

M3 TECHNOLOGIES (ASIA) BERHAD

(Company No. 482772-D)
(Incorporated in Malaysia)

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial report is unaudited and is prepared in accordance with **FRS 134** “Interim Financial Reporting” and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market, and should be read in conjunction with the Company’s financial statements for the year ended 30 June 2008.

The accounting policies and methods of computation adopted by the Company and its subsidiaries (“Group”) in the interim financial statements are consistent with those adopted for the financial year ended 30 June 2008.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report of the preceding annual financial statements is not subject to any qualification.

3. Comments on 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 unusual items during this quarter.

5. Changes in Estimate

There were no changes in the estimates of amounts reported during this quarter.

6. Debt and Equity Securities

During this quarter, the Company repurchased 372,000 of its issued ordinary shares from the open market at an average price of RM0.175 per share. The repurchased transactions were financed by internally generated funds. The total reconsideration paid for the repurchase including transaction costs was RM65,621. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 163,518,740 issued and fully paid ordinary shares as at 31 Mar 2009, 372,000 are held as treasury shares by the Company. As at 30 June 2009, the number of outstanding ordinary shares in issue after the set off is therefore 163,146,740.

7. Dividend Paid

The first interim tax exempt dividend of 10% for the financial year ending 30 June 2009 as announced on 25 February 2009 was paid on 8 April 2009.

8. Segmental Information

Segmental information of the results of the Group for the twelve (12) months ended 30 June 2009 is as follows:

| Analysis by Geographical Location | Malaysia RM'000 | HK & China RM'000 | Other Countries RM'000 | Eliminations RM'000 | Group RM'000 |
|--|----------------------------|----------------------------------|---------------------------------------|--------------------------------|-------------------------|
| External revenue | 14,124 | 6,107 | 15,588 | (835) | 34,984 |
| Segment results | 1,650 | 865 | 7,716 | (1,987) | 8,244 |
| Finance income, net | | | | | 375 |
| Taxation | | | | | (2,432) |
| Profit after taxation | | | | | 6,187 |
| Minority interests | | | | | (844) |
| Net profit for the period | | | | | 5,343 |

9. Carrying Amount of Revalued Assets

The Company did not revalue any of its property, plant and equipment during this quarter.

10. Subsequent Events

There was no material event that took place between 1 July 2009 and 19 Aug 2009 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

11. Changes in the Composition of the Group

On 16 April 2009, the Company acquired the entire issued and paid up share capital of M3 Asia Sdn Bhd and M3 Online Sdn Bhd for a total cash consideration of RM2 for each subsidiary.

12. Contingent Liabilities and Contingent Assets

As at 19 Aug 2009 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), there were no changes in contingent liabilities and contingent assets since 30 Jun 2008.

Part B – Explanatory Notes Pursuant to Appendix 7A of the Listing Requirements of Bursa Securities for the MESDAQ Market

13. Performance Review

The Group generated revenue of RM9.55 million for the quarter, an increase of RM1.22 million as compared to RM 8.33 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM2.73 million as compared to a profit before tax of RM2.86 million in the corresponding quarter of the preceding year.

The higher revenue and profit recorded in the current quarter is mainly contributed by the foreign subsidiaries of the Group.

14. Commentary on Prospects

Although the Group remains optimistic for the future of its conventional mobile business in all subsidiaries, the current excitement for FY10 is the growth potential and performance of its new business initiative – the online store and exclusive product dealership & distribution.

Online stores hosting a range of products have now been commissioned in Malaysia (www.m3shoppe.com), Thailand, Hong Kong and China. A comprehensive dealership and distribution channel is also being set-up in all the above countries, including Indonesia to further boost the distribution and sales of our exclusive GPS/Navigational products, i.e. Altina and Papago!

In Malaysia, this new initiative now contributes to more than 15% of the local turnover, and is on a steady month to month growth. By early September, we shall be launching, regionally, our 3rd Personal Navigational Device range, called WayWay. We remain confident that the new initiative will contribute positively to the Group's Performance for this financial year and beyond.

Important to note that this new venture will not compromise the conventional business channels deployed by The Group to date - this includes introducing new technologies and partnerships to further boost M3Tech's position as a leader in providing quality mobile applications and solutions in its respective regions.

With continuous efforts to ensure sustainable growth and also positive contribution from our oversea operations, it is our belief that the Group will continue the trend and remain profitable in the coming financial year 2010.

15. Profit Forecast and Profit Guarantee

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

16. Taxation

| | Individual Quarter 2009 Quarter Ended 30-Jun-09 RM'000 | Cumulative Quarter 2008 Year to date 30-Jun-08 RM'000 |
|----------------------|---|--|
| Tax expense for: | | |
| Malaysian income tax | 187 | 31 |
| Foreign tax | 2,245 | 1,871 |
| | 2,432 | 1,902 |

The Malaysia taxation charge is in respect of interest income of the Company and 10% of withholding tax in respect of dividend income from MTech Thailand. There is no taxation charge on the business income as the Company was accorded the Multimedia Super Corridor (MSC) Status which exempts 100% of the Company Statutory business income from taxation, which expires on 23 October 2010. As for the foreign tax charges, it is in respect of income tax charge on the business income at their respective income tax rate.

17. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties during the quarter.

18. Quoted Securities

The Group did not have any investment in quoted securities as at the date of this report.

19. Status of Corporate Proposals as at 19 Aug 2009 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report)

There is no outstanding corporate proposal.

20. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 30 June 2009.

21. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments.

22. Changes in Material Litigation

As at 19 Aug 2009 (being the latest practicable date not earlier than seven (7) days from the date of issue of 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.

23. Dividend Payable

The Board has proposed a final tax-exempt dividend of 10% in respect of the financial year ended 30 June 2009 for the shareholders approval during the forthcoming Annual General Meeting.

24. Earning Per Share

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

| | 2009 Current Quarter Ended 30-Jun-09 | 2008 Current Quarter Ended 30-Jun-08 | 2009 Year to date 30-Jun-09 | 2008 Year to date 30-Jun-08 |
|--|---|---|--|--|
| Profit after tax and minority interest(RM'000) | 1,673 | 2,197 | 5,343 | 4,693 |
| Weighted average number of ordinary shares for:- | | | | |
| Basic Earnings | 163,518,740 | 163,518,740 | 163,518,740 | 163,518,740 |
| Diluted Earnings | | | | |
| Total before adjustment | 163,518,740 | 163,518,740 | 163,518,740 | 163,518,740 |
| Adjustment for assumed Conversion of ESOS | - | - | - | - |
| Adjusted total | 163,518,740 | 163,518,740 | 163,518,740 | 163,518,740 |