

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Six (6) months ended 31 December 2017

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	31-Dec-17 Unaudited RM'000	31-Dec-16 Unaudited RM'000	31-Dec-17 Unaudited RM'000	31-Dec-16 Unaudited RM'000
Revenue	12,314	8,798	20,599	16,686
Operating Expenses	(10,901)	(8,099)	(19,829)	(15,879)
Profit/(Loss) from Operations	<u>1,413</u>	<u>699</u>	<u>770</u>	<u>807</u>
Net interest income/(expense)	105	19	95	24
Profit/(Loss) before taxation	<u>1,518</u>	<u>718</u>	<u>865</u>	<u>831</u>
Income tax expense	(660)	(585)	(1,118)	(922)
Net Profit/(Loss) for the period	<u><u>858</u></u>	<u><u>133</u></u>	<u><u>(253)</u></u>	<u><u>(91)</u></u>
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences	<u>(2,097)</u>	<u>1,656</u>	<u>(2,464)</u>	<u>2,231</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(2,097)</u>	<u>1,656</u>	<u>(2,464)</u>	<u>2,231</u>
Total comprehensive income/(loss) for the period	<u><u>(1,239)</u></u>	<u><u>1,789</u></u>	<u><u>(2,717)</u></u>	<u><u>2,140</u></u>
Attributable to:				
Equity holders of the Company	241	(739)	(1,672)	(1,683)
Non-controlling interests	<u>617</u>	<u>872</u>	<u>1,419</u>	<u>1,592</u>
	<u><u>858</u></u>	<u><u>133</u></u>	<u><u>(253)</u></u>	<u><u>(91)</u></u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	(828)	169	(2,863)	(400)
Non-controlling interests	<u>(411)</u>	<u>1,620</u>	<u>146</u>	<u>2,540</u>
	<u><u>(1,239)</u></u>	<u><u>1,789</u></u>	<u><u>(2,717)</u></u>	<u><u>2,140</u></u>
Earnings/(loss) per share				
Basic / Diluted (sen)	0.04	(0.13)	(0.29)	(0.32)

(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 2017 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 Six (6) months ended 31 December 2017

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-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	4	-	(3)	-
Amortisation of product development expenditure	353	250	693	491
Bad debts recovered	-	-	-	(1)
Bad debts written off	87	-	180	-
Depreciation of plant and equipment	317	262	644	511
(Gain)/loss on disposal of plant and equipment	(21)	(20)	(45)	(20)
<u>(Gain)/loss on foreign exchange translation</u>				
- Realised	(1)	83	27	88
- Unrealised	926	(398)	1,225	(185)
<u>Interest expense/(income)</u>				
- Interest expense	10	8	30	17
- Interest income	(115)	(27)	(125)	(41)

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

- Allowance for impairment of joint venture
- 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 2017 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 December 2017

	31-Dec-17 Unaudited RM'000	30-Jun-17 Audited RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	5,015	5,507
Intangible assets	4,010	4,320
Other investment	2,009	2,009
Trade and other receivables	68	149
	<u>11,102</u>	<u>11,985</u>
Current Assets		
Inventories	4,580	4,828
Trade and other receivables	31,984	30,443
Tax refundable	540	1,127
Cash and bank balances	26,598	29,044
	<u>63,702</u>	<u>65,442</u>
TOTAL ASSETS	<u>74,804</u>	<u>77,427</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	62,946	62,946
Share premium	-	-
Treasury shares	(566)	(566)
Warrant reserve	9,816	9,816
Accumulated losses	(21,796)	(20,124)
Foreign currency translation reserve	1,223	2,414
	<u>51,623</u>	<u>54,486</u>
Non-controlling interests	<u>10,519</u>	<u>10,373</u>
Total equity	<u>62,142</u>	<u>64,859</u>
Current Liabilities		
Trade and other payables	11,830	11,339
Loans and borrowings	112	172
Amount due to a director	11	15
	<u>11,953</u>	<u>11,526</u>
Non-current Liabilities		
Loans and borrowings	643	971
Deferred tax liabilities	58	63
Provision for gratuity	8	8
	<u>709</u>	<u>1,042</u>
Total liabilities	<u>12,662</u>	<u>12,568</u>
TOTAL EQUITY AND LIABILITIES	<u>74,804</u>	<u>77,427</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	8.84	9.33

