

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 2015. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to understanding the changes in the financial position and performance of the Group since the financial year ended 30 June 2015.

2. Significant Accounting Policies

The accounting policies applied by the Group in preparing the condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 30 June 2015. The Group will adopt the following MFRSs, amendments to MFRSs and IC Interpretation when they become effective in the following financial year:

(i) Effective for financial periods beginning on or after 1 July 2015:

- Amendments to MFRS 11 ‘Accounting for Acquisition of Interests in Joint Operations’
- Amendments to MFRS 127 ‘Equity Method in Separate Financial Statements’
- Amendments to MFRS 10 and MFRS 128 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’
- Annual Improvements to MFRSs 2012-2014
- Amendments to MFRS 10, 12 and 128 ‘Investment Entities – Applying the Consolidation Exception’
- Amendments to MFRS 101 ‘Presentation of Financial Statements – Disclosure Initiative’

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 accounting estimates or error 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 September 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 Assets and Contingent Liabilities

As at the seventh (7th) day before the date of issuing this report, there were no changes in contingent assets and contingent liabilities 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>3 months ended</u> <u>30 Sept 15</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	6,443	291	3,561	1,015	(443)	10,867
Segment results	(1,138)	295	1,333	344	-	834
Interest (expense)/income	(6)	(1)	-	-	-	(7)
Share of results in an Associate	-	-	-	-	(401)	(401)
Profit/(loss) before taxation	(1,144)	294	1,333	344	(401)	426
Segment assets	10,268	8,213	18,774	(2,378)	15,084	49,961
<u>3 months ended</u> <u>30 Sept 14</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	4,614	298	2,033	903	(1,206)	6,642
Segment results	(1,658)	(134)	730	(912)	3	(1,971)
Interest income/(expense)	(8)	(1)	-	1	-	(8)
Share of results in a joint venture	-	-	-	-	(2)	(2)
Share of results in an Associate	-	-	-	-	(87)	(87)
Profit/(loss) before taxation	(1,666)	(135)	730	(911)	(86)	(2,068)
Segment assets	45,208	7,415	12,388	16,811	(49,174)	32,648

12. Segmental Information (cont'd)

(ii) Business Segment

<u>3 months ended</u> <u>30 Sept 15</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	9,420	1,890	(443)	10,867
Segment results	975	(141)	-	834
Interest income/(expense)	(6)	(1)	-	(7)
Share of results in an associate	-	-	(401)	(401)
Profit/(loss) before taxation	969	(142)	(401)	426
Segment assets	33,189	1,688	15,084	49,961

<u>3 months ended</u> <u>30 Sept 14</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	4,980	2,866	(1,204)	6,642
Segment results	(1,349)	(627)	5	(1,971)
Interest income/(expense)	(6)	(2)	-	(8)
Share of results in a joint venture	-	-	(2)	(2)
Share of results in an associate	-	-	(87)	(87)
Loss before taxation	(1,355)	(629)	(84)	(2,068)
Segment assets	58,782	23,040	(49,174)	32,648

13. Related party transactions

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30-Sept-15 RM'000	30-Sept-14 RM'000	30-Sept-15 RM'000	30-Sept-14 RM'000
Sales to an associate	35	49	35	49

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 1st October 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 3 months ended	
	30-Sept-15	30-Sept-14	30-June-15	30-Sept-15	30-Sept-14
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	9,420	674	9,424	9,420	674
Profit/(loss) before taxation	969	(948)	(9,832)	969	(948)
% Profit/(loss) before taxation	10.3%	-140.7%	-104.3%	10.3%	-140.7%
Trading & Distribution					
Revenue	1,446	5,968	1,102	1,447	5,968
Profit/(loss) before taxation	(142)	(1,036)	9,708	(142)	(1,036)
% Profit/(loss) before taxation	-9.8%	-17.4%	880.9%	-9.8%	-17.4%
Adjustment					
Profit/(loss) before taxation	(401)	(84)	291	(401)	(84)
Total					
Revenue	10,867	6,642	10,526	10,867	6,642
Profit/(loss) before taxation	426	(2,068)	167	426	(2,068)
% Profit/(loss) before taxation	3.9%	-31.1%	1.6%	3.9%	-31.1%

Q1-2016 vs. Q1-2015

The Group generated total revenue of RM 10.87 million for this quarter ended 30 September 2015 (“Q1-2016”), representing an increase of RM 4.23 million as compared to RM 6.64 million generated in the previous year corresponding quarter ended 30 September 2014 (“Q1-2015”).

