

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

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 ("MFRSs") 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 2014. 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 2014.

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 2014. The Group has also adopted the following MFRSs, amendments to MFRSs and IC Interpretation which are:

(i) Effective for financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10, 'Consolidated Financial Statements: Investment Entities'
Amendments to MFRS 12, 'Disclosure of Interest in Other Entities: Investment Entities'
Amendments to MFRS 127, 'Separate Financial Statements: Investment Entities'
Amendments to MFRS 132, 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'
Amendments to MFRS 136, 'Impairment of Assets – Recoverable Amount Disclosure for Non-financial assets'
Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'
IC Interpretation 21 'Levies'

(ii) Effective for financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119, 'Employee Benefits: Defined Plans – Employee Contributions'
Annual Improvements to MFRS 2010 – 2012 Cycle
Annual Improvements to MFRS 2011 – 2013 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 31 December 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

There were no changes in the composition of the Group in the current quarter under review.

10. Contingent Liabilities and Contingent Assets

As at 16 February 2015 (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 December 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

<u>6 months ended 31 Dec 14</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	8,820	917	4,519	1,948	(1,248)	14,956
Segment results	(2,708)	(97)	1,651	(1,073)	3	(2,224)
Interest income/(expense)	(15)	(1)	-	3	-	(13)
Share of results in a joint venture	-	-	-	-	(5)	(5)
Share of results in an Associate	-	-	-	-	(185)	(185)
Profit/(loss) before taxation	<u>(2,723)</u>	<u>(98)</u>	<u>1,651</u>	<u>(1,070)</u>	<u>(187)</u>	<u>(2,427)</u>
Segment assets	44,275	7,751	14,301	17,041	(49,393)	33,975

<u>6 months ended 31 Dec 13</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	14,233	1,883	4,114	3,959	(2,511)	21,678
Segment results	(1,764)	(523)	1,182	(1,799)	(384)	(3,288)
Interest income	15	2	-	12	-	29
Share of results in a joint venture	-	-	-	-	1	1
Profit/(loss) before taxation	<u>(1,749)</u>	<u>(521)</u>	<u>1,182</u>	<u>(1,787)</u>	<u>(383)</u>	<u>(3,258)</u>
Segment assets	28,858	8,118	10,042	6,269	6,280	59,567

12. Segmental Information (cont'd)

(ii) Business Segment

<u>6 months ended 31 Dec 14</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	9,919	6,285	(1,248)	14,956
Segment results	(764)	(1,463)	3	(2,224)
Interest income/(expense)	(13)	-	-	(13)
Share of results in a joint venture	-	-	(5)	(5)
Share of results in an associate	-	-	(185)	(185)
Profit/(loss) before taxation	<u>(777)</u>	<u>(1,463)</u>	<u>(187)</u>	<u>(2,427)</u>
Segment assets	60,559	22,809	(49,393)	33,975

<u>6 months ended 31 Dec 13</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	11,807	12,382	(2,511)	21,678
Segment results	(1,344)	(1,560)	(384)	(3,288)
Interest income/(expense)	32	(3)	-	29
Share of results in a joint venture	-	-	1	1
Profit/(loss) before taxation	<u>(1,312)</u>	<u>(1,563)</u>	<u>(383)</u>	<u>(3,258)</u>
Segment assets	33,251	20,036	6,280	59,567

13. Related party transactions

	Current quarter 3 months ended			Cumulative quarter 6 months ended	
	31-Dec-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000 (Restate)	31-Dec-14 RM'000	31-Dec-13 RM'000
Sales to an associate	9	-	34	43	-

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 January 2015 and 16 February 2015 (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 6 months ended	
	31-Dec-14	31-Dec-13	30-Sep-14	31-Dec-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000	RM'000
			(Restate)		
Mobile Solutions					
Revenue	5,337	5,140	4,512	9,849	10,648
Loss before taxation	(455)	(284)	(948)	(1,403)	(1,312)
% Loss before taxation	-8.5%	-5.5%	-21.0%	-14.2%	-12.3%
Trading & Distribution					
Revenue	2,977	5,561	2,130	5,107	11,030
Profit/(loss) before taxation	200	(1,161)	(1,036)	(836)	(1,563)
% Profit/(loss) before taxation	6.7%	-20.9%	-48.6%	-16.4%	-14.2%
Adjustment					
Loss before taxation	(104)	(428)	(84)	(188)	(383)
Total					
Revenue	8,314	10,701	6,642	14,956	21,678
Loss before taxation	(359)	(1,873)	(2,068)	(2,427)	(3,258)
% Loss before taxation	-4.3%	-17.5%	-31.1%	-16.2%	-15.0%

Q2-2015 vs. Q2-2014

The Group generated revenue of RM8.31 million for this quarter ended 31 December 2014 ("Q2-2015"), representing a decrease of RM2.39 million as compared to RM10.70 million generated in the previous year corresponding quarter ended 31 December 2013 ("Q2-2014").

