

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Nine (9) months ended 31 March 2017

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31-Mar-17 Unaudited RM'000	31-Mar-16 Unaudited RM'000	31-Mar-17 Unaudited RM'000	31-Mar-16 Unaudited RM'000
Revenue	9,956	10,178	26,642	32,011
Operating Expenses	(9,176)	(9,401)	(25,055)	(30,503)
Profit from Operations	<u>780</u>	<u>777</u>	<u>1,587</u>	<u>1,508</u>
Net interest income/(expense)	37	(8)	61	(21)
Share of results in an associate	-	(205)	-	(753)
Profit before taxation	<u>817</u>	<u>564</u>	<u>1,648</u>	<u>734</u>
Income tax expense	(585)	(391)	(1,507)	(1,116)
Net Profit/(Loss) for the period	<u><u>232</u></u>	<u><u>173</u></u>	<u><u>141</u></u>	<u><u>(382)</u></u>
Other comprehensive (loss)/income, net of tax				
Foreign currency translation differences	<u>(152)</u>	<u>(1,963)</u>	<u>2,079</u>	<u>(836)</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(152)</u>	<u>(1,963)</u>	<u>2,079</u>	<u>(836)</u>
Total comprehensive income/(loss) for the period	<u><u>80</u></u>	<u><u>(1,790)</u></u>	<u><u>2,220</u></u>	<u><u>(1,218)</u></u>
Attributable to:				
Equity holders of the Company	(574)	(316)	(2,257)	(1,983)
Non-controlling interests	<u>806</u>	<u>489</u>	<u>2,398</u>	<u>1,601</u>
	<u><u>232</u></u>	<u><u>173</u></u>	<u><u>141</u></u>	<u><u>(382)</u></u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	(539)	(1,716)	(939)	(2,718)
Non-controlling interests	<u>619</u>	<u>(74)</u>	<u>3,159</u>	<u>1,500</u>
	<u><u>80</u></u>	<u><u>(1,790)</u></u>	<u><u>2,220</u></u>	<u><u>(1,218)</u></u>
Earnings/(loss) per share				
Basic / Diluted (sen)	(0.10)	(0.16)	(0.42)	(1.05)

(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 Nine (9) months ended 31 March 2017

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit before taxation				
Included in the Profit before tax are the following items:				
Allowance for impairment of receivables	-	-	-	288
Amortisation of product development expenditure	274	241	765	776
Bad debts recovered	-	100	(1)	100
Depreciation of plant and equipment	299	300	810	953
(Gain)/loss on disposal of plant and equipment	10	-	(10)	-
<u>(Gain)/loss on foreign exchange translation</u>				
- Realised	(67)	9	21	34
- Unrealised	(357)	161	(542)	37
<u>Interest expense/(income)</u>				
- Interest expense	13	10	30	29
- Interest income	(50)	(2)	(91)	(8)
Property, plant and equipment written off	-	-	-	9

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

- 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 31 March 2017

	31-Mar-17 Unaudited RM'000	30-Jun-16 Audited RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	5,924	3,918
Intangible assets	5,653	4,198
Interest in a jointly controlled entity	-	-
Investment in an associate	-	-
	<u>11,577</u>	<u>8,116</u>
Current Assets		
Inventories	7,014	3,916
Trade and other receivables	29,752	23,757
Amount due from jointly controlled entity	-	64
Tax refundable	1,183	1,137
Cash and bank balances	31,700	6,408
	<u>69,649</u>	<u>35,282</u>
Asset classified as held for sale	-	3,780
TOTAL ASSETS	<u>81,226</u>	<u>47,178</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	63,316	19,732
Share premium	-	4,631
Treasury shares	(566)	(566)
Accumulated losses	(5,596)	(3,339)
Foreign currency translation reserve	2,630	1,312
	<u>59,784</u>	<u>21,770</u>
Non-controlling interests	<u>9,842</u>	<u>6,683</u>
Total equity	<u>69,626</u>	<u>28,453</u>
Current Liabilities		
Trade and other payables	9,977	17,900
Loans and borrowings	162	164
Amount due to a director	20	160
Tax payable	343	-
	<u>10,502</u>	<u>18,224</u>
Non-current Liabilities		
Loans and borrowings	1,020	429
Deferred tax liabilities	65	60
Provision for gratuity	13	12
	<u>1,098</u>	<u>501</u>
Total liabilities	<u>11,600</u>	<u>18,725</u>
TOTAL EQUITY AND LIABILITIES	<u>81,226</u>	<u>47,178</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	10.23	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 Nine (9) months ended 31 March 2017

	Share Capital	Share Premium	Treasury Shares	Foreign Currency Translation Reserve	Retained Earnings/ (Accumulated Losses)	Total	Non-Controlling Interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Nine (9) months ended 31 March 2017								
Balance at 1 July 2016	19,732	4,631	(566)	1,312	(3,339)	21,770	6,683	28,453
Adjustments for effects of Companies Act 2016 (Note a)	4,631	(4,631)						
Issuance of shares	38,953		-	-	-	38,953	-	38,953
Total comprehensive income/(loss) for the period	-	-	-	1,318	(2,257)	(939)	3,159	2,220
Balance at 31 March 2017	63,316	-	(566)	2,630	(5,596)	59,784	9,842	69,626

