated after pro forma I and incorporates the effect of completion of the Rights Issue with Warrants. The issued and paid-up share capital of M3Tech will increase to RM59,196,132 with issuance of 394,640,880 Rights Shares. Correspondingly, there will be creation of a warrants reserve of RM15,509,387 from issuance of 295,980,660 Warrants.

The Warrants are assumed to have a fair value of RM0.0524 each and is determined using the Black-Scholes option pricing model.

The Directors estimate that expenses to be incurred for the Corporate Exercises will be approximately RM1,000,000 and these expenses will be set off against share premium.

1.7.3 Pro forma III – After pro forma II and the ESOS

The pro forma III is stated after pro forma II and incorporates the effects of the ESOS, whereby 177,588,396 ESOS Options are granted to eligible employees, assuming vesting conditions are met. Correspondingly, there will be creation of an option reserve amounting to RM9,731,844.

The ESOS Options are assumed to have a fair value of RM0.0548 each, and is determined using the Black-Scholes option pricing model.

1.7.4 Pro forma IV - After pro forma III and assuming full exercise of the Warrants

The pro forma IV is stated after pro forma III and incorporates the effects of the full exercise of 295,980,660 Warrants at an exercise price of RM0.10 per Warrant.

Upon completion of the full exercise of the Warrants, the issued and paid-up share capital of M3Tech will increase to RM88,794,198.

1.7.5 Pro forma V – After pro forma IV and assuming full exercise of the ESOS Options

The pro forma V is stated after pro forma IV and incorporates the effects of the full exercise of 177,588,396 ESOS Options pursuant to the ESOS at an indicative exercise price of RM0.11 per M3Tech Share, assuming full exercise of the ESOS Options.

Share premium of RM0.01 per share amounting to RM1,775,884 will be created. In addition, the fair value of ESOS Options in options reserve created on grant date of RM9,731,844 is transferred to share premium.

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

2.0 Effect on the pro forma consolidated statements of financial position (cont'd)

2.1 Scenario I: Minimum scenario

a) Movement in deposits, cash and bank balances

	RM
Balance as at 30 June 2015	3,512,060
Effect of pro forma I	
- Private Placement	1,170,570
- Excess from par value of Private Placement	58,529
- Estimated expenses on Private Placement	(100,000)
Pro forma I	4,641,159
Effect of pro forma II	
- Rights Issue with Warrants	8,000,000
- Estimated expenses incurred for the Corporate Exercises	(1,000,000)
Pro forma II	11,641,159
Effect of pro forma III	
- ESOS Options granted	-
Pro forma III	11,641,159
Effect of pro forma IV	
- Full exercise of Warrants	6,000,000
Pro forma IV	17,641,159
Effect of pro forma V	
- Full exercise of ESOS Options	8,242,888
- Excess from par value with full exercise of ESOS Options	824,289
Pro forma V	26,708,336

b) Movement in share capital

	No. of shares	RM
Balance as at 30 June 2015	185,614,740	18,561,474
Effect of pro forma I		
- Private Placement	11,705,700	1,170,570
Pro forma I	197,320,440	19,732,044
Effect of pro forma II		
- Issuance of Rights Shares with Warrants	80,000,000	8,000,000
Pro forma II	277,320,440	27,732,044
Effect of pro forma III		
- ESOS Options granted	-	-
Pro forma III	277,320,440	27,732,044
Effect of pro forma IV		
- Full exercise of Warrants	60,000,000	6,000,000
Pro forma IV	337,320,440	33,732,044
Effect of pro forma V		
- Full exercise of ESOS Options (excluding treasury shares)	82,428,882	8,242,888
Pro forma V	419,749,322	41,974,932

c) Movement in share premium

	RM
Balance as at 30 June 2015	4,572,702
Effect of pro forma I	
- Excess from par value of Private Placement	58,529
- Estimated expenses incurred for Private Placement	(100,000)
Pro forma I	4,531,231
Effect of pro forma II	
- Estimated expenses incurred for Rights Issue with Warrants	(1,000,000)
Pro forma II, III, IV	3,531,231
Effect of pro forma V	
- Excess from par value of full exercise of ESOS Options	824,289
- Full exercise of ESOS Options	4,517,103
Pro forma V	8,872,623

**OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

2.0 Effect on the pro forma consolidated statements of financial position (cont'd)**2.1 Scenario I: Minimum scenario (cont'd)****d) Movement in warrants reserve**