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 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 Six (6) months ended 31 December 2017**

	(Note a) Share Capital	Share Premium	Treasury Shares	Warrant Reserve	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	RM'000
Six (6) months ended 31 December 2017									
Balance at 1 July 2017	62,946	-	(566)	9,816	2,414	(20,124)	54,486	10,373	64,859
Total comprehensive income/(loss) for the period	-	-	-	-	(1,191)	(1,672)	(2,863)	146	(2,717)
Balance at 31 December 2017	62,946	-	(566)	9,816	1,223	(21,796)	51,623	10,519	62,142
Six (6) months ended 31 December 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	-	-	-	-	1,283	(1,683)	(400)	2,540	2,140
Balance at 31 December 2016	58,685	4,631	(566)	-	2,595	(5,022)	60,323	9,223	69,546

Note a

With the Companies Act 2016 ("NewAct") coming into effect on 31 January 2017, the credit standing in the share premium account of RM4,261,000 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 2017 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 Six (6) months ended 31 December 2017

	6 months ended	
	31-Dec-17	31-Dec-16
	Unaudited	Unaudited
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	865	831
Adjustment for :		
Allowance for impairment of receivables	(3)	-
Amortisation of product development expenditure	693	491
Bad debts recovered	-	(1)
Bad debts written off	180	-
Depreciation of plant and equipment	644	511
(Gain)/loss on disposal of plant and equipment	(45)	(20)
(Gain)/loss on foreign exchange translation - Unrealised	1,225	(185)
Interest expense	30	17
Interest income	(125)	(41)
Operating profit before working capital changes	<u>3,464</u>	<u>1,603</u>
Changes in working capital :		
Increase in inventories	248	(1,070)
Increase in trade and other receivables	(2,862)	(4,280)
Decrease in amount due from an joint venture	-	64
(Decrease)/Increase in trade and other payables	491	(7,650)
Decrease in amount due to a Director	(4)	(140)
Cash flows (used in)/generated from operating activities	<u>1,337</u>	<u>(11,473)</u>
Tax paid	<u>(536)</u>	<u>(672)</u>
Net cash (used in)/generated from operating activities	<u>801</u>	<u>(12,145)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	125	41
Purchase of plant and equipment	(107)	(979)
Product development expenditure	(383)	(981)
Proceed from disposal of investment in an associate	-	-
Net cash used in investing activities	<u>(365)</u>	<u>(1,919)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(30)	(17)
Issuance of new shares	-	38,953
Repayment of loans and borrowings	(388)	305
Net cash generated from/(used in) financing activities	<u>(418)</u>	<u>39,241</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	18	25,177
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,464)	6,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>29,044</u>	<u>6,408</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>26,598</u>	<u>37,596</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 2017 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 2017. 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 2017.

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 2017.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 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

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 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>6 months ended</u> <u>31 December 17</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	5,269	144	11,766	3,979	(559)	20,599
Segment results	(1,312)	(1,034)	5,353	(1,883)	(354)	770
Interest (expense)/income	(30)	-	-	-	125	95
Profit/(loss) before taxation	(1,342)	(1,034)	5,353	(1,883)	(229)	865
Segment assets	52,734	7,770	35,888	31,926	(53,514)	74,804
Segment liabilities	28,303	2,693	6,045	37,212	(61,590)	12,662

<u>6 months ended</u> <u>31 December 16</u>	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	5,937	549	9,113	1,834	(747)	16,686
Segment results	(3,263)	(85)	5,037	(1,194)	312	807
Interest (expense)/income	(12)	(2)	-	(3)	41	24
Profit/(loss) before taxation	(3,275)	(87)	5,037	(1,197)	353	831
Segment assets	56,505	8,980	29,240	30,205	(43,839)	81,091
Segment liabilities	25,333	1,835	3,892	36,363	(55,878)	11,545

