

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Three (3) months ended 30 September 2016

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30-Sep-16 Unaudited RM'000	30-Sep-15 Unaudited RM'000	30-Sep-16 Unaudited RM'000	30-Sep-15 Unaudited RM'000
Revenue	7,888	10,867	7,888	10,867
Operating Expenses	(7,780)	(10,033)	(7,780)	(10,033)
Profit/(Loss) from Operations	<u>108</u>	<u>834</u>	<u>108</u>	<u>834</u>
Net interest income/(expense)	5	(7)	5	(7)
Share of results in an associate	-	(401)	-	(401)
Profit/(Loss) before taxation	<u>113</u>	<u>426</u>	<u>113</u>	<u>426</u>
Income tax expense	(337)	(262)	(337)	(262)
Net Profit/(Loss) for the period	<u>(224)</u>	<u>164</u>	<u>(224)</u>	<u>164</u>
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences	<u>575</u>	<u>1,483</u>	<u>575</u>	<u>1,483</u>
Other comprehensive income/(loss) for the period, net of tax	<u>575</u>	<u>1,483</u>	<u>575</u>	<u>1,483</u>
Total comprehensive income/(loss) for the period	<u>351</u>	<u>1,647</u>	<u>351</u>	<u>1,647</u>
Attributable to:				
Equity holders of the Company	(944)	(424)	(944)	(424)
Non-controlling interests	<u>720</u>	<u>588</u>	<u>720</u>	<u>588</u>
	<u>(224)</u>	<u>164</u>	<u>(224)</u>	<u>164</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	(569)	633	(569)	633
Non-controlling interests	<u>920</u>	<u>1,014</u>	<u>920</u>	<u>1,014</u>
	<u>351</u>	<u>1,647</u>	<u>351</u>	<u>1,647</u>
Earnings/(loss) per share				
Basic / Diluted (sen)	(0.21)	(0.24)	(0.21)	(0.24)

(The Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements)

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

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
For the Three (3) months ended 30 September 2016

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30-Sep-16 Unaudited RM'000	30-Sep-15 Unaudited RM'000	30-Sep-16 Unaudited RM'000	30-Sep-15 Unaudited RM'000
Profit/(Loss) before taxation				
Included in the Profit/(loss) before tax are the following items:				
Allowance for impairment of receivables	-	198	-	198
Amortisation of product development expenditure	241	277	241	277
Bad debts recovered	(1)	-	(1)	-
Depreciation of plant and equipment	249	322	249	322
<u>(Gain)/loss on foreign exchange translation</u>				
- Realised	5	10	5	10
- Unrealised	213	(151)	213	(151)
<u>Interest expense/(income)</u>				
- Interest expense	9	9	9	9
- Interest income	(14)	(2)	(14)	(2)
Property, plant and equipment written off	-	9	-	9

There is no income/expenses in relation to the below items :

- (Gain)/loss on disposal of plant and equipment
- Allowance for impairment of joint venture
- Bad debts written off
- Exceptional items (Otherwise disclosed)
- Gain/loss on derivatives
- Impairment loss on goodwill
- Impairment loss on investment in an associate
- Inventories written down
- Inventories written off
- Investment income - Profit Guarantee ; and
- Product development expenditure written off

(The Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 30 September 2016

	30-Sep-16 Unaudited RM'000	30-Jun-16 Audited RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	4,013	3,918
Intangible assets	4,399	4,198
Interest in a jointly controlled entity	-	-
Investment in an associate	-	-
	<u>8,412</u>	<u>8,116</u>
Current Assets		
Inventories	4,957	3,916
Trade and other receivables	24,082	23,757
Amount due from related company	-	-
Amount due from jointly controlled entity	26	64
Tax refundable	1,139	1,137
Cash and bank balances	39,978	6,408
	<u>70,182</u>	<u>35,282</u>
Asset classified as held for sale	-	3,780
TOTAL ASSETS	<u>78,594</u>	<u>47,178</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	58,685	19,732
Share premium	4,631	4,631
Treasury shares	(566)	(566)
Retained earnings	(4,283)	(3,339)
Foreign currency translation reserve	1,687	1,312
	<u>60,154</u>	<u>21,770</u>
Non-controlling interests	<u>7,603</u>	<u>6,683</u>
Total equity	<u>67,757</u>	<u>28,453</u>
Current Liabilities		
Trade and other payables	9,869	17,900
Loans and borrowings	149	164
Amount due to a director	50	160
Tax payable	312	-
	<u>10,380</u>	<u>18,224</u>
Non-current Liabilities		
Loans and borrowings	395	429
Deferred tax liabilities	62	60
Provision for gratuity	-	12
	<u>457</u>	<u>501</u>
Total liabilities	<u>10,837</u>	<u>18,725</u>
TOTAL EQUITY AND LIABILITIES	<u>78,594</u>	<u>47,178</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	10.30	11.18