	RM
Balance as at 30 June 2015 and pro forma I	-
Effect of pro forma II	
- Issuance of Warrants (fair value @ RM 0.0524 per Warrant)	3,144,000
Pro forma II, III	3,144,000
Effect of pro forma IV	
- Full exercise of Warrants	(3,144,000)
Pro forma IV, V	-

e) Movement in other reserve

	RM
Balance as at 30 June 2015 and pro forma I	-
Effect of pro forma II	
- Issuance of Warrants (fair value @ RM 0.0524 per Warrant)	(3,144,000)
Pro forma II, III	(3,144,000)
Effect of pro forma IV	
- Full exercise of Warrants	3,144,000
Pro forma IV, V	-

f) Movement in options reserve

	RM
Balance as at 30 June 2015 and pro forma I & II	-
Effect of pro forma III	
- ESOS Options granted (fair value @ RM 0.0548 per ESOS Option)	4,517,103
Pro forma III, IV	4,517,103
Effect of pro forma V	
- Full exercise of ESOS Options	(4,517,103)
Pro forma V	-

g) Movement in retained earnings/(accumulated losses)

	RM
Balance as at 30 June 2015 and pro forma I & II	2,588,255
Effect of pro forma III	
- ESOS Options granted (fair value @ RM 0.0548 per ESOS Option)	(4,517,103)
Pro forma III, IV, V	(1,928,848)

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015

2.0 Effect on the pro forma consolidated statements of financial position (cont'd)

2.2 Scenario II: Maximum scenario

a) Movement in deposits, cash and bank balances

	RM
Balance as at 30 June 2015	3,512,060
Effect of pro forma I	
- Private Placement	1,170,570
- Excess from par value of Private Placement	58,529
- Estimated expenses incurred for Private Placement	(100,000)
Pro forma I	4,641,159
Effect of pro forma II	
- Treasury shares resold in open market (Assuming sold at closing price of RM 0.12 per share)	306,000
Pro forma II	4,948,059
Effect of pro forma III	
- Rights Issue with Warrants	39,464,088
- Estimated expenses incurred for the Corporate Exercises	(1,000,000)
Pro forma III	43,412,147
Effect of pro forma IV	
- ESOS Options granted	-
Pro forma IV	43,412,147
Effect of pro forma V	
- Full exercise of Warrants	29,598,066
Pro forma V	73,010,213
Effect of pro forma VI	
- Full exercise of ESOS Options	17,758,840
- Excess from par value of full exercise of ESOS Options	1,775,884
Pro forma VI	92,544,937

b) Movement in share capital

	No. of shares	RM
Balance as at 30 June 2015	185,614,740	18,561,474
Effect of pro forma I		
- Private Placement	11,705,700	1,170,570
Pro forma I, II	197,320,440	19,732,044
Effect of pro forma III		
- Rights Issue with Warrants	394,640,880	39,464,088
Pro forma III	591,961,320	59,196,132
Effect of pro forma IV		
- ESOS Options granted	-	-
Pro forma IV	591,961,320	59,196,132
Effect of pro forma V		
- Full exercise of Warrants	295,980,660	29,598,066
Pro forma V	887,941,980	88,794,198
Effect of pro forma VI		
- Full exercise of ESOS Options	177,588,396	17,758,840
Pro forma VI	1,065,530,376	106,553,038

c) Movement in share premium

	RM
Balance as at 30 June 2015	4,572,702
Effect of pro forma I	
- Excess from par value of Private Placement	58,529
- Estimated expenses incurred for Private Placement	(100,000)
Pro forma I, II	4,531,231
Effect of pro forma III	
- Estimated expenses incurred for the Corporate Exercises	(1,000,000)
Pro forma III, IV, V	3,531,231
Effect of pro forma VI	
- Excess from par value of full exercise of ESOS Options	1,775,884
- Full exercise of ESOS Options	9,731,844
Pro forma VI	15,038,959

OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

APPENDIX I

M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015

2.0 Effect on the pro forma consolidated statements of financial position (cont'd)**2.2 Scenario II: Maximum scenario (cont'd)****d) Movement in warrants reserve**

