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

<u>Improvements to FRSs (2010)</u>

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 30 June 2012.

8. Segmental Information

Segmental information of the results of the Group for the twelve (12) months ended 30 June 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	32,616	7,703	8,387	9,381	(1,583)	56,504
Result						
Segment results	479	3,683	3,409	54	(290)	7,335
Interest income/ (expense)						257
Share of results of jointly controlled entity						(33)
Taxation						(2,226)
Profit after taxation						**5,333**
Minority interests						(1,258)
Net profit for the period						**4,075**
Assets						
Segment assets	24,291	8,007	8,610	9,637	13,760	**64,305**

(II) By business segment:

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	25,179	31,325	56,504
Result			
Segment results	5,924	1,411	7,335
Interest income/(expense)			257
Share of results of jointly controlled entity			(33)
Taxation			(2,226)
Profit after taxation			**5,333**
Minority interests			(1,258)
Net profit for the period			**4,075**
Assets			
Segment assets	55,398	8,907	**64,305**

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

There was no material event that took place between 1 July 2012 and 23 August 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

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.

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.

12. Contingent Liabilities and Contingent Assets

As at 23 August 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 2012.

13. Related party transactions

	Individual Quarter 30-Jun-12 RM'000	Cumulative Quarter 30-Jun-12 RM'000
Administration and service fee	23	23
Rental expense	-	61
	23	84

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**	
	Q4'2012	Q4'2011	Q3'2012	**YTD'2012**	YTD'2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000
Mobile Solutions					
Revenue	**8,359**	8,426	7,581	**31,325**	30,394
Profit before taxation	**1,354**	1,630	1,762	**6,153**	6,165
% Profit before taxation	**16.2%**	19.3%	23.2%	**19.6%**	20.3%
Trading & Distribution					
Revenue	**5,797**	5,787	7,085	**25,179**	20,608
Profit before taxation	**114**	676	113	**1,406**	971
% Profit before taxation	**2.0%**	11.7%	1.6%	**5.6%**	4.7%
Total					
Revenue	**14,156**	14,213	14,666	**56,504**	51,002
Profit before taxation	**1,468**	2,306	1,875	**7,559**	7,136
% Profit before taxation	**10.4%**	16.2%	12.8%	**13.4%**	14.0%

Q4’2012 vs Q4’2011

The Group generated revenue of RM14.16 million for Q4’2012, representing a decrease of RM0.05 million as compared to RM14.21 million generated in Q4’2011.

Profit before tax for Q4’2012 decreased by RM0.84 million to RM1.47 million as compared to a profit before tax of RM2.31 million generated in Q4’2011.

The Group's turnover dropped in the final quarter, was attributed predominantly by M3Asia. The introduction of new Personal Navigational Devices (PND) models were delayed to FY2013, and focus was on clearing some of the existing models/products by reducing margins accordingly. M3Asia not only introduces new PND models for both 4.3" and 5" devices respectively, but also the introduction the new Android based navigator. New products such as the Personal Security Device (PSD), will also be introduced in Q1’2013, hence increasing the range of products offered under M3Asia's catalog.

Other contributing factors to the decrease in sales and profit in Q4’2012, was the drop in the mobile solutions business in Indonesia, as a direct result of the local authorities new guidelines introduces for subscription services to curb abuse - similar to what was introduced locally in Malaysia a few years ago.

Q4’2012 vs Q3’2012

When compared to Q3’2012, revenue of the group decreased by RM0.51 million and profit before tax decreased by RM0.41 million in Q4’2012.

As compared to the immediate preceding quarter, the drop in revenue was attributed to the drop in M3Asia (as explained above) despite the increase in revenue for mobile solutions. However, the profit before tax for Mobile Solutions declined due to higher one-off campaign promotional costs.

YTD’2012 vs YTD’2011

The Group generated revenue of RM56.50 million for YTD’2012, representing an increase of RM5.50 million as compared to RM51.00 million for YTD’2011.

