

M3 TECHNOLOGIES (ASIA) BERHAD (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 financial 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.

MFRS Framework issued but not yet effective

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”) in conjunction with the MASB’s plan to converge with International Financial Reporting Standards (“IFRS”) in 2012. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (“IASB”) that are effective on 1 January 2012 and new/revised Standards that will be effective after 1 January 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

As such, the Group will prepare its first financial statements using the MFRS Framework for the financial year ending 30 June 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework, if applicable.

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 items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date.

5. Changes in Estimate

There were no changes in the estimates of amounts reported in the prior interim period of the current financial year or changes in the estimates of amounts reported in the prior financial years that have a material effect in the current quarter and financial year-to-date.

6. Debt and Equity Securities

For the financial year-to-date, 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.

Other than the above, there were no issuance or repayment of debt and equity securities, share buy-back, shares cancellations, shares held as treasury shares and resale of treasury shares during this quarter and financial year-to-date.

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:-

- i) 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;
- ii) 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
- iii) 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.

No interim ordinary dividend has been declared for the quarter ended 31 March 2012.

8. Segmental Information

Segmental information of the results of the Group for the nine (9) months ended 31 March 2012 is as follows:

(I) Geographical segmentation:

	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue						
External revenue	25,007	5,438	5,936	7,241	(1,274)	42,348
Result						
Segment results	981	2,644	2,557	47	(287)	5,942
Interest income/ (expense)						170
Share of results of jointly controlled entity						(21)
Taxation						(1,791)
Profit after taxation						4,300
Minority interests						(960)
Net profit for the period						3,340
Assets						
Segment assets	25,128	6,435	7,774	9,200	13,723	62,260

(II) By business segment:

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	22,963	19,385	42,348
Result			
Segment results	4,647	1,295	5,942
Interest income/(expense)			170
Share of results of jointly controlled entity			(21)
Taxation			(1,791)
Profit after taxation			4,300
Minority interests			(960)
Net profit for the period			3,340
Assets			
Segment assets	51,607	10,653	62,260

9. Carrying Amount of Revalued Assets

The Company did not revalue any of its property, plant and equipment during current quarter and financial year-to-date.

10. Subsequent Events

On 10 April 2012, M3 Technologies Pakistan (Private) Limited, a 60% owned subsidiary of the Company has incorporated a wholly-owned subsidiary under the name of M3 Technologies Middle East FZE (“M3 Middle East”) in the United Arab Emirates and its intended principal activity is providing mobile value added services.

Presently, the authorised capital of M3 Middle East is AED2,000,000.

The incorporation of M3 Middle East does not have any effect on the share capital and substantial shareholders' shareholding in the Company and is not expected to have any material impact on the earnings and net assets of the Group for the financial year ending 30 June 2012.

None of the directors and/or major shareholders of the Company and/or persons connected to them, has any interest, direct or indirect, in the incorporation of M3 Middle East.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during current quarter and financial year-to-date.

12. Contingent Liabilities and Contingent Assets

As at 21 May 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-Mar-12 RM'000	Cumulative Quarter 2012 31-Mar-12 RM'000
Rental expense	21	63
	<hr/>	<hr/>
	21	63

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	Individual Quarter			Cumulative Quarter	
	Q3'2012	Q3'2011	Q2'2012	YTD 2012	YTD 2011
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	7,581	7,474	7,782	22,963	21,968
Profit before taxation	1,762	1,891	1,382	4,799	4,535
% Profit before taxation	23.2%	25.3%	17.8%	20.9%	20.6%
Trading & Distribution					
Revenue	7,085	4,896	6,404	19,385	14,821
Profit before taxation	113	146	780	1,292	295
% Profit before taxation	1.6%	3.0%	12.2%	6.7%	2.0%
Total					
Revenue	14,666	12,370	14,186	42,348	36,789
Profit before taxation	1,875	2,037	2,162	6,091	4,830
% Profit before taxation	12.8%	16.5%	15.2%	14.4%	13.1%

Q3'2012 vs Q3'2011

The Group generated revenue of RM14.67 million for Q3'2012, representing an increase of RM2.30 million as compared to RM12.37 million generated in Q3'2011.

The increase in revenue was predominantly due to the improved performance of the Mobile Solutions business in Pakistan and Thailand, plus the increase in product sales through M3Asia Malaysia on all fronts, namely physical dealership, OEM/OBU and online sales. This was predominantly due to better awareness of the brand, improved demand of the existing products, introduction of new models, and also the introduction of new range of products, which were not distributed in Q3'2011, i.e. HyperJuice.

However, profit before tax for Q3'2012 decreased by RM0.16 million to RM1.88 million as compared to a profit before tax of RM2.04 million generated in Q3'2011.

The drop in profit before tax was due to the increased cost of sales, namely telco charges on shortcodes and keywords which was a result of a new policy by the local Malaysian network operators imposing keyword "rental" charges which were not charged in Q3'2011.

Q3'2012 vs Q2'2012

When compared to Q2'2012, revenue of the group increased by RM0.48 million in Q3'2012. This increase in revenue was contributed by higher revenue from Mobile Solutions segment in Pakistan and the Trading and Distribution segment, namely in Malaysia and Singapore.