	RM
Balance as at 30 June 2015 and pro forma I & II	-
Effect of pro forma III	
- Issuance of Warrants (fair value @ RM 0.0524 per Warrant)	15,509,387
Pro forma III, IV	<u>15,509,387</u>
Effect of pro forma V	
- Full exercise of Warrants	(15,509,387)
Pro forma V, VI	<u>-</u>

e) Movement in other reserve

	RM
Balance as at 30 June 2015 and pro forma I & II	-
Effect of pro forma III	
- Issuance of Warrants (fair value @ RM 0.0524 per Warrant)	(15,509,387)
Pro forma III, IV	<u>(15,509,387)</u>
Effect of pro forma V	
- Full exercise of Warrants	15,509,387
Pro forma V, VI	<u>-</u>

f) Movement in options reserve

	RM
Balance as at 30 June 2015 and pro forma I,II & III	-
Effect of pro forma IV	
- ESOS Options granted (fair value @ RM 0.0548 per ESOS Option)	9,731,844
Pro forma IV and V	<u>9,731,844</u>
Effect of pro forma VI	
- Full exercise of ESOS Options	(9,731,844)
Pro forma VI	<u>-</u>

g) Movement in retained earnings/(accumulated losses)

	RM
Balance as at 30 June 2015 and pro forma I	2,588,255
Effect of pro forma II	
- Loss on sales of treasury shares	(258,739)
Pro forma II, III	<u>2,329,516</u>
Effect of pro forma IV	
- ESOS Options granted (fair value @ RM 0.0548 per ESOS Option)	(9,731,844)
Pro forma IV, V, VI	<u>(7,402,328)</u>

h) Movement in treasury shares

	RM
Balance as at 30 June 2015 and pro forma I	(565,639)
Effect of pro forma II	
- Sales of treasury shares	565,639
Pro forma II, III, IV, V, VI	<u>-</u>

**OUR PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

APPENDIX I

**M3 TECHNOLOGIES (ASIA) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 24 June 2016

For and on behalf of the Board of Directors,



LIM SENG BOON
Managing Director

DIRECTORS' REPORT

**Registered Office:**

Third Floor, No. 79, (Room A)
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

30 June 2016


To: The shareholders of M3 Technologies (Asia) Berhad ("M3Tech")

Dear Sir/Madam,

On behalf of the Board of Directors of M3Tech, I wish to report that, after making due enquiries in relation to the interval between 30 June 2015 (being the date on which the last audited consolidated financial statements of M3Tech and its subsidiaries ("Group") have been made) up to the date hereof (being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus ("AP")):

- (a) the business of our Group has, in the opinion of our Directors, been satisfactorily maintained;
- (b) in the opinion of our Directors, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of our business;
- (d) save as disclosed in this AP, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) there has been no default or any known event that could give rise to a default situation in respect of payments of either interest and/ or principal sums in relation to any borrowings of our Group;
- (f) save as disclosed in this AP, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the last audited consolidated financial statements of our Group; and
- (g) save as disclosed above and up to the date of this letter, no other reports are required in relation to items (a) to (f) above.

Yours faithfully,
for and on behalf of our Board of Directors of
M3 TECHNOLOGIES (ASIA) BERHAD


Lim Seng Boon
Managing Director

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)**Petaling Jaya Office**

Unit 608 & 707, 1007, Block A, Pusat Dagangan Phileo 2, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan

Tel: +603-7955 1101/ 7954 1785 Fax: +603-7955 8017/ 79541786

Unit 708, Block A, Pusat Dagangan Phileo 2, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan.

Tel: +603-7955 0018 Fax: +603-7955 8017

Email: info@m3tech.com.my Website: www.m3tech.com.my

(A member of Bursa Malaysia Securities Berhad)

FURTHER INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, the Warrants and the new M3Tech Shares to be issued arising from the full exercise of the Warrants, if any, no other securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.
- (ii) We have only one (1) class of shares, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another as at the date of this AP.
- (iii) Save as disclosed below and in Section 3 of Appendix II, no securities in our Company have been issued or proposed or intended to be issued, as partly or fully paid-up for a consideration in cash or otherwise than in cash, within two (2) years preceding the date of this AP:
 - (a) up to 394,640,880 Rights Shares to be issued pursuant to the Rights Issue with Warrants ;
 - (b) up to 295,980,660 new M3Tech Shares to be issued arising from the full exercise of the Warrants to be issued pursuant to the Rights Issue with Warrants; and
 - (c) up to 30% of the prevailing issued and paid-up share capital of our Company (excluding treasury shares) of new M3Tech Shares to be issued pursuant to the exercise of the Options to be granted under the Scheme.
- (iv) As of the date of this AP, save as disclosed below and the Rights Shares and the Warrants to be issued pursuant to the Rights Issue with Warrants, which is the subject matter of this AP, no person has been or is entitled to be granted an option to subscribe for any securities of our Company:
 - (a) Under the Scheme, up to 30% of the prevailing issued and paid-up share capital of our Company (excluding treasury shares) can be issued at any one (1) time, throughout the duration of five (5) years (or such extended duration pursuant to the By-Laws). The subscription price of each new M3Tech Share shall be fixed at the higher of the par value of the M3Tech Shares of RM0.10 each or the five (5)-day VWAP of the M3Tech Shares at the date the Options are offered, with a discount of not more than 10% or such other percentage of discount in accordance with any prevailing guidelines, rules or regulations issued by Bursa Securities, ACE LR or any other relevant authorities from time to time. An offer of the Options must be accepted by an eligible employee within a period of fourteen (14) days from the date the Options are offered by written notice accompanied by a payment of a nominal non-refundable consideration of RM1.00 only as consideration. As at the LPD, the Scheme has not been implemented.

