

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 30 June 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 30 June 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>12 months ended</u> <u>30 June 15</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	21,290	1,821	10,470	3,867	(2,125)	35,322
Investment income	1,855	-	-	-	-	1,855
	23,145	1,821	10,470	3,867	(2,125)	37,177
Segment results	(3,445)	(418)	3,812	(2,174)	-	(2,225)
Interest (expense)/income	(29)	(4)	-	2	-	(31)
Share of results in an Associate	-	-	-	-	(231)	(231)
(Loss)/Profit before taxation	(3,474)	(422)	3,812	(2,172)	(231)	(2,487)
Segment assets	52,796	7,839	18,205	17,535	(51,029)	45,346
<u>12 months ended</u> <u>30 June 14</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	27,737	3,494	8,307	7,292	(7,434)	39,396
Segment results	(10,998)	(970)	3,328	(6,208)	5,891	(8,957)
Interest income/(expense)	12	1	-	17	-	30
Share of results in a joint venture	-	-	-	-	(15)	(15)
Share of results in an Associate	-	-	-	-	(27)	(27)
Impairment on goodwill	-	-	-	-	(5,844)	(5,844)
(Loss)/Profit before taxation	(10,986)	(969)	3,328	(6,191)	5	(14,813)
Segment assets	53,835	7,737	12,425	17,728	(49,068)	42,657

12. Segmental Information (cont'd)

(ii) Business Segment

<u>12 months ended</u> <u>30 June 15</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	25,474	11,973	(2,125)	35,322
Investment income	-	1,855	-	1,855
	25,474	13,828	(2,215)	37,177
Segment results	(1,223)	(1,002)	-	(2,225)
Interest income/(expense)	(28)	(3)	-	(31)
Share of results in an associate	-	-	(231)	(231)
Loss before taxation	(1,251)	(1,005)	(231)	(2,487)
Segment assets	79,018	17,356	(51,028)	45,346
<u>12 months ended</u> <u>30 June 14</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	22,596	17,734	(934)	39,396
Segment results	(7,188)	(7,660)	5,891	(8,957)
Interest income/(expense)	33	(3)	-	30
Share of results in a joint venture	-	-	(15)	(15)
Share of results in an associate	-	-	(27)	(27)
Impairment loss on goodwill	-	-	(5,844)	(5,844)
Loss before taxation	(7,155)	(7,663)	5	(14,813)
Segment assets	33,075	6,151	3,431	42,657

13. Related party transactions

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Sales to an associate	54	-	126	-

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 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 12 months ended	
	30-Jun-15	30-Jun-14	31-Mar-15	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	9,412	5,236	6,214	25,474	21,662
Profit/(loss) before taxation	120	(6,413)	33	(1,251)	(7,155)
% Profit/(loss) before taxation	1.3%	-122.5%	0.5%	-4.9%	-33.0%
Trading & Distribution					
Revenue	3,003	3,455	3,593	11,703	17,734
Profit/(loss) before taxation	118	(4,735)	(287)	(1,005)	(7,663)
% Profit/(loss) before taxation	3.9%	-137.0%	-8.0%	-8.6%	-43.2%
Adjustment					
Profit/(loss) before taxation	290	1,348	(334)	(231)	5
Total					
Revenue	12,414	8,691	9,807	37,177	39,396
Profit/(loss) before taxation	528	(9,800)	(588)	(2,487)	(14,813)
% Profit/(loss) before taxation	4.3%	-112.8%	-6.0%	-6.7%	-37.6%

Q4-2015 vs. Q4-2014

The Group generated total revenue of RM 12.4 million in current quarter ended 30 June 2015 (“Q4-2015”), representing an increase of RM 3.7 million as compared to RM 8.7 million generated in the previous year’s corresponding quarter ended 30 June 2014 (“Q4-2014”).

Q4-2015 vs. Q3-2015

The current quarter revenue has increased by RM 2.6 million as compared to the previous quarter (“Q3-2015”) of RM 9.8 million. The increase in revenue is inclusive of an investment income of RM 1.86 million derived from Profit Guarantee Agreement signed with a shareholder of our Associated company, Fotokem Sdn Bhd. (kindly refer to our Public Announcement dated 22 November 2013 for more detail)

The group operating expenses has reduced as compared to the previous quarter mainly due to reversal of over provision on research and development amortisation costs. Administrative expenses have been increased in this quarter as compared to previous quarter (“Q3- 2015”) mainly due to increase in inventories impairment loss amounting to RM 928,000.

The result before tax has been turnaround from loss before taxation of RM 9.8 million in previous year’s corresponding quarter (“Q4-2014”) to profit before taxation of RM 0.5 million in current quarter.

