

M3 TECHNOLOGIES (ASIA) BERHAD
(Company No. 482772-D)
(Incorporated in Malaysia)

Part A – Explanatory Notes Pursuant to FRS 134

1. A) 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.

B) Adoption of New and Revised FRSs and IC Interpretations

In the current period ended 30 June 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements:-

Amendments to FRS 1	First-time Adoption of Financial Reporting
Amendments to FRS 2	Share-based Payments – Vesting Conditions and Cancellation
Amendments to FRS 13	Financial instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11, FRS 2	Group and Treasury Shares Transactions
IC Interpretation 13	Customers Loyalty Programmes
IC Interpretation 14, FRS 119	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new and revised FRSs, IC Interpretations and Amendment has no material effect to the Group’s consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

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 20,000 of its issued ordinary shares from the open market at an average price of RM0.185 per share. The repurchased transactions were financed by internally generated funds. The total reconsideration paid for the repurchase including transaction costs was RM3,733. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

7. Dividend Paid

The first interim tax exempt dividend for the financial year ending 30 June 2010 as announced on 22 February 2010 was paid on 30 April 2010.

8. Segmental Information

Segmental information of the results of the Group for the twelve (12) months ended 30 June 2010 is as follows:

(I) Geographical segmentation:

	Malaysia RM'000	HK & China RM'000	Other Countries RM'000	Eliminations RM'000	Group RM'000
Revenue					
External revenue	21,353	10,168	15,881	(7,130)	40,272
Result					
Segment results	(161)	208	3,951	(419)	3,579
Finance income, net					135
Taxation					(1,351)
Profit after taxation					2,363
Minority interests					(639)
Net profit for the period					1,724
Assets					
Segment assets	24,366	8,490	20,152	(58)	52,950

(II) By business segment:

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	29,696	10,576	40,272
Result			
Segment results	4,518	(939)	3,579
Finance income, net			135
Taxation			(1,351)
Profit after taxation			2,363
Minority interests			(639)
Net profit for the period			1,724
Assets			
Segment assets	42,474	10,476	52,950

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 2010 and 19 August 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

During the year, the Company wholly owned subsidiary, Messaging Technologies (H.K.) Limited subscribed an additional 1,299,700 shares in Reminbi (RMB) 1.00 each at cost in AKN Messaging Technologies (Xiamen) Co. Ltd. (MTech Xiamen). As a result of this, the Company's effective interest in MTech Xiamen has increased from 89.67% to 91.84%.

12. Contingent Liabilities and Contingent Assets

As at 19 August 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.

13. Related party transaction

	For 3 months ended 30 June 2010 RM'000	For 12 months ended 30 June 2010 RM'000
Administration expense	5	5

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

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

14. Performance Review

The Group generated revenue of RM11.54 million for the quarter, an increase of RM1.99 million as compared to RM 9.55 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM0.33 million as compared to a profit before tax of RM2.73 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 an increase of sales by RM1.80 million and a decrease in profit before tax by RM0.95 million. The decrease was due to the losses in foreign exchange (from our Pakistan entity) coupled with further investment in A&P and brand building for our GPS distribution business.

15. Commentary on Prospects

The M3Tech's Value Added Services (VAS) business regional has recently begun to focus on its Corporate and Partnership clientele and related services, working as a gateway and solutions provider for various parties, i.e. banks, network operators, TV/Radio stations etc. The consumer, B2C business is now being offered predominantly through online e-Commerce portals. The Group has also begun to actively provide iPhone and iPad applications by setting up a think-tank and development team using resources from its members from around the region. We have since, launched two (2) such applications, commercially available for international purchase.

On the GPS Distribution front, positive headway has been made in creating awareness for our key-brands, i.e. WayWay and Papago! Extensive roadshows, radio campaigns and further above-the-line marketing efforts are expected to secure its position locally and regionally. As such, the Group continues to remain positive for the future of this business in all related subsidiaries.

16. Profit Forecast and Profit Guarantee

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

17. Taxation

	Individual Quarter 2010 Quarter Ended 30-Jun-10 RM'000	Cumulative Quarter 2010 Year to date 30-Jun-10 RM'000
Tax expense for:		
Malaysian tax	90	116
Foreign tax	153	1,235
	<hr/> 243	<hr/> 1,351

The Malaysia taxation charge is in respect of interest income and deferred taxation 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.

18. Sale of Unquoted Investments and Properties

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

19. Quoted Securities

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

20. Status of Corporate Proposals as at 19 August 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.

21. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 30 June 2010.

22. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments.

23. Changes in Material Litigation

As at 19 August 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.

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:

	2010 Current Quarter Ended 30-Jun-10	2009 Current Quarter Ended 30-Jun-09	2010 Year to date 30-Jun-10	2009 Year to date 30-Jun-09	
Profit after tax and minority interest(RM'000)	(94)	1,673	1,724	5,343	
Weighted average number of ordinary shares in issue	161,944,240	163,518,740	161,944,240	163,518,740	163,

By order of the Board of Directors

Lim Seng Boon
Director
26 August 2010