

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 statements are unaudited and have been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 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 2011.

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 2011, except for the following:

Amendments to FRS 1	Limited Exemptions for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

Improvements to FRSs (2010)

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Investments in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 13	Customer Loyalty Programmes

The adoption of the above Amendments to FRSs and IC Interpretations do not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

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 the quarter, the Company purchased 943,000 units of its own shares through open market. The total amount paid for acquisition of the shares was RM250,002 and has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was RM0.27.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

There was no issuance or repayment of debt and equity securities during this quarter.

7. Dividend Paid

In respect of the financial year ended 30 June 2012, the Company:-

- i) on 22 November 2011, declared the first interim tax exempt dividend of 0.5 sen on 161,894,240 ordinary shares amounting to RM809,471, and was paid on 6 January 2012.

In respect of the financial year ended 30 June 2011, the Company:-

- ii) on 29 November 2010, declared the first interim tax exempt dividend of 0.5 sen on 161,914,240 ordinary shares amounting to RM809,571, and was paid on 26 January 2011;
- iii) on 25 May 2011, declared the second interim tax exempt dividend of 0.5 sen on 161,904,240 ordinary shares amounting to RM809,521, and was paid on 28 July 2011; and
- iv) on 18 August 2011, declared the third interim tax exempt dividend of 0.5 sen on 161,904,240 ordinary shares amounting to RM809,521, and was paid on 10 October 2011.

8. Segmental Information

Segmental information of the results of the Group for the six (6) months ended 31 December 2011 is as follows:

(I) Geographical segmentation:

	Malaysia RM'000	HK & China RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue					
External revenue	16,582	1,223	11,081	(1,204)	27,682
Result					
Segment results	896	(36)	3,596	(334)	4,122
Finance income, net					104
Share of results of jointly controlled entity					(10)
Taxation					(1,338)
Profit after taxation					2,878
Minority interests					(525)
Net profit for the period					2,353
Assets					
Segment assets	21,927	5,459	19,956	13,638	60,980

(II) By business segment:

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	15,382	12,300	27,682
Result			
Segment results	2,943	1,179	4,122
Finance income, net			104
Share of results of jointly controlled entity			(10)
Taxation			(1,338)
Profit after taxation			2,878
Minority interests			(525)
Net profit for the period			2,353
Assets			
Segment assets	51,022	9,958	60,980

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 2012 and 17 February 2012 (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 17 February 2012 (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 2011.

13. Related party transactions

	Individual Quarter 2012 31 December 2011 RM'000	Cumulative Quarter 2012 31 December 2011 RM'000
Rental expense	21	42
	<hr/>	<hr/>
	21	42

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

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market

14. Performance Review

Segment	3 months ended		6 months ended	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
	RM'000	RM'000	RM'000	RM'000
Mobile Solutions				
Revenue	7,782	7,380	15,380	14,494
Profit before taxation	1,382	1,525	3,038	2,644
% Profit before taxation	17.8%	20.7%	19.8%	18.2%
Trading & Distribution				
Revenue	6,404	5,493	12,292	9,925
Profit before taxation	780	83	1,178	149
% Profit before taxation	12.2%	1.5%	9.6%	1.5%
Total				
Revenue	14,186	12,873	27,672	24,419
Profit before taxation	2,162	1,608	4,216	2,793
% Profit before taxation	15.2%	12.5%	15.2%	11.4%

Q2'2012 vs Q2'2011

The Group generated revenue of RM14.19 million for the quarter, an increase of RM1.31 million as compared to RM12.87 million in the corresponding quarter of the preceding year. Profit before tax and for the quarter amounted to RM2.16 million as compared to a profit before tax of RM1.61 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 RM0.55 million. This increase was mainly a result of higher Trading & Distribution sales in Malaysia and Indonesia, which also compensated the reduction in Mobile Solutions performance in this quarter compared to that of the corresponding quarter of the preceding year. The drop in Mobile Solutions was a result of the introduction of more stringent regulations for B2C services namely in Indonesia.

YTD'2012 vs YTD'2011

The Group generated revenue of RM27.67 million for the quarter, an increase of RM3.25 million as compared to RM24.42 million in the corresponding quarter of the preceding year. Profit before tax for the quarter amounted to RM4.22 million as compared to a profit before tax of RM2.79 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 RM1.43 million.

15. Commentary on Prospects

M3Tech's Mobile Solutions business continues to strive through all operations, with more assertive focus on the development of Smartphone Applications, i.e. for iOS, Blackberry and Android devices for corporations. The teams have already developed applications for various industries including Property, Real Estate and even Hotels/Resorts.

The Trading & Distribution business is still experiencing a steady, positive growth with the inclusion of more new products, which are expected to be launched locally in the next quarter. Also, the Company has been diligently working on acquiring the exclusive rights of new range of products to be introduced across the region through our existing channel. Moving forward, concerted efforts are being placed to expand our reach via recruiting new dealers and setting up more concept stores especially in the east coast and in East Malaysia.

New models of navigation devices will also be introduced within the next 6 months, which is expected to continue to establish these brands as a dynamic product continuously refreshed to cater to the consumer's demands.

Even our navigation software sales through automotive industry is seeing a steady growth, and we believe will continue to improve as more and more automotive companies are identifying the software as a reliable and effective source for their models.

Barring unforeseen circumstances, the Board of Directors is optimistic that the Group's prospects will continue to be positive.

16. Profit Forecast and Profit Guarantee

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

17. Taxation

	3 months ended		6 months ended	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	167	63	394	70
- Foreign tax	497	255	900	546
	664	318	1,294	616
Underprovision in prior year:-				
- Foreign tax	-	-	44	-
	664	318	1,338	616

The effective tax rate for the financial quarter ended 31 December 2011 was lower than the statutory tax rate mainly due to certain income is exempted from taxation.

18. Status of Corporate Proposals as at 22 February 2012 (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.

19. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 31 December 2011.

20. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 December 2011 and 30 June 2011 is analysed as follows:

	31/12/2011 RM'000	30/06/2011 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	28,755	27,881
- Unrealised	(2)	(57)
Consolidation adjustments	1,493	1,688
Total group retained earnings as per unaudited consolidated financial statement	<u>30,246</u>	<u>29,512</u>

21. Changes in Material Litigation

As at 17 February 2012 (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.

22. Earnings 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:

	2012 Current Quarter Ended 31 December 11	2011 Current Quarter Ended 31 December 10	2012 Year to date 31 December 11	2011 Year to date 31 December 10
Profit after tax and minority interest(RM'000)	1,205	1,131	2,353	1,900
Weighted average number of ordinary shares in issue	161,668,240	161,919,240	161,668,240	161,919,240
<u>Earnings Per Share</u> Basic/Diluted (Sen)	0.75	0.70	1.46	1.17

By order of the Board of Directors

Lim Seng Boon
Director
22 February 2012