2. REMUNERATION OF DIRECTORS

The following provisions are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

Article 111(3)

An alternate director shall not be entitled to receive remuneration otherwise than out of the remuneration of the director appointing him.

FURTHER INFORMATION (Cont'd)

Article 113

The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for a proportion of the fees related to the period during which the Director has held office provided always that:

- (1) Fees payable to non-executive Directors shall be by way of a fixed sum, and not by a commission on or a percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover.
- (2) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the directors or general meeting of the Company or in connection with the business of the Company.
- (3) Any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
- (4) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Article 114

- (1) The Directors shall be entitled to be re-imbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance or their duties as directors.
- (2) If by any arrangement with the Directors, any Directors shall perform or render any special duties or services outside his ordinary duties as a Director, in particular without limiting the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special excursions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member or a committee of Directors, the Directors may pay him extra remuneration, in addition to his Director's fees.

3. MATERIAL CONTRACTS

Saved as disclosed below, there is no other material contracts (not being contracts entered into in the ordinary course of business) entered into by our Group within two (2) years immediately preceding the date of this AP:

- (i) the Deed Poll; and
- (ii) the settlement agreement dated 7 June 2016 ("**Settlement Agreement**").

On 7 June 2016, our Company had announced that it had entered into the Settlement Agreement with five (5) individual parties (collectively referred to as the "**Parties**") to settle the dispute arisen between our Company and the Parties on the share sale and purchase agreement and the profit guarantee agreement both dated 22 November 2013 and the shareholders agreement dated 18 June 2014 for a cash settlement sum of RM5,998,438 ("**Proposed Settlement**").

Pursuant to the Settlement Agreement, the cash settlement sum of RM5,998,438 comprised of the claim made by our Company under the profit guarantee agreement for a sum of RM2,218,121 and our Company's disposal of an aggregate of 383,900 ordinary shares of RM1.00 each in Fotokem, representing 23.993% equity interest, for a sum of RM3,780,317.

FURTHER INFORMATION (Cont'd)

The Proposed Settlement is not subject to the approval of any authority or the shareholders of our Company and it is in relation to the following agreements entered into by our Company in previous years:

- (a) the conditional share sale agreement dated 22 November 2013 with several vendors to acquire 23.993% equity interest in Fotokem by our Company for a total cash consideration of RM5,998,438. The acquisition was completed on 18 June 2014;
- (b) the profit guarantee agreement dated 22 November 2013 with one (1) vendor, where the vendor agreed to guarantee to our Company that the Fotokem Group shall achieve profit after tax of not less than RM7.00 million in aggregate for the financial year endings 30 April 2014 and 2015 together with profit of tax of not less RM2.00 million for the financial year ending 30 April 2014; and
- (c) the shareholders agreement dated 18 June 2014 with several existing shareholders of Fotokem to regulate their relationship in relation to the business conduct and affairs of Fotokem in the spirit of mutual confidence and co-operation.

As at the LPD, the Parties had paid a sum of RM1,000,000 as deposit and the balance of the settlement sum shall be paid within ninety (90) days from the date of the Settlement Agreement. The Proposed Settlement is pending completion.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors have no knowledge of any proceedings pending or threatened against our Company and/or any of our subsidiaries or of any facts likely to give rise to any proceedings which might adversely and materially affect the financial position or business of our Company and/or any of our subsidiaries.

