

## **Part A - Explanatory Notes Pursuant to MFRS 134**

### **1. Basis of Preparation**

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("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.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2013. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013.

### **2. Significant Accounting Policies**

The accounting policies applied by the Group in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 30 June 2013. The Group has also adopted the following accounting standards and amendments which are effective for annual periods beginning on or after 1 January 2013 :

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (revised)
- MFRS 127, Separate Financial Statements (revised)
- MFRS 128, Investments in Associates and Joint Ventures (revised)
- Amendments to MFRS 7, Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, Consolidated Financial Statements : Transition Guidance
- Amendments to MFRS 11, Joint Arrangements : Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities : Transition Guidance
- Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

The adoption of the above-mentioned accounting standards and amendments does not have any material impacts to the financial statements of the Group.

### **3. 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 Accounting Estimates and Errors**

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 June 2014.

#### **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 18 June 2014, a total cash consideration of RM5,998,438 for the proposed acquisition of 23.993% equity interest in Fotokem Sdn. Bhd. has been fully settled.

Fotokem Sdn. Bhd. is an associated company 23.993% equity owned by M3Tech.

#### **10. Contingent Liabilities and Contingent Assets**

The Subsidiary of the Company - M3 Technologies Pakistan (Private) Limited received a lawsuit from a musician for infringement of rights for Rupees 165,000,000 (RM5,367,945) together with 11 other companies including all telecommunication companies (not related to M3 Group).

Management and solicitors are confident that the likelihood of an unfavorable outcome is extremely low and accordingly no provision had been made in the financial statements.

Saved for this, there were no changes in contingent liabilities and contingent assets as at 22 August 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) since 30 June 2014.

#### **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 cumulative quarter is as follows:

### (i) Geographical Segment

<b><u>12 months ended 30 Jun 14</u></b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Pakistan RM'000</b>	<b>Other Countries RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	27,737	3,494	8,307	7,292	(7,731)	39,099
Segment results	(10,998)	(970)	3,328	(6,208)	5,934	(8,914)
Interest income/(expense)	12	-	-	17	-	29
Share of results in a jointly controlled entity	-	-	-	-	(15)	(15)
Share of results in an associate	-	-	-	-	(27)	(27)
Impairment loss on goodwill	-	-	-	-	(5,711)	(5,711)
Profit/(loss) before taxation	<u>(10,986)</u>	<u>(970)</u>	<u>3,328</u>	<u>(6,191)</u>	<u>181</u>	<u>(14,638)</u>
Segment assets	18,704	7,086	10,726	2,710	3,474	42,700

  

<b><u>12 months ended 30 Jun 13</u></b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Pakistan RM'000</b>	<b>Other Countries RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	30,953	7,657	8,468	7,008	(3,810)	50,276
Segment results	(10,143)	1,701	3,038	(2,511)	8,861	946
Interest income/(expense)	(4)	14	-	88	-	98
Share of results in a jointly controlled entity	-	-	-	-	(35)	(35)
Impairment loss on goodwill	-	-	-	-	(7,259)	(7,259)
Profit/(loss) before taxation	<u>(10,147)</u>	<u>1,715</u>	<u>3,038</u>	<u>(2,423)</u>	<u>1,567</u>	<u>(6,250)</u>
Segment assets	28,173	8,938	8,949	8,253	6,385	60,698

## 12. Segmental Information (cont'd)

### (ii) Business Segment

<b><u>12 months ended 30 Jun 14</u></b>	<b>Mobile Solutions RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	22,596	17,734	(1,231)	39,099
Segment results	(7,188)	(7,660)	5,934	(8,914)
Interest income/(expense)	32	(3)	-	29
Share of results in a jointly controlled entity	-	-	(15)	(15)
Share of results in an associate	-	-	(27)	(27)
Impairment loss on goodwill	-	-	(5,711)	(5,711)
Profit/(loss) before taxation	<u>(7,156)</u>	<u>(7,663)</u>	<u>181</u>	<u>(14,638)</u>
Segment assets	33,075	6,151	3,474	42,700
<b><u>12 months ended 30 Jun 13</u></b>	<b>Mobile Solutions RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
External revenue	27,565	23,114	(403)	50,276
Segment results	(6,544)	(1,371)	8,861	946
Interest income/(expense)	103	(5)	-	98
Share of results in a jointly controlled entity	-	-	(35)	(35)
	-	-	(7,259)	(7,259)
Profit/(loss) before taxation	<u>(6,441)</u>	<u>(1,376)</u>	<u>1,567</u>	<u>(6,250)</u>
Segment assets	37,292	17,021	6,385	60,698

## 13. Related party transactions

	<b>Current Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>30-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sales to an associate	35	-	35	-

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 July 2014 and 22 August 2014 (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**

Business Segment	Current quarter 3 months ended			Cumulative quarter 12 months ended	
	30-Jun-14	30-Jun-13	31-Mar-14	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Mobile Solutions</b>					
Revenue	4,939	6,233	5,778	21,365	27,162
Profit/(loss) before taxation	-6,414	-8,810	570	-7,156	-6,441
% Profit/(loss) before taxation	-129.9%	-141.3%	9.9%	-33.5%	-23.7%
<b>Trading &amp; Distribution</b>					
Revenue	3,455	4,726	3,249	17,734	23,114
Profit/(loss) before taxation	-4,735	-956	-1,365	-7,663	-1,376
% Profit/(loss) before taxation	-137.0%	-20.2%	-42.0%	-43.2%	-6.0%
<b>Adjustment</b>					
Profit/(loss) before taxation	1,524	1,930	-960	181	1,567
<b>Total</b>					
Revenue	8,394	10,959	9,027	39,099	50,276
Profit/(loss) before taxation	-9,625	-7,836	-1,755	-14,638	-6,250
% Profit/(loss) before taxation	-114.7%	-71.5%	-19.4%	-37.4%	-12.4%

