

**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.

**B) Changes in Accounting Policy**

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 except for the following:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
FRS 140	Investment Property
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 110	Events After The Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
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

The adoption of the new and revised FRSs, Amendments to FRSs and IC Interpretations has no material effect to the Group’s financial statements of the current financial year or the comparative financial statements of the preceding 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 RM0.17 per share. The repurchased transactions were financed by internally generated funds. The total reconsideration paid for the repurchase including transaction costs was RM5,136. The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

### **7. Dividend Paid**

There is no dividend payable as at 31 December 2010. However, the Board has declared an Interim Dividend of 5% (tax exempt) for the financial year ending 30 June 2011 on 29 November 2010. The said dividend was paid on 26 January 2011 to the depositors who registered in the Record of Depositors of the Company at the close of business on 29 December 2010.

## 8. Segmental Information

Segmental information of the results of the Group for the six (6) months ended 31 December 2010 is as follows:

(I) Geographical segmentation:

	<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	14,438	1,838	9,007	(864)	24,419
<b>Result</b>					
Segment results	596	178	1,917	-	2,691
Finance income, net					102
Taxation					(616)
Profit after taxation					2,177
Minority interests					(277)
Net profit for the period					<b>1,900</b>
<b>Assets</b>					
Segment assets	23,490	3,567	29,104	461	<b>56,622</b>

(II) 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	14,494	9,925	24,419
<b>Result</b>			
Segment results	2,542	149	2,691
Finance income, net			102
Taxation			(616)
Profit after taxation			2,177
Minority interests			(277)
Net profit for the period			<b>1,900</b>
<b>Assets</b>			
Segment assets	44,595	12,027	<b>56,622</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 January 2011 and 18 February 2011 (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 18 February 2011 (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 June 2010.

## 13. Related party transaction

	<b>Individual Quarter 2011 31-Dec-2010 RM'000</b>	<b>Cumulative Quarter 2011 31-Dec 2009 RM'000</b>
Administration expense	12	24
Rental expense	20	40
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	32	64

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 RM12.87 million for the quarter, an increase of RM4.09 million as compared to RM8.78 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM1.61 million as compared to a profit before tax of RM0.92 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 RM0.43 million.

### 15. Commentary on Prospects

M3Tech's Value Added Services (VAS) business continues to strive through all operations – coupled with its new initiative in iOS (Apple), BlackBerry and Android Application development – for both end users and corporations. Development teams namely in Malaysia, Singapore, Indonesia and China are churning out approximately 5 applications per month.

As for the Distribution business, the growth in GPS sales (and related accessories) in 4 regions are still looking positive, through the increase in brand awareness and partnerships with larger retailers and corporate partners. This should see further positive growth in the coming year barring unforeseen circumstances.

### 16. Profit Forecast and Profit Guarantee

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

### 17. Taxation

	<b>Individual Quarter 2011 Quarter Ended 31-Dec-10 RM'000</b>	<b>Cumulative Quarter 2011 Year to date 31-Dec-10 RM'000</b>
Tax expense for:		
Malaysian tax	63	70
Foreign tax	255	546
	<hr/>	<hr/>
	318	616

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 February 2011 (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 31 December 2010.

## **22. Realised and Unrealised Earnings or Losses Disclosure**

The retained earnings as at 31 December 2010 and 30 September 2010 is analysed as follows:

	31/12/2010 RM'000	30/9/2010 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	27,994	26,101
- Unrealised	(88)	(95)
Total group retained earnings as per unaudited consolidated financial statement	<hr/> 27,906	<hr/> 26,006

## **23. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments.

## **24. Changes in Material Litigation**

As at 23 February 2011 (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.

## 25. 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>2010 Current Quarter Ended 30-Dec-10</b>	<b>2009 Current Quarter Ended 30-Dec-09</b>	<b>2010 Year to date 30-Dec-10</b>	<b>2009 Year to date 30-Dec-09</b>
Profit after tax and minority interest(RM'000)	1,131	412	1,900	998
Weighted average number of ordinary shares in issue	161,919,240	162,028,907	161,928,240	162,257,454

By order of the Board of Directors

Lim Seng Boon  
Director  
23 February 2011