5. GENERAL

- (i) The nature of our Group's business is described in Appendix II of this AP. There are no corporations which are deemed related to us by virtue of Section 6 of the Act, except as disclosed in Section 6 of Appendix II of this AP.
- (ii) The estimated expenses in relation to the Corporate Exercises, the Increase in Authorised Share Capital and M&A Amendments of RM1.00 million will be defrayed by the partial proceeds raised from the Rights Issue with Warrants.
- (iii) There are no existing or proposed service contracts between our Directors and our Company or our subsidiaries excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (iv) Our Directors are not aware of any material information, including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group, except as disclosed in Sections 8 and 9 of this AP.
- (v) Save as disclosed in Section 9 of this AP and the risk factors mentioned in Section 7 of this AP, the financial conditions and operations of our Group are not affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of our Group increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure of our Group;

FURTHER INFORMATION (Cont'd)

- (c) unusual, infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from our operations;
- (d) known trends or uncertainties that have had, or that our Group reasonably expects will have, a material favorable or unfavorable impact on our revenue or operating income; and
- (e) fluctuation in our Group's revenue.

6. CONSENTS

Our Adviser, Due Diligence Solicitors, Share Registrar, Company Secretaries, Auditors, Principal Banker and Bloomberg Finance L.P. have given and have not subsequently withdrawn their respective written consents to the inclusion of their names and all references thereto, in the form and context in which they appear in this AP.

Messrs. Ecovis AHL PLT, our Reporting Accountants, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the pro forma consolidated statements of financial position of our Company as at 30 June 2015 together with the Reporting Accountants' letter thereon, the audited consolidated financial statements for the FYE 2015 together with the Auditors' report thereon and all references thereto, in the form and context in which they appear in this AP.

7. CONFLICT OF INTERESTS

Save as disclosed below, PIVB has given its confirmation that it has no directorship with our Group nor any equity and/or financial relationship with our Group, our Directors and/or our substantial shareholders that may give rise to a conflict of interest situation in their capacity to act as the Adviser in connection with the Rights Issue with Warrants.

PIVB is a wholly-owned subsidiary of Public Bank Berhad ("**PBB**"). PIVB and also PBB and its subsidiaries companies ("**PBB Group**") form a diversified financial group and involve in a wide range of commercial and investment banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. PBB Group engages in transactions with and performs services for our Group and/or its affiliates in the ordinary course of business and/or has engaged, and in the future may engage, in commercial banking, investment banking and other services in the ordinary course of business with our Group and/or its affiliates.

PIVB has considered the factors involved and believes that its objectivity and independence as the Adviser are maintained at all times, notwithstanding the aforementioned services entered into with our Group and/or its affiliates, for the following reasons:

- (i) PIVB is a licensed investment bank regulated by Bank Negara Malaysia and the SC. The appointment as the Adviser to our Company for the Corporate Exercises is in the ordinary course of its business. There are adequate standard operating policies and procedures including "Chinese Wall" as prescribed by the regulators, segregating the corporate finance and advisory business of PIVB from all other business units of PIVB and also the PBB Group;
- (ii) PIVB's role as the Adviser has been carried out professionally and objectively guided by the relevant terms of the due diligence planning memorandum of the Due Diligence Working Group ("**DDWG**") set up in accordance with the relevant guidelines of the SC. The due diligence processes and the verification exercises undertaken by the DDWG involving the participation by the Directors and senior management of our Company, the Reporting Accountants, the Due Diligence Solicitors, our Company Secretary and PIVB have been duly undertaken and performed in relation to the preparation of relevant documents (including this AP) relating to the Corporate Exercises;

FURTHER INFORMATION (Cont'd)

- (iii) PIVB does not receive or derive any financial interest or monetary benefit from the implementation of the Corporate Exercises other than the professional fees charged in relation to its role as the Adviser; and
- (iv) the gross proceeds that to be raised from the Rights Issue with Warrants would be utilised for the purchases by our Group (such as i3D terminals, screens, parts, smart home solution devices), the product/software development expenditure and working capital requirements of our Group.

In view of the above, PIVB is of the view that the aforementioned services, entered into in the ordinary course of business with our Group and/or its affiliates, are not significant to give rise to a conflict of interest situation in its capacity as the Adviser in connection with the Corporate Exercises.

