

**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 2018**

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31-Mar-18 Unaudited RM'000	31-Mar-17 Unaudited RM'000	31-Mar-18 Unaudited RM'000	31-Mar-17 Unaudited RM'000
<b>Revenue</b>	7,399	9,956	27,998	26,642
Operating Expenses	(10,321)	(9,176)	(30,150)	(25,055)
<b>Profit/(Loss) from Operations</b>	<u>(2,922)</u>	<u>780</u>	<u>(2,152)</u>	<u>1,587</u>
Net interest income/(expense)	139	37	234	61
<b>Profit/(Loss) before taxation</b>	<u>(2,783)</u>	<u>817</u>	<u>(1,918)</u>	<u>1,648</u>
Income tax expense	(1,395)	(585)	(2,513)	(1,507)
<b>Net Profit/(Loss) for the period</b>	<u><u>(4,178)</u></u>	<u><u>232</u></u>	<u><u>(4,431)</u></u>	<u><u>141</u></u>
<b>Other comprehensive income/(loss), net of tax</b>				
Foreign currency translation differences	<u>(1,520)</u>	<u>(152)</u>	<u>(3,984)</u>	<u>2,079</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(1,520)</u>	<u>(152)</u>	<u>(3,984)</u>	<u>2,079</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><u>(5,698)</u></u>	<u><u>80</u></u>	<u><u>(8,415)</u></u>	<u><u>2,220</u></u>
<b>Attributable to:</b>				
Equity holders of the Company	(4,320)	(574)	(5,992)	(2,257)
Non-controlling interests	142	806	1,561	2,398
	<u><u>(4,178)</u></u>	<u><u>232</u></u>	<u><u>(4,431)</u></u>	<u><u>141</u></u>
<b>Total comprehensive income/(loss) attributable to:</b>				
Equity holders of the Company	(4,927)	(539)	(7,790)	(939)
Non-controlling interests	<u>(771)</u>	<u>619</u>	<u>(625)</u>	<u>3,159</u>
	<u><u>(5,698)</u></u>	<u><u>80</u></u>	<u><u>(8,415)</u></u>	<u><u>2,220</u></u>
<b>Earnings/(loss) per share</b>				
Basic / Diluted (sen)	(0.74)	(0.10)	(1.03)	(0.42)

(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 Nine (9) months ended 31 March 2018**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation				
Included in the Profit before tax are the following items:				
Allowance for impairment of receivables	31	-	28	-
Amortisation of product development expenditure	334	274	1,027	765
Bad debts recovered	-	-	-	(1)
Bad debts written off	86	-	266	-
Depreciation of plant and equipment	309	299	953	810
(Gain)/loss on disposal of plant and equipment	(58)	10	(103)	(10)
<u>(Gain)/loss on foreign exchange translation</u>				
- Realised	(7)	(67)	20	21
- Unrealised	1,165	(357)	2,390	(542)
<u>Interest expense/(income)</u>				
- Interest expense	10	13	40	30
- Interest income	(148)	(50)	(273)	(91)

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 March 2018**

	<b>31-Mar-18</b> <b>Unaudited</b> <b>RM'000</b>	<b>30-Jun-17</b> <b>Audited</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	4,901	5,507
Intangible assets	3,871	4,320
Other investment	2,009	2,009
Trade and other receivables	34	149
	<u>10,815</u>	<u>11,985</u>
<b>Current Assets</b>		
Inventories	4,771	4,828
Trade and other receivables	26,926	30,443
Tax refundable	493	1,127
Cash and bank balances	25,434	29,044
	<u>57,624</u>	<u>65,442</u>
<b>TOTAL ASSETS</b>	<u>68,439</u>	<u>77,427</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	62,946	62,946
Share premium	-	-
Treasury shares	(566)	(566)
Warrant reserve	9,816	9,816
Accumulated losses	(26,116)	(20,124)
Foreign currency translation reserve	616	2,414
	<u>46,696</u>	<u>54,486</u>
<b>Non-controlling interests</b>	<u>9,045</u>	<u>10,373</u>
<b>Total equity</b>	<u>55,741</u>	<u>64,859</u>
<b>Current Liabilities</b>		
Trade and other payables	11,902	11,339
Loans and borrowings	111	172
Amount due to a director	11	15
	<u>12,024</u>	<u>11,526</u>
<b>Non-current Liabilities</b>		
Loans and borrowings	611	971
Deferred tax liabilities	55	63
Provision for gratuity	8	8
	<u>674</u>	<u>1,042</u>
<b>Total liabilities</b>	<u>12,698</u>	<u>12,568</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>68,439</u>	<u>77,427</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	7.99	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 Nine (9) months ended 31 March 2018**