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**For the Three (3) months ended 30 September 2016**

	Share Capital	Share Premium	Treasury Shares	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-Controlling Interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Three (3) months ended 30 September 2016								
Balance at 1 July 2016	19,732	4,631	(566)	1,312	(3,339)	21,770	6,683	28,453
Issuance of shares	38,953		-	-	-	38,953	-	38,953
Total comprehensive income/(loss) for the period	-	-	-	375	(944)	(569)	920	351
Transactions with owners								
Dividend paid	-	-	-	-	-	-	-	-
Balance at 30 September 2016	58,685	4,631	(566)	1,687	(4,283)	60,154	7,603	67,757
Three (3) months ended 30 September 2015								
Balance at 1 July 2015	18,561	4,573	(566)	1,625	2,588	26,781	4,905	31,686
Total comprehensive income/(loss) for the period	-	-	-	769	(136)	633	1,311	1,944
Balance at 30 September 2015	18,561	4,573	(566)	2,394	2,452	27,414	6,216	33,630

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements)

M3 TECHNOLOGIES (ASIA) BERHAD (482772-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**For the Three (3) months ended 30 September 2016**

	3 months ended	
	30-Sep-16	30-Sep-15
	Unaudited	Unaudited
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	113	426
Adjustment for :		
Allowance for impairment of receivables	-	198
Amortisation of product development expenditure	241	277
Bad debts recovered	(1)	-
Depreciation of plant and equipment	249	322
(Gain)/loss on foreign exchange translation - Unrealised	213	(151)
Interest expense	9	9
Interest income	(14)	(2)
Plant and equipment written off	-	9
Share of results in an associate	-	401
Operating profit/(loss) before working capital changes	<u>810</u>	<u>1,489</u>
Changes in working capital :		
(Increase)/Decrease in inventories	(1,041)	(583)
(Increase)/Decrease in trade and other receivables	(537)	(4,024)
(Increase)/Decrease in amount due from an joint venture	38	-
Increase/(Decrease) in trade and other payables	(8,153)	3,283
Increase/(Decrease) in amount due to a Director	(110)	-
Cash flows (used in)/generated from operating activities	<u>(8,993)</u>	<u>165</u>
Tax paid	(20)	(71)
Net cash (used in)/generated from operating activities	<u>(9,013)</u>	<u>94</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	14	2
Purchase of plant and equipment	(344)	(435)
Product development expenditure	(442)	(767)
Net cash (used in)/generated from investing activities	<u>(772)</u>	<u>(1,200)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(9)	(9)
Issuance of new shares	38,953	-
Repayment of loans and borrowings	(49)	(40)
Net cash (used in)/generated from financing activities	<u>38,895</u>	<u>(49)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	29,110	(1,155)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,460	1,932
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>6,408</u>	<u>3,512</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>39,978</u>	<u>4,289</u>

The cash and cash equivalents at beginning of year and quarter end represents cash on hand, cash and banks balances.

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements)

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 2016. 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 2016.

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 2016. 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 2016:

MFRS 14 ‘Regulatory Deferral Accounts’

Amendments to MFRS 11 ‘Accounting for Acquisition of Interests in Joint Operations’

Amendments to MFRS 101 ‘Disclosure Initiative’

Amendments to MFRS 127 ‘Equity Method in Separate Financial Statements’

Amendments to MFRS 116 and MFRS 138 ‘Clarification of Acceptable Methods of Depreciation’

Amendments to MFRS 116 and MFRS 141 ‘Agriculture: Bearer Plants’

Amendments to MFRS 10, 12 and 128 ‘Investment Entities: Applying the Consolidation Exception’

Annual Improvements to MFRSs 2012-2014 Cycle

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

The Company had on 25 August 2016 completed its Rights Issue with Warrants exercise following the admission of the warrants to the Official List and the listing of and quotation for 389,525,880 new ordinary shares of RM0.10 each together with 292,144,409 warrants on the ACE Market of Bursa Securities.