Messrs. Lim Chong Phang & Amy and Messrs. Ecovis AHL PLT have given their respective confirmations that they have no directorship with our Group nor any equity and/or financial relationship with our Group, our Directors and/or our substantial shareholders that may give rise to a conflict of interest situation in their capacity to act as the Due Diligence Solicitors and Reporting Accountants, respectively in connection with the Rights Issue with Warrants.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered Office from Mondays to Fridays (excluding public holidays) during business hours for a period of twelve (12) months from the date of this AP:

- (i) our M&A;
- (ii) our audited consolidated financial statements for the past two (2) FYEs 2014 and 2015;
- (iii) our latest unaudited consolidated financial statements for the nine (9)-month FPE 31 March 2016 as set out in Appendix IV of this AP;
- (iv) our pro forma consolidated statements of financial position as at 30 June 2015 together with the Reporting Accountants' letter thereon as set out in Appendix V of this AP;
- (v) our Directors' Report as set out in Appendix VI of this AP;
- (vi) the letters of Irrevocable Undertakings by Mark and LSB dated 16 June 2015 as referred to in Section 4 of this AP;
- (vii) the material contacts as set out in Section 3 of this Appendix; and
- (viii) the letters of consent and conflict of interests as set out in Sections 6 and 7, respectively of this Appendix.

9. RESPONSIBILITY STATEMENTS

- (i) Our Directors have seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in the Documents false or misleading; and
- (ii) PIVB, being our Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 13 JULY 2016 ("AP") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") UNLESS OTHERWISE STATED. THE PROVISIONAL RIGHTS SHARES WITH WARRANTS (AS DEFINED HEREIN) AS CONTAINED IN THIS NPA ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT, 1991 ("SICDA") AND AMENDMENTS OR ANY RE-ENACTMENT MADE THERETO FROM TIME TO TIME, AND THEREFORE, THE SICDA (INCLUDING ALL AMENDMENTS THEREOF) AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD (165570-W) ("BURSA DEPOSITORY") SHALL APPLY IN RESPECT OF DEALINGS IN THE PROVISIONAL RIGHTS SHARES WITH WARRANTS.



M3 TECHNOLOGIES (ASIA) BERHAD

(Company No. 482772-D)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 394,640,880 NEW ORDINARY SHARES OF RM0.10 EACH IN M3TECH ("M3TECH SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 295,980,660 FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ON THE BASIS OF FOUR (4) RIGHTS SHARES TOGETHER WITH THREE (3) WARRANTS FOR EVERY TWO (2) EXISTING M3TECH SHARES HELD AT 5.00 P.M. ON 13 JULY 2016, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF 80,000,000 RIGHTS SHARES TOGETHER WITH 60,000,000 WARRANTS ("RIGHTS ISSUE WITH WARRANTS")

Adviser



PUBLIC INVESTMENT BANK BERHAD (20027-W)

A Participating Organisation Of Bursa Malaysia Securities Berhad
(Wholly-owned Subsidiary Of Public Bank Berhad)

To: Our Entitled Shareholders

Dear Sir / Madam,

Our Board of Directors ("Board") has provisionally allotted to you the number of Rights Shares with Warrants as indicated below ("Provisional Rights Shares with Warrants"), in accordance with the approval from Bursa Malaysia Securities Berhad (635998-W) ("Bursa Securities") via its letter dated 17 September 2015 and the resolution passed at the Extraordinary General Meeting of our Company convened on 25 November 2015 in relation to the Rights Issue with Warrants.

We wish to advise you that the following Provisional Rights Shares with Warrants have been confirmed by Bursa Depository and upon acceptance, the Rights Shares with Warrants will be credited into your Central Depository System ("CDS") account(s), subject to the terms and conditions stated in the AP and the Rights Subscription Form ("RSF") issued by our Company.

Bursa Securities has already prescribed our securities listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares with Warrants are prescribed securities and as such, all dealings in the Provisional Rights Shares with Warrants will be by book entries through CDS accounts and will be governed by the SICDA (including all amendments thereof) and the Rules of Bursa Depository.

ALL RIGHTS SHARES AND THE WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF OUR SHAREHOLDERS WHOSE NAMES APPEAR IN OUR RECORD OF DEPOSITORS AS AT 5.00 P.M. ON 13 JULY 2016 ("ENTITLEMENT DATE") ("ENTITLED SHAREHOLDERS") AND / OR THEIR RENOUNCEE(S) / TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE AND WARRANT CERTIFICATES WILL BE ISSUED.

Our Board reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason thereto. It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, applied for under Part I(b) of the RSF on a fair and equitable basis as they deem fit and expedient and in the best interest of our Company. The basis of allotment of the excess Rights Shares with Warrants will be in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, after the occurrence of (i) above, for allocation to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, after the occurrence of (i) and (ii) above, for allocation to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares with Warrants application; and
- (iv) lastly, after the occurrence of (i), (ii) and (iii) above, for allocation to renouncee(s) / transferee(s) who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, based on the quantum of their respective excess Rights Shares with Warrants application.