Nine (9) months ended 31 March 2016

Balance at 1 July 2015	18,561	4,572	(566)	1,625	2,588	26,780	4,905	31,685
Issuance of shares	1,171	59	-	-	-	1,230	-	1,230
Total comprehensive income/(loss) for the period	-	-	-	(400)	(2,318)	(2,718)	754	(1,964)
Balance at 31 March 2016	19,732	4,631	(566)	1,225	270	25,292	5,659	30,951

Note a

With the Companies Act 2016 ("NewAct") coming into effect on 31 January 2017, the credit standing in the share premium account of RM4,631,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(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)
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine (9) months ended 31 March 2017

	9 months ended	
	31-Mar-17	31-Mar-16
	Unaudited	Unaudited
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,648	734
Adjustment for :		
Allowance for impairment of receivables	-	288
Amortisation of product development expenditure	765	776
Bad debts recovered	(1)	100
Depreciation of plant and equipment	810	953
(Gain)/loss on disposal of plant and equipment	(10)	-
(Gain)/loss on foreign exchange translation - Unrealised	(542)	37
Interest expense	30	29
Interest income	(91)	(8)
Plant and equipment written off	-	9
Share of results in an associate	-	753
Operating profit before working capital changes	2,609	3,671
Changes in working capital :		
Increase in inventories	(3,098)	(1,751)
Increase in trade and other receivables	(5,452)	(1,546)
Decrease in amount due from an joint venture	64	-
(Decrease)/Increase in trade and other payables	(7,922)	8,329
Decrease in amount due to a Director	(140)	-
Cash flows (used in)/generated from operating activities	(13,939)	8,703
Tax paid	(1,205)	(1,893)
Net cash (used in)/generated from operating activities	(15,144)	6,810
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	91	8
Purchase of plant and equipment	(2,806)	(802)
Product development expenditure	(2,220)	(1,306)
Proceed from disposal of investment in an associate	3,780	-
Net cash used in investing activities	(1,155)	(2,100)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(30)	(29)
Issuance of new shares	38,953	-
Repayment of loans and borrowings	589	(108)
Net cash generated from/(used in) financing activities	39,512	(137)
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,213	4,573
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,079	(389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,408	3,512
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	31,700	7,696

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)
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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 has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2016 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on 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 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 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>9 months ended</u> <u>31 March 17</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	9,244	649	14,600	3,128	(979)	26,642
Segment results	(4,745)	(665)	8,039	(1,372)	330	1,587
Interest (expense)/income	(24)	(2)	-	(4)	91	61
Profit/(loss) before taxation	(4,769)	(667)	8,039	(1,376)	421	1,648
Segment assets	57,705	8,887	30,446	34,547	(50,359)	81,226

<u>9 months ended</u> <u>31 March 16</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	15,936	701	12,301	4,198	(1,125)	32,011
Segment results	(2,552)	(453)	5,101	(842)	254	1,508
Interest (expense)/income	(14)	(3)	-	(4)	-	(21)
Share of results in an associate	-	-	-	-	(753)	(753)
Profit/(loss) before taxation	(2,566)	(456)	5,101	(846)	(499)	734
Segment assets	12,426	6,847	19,738	(2,865)	16,040	52,186

8. Segmental Information (cont'd)

(ii) Business Segment

<u>9 months ended</u> <u>31 March 17</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	22,555	5,066	(979)	26,642
Segment results	4,041	(2,784)	330	1,587
Interest income/(expense)	(24)	(6)	91	61
Profit/(loss) before taxation	4,017	(2,790)	421	1,648
Segment assets	103,209	28,376	(50,359)	81,226
<u>9 months ended</u> <u>31 March 16</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	26,278	6,858	(1,125)	32,011
Segment results	2,174	(920)	254	1,508
Interest income/(expense)	(15)	(6)	-	(21)
Share of results in an associate	-	-	(753)	(753)
Profit/(loss) before taxation	2,159	(926)	(499)	734
Segment assets	33,834	2,312	16,040	52,186

9. Related parties transactions

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Administration fee	-	8	16	24
Sales to a related party	-	-	2	-
Sales to an associate	-	-	-	113
	-	8	18	137

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 April 2017 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 9 months ended	
	FY2017-Q3	FY2016-Q3	FY2017-Q2	FY2017-Q3	FY2016-Q3
	31-Mar-17	31-Mar-16	31-Dec-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	8,405	7,342	7,489	22,555	26,278
Profit/(loss) before taxation	1,960	406	1,655	4,017	2,159
% Profit/(loss) before taxation	23.3%	5.5%	22.1%	17.8%	8.2%
Trading & Distribution					
Revenue	1,551	2,836	1,309	4,087	5,733
Profit/(loss) before taxation	(1,211)	134	(1,220)	(2,790)	(926)
% Profit/(loss) before taxation	-78.1%	4.7%	-93.2%	-68.3%	-16.2%
Adjustment					
Profit/(loss) before taxation	68	24	283	421	(499)
Total					
Revenue	9,956	10,178	8,798	26,642	32,011
Profit/(loss) before taxation	817	564	718	1,648	734
% Profit/(loss) before taxation	8.2%	5.5%	8.2%	6.2%	2.3%

Q3-2017 vs. Q3-2016

The Group generated total revenue of RM9.96 million for this quarter ended 31 March 2017 (“Q3-2017”), representing a decrease of RM0.22 million as compared to RM10.18 million generated in the previous year corresponding quarter ended 31 March 2016 (“Q3-2016”).