	(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
<b>Nine (9) months ended 31 March 2018</b>									
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	-	-	-	-	(1,798)	(5,992)	(7,790)	(625)	(8,415)
<b>Transactions with owners</b>									
Dividend paid	-	-	-	-	-	-	-	(703)	(703)
Balance at 31 March 2018	62,946	-	(566)	9,816	616	(26,116)	46,696	9,045	55,741
<b>Nine (9) months ended 31 March 2017</b>									
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	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

**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)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine (9) months ended 31 March 2018**

	<b>9 months ended</b>	
	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(1,918)	1,648
Adjustment for :		
Allowance for impairment of receivables	28	-
Amortisation of product development expenditure	1,027	765
Bad debts recovered	-	(1)
Bad debts written off	266	-
Depreciation of plant and equipment	953	810
(Gain)/loss on disposal of plant and equipment	(103)	(10)
(Gain)/loss on foreign exchange translation - Unrealised	2,390	(542)
Interest expense	40	30
Interest income	(273)	(91)
Operating profit before working capital changes	<u>2,410</u>	<u>2,609</u>
Changes in working capital :		
Increase in inventories	57	(3,098)
Increase in trade and other receivables	948	(5,452)
Decrease in amount due from an joint venture	-	64
(Decrease)/Increase in trade and other payables	563	(7,922)
Decrease in amount due to a Director	(4)	(140)
Cash flows (used in)/generated from operating activities	<u>3,974</u>	<u>(13,939)</u>
Tax paid	<u>(1,887)</u>	<u>(1,205)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>2,087</u>	<u>(15,144)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	273	91
Purchase of plant and equipment	(244)	(2,806)
Product development expenditure	(578)	(2,220)
Proceed from disposal of investment in an associate	-	3,780
<b>Net cash used in investing activities</b>	<u>(549)</u>	<u>(1,155)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest expense	(40)	(30)
Issuance of new shares	-	38,953
Repayment of loans and borrowings	(421)	589
<b>Net cash generated from/(used in) financing activities</b>	<u>(1,164)</u>	<u>39,512</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	374	23,213
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(3,984)	2,079
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>29,044</u>	<u>6,408</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>25,434</u>	<u>31,700</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

<b><u>9 months ended</u></b> <b><u>31 March 18</u></b>	<b>Malaysia</b> <b>RM'000</b>	<b>Thailand</b> <b>RM'000</b>	<b>Pakistan</b> <b>RM'000</b>	<b>Other</b> <b>Countries</b> <b>RM'000</b>	<b>Eliminations/ Adjustments</b> <b>RM'000</b>	<b>Group</b> <b>RM'000</b>
Revenue	7,021	243	17,441	4,257	(964)	27,998
Segment results	(2,600)	(1,641)	7,312	(4,557)	(666)	(2,152)
Interest (expense)/income	(39)	-	-	-	273	234
Profit/(loss) before taxation	(2,639)	(1,641)	7,312	(4,557)	(393)	(1,918)
Segment assets	52,857	7,382	32,309	30,060	(54,170)	68,439
Segment liabilities	28,924	2,921	5,734	37,201	(62,082)	12,698

<b><u>9 months ended</u></b> <b><u>31 March 17</u></b>	<b>Malaysia</b> <b>RM'000</b>	<b>Thailand</b> <b>RM'000</b>	<b>Pakistan</b> <b>RM'000</b>	<b>Other</b> <b>Countries</b> <b>RM'000</b>	<b>Eliminations/ Adjustments</b> <b>RM'000</b>	<b>Group</b> <b>RM'000</b>
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
Segment liabilities	28,078	2,156	3,017	36,776	(58,427)	11,600