Save as disclosed above, there were no issuance, repurchases and repayments of debt and equity securities in the current quarter under review.

7. Dividend Paid

No dividend has been proposed or paid in the current quarter under review.

8. 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 September 16</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	2,751	150	4,102	1,173	(288)	7,888
Segment results	(1,537)	(294)	2,073	(204)	70	108
Interest (expense)/income	7	(1)	-	(1)	-	5
Share of results in Profit/(loss) before taxation	(1,530)	(295)	2,073	(205)	70	113
Segment assets	56,550	9,009	24,400	20,858	(32,223)	78,594

<u>3 months ended</u> <u>30 September 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
Segments results	(1,138)	295	1,333	344	-	834
Interest income/(expense)	(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

8. Segmental Information (cont'd)

(ii) Business Segment

<u>3 months ended</u> <u>30 September 16</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	6,661	1,515	(288)	7,888
Segment results	395	(357)	70	108
Interest income/(expense)	7	(2)	-	5
Profit/(loss) before taxation	402	(359)	70	113
Segment assets	90,653	20,164	(32,223)	78,594

<u>3 months ended</u> <u>30 September 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)
Loss before taxation	969	(142)	(401)	426
Segment assets	33,189	1,688	15,084	49,961

9. Related parties transactions

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30-Sept-16 RM'000	30-Sept-15 RM'000	30-Sept-16 RM'000	30-Sept-15 RM'000
Administration fee	8	-	8	-
Sales to an associate	-	35	-	35
	<u>8</u>	<u>35</u>	<u>8</u>	<u>35</u>

The transactions were carried out in the ordinary course of business and are on normal commercial terms

10. Subsequent Events

There was no material event that took place between 1st October 2016 to the seventh 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

11. Performance Review

Business Segment	Current quarter 3 months ended			Cumulative quarter 3 months ended	
	FY2017-Q1	FY2016-Q1	FY2016-Q4	FY2017-Q1	FY2016-Q1
	30-Sept-16	30-Sept-15	30-June-16	30-Sept-16	30-Sept-15
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	6,661	9,420	7,427	6,661	9,420
Profit/(loss) before taxation	402	969	(21,210)	402	969
% Profit/(loss) before taxation	6.0%	10.3%	-285.6%	6.0%	10.3%
Trading & Distribution					
Revenue	1,227	1,446	2,480	1,227	1,447
Profit/(loss) before taxation	(359)	(142)	(4,563)	(359)	(142)
% Profit/(loss) before taxation	-29.3%	-9.8%	-184.0%	-29.3%	-9.8%
Adjustment					
Profit/(loss) before taxation	70	(401)	22,974	70	(401)
Total					
Revenue	7,888	10,867	9,907	7,888	10,867
Profit/(loss) before taxation	113	426	(2,799)	113	426
% Profit/(loss) before taxation	1.4%	3.9%	-28.3%	1.4%	3.9%

Q1-2017 vs. Q1-2016

The Group generated a total revenue of RM 7.89 million for this quarter ended 30 September 2016 (“Q1-2017”), representing a decrease of RM 2.98 million as compared to RM 10.87 million generated in the previous year corresponding quarter ended 30 September 2015 (“Q1-2016”).

The decrease in revenue in “Q1-2017” was contributed by revenue decrease in Mobile Solutions Services (VAS) due to challenging business competition in Malaysia.

The profit before taxation decreased by RM 0.32 million from RM 0.43 million in “Q1”-2016 as compared to profit before taxation of RM 0.11 million generated in “Q1-2017”.

There was one-time cost incurred in “Q1-2017” for the corporate right issue exercise expense amounting to RM 0.32 million has contributed to reduce Group’s profit before tax in “Q1-2017”.

Q1-2017 vs. Q4-2016

Comparing to the previous quarter ended 30 June 2016 (“Q4-2016”), the Group’s revenue was decreased by RM 2.02 million from RM 9.91 million to RM 7.89 million in (“Q1-2017”).

The profit before taxation for 30 September 2016 (“Q1-2017”) was increased by RM 2.91 million as compared to loss before taxation of RM 2.8 million incurred in the previous quarter ended 30 June 2016 (“Q4-2016”).