In the event of any balance of excess Rights Shares with Warrants after the above allocations are completed, the balance of excess Rights Shares with Warrants will be allocated again through the processes (ii), (iii) and (iv) above until all excess Rights Shares with Warrants are fully allocated.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER

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NUMBER OF M3TECH SHARES HELD AT 5.00 P.M. ON 13 JULY 2016	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE (AT RM0.10 PER RIGHTS SHARE) (RM)

IMPORTANT RELEVANT DATES AND TIME

Entitlement date.....: Wednesday, 13 July 2016 at 5.00 p.m.

Last date and time for:

Sale of provisional allotment of rights.....: Wednesday, 20 July 2016 at 5.00 p.m.
 Transfer of provisional allotment of rights.....: Monday, 25 July 2016 at 4.00 p.m.
 Acceptance and payment.....: Thursday, 28 July 2016 at 5.00 p.m.*
 Excess application and payment.....: Thursday, 28 July 2016 at 5.00 p.m.*

* or such later date and time as our Board may decide and announce not less than two (2) market days before the stipulated date and time.

By order of our Board
Tea Sor Hua (MACS 01324)
Yong Yen Ling (MAICSA 7044771)
Company Secretaries

Share Registrar
Securities Services (Holdings) Sdn. Bhd. (36869-T)
Suite 18.05, MWE Plaza,
No. 8 Lebuhr Farquhar
10200 Penang
Tel: 04 – 263 1966
Fax: 04 – 262 8544

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Securities Services (Holdings) Sdn. Bhd. (36869-T) at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang. **INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE AP TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE AP.**

This RSF, together with the AP and the Notice of Provisional Allotment (collectively referred to as the "Documents"), are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue with Warrants will not be made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue with Warrants and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. It shall be the sole responsibility of the Entitled Shareholders and / or their renouneece(s) / transferee(s) (if applicable) who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia to consult their legal or other professional advisers as to whether the acceptance or renunciation of all or any part of the Rights Shares with Warrants to be issued under the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such shareholders should note the additional terms and restrictions as set out in Section 11 of the AP. Neither M3Tech, Public Investment Bank Berhad nor any other advisers to the Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance or sale / transfer of the provisional allotment of the Rights Shares with Warrants made by the Entitled Shareholders and / or their renouneece(s) / transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and / or their renouneece(s) / transferee(s) (if applicable) are residents.

A copy of the AP has been registered with the Securities Commission Malaysia ("SC"). A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 17 September 2015, granted its approval for, amongst others, the admission of the Warrants to the Official List of ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares, the Warrants and the new ordinary shares to be issued arising from the full exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. Our shareholders had also approved, amongst others, the Rights Issue with Warrants at the Extraordinary General Meeting held on 25 November 2015. The official listing of and quotation for the said securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the Entitled Shareholders and / or their renouneece(s) / transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

The registration of the AP should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the AP. The SC has not, in any way, considered the merits of the securities being offered for investment. Admission of the Warrants to the Official List of ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares, the Warrants and the new ordinary shares to be issued arising from the full exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

Our Directors have seen and approved all the documentation relating to the Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia ("RM") and sen.

INSTRUCTIONS:

(i) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until 5.00 p.m. on Thursday, 28 July 2016 or such later date and time as may be determined and announced by our Board of Directors ("Board"). Where the closing date for acceptance is extended from the original closing date, an announcement of such extension will be made not less than two (2) market days before the stipulated date and time.

(ii) FULL OR PART ACCEPTANCE OF THE RIGHTS SHARES WITH WARRANTS

The Rights Issue with Warrants is renounceable in full or in part. If you wish to accept all or part of your entitlement to the Rights Shares with Warrants provisionally allotted to you ("Provisional Rights Shares with Warrants"), please complete Part I(a) and Part II of this RSF in accordance with the notes and instructions contained in this RSF and despatch the completed and signed RSF together with the relevant remittance in RM for the full amount payable in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "M3TECH RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side(s) with your name, contact number and address in block letters together with your CDS account number, to be received by our Share Registrar, Securities Services (Holdings) Sdn. Bhd. (36869-T) at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang, not later than 5.00 p.m. on Thursday, 28 July 2016 (or such later date and time as our Board may decide and announce not less than two (2) market days before the stipulated date and time). Cheques or any other mode(s) of payment are not acceptable.