## 8. Segmental Information (cont'd)

### (ii) Business Segment

<b><u>9 months ended</u></b> <b><u>31 March 18</u></b>	<b>Mobile Solutions and SaaS RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
Revenue	28,751	211	(964)	27,998
Segment results	408	(1,894)	(666)	(2,152)
Interest income/(expense)	(39)	-	273	234
Profit/(loss) before taxation	369	(1,894)	(393)	(1,918)
Segment assets	115,804	6,805	(54,170)	68,439
Segment liabilities	48,915	25,865	(62,082)	12,698
<b><u>9 months ended</u></b> <b><u>31 March 17</u></b>	<b>Mobile Solutions and SaaS RM'000</b>	<b>Trading &amp; Distribution RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	<b>Group RM'000</b>
Revenue	23,579	4,042	(979)	26,642
Segment results	3,005	(1,748)	330	1,587
Interest income/(expense)	(26)	(4)	91	61
Profit/(loss) before taxation	2,979	(1,752)	421	1,648
Segment assets	120,192	11,393	(50,359)	81,226
Segment liabilities	43,046	26,981	(58,427)	11,600

## 9. Related parties transactions

	<b>Current quarter 3 months ended</b>		<b>Cumulative quarter 9 months ended</b>	
	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>
Administration fee	-	-	-	16
Sales to a related party	1	-	11	2
Purchase from a related party	7	-	20	-
	<u>8</u>	<u>-</u>	<u>31</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 9 months ended		
	Q3 2018	Q3 2017		FY2018-Q3	FY2017-Q3	
	31-Mar-18	31-Mar-17	Changes	31-Mar-18	31-Mar-17	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
<b>Mobile Solutions and SaaS</b>						
Revenue	8,005	8,510	-6%	28,751	23,579	22%
Profit/(loss) before taxation	(1,997)	1,383	-244%	369	2,979	-88%
<b>Trading &amp; Distribution</b>						
Revenue	(606)	1,446	-142%	(753)	3,063	-125%
Profit/(loss) before taxation	(622)	(634)	-2%	(1,894)	(1,752)	8%
<b>Adjustment</b>						
Profit/(loss) before taxation	(164)	68	-341%	(393)	421	-193%
<b>Total</b>						
Revenue	7,399	9,956	-26%	27,998	26,642	5%
Profit/(loss) before taxation	(2,783)	817	-441%	(1,918)	1,648	-216%
Profit/(loss) after taxation	(4,178)	232	-1901%	(4,431)	141	-3243%
Profit/(loss) attributable to owners of the company	(4,320)	(574)	653%	(5,992)	(2,257)	165%

Q3-2018 vs. Q3-2017

The Group registered revenue of RM7.4 million and loss after tax of RM4.2 million for the current quarter (“Q3 2018”) compared to revenue of RM9.9 million and profit after tax of RM0.2 million of the corresponding quarter of previous year (“Q3 2017”). The lower revenue and loss after tax were mainly due to reduction in all business segments arising from factors out of the Group’s control, such as the reduced spending by consumer during post-Christmas/New Year holidays, Chinese New Year holiday period and intense pricing competition resulting in lower average net selling prices.

Furthermore, the Group registered higher loss after tax due to the unrealised foreign currency exchange loss of RM1.1 million whereby USD, SGD, HKD weakened against RM as of March 2018. The dividend declared by Pakistan which subjected to 20% withholding tax further contributed to the loss position of the Group.

The Mobile Solutions and SaaS segments recorded revenue of RM8.0 million for Q3 2018, representing a decrease of RM0.5 million or 6% compared to Q3 2017 due to lower demand during post-Christmas/New Year holidays, Chinese New Year holiday period. Hence, the Mobile Solutions and SaaS segments registered a loss before tax of RM2.0 million for Q3 2018. Higher loss before tax was mainly due to provision for MT charges that will impose by Mobile Operators in Pakistan and provision of bonus for current period.

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 RM0.6 million for the current quarter compared to a loss before tax of RM0.6 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		
	Q3 2018	Q2 2018	
	31-Mar-18	31-Dec-17	Changes
	RM'000	RM'000	(%)
<b>Mobile Solutions and SaaS</b>			
Revenue	8,005	12,554	-36%
Profit/(loss) before taxation	(1,997)	2,369	-184%
<b>Trading &amp; Distribution</b>			
Revenue	(606)	(240)	153%
Profit/(loss) before taxation	(622)	(675)	-8%
<b>Adjustment</b>			
Profit/(loss) before taxation	(164)	(176)	7%
<b>Total</b>			
Revenue	7,399	12,314	-40%
Profit/(loss) before taxation	(2,783)	1,518	-283%
Profit/(loss) after taxation	(4,178)	858	-587%
Profit/(loss) attributable to owners of the company	(4,320)	241	-1893%

## Q3-2018 vs. Q2-2018

The Group registered revenue of RM7.4 million and loss after tax of RM4.2 million for the Q3 2018 as compared to revenue of RM12.3 million and profit after tax of RM0.9 million in the previous quarter ended 31 December 2017 (“Q2 2018”). The lower revenue and loss after tax were mainly due to reduction in all business segments arising from factors out of the Group’s control, such as the reduced spending by consumer during post-Christmas/New Year holidays, Chinese New Year holiday period and intense pricing competition resulting in lower average net selling prices.

