

Part A - Explanatory Notes Pursuant to MFRS 134

1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 30 June 2013. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 July 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation on how the transition from FRS to MFRS has affected the Group's financial position and financial performance is set out in Note 2 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of cash flows.

2. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2012 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognized under FRS is not adjusted.

(b) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on the foreign operations in a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM1,137,154 (30 September 2011 : RM1,137,154; 30 June 2012 : RM1,137,154) were adjusted to retained earnings.

(c) Estimates

The estimates at 1 July 2011 and at 30 June 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 July 2011, the date of transition to MFRS and as of 30 June 2012.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 1 July 2011

	FRS as at 1-Jul-11 RM'000	Effects of adopting MFRS RM'000	MFRS as at 1-Jul-11 RM'000
Retained earnings	29,512	(1,137)	28,375
Foreign currency translation reserve	(1,137)	1,137	-

(ii) Reconciliation of equity as at 30 September 2011

	FRS as at 30-Sep-11 RM'000	Effects of adopting MFRS RM'000	MFRS as at 30-Sep-11 RM'000
Retained earnings	29,851	(1,137)	28,714
Foreign currency translation reserve	(533)	1,137	604

(iii) Reconciliation of equity as at 30 June 2012

	FRS as at 30-Jun-12 RM'000	Effects of adopting MFRS RM'000	MFRS as at 30-Jun-12 RM'000
Retained earnings	31,916	(1,137)	30,779
Foreign currency translation reserve	(1,030)	1,137	107

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 under review.

5. Changes in Estimate

There were no changes in estimates that have a material effect in the current quarter under review.

6. Debt and Equity Securities

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 in the current quarter under review.

7. Dividend Paid

No dividend has been proposed for the financial period ended 30 September 2012.

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

8. Property, Plant and Equipment Valuation

There has been no valuation undertaken for the Group's property, plant and equipment.

9. Changes in the Composition of the Group

On 20 August 2012, the Company's wholly owned subsidiary, Messaging Technologies (H.K.) Limited subscribed an additional 2,828,587 new ordinary shares in Hong Kong Dollar (HKD) 1.00 each at par in AKN Messaging Technologies (Xiamen) Co., Ltd. (MTech Xiamen). As a result, the Company's effective interest in MTech Xiamen has increased from 93.02% to 95.00%.

10. Contingent Liabilities and Contingent Assets

As at 22 November 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 September 2012.

11. Capital commitments

There were no material capital commitments as at the end of the current quarter under review.

12. Segmental Information

Segmental information of the results of the Group for the three (3) months ended 30 September 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	8,295	1,939	1,944	1,941	(523)	13,596
Result						
Segment results	202	812	730	(758)	11	997
Interest income/ (expense)						40
Share of results of jointly controlled entity						(13)
Profit before taxation						1,024
Taxation						(432)
Profit after taxation						592
Minority interests						(177)
Net profit for the period						415
Assets						
Segment assets	23,144	8,661	9,028	7,822	13,716	62,371

(ii) By business segment

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	7,247	6,349	13,596
Result			
Segment results	871	126	997
Interest income/(expense)			40
Share of results of jointly controlled entity			(13)
Profit before taxation			1,024
Taxation			(432)
Profit after taxation			592
Minority interests			(177)
Net profit for the period			415
Assets			
Segment assets	49,379	12,992	62,371

13. Related party transactions

	Current Quarter 3 months ended 30-Sep-12 RM'000	Cumulative Quarter 3 months ended 30-Sep-12 RM'000
Administration and service fee	18	18
	<hr/>	<hr/>
	18	18
	<hr/>	<hr/>

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

14. Subsequent Events

There was no material event that took place between 1 October 2012 and 22 November 2012 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) saved as disclosed under Note 19 - Status of corporate proposals.

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

15. Performance Review

Segment	Current Quarter			Cumulative Quarter	
	Q1'2013	Q1'2012	Q4'2012	YTD'2013	YTD'2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	7,247	7,598	8,362	7,247	7,598
Profit before taxation	898	1,656	1,354	898	1,656
% Profit before taxation	12.4%	21.8%	16.2%	12.4%	21.8%
Trading & Distribution					
Revenue	6,349	5,888	5,794	6,349	5,888
Profit before taxation	126	398	114	126	398
% Profit before taxation	2.0%	6.8%	2.0%	2.0%	6.8%
Total					
Revenue	13,596	13,486	14,156	13,596	13,486
Profit before taxation	1,024	2,054	1,468	1,024	2,054
% Profit before taxation	7.5%	15.2%	10.4%	7.5%	15.2%

Q1'2013 vs Q1'2012 (YTD'2013 vs YTD'2012)

The Group generated revenue of RM13.60 million for Q1'2013, representing an increase of RM0.11 million as compared to RM13.49 million generated in Q1'2012.

