

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 2010.

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 2010.

B) Adoption of New and Revised FRSs and IC Interpretations

In the current period ended 30 September 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:-

- FRS 1 (Revised) First-time Adoption of Financial Reporting Standards
- FRS 3 (Revised) Business Combinations
- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 101 (Revised) Presentation of Financial Statements
- FRS 123 (Revised) Borrowing Costs
- FRS 127 (Revised) Consolidated and Separate Financial Statements
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- Amendments to FRS 2: Vesting Conditions and Cancellations
- Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)
- Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary
- Amendments to FRS 7, FRS 139 and IC Interpretation 9
- Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments
- Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)
- Annual Improvements to FRSs (2009)

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, there was no purchase of issued ordinary shares from the open market. The shares purchased 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 three (3) months ended 30 September 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	6,612	1,070	4,376	(513)	11,545
Result					
Segment results	89	96	968	-	1,153
Finance income, net					30
Taxation					(298)
Profit after taxation					885
Minority interests					(117)
Net profit for the period					768
Assets					
Segment assets	20,106	3,270	30,308	378	54,062

(II) By business segment:

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	7,114	4,431	11,545
Result			
Segment results	1,088	65	1,153
Finance income, net			30
Taxation			(298)
Profit after taxation			885
Minority interests			(117)
Net profit for the period			768
Assets			
Segment assets	43,630	10,432	54,062

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 October 2010 and 23 November 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

There were no changes in the composition of the Group during this quarter.

12. Contingent Liabilities and Contingent Assets

As at 23 November 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 September 2010.

13. Related party transaction

	Individual Quarter 2011 30-Sept-2010 RM'000	Cumulative Quarter 2011 30-Sept 2010 RM'000
Administration expense	12	12
Rental expense	20	20
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	32	32

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 RM11.55 million for the quarter, an increase of RM1.33 million as compared to RM10.22 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM1.18 million as compared to a profit before tax of RM1.19 million in the corresponding quarter of the preceding year.

As for the comparison against the immediate preceding quarter, the Group registered an increase in profit before tax by RM0.85 million.

15. Commentary on Prospects

M3Tech's Value Added Services (VAS) business continues to be the driving force for the Group with customized corporate interactive solutions for various industries, i.e. the education sector, hospitality establishments and medical institutions. M3Tech's "off the shelf" SMS-MMS Corporate application, M3Blast continues to gain recognition, popularity and commendable growth. The month-on-month target to introduce Apple applications has been in motion not only for the B2C market, but also customized iPhone/iPad apps for our B2B clients. The R&D team has also started to explore Android based applications for compatible devices.

As for the GPS Distribution business, more positive headway is being made locally and regionally with new, credible retailers and business partners coming on board. We have also started to actively market our GPS devices to the corporate sector – which is expected to gain favorable responses. 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 2011 Quarter Ended 30-Sept-10 RM'000	Cumulative Quarter 2011 Year to date 30-Sept-10 RM'000
Tax expense for:		
Malaysian tax	7	7
Foreign tax	291	291
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	298	298

The Malaysia taxation charge is in respect of interest income of the Company. There was no taxation charge on the business income as the Company was granted the Pioneer Status which exempts 100% of the Company statutory business income. The Pioneer Status expired 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 23 November 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 September 2010.

22. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments.

23. Changes in Material Litigation

As at 23 November 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:

	2011 Current Quarter Ended 30-Sept-10	2010 Current Quarter Ended 30-Sept-09	2011 Year to date 30-Sept-10	2010 Year to date 30-Sept-09
Profit after tax and minority interest(RM'000)	768	586	768	586
Weighted average number of ordinary shares in issue	161,944,240	162,778,823	161,944,240	162,778,823

By order of the Board of Directors

Lim Seng Boon
Director
23 November 2010