No acknowledgement will be issued for receipt of this RSF or application monies in respect of the acceptance of the Provisional Rights Shares with Warrants. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) market days from the last date for acceptance and payment for the Provisional Rights Shares with Warrants, or such other period as may be prescribed by Bursa Securities. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar or our Company.

In respect of unsuccessful or partially accepted applications, the full amount or the surplus application monies (as the case may be) will be refunded without interest and shall be despatched to you within fifteen (15) market days from the last date for acceptance and payment for the Provisional Rights Shares with Warrants by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

(iii) EXCESS RIGHTS SHARES WITH WARRANTS APPLICATION

If you wish to apply for additional Rights Shares with Warrants in excess of those provisionally allotted to you, please complete Part I(b) of this RSF (in addition to both Part I(a) and Part II) and forward it together with a separate remittance for the full amount payable in respect of the excess Rights Shares with Warrants applied for, to our Share Registrar, Securities Services (Holdings) Sdn Bhd (36869-T) at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang. Payment for the excess Rights Shares with Warrants applied for should be made in the same manner as described in Note (ii) above, with remittance in RM made in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "M3TECH EXCESS RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side(s) with your name, contact number and address in block letters together with your CDS account number, to be received by our Share Registrar not later than 5.00 p.m. on Thursday, 28 July 2016 (or such later date and time as our Board may decide and announce not less than two (2) market days before the stipulated date and time). Cheques or any other mode(s) of payment are not acceptable.

No acknowledgement will be issued for receipt of this RSF or application monies in respect of the excess Rights Shares with Warrants application. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) market days from the last date for application and payment for the excess Rights Shares with Warrants, or such other period as may be prescribed by Bursa Securities. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar or our Company.

In respect of unsuccessful or partially successful excess Rights Shares with Warrants applications, the full amount or the surplus application monies (as the case may be) will be refunded without interest and shall be despatched to you within fifteen (15) market days from the last date for application and payment for the excess Rights Shares with Warrants by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

Our Board reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason thereto. It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, applied for under Part I(b) of the RSF on a fair and equitable basis as they deem fit and expedient and in the best interest of our Company. The basis of allotment of the excess Rights Shares with Warrants will be in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, after the occurrence of (i) above, for allocation to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, after the occurrence of (i) and (ii) above, for allocation to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares with Warrants application; and
- (iv) lastly, after the occurrence of (i), (ii) and (iii) above, for allocation to renouneece(s) / transferee(s) who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, based on the quantum of their respective excess Rights Shares with Warrants application.

In the event of any balance of excess Rights Shares with Warrants after the above allocations are completed, the balance of excess Rights Shares with Warrants will be allocated again through the processes (ii), (iii) and (iv) above until all excess Rights Shares with Warrants are fully allocated.

(iv) SALE / TRANSFER OF THE PROVISIONAL RIGHTS SHARES WITH WARRANTS

The Provisional Rights Shares with Warrants are renounceable. If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS account(s). To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the sale / transfer of the Provisional Rights Shares with Warrants.

In selling or transferring all or part of your entitlement to the Provisional Rights Shares with Warrants, you need not deliver this RSF or any document to your stockbroker. You are however advised to ensure that there is sufficient Provisional Rights Shares with Warrants standing to the credit of your CDS account(s) before selling or transferring.

Renouneece(s) / Transferee(s) of the Provisional Rights Shares with Warrants may obtain a copy of the AP and this RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

If you have sold or transferred only part of your entitlement to the Provisional Rights Shares with Warrants, you may still accept the balance of your entitlement to the Provisional Rights Shares with Warrants by completing both Part I(a) and Part II of this RSF and deliver the completed and signed RSF together with the relevant remittance to our Share Registrar in the manner as set out in Note (ii) above.

(v) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals.
- (b) The Provisional Rights Shares with Warrants subscribed by you and / or your renouneece(s) / transferee(s) (if applicable) will be credited into your and / or your renouneece(s) / transferee(s)' respective CDS accounts as stated on this RSF or the exact accounts appearing in Bursa Depository's Record of Depositors.
- (c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of our Company and our Company shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Shares with Warrants by you shall be governed by and construed in accordance with the laws of Malaysia and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) Our Company reserves the right to accept or reject any acceptance and / or application if the instructions hereinabove stated are not strictly adhered to or which are illegible.
- (f) You and / or your renouneece(s) / transferee(s) (if applicable) should note that all RSF and remittances lodged with our Share Registrar shall be irrevocable and cannot be subsequently withdrawn.
- (g) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.