Q4'2014 vs Q4'2013

The Group generated revenue of RM8.394 million for this reporting quarter ended 30 June 2014 ("Q4'2014"), representing a decrease of RM2.565 million as compared to RM10.959 million generated in the previous year corresponding quarter ended 30 June 2013 ("Q4'2013").

This has resulted in the increase in loss before tax of RM1.789 million from RM7.836 million generated in Q4'2013 to loss before tax RM9.625 million in Q4'2014.

Q4'2014 vs Q3'2014

When compared to the previous quarter ended 31 March 2014 ("Q3'2014"), revenue of the group decreased by RM0.633 million from RM9.027 million to RM8.394 million in Q4'2014.

The loss before tax for Q4'2014 also has increased by RM7.870 million as compared to loss before tax of RM1.755 million generated in Q3'2014.

Q1-Q4'2014 vs Q1-Q4'2013

The Group generated revenue of RM39.099 million for the 12 months ended 30 June 2014 ("Q1-Q4'2014"), representing a decrease of RM11.177 million as compared to RM50.276 million generated for the 12 months ended 30 June 2013 ("Q1-Q4'2013").

This has also resulted in the increase in loss before tax of RM8.388 million from loss before tax of RM6.250 million generated in Q1-Q4'2013 to loss before tax of RM14.638 million in Q1-Q4'2014.

The further losses experienced in Q4 '2014 compared to Q3' 2014 was contributed by the continuous decline in Value Added Services (VAS) and Distribution revenue namely in Thailand, Indonesia, Singapore and Malaysia. The new range of products under the VAS channel, including Standard Mobile Applications (SMA) and i3Display Interactive Terminals (i3D) did not perform as expected across the related countries.

## 16. Commentary on Prospects

The challenging period of our business continues with further losses in revenue from existing products and services across all channels. A total of RM8.056 million was resulted from inventories written off, product development expenditure written off, and impairment loss on inventories, goodwill and investment in a jointly controlled entity. Without these write offs and impairment, the Group's operating losses were reduced slightly when compared to Q3 2014. In anticipation of further reduction in revenue, the management will strictly monitor the cost management protocols that are in place and endeavour to further reduce expenses across all subsidiaries. Focus is continuously being placed on maximizing the returns from the profitable channels only. Efforts to maximize the awareness of our i3D interactive touch screen solutions and standard/customized mobile applications are underway, with confidence of better success in financial year 2015 ("FY15").

New products for distribution are also being introduced in FY15 to further sustain the Distribution channels across the Group.

The Group expects that FY2015 would be a difficult and challenging year.

## 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 12 months ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
In respect of current period:-				
- Malaysian tax	-	(24)	206	367
- Foreign tax	204	(21)	429	810
Under provision in prior year:-				
- Malaysian tax	-	-	-	29
	<u>204</u>	<u>(45)</u>	<u>635</u>	<u>1,206</u>

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

The Company wish to inform that the cash consideration of RM5,998,438 for the Proposed Acquisition has been fully settled on 18 June 2014.

Fotokem Sdn. Bhd. is an associated company 23.993% equity owned by M3Tech.

## 20. Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2014 and 30 June 2013 are as follows:

	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>		
<u>Secured</u>		
- Obligation under finance leases	131	126
- Term loan	56	53
- Bank borrowings (Denominated in US Dollar)	339	2,638
	<u>526</u>	<u>2,817</u>
<b>Non-current</b>		
<u>Secured</u>		
- Obligation under finance leases	149	409
- Term loan	533	589
	<u>682</u>	<u>998</u>
Total Group borrowings	<u>1,208</u>	<u>3,815</u>

The Group did not have any debt securities as at 30 June 2014.

## 21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 30 June 2014 and 30 June 2013 are analysed as follows:

	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	5,124	20,750
- Unrealised	(165)	(337)
Total share of retained profits from a jointly controlled entity		
- Realised	(218)	(203)
Total share of retained profits from an associate	(27)	-
- Realised		
Consolidation adjustments	2,339	2,286
Total group retained earnings as per unaudited consolidated financial statement	<u>7,053</u>	<u>22,496</u>



## 22. Changes in Material Litigation

As at 22 August 2014 (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 non-controlling interests by the weighted average number of ordinary shares in the respective period as follows:

	<b>Current Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>30-Jun-14</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
Profit/(loss) after tax and non-controlling interests (RM'000)	(9,896)	(8,048)	(15,443)	(8,063)
Weighted average number of ordinary shares in issue	177,057,240	177,057,240	177,057,240	171,691,907
<u>Earnings/(loss) Per Share</u> Basic/Diluted (Sen)	(5.59)	(4.55)	(8.72)	(4.70)

## 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 2013 was not qualified.

By order of the Board of Directors

Lim Seng Boon  
Director  
29 August 2014