In comparing profit before taxation for “Q1-2017” and “Q4-2016”, there is Mobile Solution’s audit adjustment of RM21.7 million has been made in “Q4-2016” for the provision for subsidiary’s value diminution contributed to significant loss in Mobile Solution. This provision has been adjusted back in preparing the Group’s Consolidation Report for “Q4-2016”.

12. Commentary on Prospects

Due to the competitive challenges facing VAS Mobile business, revenue from this segment has decreased and this has contributed to the drop in revenue. Nevertheless, due to various cost cutting measures undertook much earlier in anticipation, the group still register RM 0.11 million profit before tax.

Going forward, the Group is confident to improve Revenue with the addition of new product range, improve current products & services and aggressive marketing plan namely:

1. A new Brand “Ezviz” which offers a full range of Smart Home Security devices and Sports Camera.
2. Full marketing launch of i3Display and Getsnapps both locally and at oversea market namely Thailand and China where the group subsidiaries operate.
3. Launching newly develop business module/software of i3Teamworks.
4. Implement more services for VAS Business.

We are confident that with the addition of the above New product/services and marketing plan fully deploy in these regions, the group Revenue shall improve barring any unforeseen circumstances.

13. Profit Forecast and Profit Guarantee

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

14. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	-	-	-
- Foreign tax	337	262	337	262
	<u>337</u>	<u>262</u>	<u>337</u>	<u>262</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 a subsidiary.

15. Corporate Proposals

Utilisation of Proceeds from Corporate Exercises

Multiple Proposals

The Company had on 25 August 2016 completed its Rights Issue with Warrants exercise following the admission of the warrants to the Official List and the listing of and quotation for 389,525,880 new ordinary shares of RM0.10 each together with 292,144,409 warrants on the ACE Market of Bursa Securities.

The utilisation of gross proceeds raised as at 30 September 2016 is as follows:-

Purpose	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance yet to be utilised (RM'000)	Estimated timeframe for utilisation
Purchase of i3Display terminals, screens and parts	8,000	154	7,846	Within 24 months
Purchase of products for distribution within existing and new product range	6,500	2,248	4,252	Within 24 months
Purchase of smart home solution devices	3,000	251	2,749	Within 24 months
Product/software development expenditure	3,500	198	3,302	Within 24 months
Working capital	16,952	1,593	15,359	Within 24 months
Estimated expenses for the proposals	1,000	270	730	Within 24 months
Total	38,952	4,714	34,248	

16. Group Borrowings and Debt Securities

The Group borrowings as at 30 Sept 2016 and 30 Sept 2015 are as follows:

	30-Sept-16 RM'000	30-Sept-15 RM'000
<u>Current Secured</u>		
- Term loan	55	58
- Obligations under finance leases	94	106
	<hr/> 149	<hr/> 164
<u>Non-current Secured</u>		
- Term loan	394	457
- Obligations under finance leases	1	87
	<hr/> 395	<hr/> 544
Total Group borrowings	<hr/> <hr/> 544	<hr/> <hr/> 708

The Group did not have any debt securities as at 30 Sept 2016.

17. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 30 September 2016 and 30 June 2016 are analysed as follows:

	30-Sept-16 RM'000	30-June-16 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	(4,221)	(3,279)
- Unrealised	(62)	(60)
Total share of retained profits from a joint venture		
- Realised	(218)	(218)
Total share of retained profits from an associate		
- Realised	-	(1,153)
Consolidation adjustments	218	1,371
Total Group retained earnings as per unaudited consolidated financial statement	<hr/> <hr/> (4,283)	<hr/> <hr/> (3,339)

18. 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.

19. 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 3 months ended		Cumulative Quarter 3 months ended	
	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15
Profit/(Loss) after tax and non-controlling interests (RM'000)	(944)	(424)	(944)	(424)
Weighted average number of ordinary shares in issue	454,446,860	183,057,240	454,446,860	183,057,240
<u>Profit/(Loss) Per Share</u>				
Basic Earnings/(Diluted) Sen	(0.21)	(0.24)	(0.21)	(0.24)

20. Derivatives

The Group did not enter into any derivatives during the current quarter under review.

21. 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.

22. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2016 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
25 Nov 2016