

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 March 2015.

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 the seventh (7th) day before the date of issuing this report, there were no changes in contingent liabilities and contingent assets since 31 March 2015.

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>9 months ended</u> <u>31 Mar 15</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	14,508	1,188	7,119	3,202	(1,254)	24,763
Segment results	(3,212)	(250)	2,611	(1,614)	(9)	(2,474)
Interest income/(expense)	(26)	(3)	-	-	13	(16)
Share of results in a joint venture					11	11
Share of results in an Associate					(536)	(536)
Profit/(loss) before taxation	(3,238)	(253)	2,611	(1,614)	(521)	(3,015)
Segment assets	49,999	8,046	16,453	17,149	(50,809)	40,838

<u>9 months ended</u> <u>31 Mar 14</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	21,287	2,562	6,354	5,525	(5,023)	30,705
Segment results	(2,193)	(629)	1,841	(2,719)	(1,335)	(5,035)
Interest income/(expense)	14	1	-	15	-	30
Share of results in a joint venture					(8)	(8)
Share of results in an Associate					-	-
Profit/(loss) before taxation	(2,179)	(628)	1,841	(2,704)	(1,343)	(5,013)
Segment assets	22,930	7,629	9,727	5,292	6,326	51,904

12. Segmental Information (cont'd)

(ii) Business Segment

<u>9 months ended</u> <u>31 Mar 15</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	16,062	9,954	(1,254)	24,763
Segment results	(1,345)	(1,120)	(9)	(2,474)
Interest income/(expense)	(26)	(3)	13	(16)
Share of results in a joint venture			11	11
Share of results in an associate			(536)	(536)
Profit/(loss) before taxation	(1,371)	(1,123)	(521)	(3,015)
Segment assets	74,150	16,934	(50,246)	40,838
<u>9 months ended</u> <u>31 Mar 14</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	19,164	16,564	(5,023)	30,705
Segment results	(775)	(2,925)	(1,335)	(5,035)
Interest income/(expense)	33	(3)	-	30
Share of results in a joint venture	-	-	(8)	(8)
Share of results in an associate			-	-
Profit/(loss) before taxation	(742)	(2,928)	(1,343)	(5,013)
Segment assets	32,870	12,708	6,326	51,904

13. Related party transactions

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Sales to an associate	29	-	72	-

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 2015 to the seventh (7th) day before the date of issuing 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 9 months ended	
	31-Mar-15	31-Mar-14	31-Dec-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	6,213	5,778	5,337	16,062	16,426
Profit/(loss) before taxation	32	570	(455)	(1,371)	(742)
% Profit/(loss) before taxation	0.5%	9.9%	-8.5%	-8.5%	-4.5%
Trading & Distribution					
Revenue	3,593	3,249	2,977	8,700	14,279
Profit/(loss) before taxation	(287)	(1,365)	200	(1,123)	(2,928)
% Profit/(loss) before taxation	-8.0%	-42.0%	6.7%	-12.9%	-20.5%
Adjustment					
Profit/(loss) before taxation	(334)	(960)	(104)	(521)	(1,343)
Total					
Revenue	9,807	9,027	8,314	24,763	30,705
Profit/(loss) before taxation	(588)	(1,755)	(359)	(3,015)	(5,013)
% Profit/(loss) before taxation	-6.0%	-19.4%	-4.3%	-12.2%	-16.3%

Q3-2015 vs. Q3-2014

The Group generated a total revenue of RM 9.8 million for this quarter, ended 31st of March 2015 (“Q3-2015”), representing an increase of RM 0.8 million as compared to RM 9.0 million generated in the previous year corresponding quarter ended 31 March 2014 (“Q3-2014”).

The loss before tax has been reduced by RM 1.2 million, from RM 1.75 million in “Q3-2014” to loss before tax of RM 0.6 million in “Q3-2015”.

Q3-2015 vs. Q2-2015

When compared to the previous quarter ended 31st of December 2014 (“Q2-2015”), the Group’s revenue increased by RM 1.5 million from RM 8.3 million to RM 9.8 million in “Q3-2015”.

However, the loss before tax for “Q3-2015” has been increased by RM 0.2 million as compared to loss before tax of RM 0.4 million resulted in “Q2-2015”. This was due to namely, the losses incurred by our associated company, an increase in manpower expenses locally in this quarter and reversal of provision for bonuses in the previous quarter.