The decrease in revenue in Q3-2017 was mainly due to a significant reduction in Trading & Distribution arising from many factors both in and out of the Group’s control, such as the overall economic environment and increased competition brought about by reduced barriers to entry for our rivals. However, the increased revenue from our Pakistan operation has mitigated the overall decrease.

We are pleased to note that Profit Before Taxation has increased by RM0.26 million from a previous Profit Before Taxation of RM0.56 million in Q3-2016, as compared to Profit Before Taxation of RM0.82 million generated in Q3-2017. This increase is largely attributed to the favorable results from Pakistan, along with the ongoing results from our restructuring and optimization exercises that we began several years ago to combat declining revenue and operational inefficiency.

Q3-2017 vs. Q2-2017

Compared to the previous quarter ended 31 December 2016 (“Q2-2017”), the Group’s revenue has shown an increase by RM1.17 million, from RM 8.79 million to RM9.96 million in (“Q3-2017”).

In line with the increase in revenue, Profit Before Taxation for 31 March 2017 (“Q3-2017”) increased by RM0.10 million as compared to Profit Before Taxation of RM0.72 million incurred in the previous quarter ended 31 December 2016 (“Q2-2017”). This increase in profit from quarter to quarter serves to prove that existing strategies are effective and continue to produce positive results. There have been improvements across the Group’s product and services lines, particularly in the mobile solutions businesses. Additional measures such as more aggressive promotion resulted in higher sell-through profit margins on top of reduced costs that have lead to the improved results.

12. Commentary on Prospects

Despite the fact that this quarter is traditionally "softer" (reduced spending post-Christmas/New Year holidays, and the Chinese New Year holiday period), the Group managed a commendable increase of 14% in Profit Before Taxation.

As technology advances worldwide, with an ever-increasing number of players in the market, the Group has continued to fortify its position based on close to two decades operating in this industry. Most importantly, although we are a large organization, we have been able to operate with flexibility within the market space. Shifting focus in a timely manner to address the areas that most need it are paramount to our future growth.

This focus has been on the EZVIZ brand of home and business surveillance cameras and action cameras, and our recent sales efforts have been successful in raising revenue from this line of business. As such, some resources have been diverted to spur the growth in our other major platform products, namely i3Display, i3Apps, and i3TeamWorks, the customer bases of which are steadily growing, and with which we expect to reach a tipping point by the end of the calendar year.

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 9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	-	-	-
- Foreign tax	585	391	1,507	1,116
	<u>585</u>	<u>391</u>	<u>1,507</u>	<u>1,116</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 31 March 2017 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	779	7,221	Within 24 months
Purchase of products for distribution within existing and new product range	6,500	6,500	-	Within 24 months
Purchase of smart home solution devices	3,000	-	3,000	Within 24 months
Product/software development expenditure	3,500	3,500	-	Within 24 months
Working capital	17,750	10,341	7,409	Within 24 months
Estimated expenses for the proposals	203	203	-	Within 24 months
Total	38,953	21,323	17,630	

16. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2017 and 30 June 2016 are as follows:

	31-Mar-17	30-Jun-16
	RM'000	RM'000
Current		
<u>Secured</u>		
- Term loan	59	62
- Obligations under finance leases	103	102
	<hr/> 162	<hr/> 164
Non-current		
<u>Secured</u>		
- Term loan	362	405
- Obligations under finance leases	658	24
	<hr/> 1,020	<hr/> 429
Total Group borrowings	<hr/> <hr/> 1,182	<hr/> <hr/> 593

The Group did not have any debt securities as at 31 March 2017.

17. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2017 and 30 June 2016 are analysed as follows:

	31-Mar-17	30-Jun-16
	RM'000	RM'000
The accumulated losses of the Group		
- Realised	(5,531)	(3,279)
- Unrealised	(65)	(60)
Total Group accumulated losses as per unaudited consolidated financial statement	<hr/> <hr/> (5,596)	<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 6 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Profit/(Loss) after tax and non-controlling interests (RM'000)	(574)	(316)	(2,257)	(1,983)
Weighted average number of ordinary shares in issue	584,288,820	194,762,940	541,008,167	188,389,837
<u>Profit/(Loss) Per Share</u>				
Basic Earnings/(Diluted) Sen	(0.10)	(0.16)	(0.42)	(1.05)

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
23 May 2017