

**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 ACE Market, and should be read in conjunction with the Company’s financial statements for the year ended 30 June 2009.

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 2009.

**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 200,000 of its issued ordinary shares from the open market at an average price of RM0.2318 per share. The repurchased transactions were financed by internally generated funds. The total reconsideration paid for the repurchase including transaction costs was RM46,618. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

**7. Dividend Paid**

There was no dividend paid during this quarter.

## 8. Segmental Information

Segmental information of the results of the Group for the six (6) months ended 31 Dec 2009 is as follows:

(I) Segment results by geographical:

	<b>Malaysia RM'000</b>	<b>HK &amp; China RM'000</b>	<b>Other Countries RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>					
External revenue	9,548	5,141	7,587	(3,283)	18,993
<b>Result</b>					
Segment results	(317)	245	2,523	(419)	2,032
Finance income, net					77
Taxation					(753)
Profit after taxation					1,356
Minority interests					(358)
Net profit for the period					<b>998</b>
<b>Assets</b>					
Segment assets	21,727	4,073	29,950	441	<b>56,191</b>

(II) Segment results by business segment:

	<b>Mobile Solutions RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>			
External revenue	16,177	2,816	18,993
<b>Result</b>			
Segment results	3,117	(1,085)	2,032
Finance income, net			77
Taxation			(753)
Profit after taxation			1,356
Minority interests			(358)
Net profit for the period			<b>998</b>
<b>Assets</b>			
Segment assets	50,016	6,175	<b>56,191</b>

## **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 Jan 2010 and 18 Feb 2010 (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 14 December 2009, the Company acquired 60,000 ordinary shares of SGD1.00 each representing 60% of the issued and paid up share capital of M3Asia Distribution (S) Pte. Ltd. for a total cash consideration of SGD60,000.00 (“the Acquisition”).

## **12. Contingent Liabilities and Contingent Assets**

As at 18 Feb 2010 (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 2009.

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

### **13. Performance Review**

The Group generated revenue of RM8.78 million for the quarter, a decrease of RM0.12 million as compared to RM 8.90 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM0.92 million as compared to a profit before tax of RM2.16 million in the corresponding quarter of the preceding year. The lower profit is mainly due to the cost of brand building and promotional activities conducted for the GPS business segment.

As for the comparison against the immediate preceding quarter, the Group registered a decrease of sales by RM1.44 million and a decrease in profit before tax by RM0.28 million

### **14. Commentary on Prospects**

The Value Added Services (VAS) market in Malaysia has seen an increase in new business opportunities, especially with the launch of M3Tech's new corporate/SME product called M3Blast. The use of our online platform/gateway has also created new business options to sell the company's products/solutions using alternate payment methods, i.e. credit cards and direct bank debits – which reduce the reliance on the network operator's reverse billing channel and revenue apportionments.

As such, a larger share of revenue is projected for similar, existing VAS products and services locally and regionally. The company has also acquired rights for World Cup content – which is projected to further enhance its earnings in the coming months with various media partners and network operators.

Brand building exercises conducted in the last quarter (Q2FY10) for our range of GPS/PND (Personal Navigational Device) catalogue has also produced a positive response – with more Wholesalers and dealers coming on board to retail these products locally and regionally. The user awareness and acceptance of our brands has improved significantly and the Group continues to remain positive for the future of this business in all related subsidiaries.

With the above-mentioned initiatives, we remain positive that the Group will register satisfactory financial performance for the current financial year.

### **15. Profit Forecast and Profit Guarantee**

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

## 16. Taxation

	<b>Individual Quarter 2009 Quarter Ended 31-Dec-09 RM'000</b>	<b>Cumulative Quarter 2008 Year to date 31-Dec-09 RM'000</b>
Tax expense for:		
Malaysian income tax	9	18
Foreign tax	337	735
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	346	753

The Malaysia taxation charge is in respect of interest income of the Company. 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 18 Feb 2010 (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 18 Feb 2010 (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

There is no dividend payable as at 31 Dec 2009. However the Board has declared an Interim Dividend of 5% (tax exempt) for the financial year ending 30 June 2010. The said dividend will be paid on 30 Apr 2010 to the depositors who are registered in the Record of Depositors of the Company at the close of business on 8 Apr 2010.

### 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:

	<b>2009 Current Quarter Ended 31-Dec-09</b>	<b>2008 Current Quarter Ended 31-Dec-08</b>	<b>2009 Year to date 31-Dec-09</b>	<b>2008 Year to date 31-Dec-08</b>
Profit after tax and minority interest(RM'000)	412	1,413	998	2,659
Weighted average number of ordinary shares in issue	162,028,907	163,518,740	162,257,454	163,518,740