M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)
(Incorporated in Malaysia)

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.

<u>Acquisition before date of transition</u>
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 (31 March 2012 : 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 31 March 2012

	FRS as at 31-Mar-12 RM'000	**Effects of adopting MFRS RM'000**	**MFRS as at 31-Mar-12 RM'000**
Retained earnings	31,233	(1,137)	30,096
Foreign currency translation reserve	(1,319)	1,137	(182)

(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

On 12 November 2012, the Company has issued 16,096,000 new ordinary shares of RM0.10 each at an issue price of RM0.2268 each pursuant to the private placement.

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 31 March 2013.

In respect of the financial year ended 30 June 2012, the Company has had 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 which 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 3 December 2012, M3 Asia Sdn. Bhd. ("M3 Asia"), a wholly-owned subsidiary of the Company, has incorporated a new wholly-owned subsidiary under the name of M3Shoppe (Asia) Sdn. Bhd. ("M3Shoppe") and its intended principal activities are providing online buying and selling, e-commerce, online store infrastructure and operational platforms, importing, exporting, trading, distributing, dealing and retailing in a comprehensive range of mobile gadgets, electronic products and other related information technology services.

Presently, the authorised capital of M3Shoppe is RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM2.00 comprising 2 ordinary shares of RM1.00 each directly held by M3 Asia.

The incorporation of M3Shoppe 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 Company and the Group for the financial year ending 30 June 2013.

10. Contingent Liabilities and Contingent Assets

As at 22 May 2013 (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 31 March 2013.

11. Capital commitments

On 8 October 2012, the Company entered into a sale and purchase agreement ("SPA") to purchase a property at a total purchase price of RM660,000. As at the date of this report, the Company has paid a deposit sum of RM66,000, representing 10% of the purchase consideration of the said property.

The balance sum has settled during the quarter with the proceeds from term loan.

There were no other 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 nine (9) months ended 31 March 2013 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	24,494	6,342	6,085	5,349	(2,953)	39,317
Result						
Segment results	(253)	1,848	2,002	(1,738)	(345)	1,514
Interest income/ (expense)						90
Share of results of jointly controlled entity						(18)
Profit before taxation						**1,586**
Taxation						(1,251)
Profit after taxation						**335**
Minority interests						(350)
Net profit for the period						**(15)**
Assets						
Segment assets	29,923	9,107	7,493	8,854	14,026	**69,403**

(ii) By business segment

	Mobile Solutions RM'000	Trading & Distribution RM'000	Group RM'000
Revenue			
External revenue	20,929	18,388	39,317
Result			
Segment results	1,929	(415)	1,514
Interest income/(expense)			90
Share of results of jointly controlled entity			(18)
Profit before taxation			**1,586**
Taxation			(1,251)
Profit after taxation			**335**
Minority interests			(350)
Net profit for the period			**(15)**
Assets			
Segment assets	50,433	18,970	**69,403**

13. Related party transactions

	Current Quarter 3 months ended 31-Mar-13 RM'000	Cumulative Quarter 9 months ended 31-Mar-13 RM'000
Administration and service fee	-	33
	-	33

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 April 2013 and 22 May 2013 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

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 3 months ended			Cumulative quarter 9 months ended	
	31-Mar-13	31-Mar-12	31-Dec-12	**31-Mar-13**	31-Mar-12
	RM'000	RM'000	RM'000	**RM'000**	RM'000
Mobile Solutions					
Revenue	**6,667**	7,581	7,018	**20,929**	22,963
Profit before taxation	**429**	1,762	667	**2,006**	4,799
% Profit before taxation	**6.4%**	23.2%	9.5%	**9.6%**	20.9%
Trading & Distribution					
Revenue	**6,084**	7,085	5,952	**18,388**	19,385
Profit before taxation	**(21)**	113	(513)	**(420)**	1,292
% Profit before taxation	**-0.3%**	1.6%	-8.6%	**-2.3%**	6.7%
Total					
Revenue	**12,751**	14,666	12,970	**39,317**	42,348
Profit before taxation	**408**	1,875	154	**1,586**	6,091
% Profit before taxation	**3.2%**	12.8%	1.2%	**4.0%**	14.4%

Q3’2013 vs Q3’2012

The Group generated revenue of RM12.75 million for this reporting quarter ended 31 March 2013 (“Q3’2013”), representing a decrease of RM1.92 million as compared to RM14.67 million generated in the previous year corresponding quarter ended 31 March 2012 (“Q3’2012”).

Profit before tax for Q3’2013 decreased by RM1.47 million to RM0.41 million as compared to profit before tax of RM1.88 million generated in Q3’2012.

Q3’2013 vs Q2’2013
When compared to the previous quarter ended 31 December 2012 (“Q2’2013”), revenue of the group decreased by RM0.22 million in Q3’2013. However, the profit before tax for Q3’2013 increased by RM0.25 million to RM0.41 million as compare to profit before tax of RM0.15 million generated in Q2’2013.

Q1-Q3’2013 vs Q1-Q3’2012
The Group generated revenue of RM39.32 million for the 9 months ended 31 March 2013 (“Q1-Q3’2013"), representing a decrease of RM3.03 million as compared to RM42.35 million generated for the 9 months ended 31 March 2012 (“Q1-Q3’2012").

Profit before tax for Q1-Q3’2013 decreased by RM4.50 million to RM1.59 million as compared to a profit before tax of RM6.09 million for Q1-Q3’2012.