YTD 2015 vs. YTD 2014

The Group generated revenue of RM 24.8 million for the period ended 31 March 2015 (“YTD-2015”), representing a decrease of RM 5.9 million as compared to RM 30.7 million generated for the period ended 31 March 2014 (“YTD-2014”).

The current financial period loss of RM 536,000 incurred from the associated company would be fully recovered from the profit guarantee agreement as per our public announcement made on 22 November 2013.

16. Commentary on Prospects

In the third quarter, our focus strategies to improve sales across both VAS and Distribution, has started to show dividends. We have seen marginal improvements across most subsidiaries and our immediate objective is to continue our efforts to improve performances from each operations.

Since the end of December 2014, our Singapore operation is now managed locally from Malaysia – which reduces associated costs. We are looking to revisit the Singapore market again once we’ve stabilized all other operations – to explore further potential from this market.

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. The introduction of senior, experienced personnel to spearhead the local VAS and Distribution operations is geared to further enhance the company’s performances and growth moving forward

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-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	(13)	90	-	206
- Foreign tax	181	32	441	225
	<u>168</u>	<u>122</u>	<u>441</u>	<u>431</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

Private Placement of shares

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.

On 16 March 2015, the company obtained Bursa Securities approval of the above private placement listing application with terms and conditions as prescribed under the ACE Market Listing requirements.

The issue price will be determined and announced later based on the Listing requirements once we identified the placee(s) within 6 months from the date of approval by Bursa Securities.

Multiple Proposals

The company had on 16 April 2015 proposed the following corporate exercise:

(a) Proposed Right Issue with warrants;

Proposed renounceable rights issue of up to 395,152,428 new ordinary shares of RM0.10 each in M3Tech together with up to 296,364,321 free detachable warrants at an issue price of RM0.10 per Rights Share on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing M3Tech Shares held on an entitlement date to be determined and announced later based on a minimum subscription level of 80,000,000 Rights Shares together with 60,000,000 Warrants.

(b) Proposed Employees Share Option Scheme (“ESOS”)

Proposed establishment of ESOS of up to 30% of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors) of M3Tech and its subsidiaries who meet the criteria of eligibility for participation in the Scheme as set out in the by-laws containing the rules, terms and conditions of the Scheme.

(c) Proposed increase in authorised share capital ; and

Proposed increase in the authorised share capital of M3Tech from RM25,000,000 comprising 250,000,000 M3Tech Shares to RM200,000,000 comprising 2,000,000,000 M3Tech Shares.

(d) Proposed M&A amendments

Proposed amendments to the Memorandum and Articles of Association of M3Tech to facilitate the Proposed Increase in Authorised Share Capital and the Proposed ESOS.

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the said Multiple Proposals are expected to be completed by the 3rd quarter of 2015.

20. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2015 and 30 June 2014 are as follows:

	31-Mar-15	30-Jun-14
	RM'000	RM'000
Current		
<u>Secured</u>		
- Letters of credit	-	339
- Term loan	58	55
- Obligations under finance leases	119	89
	<hr/> 177	<hr/> 483
Non-current		
<u>Secured</u>		
- Term loan	502	533
- Obligations under finance leases	104	192
	<hr/> 606	<hr/> 725
Total Group borrowings	<hr/> <hr/> 783	<hr/> <hr/> 1,208

The Group did not have any debt securities as at 31 March 2015.

21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2015 and 30 June 2014 are analysed as follows:

	31-Mar-15	30-Jun-14
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	2,532	5,178
- Unrealised	(408)	(119)
Total share of retained profits from a joint venture		
- Realised	(208)	(218)
Total share of retained profits from an associate		
- Realised	(563)	(27)
Consolidation adjustments	1,587	2,139
Total Group retained earnings as per unaudited consolidated financial statement	<hr/> 2,940	<hr/> 6,953

22. Changes in Material Litigation

As at the seventh (7th) day before the date of issuing 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	3 months ended	6 months ended	6 months ended
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
Loss after tax and non-controlling interests (RM'000)	(903)	(1,957)	(4,013)	(5,547)
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)	(0.60)	(1.11)	(2.27)	(3.13)

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
22 May 2015