8. Segmental Information (cont'd)

(ii) Business Segment

<u>6 months ended</u> <u>31 December 17</u>	Mobile Solutions RM'000	Software as a Service RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	16,916	3,830	412	(559)	20,599
Segment results	4,754	(2,358)	(1,272)	(354)	770
Interest income/(expense)	(30)	-	-	125	95
Profit/(loss) before taxation	4,724	(2,358)	(1,272)	(229)	865
Segment assets	84,870	36,554	6,894	(53,514)	74,804
Segment liabilities	12,028	36,663	25,561	(61,590)	12,662
<u>6 months ended</u> <u>31 December 16</u>	Mobile Solutions RM'000	Software as a Service RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
Revenue	13,659	1,410	2,364	(747)	16,686
Segment results	3,192	(1,582)	(1,115)	312	807
Interest income/(expense)	(12)	(2)	(3)	41	24
Profit/(loss) before taxation	3,180	(1,584)	(1,118)	353	831
Segment assets	82,158	34,870	7,902	(43,839)	81,091
Segment liabilities	10,283	34,372	22,768	(55,878)	11,545

9. Related parties transactions

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Administration fee	-	8	-	16
Sales to a related party	9	2	10	2
Purchase from a related party	8	-	13	-
	<u>17</u>	<u>10</u>	<u>23</u>	<u>18</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 January 2018 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

Table 1: Financial review for current quarter and financial year to date

Business Segment	Current quarter 3 months ended			Cumulative quarter 6 months ended		
	Q2 2018	Q2 2017		FY2018-Q2	FY2017-Q2	
	31-Dec-17	31-Dec-16	Changes	31-Dec-17	31-Dec-16	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Mobile Solutions						
Revenue	8,941	7,267	23%	16,916	13,659	24%
Profit/(loss) before taxation	2,061	2,226	-7%	4,724	3,180	49%
Software as a Service (SaaS)						
Revenue	3,613	807	348%	3,830	1,410	172%
Profit/(loss) before taxation	308	(653)	-147%	(2,358)	(1,584)	49%
Trading & Distribution						
Revenue	(240)	724	-133%	(147)	1,617	-109%
Profit/(loss) before taxation	(675)	(1,138)	-41%	(1,272)	(1,118)	14%
Adjustment						
Profit/(loss) before taxation	(176)	283	-162%	(229)	353	-165%
Total						
Revenue	12,314	8,798	40%	20,599	16,686	23%
Profit/(loss) before taxation	1,518	718	111%	865	831	4%
Profit/(loss) after taxation	858	133	545%	(253)	(91)	178%
Profit/(loss) attributable to owners of the company	241	(739)	-133%	(1,672)	(1,683)	-1%

Q2-2018 vs. Q2-2017

The Group registered revenue of RM12.3 million and profit after tax of RM0.9 million for the current quarter (“Q2 2018”) compared to revenue of RM8.8 million and profit after tax of RM0.1 million of the corresponding quarter of previous year (“Q2 2017”). The higher revenue and profit after tax were mainly due to higher demand for value added services in the Mobile Solutions segment, and i3Display in the SaaS segment.

However, the Group registered a narrow profit before tax due to the foreign currency exchange loss of RM0.9 million whereby USD, SGD, HKD weakened against RM as of December 2017.

The Mobile Solutions segment recorded revenue of RM8.9 million for Q2 2018, representing an increase of RM1.7 million or 23% compared to Q2 2017 due to higher demand for value added services from various region. Lower profit before tax was mainly due expenditure on the media advertising and campaign for various region to attract more demand in the market.

The SaaS segment recorded revenue of RM3.6 million for Q2 2018, representing an increase of RM2.8 million or 348% compared to Q2 2017 due to higher demand for i3Display from various region. Hence, the SaaS segment registered a profit before tax of RM0.3 million for Q2 2018.

The Trading & Distribution segment recorded a decrease in revenue for the current quarter mainly due to lower sales volume and intense pricing competition resulting in lower average net selling prices. Hence, the Trading & Distribution segment registered a loss before tax of RM0.7 million for the current quarter compared to a loss before tax of RM1.1 million in the corresponding quarter of previous year.