15. Performance Review (cont'd)

YTD 2015 vs. YTD 2014

The Group generated revenue of RM 37.2 million for the financial year ended 30 June 2015 (“YTD-2015”), representing a decrease of RM 2.2 million as compared to RM 39.4 million generated for the financial year ended 30 June 2014 (“YTD-2014”).

The lower revenue generated in current financial year was mainly due to more competitive market in both VAS and distribution business.

The current financial year loss before taxation was reduced by RM 12.3 million as compare to loss before taxation of RM14.8 million generated in previous financial year (“YTD-2014”). This is mainly contributed by the reduction in operational cost and recognition of investment income of RM1.86 million in current financial year and recognition of impairment of goodwill and joint venture in total of RM 6.6 Million in previous financial year.

16. Commentary on Prospects

In the fourth quarter, our focus was on ensuring that each operation is managed efficiently, the first major step of which was to strictly control expenses whilst further improving sales for all channels. These measures have begun to show substantial results as evidenced by our latest results. Relevant strategies have been implemented across not only our VAS operations, but Distribution as well. As such, our immediate objectives will be to continue our performance enhancing efforts in each and every operation.

Also of significance is the fact that our Singapore operation is now managed locally from Malaysia, which reduces associated costs. Additional efforts to grow the Singapore operation and to realise the full potential of this market will only be revisited once we have stabilised all other regional markets in which we operate.

Moving forward, we will continue to ensure that each operation has controls and procedures in place to ensure that they are managed effectively, operations with minimum expenses, and generating maximum sales across all channels. The introduction of experienced senior personnel, combined with the simultaneous streamlining of management and operational hierarchy is geared to further enhance the Company’s performance and growth.

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-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	43	90	43	206
- Foreign tax	192	32	633	225
	<u>235</u>	<u>122</u>	<u>676</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 to undertake 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 Malaysia Berhad's approval of the above private placement listing application with terms and conditions as prescribed under the ACE Market Listing requirements.

We had on 8 June 2015 fixed the price of RM 0.13 for 1st tranche of 6,000,000 new ordinary shares and subsequently completed this 1st tranche of private placement with proceeds received.

The remaining private placement shares' issue price will be determined and announced later.

Multiple Proposals

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

(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 Issue 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

Proposed increase in the authorised share capital of M3Tech from RM25,000,000 comprising 250,000,000 M3Tech Shares to RM 200,000,000 comprising 2,000,000,000 M3Tech Shares.

(d) Proposed Memorandum and Articles of Association (“M&A”) amendments

Proposed amendments to the M & A of M3Tech to facilitate the Proposed Increase in Authorised Share Capital and the Proposed ESOS.

On 16 June 2015, we had procured the written Irrevocable Undertakings from certain shareholders of M3Tech to subscribe for up to 80,000,000 Rights Issue Shares together with up to 60,000,000 Warrants pursuant to the Proposed Rights Issue with Warrants.

On 3 July 2015, we had submitted the application to Bursa Malaysia Securities Berhad for:

- (i) admission of the Warrants to the Official List of the ACE Market of Bursa Securities; and
- (ii) listing of and quotation for the Rights Shares, the Warrants and the new M3Tech Shares to be issued arising from the exercise of the Warrants and Options on the ACE Market of Bursa Securities.

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 30 June 2015 and 30 June 2014 are as follows:

	30-Jun-15	30-Jun-14
	RM'000	RM'000
Current		
<u>Secured</u>		
- Letters of credit	-	339
- Term loan	58	55
- Obligations under finance leases	110	89
	<hr/> 168	<hr/> 483
Non-current		
<u>Secured</u>		
- Term loan	472	533
- Obligations under finance leases	102	192
	<hr/> 574	<hr/> 725
Total Group borrowings	<hr/> <hr/> 742	<hr/> <hr/> 1,208

The Group did not have any debt securities as at 30 June 2015.

21. Realised and Unrealised Earnings or Losses Disclosure

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

	30-Jun-15	30-Jun-14
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	2,153	5,178
- Unrealised	(143)	(119)
Total share of retained profits from a joint venture		
- Realised	(218)	(218)
Total share of retained profits from an associate		
- Realised	(258)	(27)
Consolidation adjustments	1,365	2,139
Total Group retained earnings as per unaudited consolidated financial statement	2,899	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		12 months ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Loss after tax and non-controlling interests (RM'000)	(41)	(9,996)	(4,054)	(15,543)
Weighted average number of ordinary shares in issue	179,057,240	177,057,240	177,557,240	177,057,240
<u>Loss Per Share</u>				
Basic/Diluted (Sen)	(0.02)	(5.65)	(2.28)	(8.78)

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
25 August 2015