The result before tax has been turnaround from loss before taxation of RM 2.07 million in “Q1-2015” to profit before taxation of RM 0.43 million in “Q1-2016”.

Q1-2016 vs. Q4-2015

Comparing to the previous quarter ended 30 June 2015 (“Q4-2015”), the Group’s revenue was marginally higher from RM 10.53 million to RM 10.87 million in “Q1-2016”.

The profit before taxation has been increased to RM 0.43 million for “Q1-2016” as compared to profit before tax of RM 0.16 million in “Q4-2015”. The marginally improvement on higher profit before taxation was the positive impact of successful reduction in operational costs and manpower restructuring even though the overall profit margin has been reduced as a results of market competitiveness and challenging business environment.

16. Commentary on Prospects

In this financial period ended 30 September 2015, our previous efforts in improving the sales across both Mobile Solutions and Distribution channels, restructuring the usage of manpower and resources together with costs rationalisation had materialized.

After the past years restructuring exercise, and also refocus of M3 core competency, the new businesses which we have developed, namely i3Displays, Getsnapps has started to contribute positively to the overall performance.

With past years effort spent in Research & Development, the above 2 products are already performing to expectation. With that, we have few other products which we are at the final stage of development.

More new exciting software products will be rolled out to our other subsidiaries by the 3rd quarter of this financial year ending 30 June 2016.

At this present moment, restructuring and rationalization of some subsidiaries, e.g. Indonesia, Thailand and China is still in progress. Bearing in mind the current market condition, we will introduce new products into the market prudently.

Barring any unforeseen circumstances, we believe that the coming financial year would perform better than previous financial year with the current strategic focus and direction.

17. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

18. Taxation

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	20	-	20
- Foreign tax	262	134	262	134
	<u>262</u>	<u>154</u>	<u>262</u>	<u>154</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 a 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 (“Private Placement”).

6,000,000 new ordinary shares has been allotted 10 June 2015 at an issue price of RM 0.13 each representing the 1st tranche of Private Placement.

Bursa Malaysia Securities Berhad had on 7 September 2015, approved for an extension of time of six (6) months to 15 March 2016 to complete the implementation of the Private Placement.

11,705,700 new ordinary shares has subsequently been allotted on 12 November 2015 at an issue price of RM0.105 each representing the 2nd and final tranche of the Private Placement.

The proceeds from the 1st tranche of RM 780,000 has been fully utilised for repayment of suppliers, while the 2nd tranche proceeds of RM1,229,098.50 was fully utilised as follow:

	RM
Repayment to Suppliers	146,488.50
Repayment of loan from a Director	1,082,610.00

Total	1,229,098.50
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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.

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 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.

Save and except for Ordinary Resolution 5 which has been withdrawn and not tabled for shareholders' approval at the Extraordinary General Meeting ("EGM") on 25 November 2015, the above Proposals were duly passed at the EGM.

20. Group Borrowings and Debt Securities

The Group borrowings as at 30 September 2015 and 30 June 2015 are as follows:

	30-Sept-15 RM'000	30-Jun-15 RM'000
<u>Current</u>		
<u>Secured</u>		
- Term loan	58	58
- Obligations under finance leases	106	102
	<hr/> 164	<hr/> 160
<u>Non-current</u>		
<u>Secured</u>		
- Term loan	457	472
- Obligations under finance leases	87	116
	<hr/> 544	<hr/> 588
Total Group borrowings	<hr/> <hr/> 708	<hr/> <hr/> 748

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

21. Realised and Unrealised Earnings or Losses Disclosure

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

	30-Sept-15 RM'000	30-Jun-15 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	(11,557)	(12,002)
- Unrealised	92	(28)
Total share of retained profits from a joint venture		
- Realised	(218)	(218)
Total share of retained profits from an associate		
- Realised	(659)	(258)
Consolidation adjustments	14,794	15,094
Total Group retained earnings as per unaudited consolidated financial statement	2,452	2,588

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	
	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14
Profit/(Loss) after tax and non-controlling interests (RM'000)	(424)	(2,312)	(424)	(2,312)
Weighted average number of ordinary shares in issue	183,057,240	177,057,240	183,057,240	177,057,240
<u>Loss Per Share</u>				
Basic/Diluted (Sen)	(0.24)	(1.31)	(0.24)	(1.31)

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 financial year ended 30 June 2015 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
26 November 2015