The loss before tax has been reduced by RM1.51 million (from RM1.87 million in "Q2-2014" to loss before tax of RM0.36 million in "Q2-2015").

Q2-2015 vs. Q1-2015

When compared to the previous quarter ended 30 September 2014 ("Q1-2015"), revenue of The Group increased by RM1.67 million from RM6.64 million to RM8.31 million in "Q2-2015".

The loss before tax for "Q2-2015" has been reduced by RM1.71 million as compared to loss before tax of RM2.07 million resulted in "Q1-2015".

15. Performance Review (cont'd)

Q2-2015 vs. Q1-2015 (cont'd)

The increase in revenue was contributed from both business channels – VAS and Distribution, across most subsidiaries namely Malaysia and Pakistan. The proactive restructuring efforts and cost controlling measures taken in the previous quarters have started to show results, which is reflected in the reduction of losses experienced this quarter.

YTD 2015 vs. YTD 2014

The Group generated revenue of RM14.96 million for the months ended 31 December 2014 (“YTD-2015”), representing a decrease of RM6.72 million as compared to RM21.68 million generated for the 6 months ended 31 December 2013 (“YTD-2014”).

16. Commentary on Prospects

In the second quarter, we saw many of our restructuring efforts start to show results. Positive improvements in revenue coupled with stringent controls and reduction in operational expenses, from most departments across the Group, led to a lower loss scenario.

Positive growth is clearly seen in Indonesia, who has managed to turn around its business into a profitable entity once again – focusing on the distribution of more mainstream products locally, such as GPS vehicle trackers etc. We see this trend improving in the coming quarters.

Since the end of December 2014, our Singapore operation is now managed locally from Malaysia – which reduces associated costs.

Moving forward, our focus still remains on ensuring that each operation is managed effectively, controlling expenses as much as possible, whilst further improving our sales for all channels.

We are of the opinion that the Group’s performance will be markedly improved by the end of this financial 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 6 months ended	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	23	48	43	116
- Foreign tax	96	87	230	193
	<u>119</u>	<u>135</u>	<u>273</u>	<u>309</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. Corporate Proposals

The company had on 17 February 2015 proposed private placement of up to 17,961,474 new ordinary shares of RM 0.10 each represented up to ten percent (10%) of the issued and paid up capital of the Company at an issue price to be determined and announced later.

20. Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2014 and 30 June 2014 are as follows:

	31-Dec-14 RM'000	30-Jun-14 RM'000
Current		
<u>Secured</u>		
- Letters of credit	-	339
- Term loan	58	55
- Obligations under finance leases	69	89
	<u>127</u>	<u>483</u>
Non-current		
<u>Secured</u>		
- Term loan	502	533
- Obligations under finance leases	163	192
	<u>665</u>	<u>725</u>
Total Group borrowings	<u>792</u>	<u>1,208</u>

The Group did not have any debt securities as at 31 December 2014.

21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 December 2014 and 30 June 2014 are analysed as follows:

	31-Dec-14 RM'000	30-Jun-14 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	2,770	5,178
- Unrealised	(223)	(119)
Total share of retained profits from a joint venture		
- Realised	(224)	(218)
Total share of retained profits from an associate		
- Realised	(212)	(27)
Consolidation adjustments	1,732	2,139
Total Group retained earnings as per unaudited consolidated financial statement	3,843	6,953

22. Changes in Material Litigation

As at 16 February 2015 (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:

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Loss after tax and non-controlling interests (RM'000)	(798)	(1,991)	(3,110)	(3,590)
Weighted average number of ordinary shares in issue	177,057,240	177,057,240	177,057,240	177,057,240
<u>Loss Per Share</u>				
Basic/Diluted (Sen)	(0.45)	(1.12)	(1.76)	(2.03)

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 2014 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
26 February 2015