Table 2: Financial review for current quarter compared with immediate preceding quarter

Business Segment	Current quarter 3 months ended		
	Q2 2018	Q1 2018	Changes
	31-Dec-17	30-Sep-17	
	RM'000	RM'000	(%)
Mobile Solutions			
Revenue	8,941	7,975	12%
Profit/(loss) before taxation	2,061	2,663	-23%
Software as a Service (“SaaS”)			
Revenue	3,613	217	1565%
Profit/(loss) before taxation	308	(2,666)	-112%
Trading & Distribution			
Revenue	(240)	93	-358%
Profit/(loss) before taxation	(675)	(597)	13%
Adjustment			
Profit/(loss) before taxation	(176)	(53)	232%
Total			
Revenue	12,314	8,285	49%
Profit/(loss) before taxation	1,518	(653)	-332%
Profit/(loss) after taxation	858	(1,111)	-177%
Profit/(loss) attributable to owners of the company	241	(1,913)	-113%

Q2-2018 vs. Q1-2018

The Group registered revenue of RM12.3 million and profit after tax of RM0.9 million for the Q2 2018 as compared to revenue of RM8.3 million and loss after tax of RM1.1 million in the previous quarter ended 30 September 2017 (“Q1 2018”). The higher revenue and profit after tax were mainly due to higher demand for value added services in the Mobile Solutions segment, and i3Display in the SaaS segment.

However, the Group registered a narrow profit before tax due to the foreign currency exchange loss of RM0.9 million whereby USD, SGD, HKD weakened against RM as of December 2017.

The Mobile Solutions segment recorded revenue of RM8.9 million for Q2 2018, representing an increase of RM1.0 million or 12% compared to Q1 2018 due to higher demand for Value Added Services (“VAS”) from certain regions. Despite the higher revenue, the Mobile Solutions segment registered a profit before tax of RM2.1 million for Q2 2018 as compared to a profit before tax of RM2.7 million in Q1 2018. This was mainly due to expenditure on media advertising campaigns for various regions to attract more demand in the market.

The SaaS segment recorded revenue of RM3.6 million for Q2 2018, representing an increase of RM3.4 million or 1565% compared to Q1 2018 due to higher demand for i3Display from various regions. Hence, the SaaS segment registered a profit before tax of RM0.3 million for Q2 2018.

The Trading & Distribution segment recorded a decrease in revenue for Q2 2018 mainly due to lower sales volume and intense pricing competition resulting in lower average net selling prices. Hence, the Trading & Distribution segment registered a loss before tax of RM0.7 million for the current quarter compared to a loss before tax of RM0.6 million in the previous quarter (“Q1 2018”).

12. Commentary on Prospects

We are confident that the recent actively marketed software platforms will have a positive impact in future sales revenue and recurring income. There are 4 software platform products, of which revenue is based on the SaaS (“Software as a Service”) business model, and they are as follows:

i3AppsBuilder	- Mobile Software (App) Generators
i3Display	- Content Management & Broadcast System for display devices
i3TeamWorks	- Business Management Software
i3Trackers	- Platform Software for GPS Tracking Devices

It is imperative to understand that, not only do we now have 4 powerful core platforms that are quickly gaining acceptance on an international basis, but also that these platforms are evergreen technologies with infinite lifespans. They all cater to the new business norms of having your own apps, displays, and using technology to manage your workforce, bringing these tools to everyone, and not just large corporations with deep pockets.

M3 Tech will also magnify the sales revenue by rebuilding its overseas operations to their fullest potential. Distributors and resellers have already been strategically appointed, and will continue to be recruited to enhance sales globally. We will also continue to work closely with Mainland Chinese factories so that we are able to tap into their extensive marketing networks.

In November 2017, we performed some internal restructuring whereby we established M3 Online Limited based in Hong Kong, with its core business to be our international hub for the i3Display platform. At the same time, we enhanced our China team to closely collaborate with Mainland Chinese factories, the majority of which are based in ShenZhen. Today, we have close to 10,000 licenses sold with Cloud servers active in Hong Kong, China & Malaysia. There are 8 distribution contracts signed with factories to bundle i3Display software with their display panels, which are distributed worldwide. We are confident that with the current i3Display features and specialties, we are able to expand to cater for more types of display panels, including the ever increasing demand for Self Help Kiosks, e.g. Self Order Kiosks, Information Kiosks, Product Configuration Kiosks, etc.

M3 Online Limited will continue to participate in International Trade Shows, most recently at the Dubai World Trade Centre, whereby we joined forces with a Mainland Chinese display factory, showcasing our i3Display Platform on their display kiosk hardware. Queued in the development and release pipeline are variations of our i3Display platform, such as the self-explanatory i3Display Lite, i3Display 4k, and F&B Self Order Kiosk, all due in the next quarter.