Profit before tax for Q1'2013 decreased by RM1.03 million to RM1.02 million as compared to a profit before tax of RM2.05 million generated in Q1'2012.

The drop in the Group's profit before tax was mainly contributed by the significant drop in Indonesia's mobile solutions revenue, even though the cost of operations remain unchanged. This decrease in mobile solutions performance was however partly compensated by the improvement in returns from the mobile solutions channel in countries like Pakistan and Thailand. Also, due to the high competitive nature of the mobile solutions industry in Malaysia, margins has reduced hence lowering the profit.

Other contributing factor for the decrease includes the cost of introduction of five new products across our regional distribution footprint.

Q1'2013 vs Q4'2012

When compared to Q4'2012, revenue of the group decreased by RM0.56 million and profit before tax decreased by RM0.44 million in Q1'2013.

This shortfall in revenue for Q1'2013 was due to the continuous effects of the VAS guidelines introduced in Indonesia as the business struggles to improve through a few strategies geared to be executed in FY13. Also, in Pakistan, there has been a temporary ban on all quiz/gaming related mobile services, which has affected a portion of the recurring revenue. In Malaysia, the decrease in revenue was contributed by the internal operational restructuring exercise conducted at the start of FY13, which resulted in the launch delay of new services.

16. Commentary on Prospects

As the mobile solutions business continues to slowly maintain and/or improve its stature across the region, the Group's focus has been to further enhance and develop its distribution business and online eCommerce initiatives. Under distribution, the continuous introduction of new products and brands through our existing physical dealership channel(s) is deemed to help improve our position as a credible and leading player in the IT gadget distribution industry, which will inevitably gear towards additional returns and better margins.

In FY13, the Group is focused to also further improve on its eCommerce initiatives, mainly executing the strategy to boost the online store, M3Shoppe's performance across 4 main regions - Malaysia, Singapore, Thailand and Indonesia. A revamp on the store's outlook, functionality and marketing strategies, coupled by the hosting of a wider catalog of product offerings, we believe, will soon position M3Shoppe as the to-go online site for gadgets and accessories.

M3's eLearning language product, SpeakEz will also soon be launched in China, and the team is confident that the response will be positively significant.

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.

17. Profit Forecast and Profit Guarantee

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

18. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	167	228	167	228
- Foreign tax	265	446	265	446
	432	674	432	674
Under/(over) provision in prior year:-				
- Malaysian tax	-	-	-	-
- Foreign tax	-	-	-	-
	432	674	432	674

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

19. Status of Corporate Proposals as at 22 November 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 Berhad 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 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 Company had on 2 November 2012 ("Price-Fixing Date") fixed the issue price for the placement of up to 16,096,124 M3 Shares, representing up to 10% of the issued and paid-up share capital of the Company at RM0.2268 per Placement Share.

The issue price for the M3 Shares of RM0.2268 represents a discount of 5% to the five (5) day volume weighted average market price of M3 Shares, up to and including 1 November 2012 (being the last market day prior to the Price-Fixing Date) of RM0.2387 per M3 Share.

The 16,096,000 M3 Shares issued pursuant to the private placement have been listed on the ACE Market of Bursa Malaysia Securities Berhad on 12 November 2012.

The proceeds from the private placement is intended for working capital.

20. Group Borrowings and Debt Securities

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

	30-Sep-12 RM'000	30-Jun-12 RM'000
Current		
<u>Secured</u>		
- Hire purchases	95	48
- Trade term loan (Denominated in US Dollar)	-	745
	<hr/>	<hr/>
	95	793
Non-current		
<u>Secured</u>		
- Hire purchases	400	152
	<hr/>	<hr/>
Total Group borrowings	<hr/> <hr/>	<hr/> <hr/>
	495	945

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

21. Realised and Unrealised Earnings or Losses Disclosure

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

	Current quarter 3 months ended 30-Sep-12 RM'000	Previous financial year ended 30-Jun-12 RM'000 (Restated)
Total retained earnings of the Company and its subsidiaries:		
- Realised	32,014	31,335
- Unrealised	(1,351)	(1,101)
Consolidation adjustments	556	545
Total group retained earnings as per unaudited consolidated financial statement	<u>31,219</u>	<u>30,779</u>

22. Changes in Material Litigation

As at 22 November 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.

23. 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:

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
Profit after tax and minority interest (RM'000)	415	1,148	415	1,148
Weighted average number of ordinary shares in issue	160,961,240	161,904,240	160,961,240	161,904,204
<u>Earnings Per Share</u>				
Basic/Diluted (Sen)	0.26	0.71	0.26	0.71

24. Derivatives

The Group did not enter into any derivatives during the current quarter under review.

25. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

26. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 30 June 2012 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
27 November 2012