In summary, the traditional mobile solutions business is very competitive, forcing the respective teams to re-strategize its approach towards more application development rather than content provision/aggregation. Countries like Indonesia, where the new regulatory guidelines have hampered further growth in this area, has been recently restructured to reduce the operating cost and further investment (such as advertising), and focus on the distribution channel in this region. The drop in revenue was further caused by the lengthy process of our import license renewal in Indonesia, which inevitably caused a delay in the launch of new products and stock replenishment in Q3'2013.

In Singapore, the challenging retail sector was also a main contributor to our slowdown in sales.

The lower profit margin seen in Q3'2013 was predominantly due to the losses experienced in these 2 countries.

16. Commentary on Prospects

In Pakistan and the newly acquired market, the Middle East, we see the growth potential in traditional mobile solutions business. There is a large market still untapped and in dire need for rich mobile content and services. We expect to realize this potential in FY2014. In Malaysia and Thailand, there is a growing demand for mobile application development, and this is the focus of the respective mobile solutions teams in these regions. The smartphone penetration rate in these countries is paving the way for corporations to indulge in providing suitable applications for consumers to acquire content. We have also embarked on a resource sharing initiative between our development teams across the region to manage the demand(s) for such applications without the need for further investment in man power.

Under our distribution channel, we have a number of new models and products in the pipeline, which are scheduled to be launched towards the end of Q4'2013 - geared to further boost the group's returns and position in this industry. Our range of Driving Video Recorders (DVR) is slowly gaining acceptance and we strongly believe that it will prove to be the next 'in-demand' product range in this region. We have since introduced our very own WayWay DVR to cater to this growing demand.

The Group is also focused on further improving the returns generated from our eCommerce initiatives, namely our regional online store, M3Shoppe - now fully operational in Malaysia, Singapore and Thailand. Additional storefronts in Indonesia and Hong Kong are scheduled to be launched by early Q1'2014.

Barring unforseen circumstances, the Board of Directors are of the opinion that the Group will improve its profitability in the next quarter.

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 9 months ended	
	31-Mar-13	31-Mar-12	**31-Mar-13**	31-Mar-12
	RM'000	RM'000	**RM'000**	RM'000
In respect of current period:-				
- Malaysian tax	**98**	93	**391**	488
- Foreign tax	**260**	365	**831**	1,264
	358	458	**1,222**	1,752
Under/(over) provision in prior year:-				
- Malaysian tax	**29**	(5)	**29**	(5)
- Foreign tax	**-**	-	**-**	44
	29	(5)	**29**	39
	387	453	**1,251**	1,791

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 May 2013 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report)

The Company had on 4 March 2013 offered to acquire 383,900 ordinary shares of RM1.00 each in Fotokem Sdn. Bhd. (“Sale Shares”), representing 23.993% equity interest in Fotokem Sdn. Bhd. (“Fotokem”) from Ngui Woon Kong and Wong Lim Patt @ Wong Lim Fatt (collectively referred to as the “Vendors”)for a total cash consideration of RM5,998,438, subject to the following:

(i) Satisfactory outcome of the financial, tax and legal due diligence of the Fotokem and its subsidiary companies (“Fotokem Group”); and

(ii) Terms and conditions in the shares sale agreement (“SSA”), shareholders agreement and profit guarantee agreement (collectively referred to as the “Agreements”) to be negotiated between the Company and the Vendors.

The Vendors have acknowledged and accepted the abovementioned offer by the Company on 4 March 2013.

As at the date of this report, the due diligence works has been mostly completed pending third parties’ confirmations and Fotokem’s management reply on outstanding queries by the due diligence teams.

The management is reviewing the draft due diligence reports for further discussion with the Vendors to determine the final purchase price and for Fotokem to fulfill certain conditions precedent as stipulated in the signed letter of offer and terms sheet.

Upon the satisfaction of the above conditions, the Company will enter into a definitive SSA, shareholders agreement and profit guarantee agreement with the Vendors.

20. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2013 and 30 June 2012 are as follows:

	31-Mar-13 RM'000	30-Jun-12 RM'000
Current		
Secured		
- Hire purchases	52	48
- Term loan	84	-
- Trade time loan (Denominated in US Dollar)	682	745
	818	793
Non-current		
Secured		
- Hire purchases	307	152
- Term loan	656	-
	963	
Total Group borrowings	1,781	945

The Group did not have any debt securities as at 31 March 2013.

21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2013 and 30 June 2012 are analysed as follows:

	31-Mar-13 RM'000	30-Jun-12 RM'000 (Restated)
Total retained earnings of the Company and its subsidiaries:		
- Realised	31,842	31,335
- Unrealised	(1,253)	(1,101)
Consolidation adjustments	200	545
Total group retained earnings as per unaudited consolidated financial statement	30,789	30,779

22. Changes in Material Litigation

As at 22 May 2013 (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 9 months ended**	
	31-Mar-13	31-Mar-12	**31-Mar-13**	31-Mar-12
Profit/(Loss) after tax and minority interest (RM'000)	**(66)**	987	**(15)**	3,340
Weighted average number of ordinary shares in issue	**177,057,240**	160,961,240	**169,903,462**	161,588,796
<u>Earnings Per Share</u> Basic/Diluted (Sen)	**(0.04)**	0.61	**(0.01)**	2.07

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 May 2013