Profit before tax for YTD’2012 increased by RM0.42 million to RM7.56 million as compared to a profit before tax of RM7.14 million for YTD’2011.

The increase in total Group revenue and profit before tax in FY12 was predominantly contributed by the continued growth in the Trading & Distribution segment locally in Malaysia and across the region.

15. Commentary on Prospects

The Mobile Solutions business in some mature countries are now purely focusing on 'Business to Operator" ('B2O') and "Business to Business" ('B2B') solutions and applications. These enterprise solutions are experiencing better acceptance as more and more companies are realising the benefits of such application for their operations and marketing of their business - and with the overwhelming growth of smartphones, the need for an easily accessible mobile application to engage their customers is imperative.

The Trading & Distribution business is enjoying positive growth in Malaysia and across the region. The plans to introduce more products into the local catalog are already underway and are expected to be launched in Q1’2013. These new devices are believed to add further depth to the company's offerings and providing customers with a more comprehensive range of products-in-demand. This new catalog will slowly filter through to our regional channels for better exposure and growth. Moving forward, concerted efforts are continuously being placed to improve the awareness and brand visibility of the Group's existing products within our regional footprint.

Barring unforeseen circumstances, the Board of Directors is optimistic that the Group will deliver a satisfactory performance for the financial year ending 30 June 2013.

16. Profit Forecast and Profit Guarantee

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

17. Taxation

	Individual Quarter		Cumulative Quarter	
	30-Jun-12	30-Jun-11	**30-Jun-12**	30-Jun-11
	RM'000	RM'000	**RM'000**	RM'000
In respect of current period:-				
- Malaysian tax	**67**	337	**555**	500
- Foreign tax	**463**	277	**1,727**	1,123
	530	614	**2,282**	1,623
Under/(over) provision in prior year:-				
- Malaysian tax	**(16)**	-	**(21)**	-
- Foreign tax	**(37)**	-	**7**	-
	(53)	-	**(14)**	-
Deferred taxation	**(42)**	-	**(42)**	-
	435	614	**2,226**	1,623

The effective tax rate for the financial quarter ended 30 June 2012 was higher than the statutory tax rate mainly due to certain expenses were not deductible for tax purposes.

18. Status of Corporate Proposals as at 23 August 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.

On 29 June 2012, the Company announced that pursuant to the Rule 6.60 of the ACE Market Listing Requirements of Bursa Securities, the Company endeavour to procure investors to subscribe the Placement Shares not later than 17 November 2012, being the deadline of the six months from the date of approval obtained from Bursa Securities for the listing application.

As at to date, the proposal is pending completion.

19. Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2012 and 30 June 2011 are as follows:

	31-Jun-12 RM'000	30-Jun-11 RM'000
Current		
Secured		
- Hire purchases	48	27
- Trade term loan (Denominated in US Dollar)	745	-
	793	27
Non-current		
Secured		
- Hire purchases	152	35
Total Group borrowings	945	62

The Group did not have any debt securities as at 30 June 2012.

20. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 30 June 2012 and 30 June 2011 are analysed as follows:

	31-Jun-12 RM'000	30-Jun-11 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	30,630	27,881
- Unrealised	(60)	(57)
Consolidation adjustments	1,398	1,688
Total group retained earnings as per unaudited consolidated financial statement	31,968	29,512

21. Changes in Material Litigation

As at 23 August 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**	
	30-Jun -12	30-Jun-11	**30-Jun-12**	30-Jun-11
Profit after tax and minority interest (RM'000)	**735**	1,462	**4,075**	4,713
Weighted average number of ordinary shares in issue	**160,961,240**	161,911,129	**161,431,907**	161,915,137
<u>Earnings Per Share</u> Basic/Diluted (Sen)	**0.46**	0.90	**2.52**	2.91

By order of the Board of Directors

Lim Seng Boon
Director
28 August 2012