The i3TeamWorks platform user base is still continuing to grow in Malaysia, and we will be expanding the roll out in various country in the next 6 month. Likewise for i3Apps Platform.

In conjunction with the above new business collaborations and products, we continue to remain highly focused in our core competencies; mobile solutions, SaaS, trading, and distribution. Budgets have been set aside for an intensive marketing campaign to properly introduce all the above to the market. Barring any unforeseen circumstances, it is our belief that the future performance of the group would will be positive.

An overview of our future prospects

In light of the Board Meeting and AGM held by M3 Technologies Pakistan (Private) Limited, a dividend of Rupees 50,000,000 (Rupees Fifty Million only) was announced for the Shareholders of M3 Technologies Pakistan (Private) Limited. The dividend declared will be subject to 20% withholding tax in the hands of Shareholders in accordance to relevant regulations.

Furthermore, the paid-up capital of M3 Technologies Pakistan (Private) Limited that is currently at Rupees 15,000,000 (Rupees Fifteen Million only) will subsequently be increased up to Rupees 250,000,000 (Rupees Two Hundred and Fifty Million only) divided into 25,000,000 ordinary shares of Rupees 10 each as discussed by the Board by way of issuing of bonus shares of Rupees 235,000,000 (Rupees Two Hundred and Thirty-Five Million only) to the existing shareholders out of the retained earnings. The bonus shares declared will be subject to 5% income tax in the hands of Shareholders in accordance to relevant regulations.

Hence, the paid-up capital of M3 Technologies Pakistan (Private) Limited would be sufficient to apply for Third Party Service Provider (TPSP), Payment System Operator and Payment Service Provider (PSO and PSP) licenses and ultimately, application for listing in Pakistan Stock Exchange Limited (“the PSX”).

It is unfortunate that our Q2 results have been affected by forex losses due to the depreciation of US Dollars from RM4.22 to RM4.04, amounting to RM926,000. Hence, the lower reported net profit.

Q3 has always been a short quarter with Chinese New Year. We therefore we foresee that Q3 results will be impacted with the above taxation and foreign exchange fluctuations. Nevertheless, our user base in i3Display, i3TeamWorks & i3Apps will continue to grow, and since all software platforms are based on SaaS business model, we are confident that these negative impacts are limited to the short term. Barring any unforeseen circumstances, we are confident for the future based on the growth of our user base.

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 6 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	-	-	-
- Foreign tax	660	585	1,118	922
	<u>660</u>	<u>585</u>	<u>1,118</u>	<u>922</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 December 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	1,113	6,887	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	10	2,990	Within 24 months
Product/software development expenditure	3,500	3,500	-	Within 24 months
Working capital	17,654	15,473	2,181	Within 24 months
Estimated expenses for the proposals	299	299	-	Within 24 months
Total	38,953	26,895	12,058	

16. Group Borrowings and Debt Securities

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

	31-Dec-17 RM'000	30-Jun-17 RM'000
<u>Current</u>		
<u>Secured</u>		
- Term loan	61	65
- Obligations under finance leases	51	107
	<hr/> 112	<hr/> 172
<u>Non-current</u>		
<u>Secured</u>		
- Term loan	314	340
- Obligations under finance leases	329	631
	<hr/> 643	<hr/> 971
Total Group borrowings	<hr/> <hr/> 755	<hr/> <hr/> 1,143

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

17. Realised and Unrealised Earnings or Losses Disclosure

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

	31-Dec-17 RM'000	30-Jun-17 RM'000
The accumulated losses of the Group		
- Realised	(21,738)	(20,061)
- Unrealised	(58)	(63)
Total Group accumulated losses as per unaudited consolidated financial statement	<hr/> <hr/> (21,796)	<hr/> <hr/> (20,124)

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-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Profit/(Loss) after tax and non-controlling interests (RM'000)	241	(739)	(1,672)	(1,683)
Weighted average number of ordinary shares in issue	584,288,820	584,288,820	584,288,820	519,367,840
<u>Profit/(Loss) Per Share</u>				
Basic Earnings/(Diluted) Sen	0.04	(0.13)	(0.29)	(0.32)

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 2017 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
12 February 2018