Despite the increase in revenue in Q3'2012, profit before tax of the Group decreased by RM0.29 million to RM1.88 million as compared to a profit before tax of RM2.16 million in Q2'2012. The decrease in profit before tax was due to the withholding tax incurred for dividend declared by the Subsidiary in Thailand and Indonesia during this reporting quarter.

YTD 2012 vs YTD 2011

The Group generated revenue of RM42.35 million for YTD 2012, representing an increase of RM5.56 million as compared to RM36.79 million for YTD 2011.

Profit before tax for YTD 2012 increased by RM1.26 million to RM6.09 million as compared to a profit before tax of RM4.83 million for YTD 2011.

The growth in Trading and Distribution segment and the greater awareness of our products helped to increase sales significantly as compared to YTD 2011. This was not only visible in Malaysia, but also in the other regions where our distribution business has a footprint, namely in Singapore, where the recent Singapore IT show generated record sales of our own branded WayWay devices and the US battery, HyperJuice. The introduction of new models and products coupled with the growing number of physical outlets distributing these devices had helped strengthen our position in these markets.

As for our Mobile Solutions segment, the biggest contributor was come from Pakistan, as the market is maturing and the number of subscribers utilizing our consumer and corporate solutions have grown significantly, which is another factor that resulted in the increased profit for YTD 2012 as compared to YTD 2011.

15. Commentary on Prospects

The mobile solutions and application development business continues to improve at a steady pace, with new projects and campaigns being introduced in partnership with the mobile network operators and corporate clientele.

The Trading & Distribution business is enjoying positive growth with the inclusion of a wider range of products, which are expected to be launched locally in the next quarter. In addition, the Group has been diligently working on acquiring 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 improve the awareness and brand visibility of the Group's products within our regional footprint.

Additionally, new consumer electronic devices are currently in the development pipeline, and are expected to be launched locally and regionally before the end of next quarter. This new range of devices are expected to further boost M3Asia's reputation in distributing new, hip, reliable and credible products for regional consumption.

Barring unforeseen circumstances, the Board of Directors is optimistic that the Group will deliver a satisfactory performance for the financial year ending 30 June 2012.

16. Profit Forecast and Profit Guarantee

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

17. Taxation

	Individual Quarter		Cumulative Quarter	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	93	93	488	163
- Foreign tax	365	300	1,264	846
	458	393	1,752	1,009
Under/(over) provision in prior year:-				
- Malaysian tax	(5)	-	(5)	-
- Foreign tax	-	-	44	-
	453	393	1,791	1,009

The effective tax rate for the financial quarter ended 31 March 2012 was lower than the statutory tax rate mainly due to certain income is exempted from taxation.

18. Status of Corporate Proposals as at 21 May 2012 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report)

On 20 April 2012, Affin Investment Bank announced that the Company intends to undertake a Proposed Private Placement.

The Company had obtained the approval from its shareholders pursuant to Section 132D of the Companies Act 1965, at the last Annual General Meeting ("AGM") convened on 22 November 2011, authorising the Board of Directors of the Company to issue new ordinary shares of RM0.10 each in M3 Technologies (Asia) Berhad ("M3") ["M3 Shares"] not exceeding 10% of the issued and paid-up share capital of the Company. The approval shall continue to be in force, unless revoked or varied by the Company at a general meeting or until the conclusion of the next AGM of the Company.

The Proposed Private Placement will involve the issuance of up to 16,096,124 M3 Shares ("Placement Shares"), representing up to 10% of the issued and paid-up share capital of M3 (excluding treasury shares), to investors to be identified. The securities for which listing is sought are the Company's ordinary shares of RM0.10 par value each.

The issue price for the Placement Shares shall be determined by the Board and announced at the price-fixing date (to be ascertained later by the Board) based on the higher of the following:

- i) the volume weighted average market price of M3 Shares for the five (5) market days immediately prior to the price-fixing date, with a discount (if deemed appropriate by the Board) of not more than 10%; or
- ii) the par value of M3 Shares of RM0.10.

On 30 April 2012, the Company submitted the additional listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ("Bursa Securities"). On 21 May 2012, the Company received the approval from Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

Barring any unforeseen circumstances, the Board expects the Proposed Private Placement to be completed by the second quarter of 2012.

19. Group Borrowings and Debt Securities

The Group did not have any borrowings and debt securities as at 31 March 2012.

20. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2012 and 30 June 2011 is analysed as follows:

	31-Mar-12	30-Jun-11
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	29,662	27,881
- Unrealised	170	(57)
Consolidation adjustments	1,401	1,688
Total group retained earnings as per unaudited consolidated financial statement	31,233	29,512

21. Changes in Material Litigation

As at 21 May 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:

	Individual Quarter		Cumulative Quarter	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Profit after tax and minority interest (RM'000)	987	1,351	3,340	3,251
Weighted average number of ordinary shares in issue	160,961,240	161,915,669	161,588,796	161,920,907
<u>Earnings Per Share</u> Basic/Diluted (Sen)	0.61	0.83	2.07	2.01

By order of the Board of Directors

Lim Seng Boon
Director
24 May 2012