Furthermore, the Group registered higher loss after tax due to the unrealised foreign currency exchange loss of RM1.1 million whereby USD, SGD, HKD weakened against RM as of March 2018. The dividend declared by Pakistan which subjected to 20% withholding tax further contributed to the loss position of the Group.

The Mobile Solutions and SaaS segments recorded revenue of RM8.0 million for Q3 2018, representing a decrease of RM4.5 million or 36% compared to Q2 2018 due to lower demand during post-Christmas/New Year holidays, Chinese New Year holiday period. Hence, the SaaS segment registered a loss before tax of RM2.0 million for Q3 2018. Higher loss before tax was mainly due to provision for MT charges that will impose by Mobile Operators in Pakistan and provision of bonus for current period.

The Trading & Distribution segment recorded a decrease in revenue for Q3 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 RM0.6 million for the current quarter compared to a loss before tax of RM0.6 million in the previous quarter (“Q2 2018”).

## **12. Commentary on Prospects**

Q3 has traditionally been a short quarter because of Chinese New Year holidays, which this year fell in mid-February, meaning that both our major markets of China and Malaysia were affected. Therefore, the Group registered an operational loss after tax. This loss has been exacerbated by non-operational issues, mainly a unrealised foreign currency exchange loss (RM1.1 million), provision for MT charge (RM2.0 million), provision for bonus (RM269,000), and withholding tax on dividend income (RM211,000). Nevertheless, below are each operations analysis.

### **Malaysia & South East Asia**

At this present moment, restructuring and rationalization of some subsidiaries, e.g. Malaysia, Indonesia, and Thailand, is still in progress. Going forward, Value-Added Service (VAS) and Distribution divisions in Malaysia will be merged to a single business unit, namely SME & Retail Segment, which will focus on the following:-

- a) VAS Services with i3APP, i3Messenger
- b) I3SOS Self Ordering Kiosk & Multi-Purpose Kiosk Development
- c) GPS Trackers & Apps Development for OEM
- d) I3D Lite for Retail Market
- e) I3TeamWorks to SME

The i3Display division in Malaysia has been aggressively selling the products and continues to receive very encouraging results. The momentum will be maintained further with our recent showcase in Malaysia and participation in international trade shows with the new range of software, e.g. i3Display Lite (Standard & Premium), i3Display 4K and i3DSOS Kiosk.

Meanwhile, the focus for Indonesia and Thailand is to ensure that each operation is managed efficiently. The first major step is to control operational costs by scaling down or suspending any non-profitable divisions. At the same time, sales personnel in Indonesia and Thailand are actively looking for new business opportunities on our i3Display & i3Teamwork products.

### **China & Hong Kong**

As with Malaysia & South East Asia, China & Hong Kong has been rationalized and streamlined. Sales of our i3Display platform services to Mainland Chinese factories continue to be maintained at a healthy pace. We currently have 14 factories that have all placed initial minimum orders, and have started to bundle the i3Display platform with the hardware that they manufacture. Leveraging the existing clientele of these factories give us instant access to international markets.

Internal analysis has shown that overall sell-through from the factories were not only slowed down because of the Chinese New Year holidays, but also due to the factory sales forces being unable to effectively market to their clientele. We have implemented a sales support team to focus on improving the sell-through rate which the factories have positively received as it is mutually beneficial initiative.

The Hong Kong team has been tasked with participation in at least 2 international trade shows per month, as previous trade show participation has already yielded favorable results, with resellers joining up from USA (from Oregon, Illinois, and Massachusetts), Australia, Spain, and Russia. Our Hong Kong reseller has also deployed for major clients, such as the Shangri-La Hotel Group at 125 locations worldwide all running our i3Display platform for their display panels.

Another highlight is in the city of Chongqing, in the Sichuan region of China. We have begun our venture into the rental market, with initial trials & orders already placed by an Exhibition and Event organizer. This model will be replicated in our other China operations to penetrate regional markets.

### **Pakistan & Middle East**

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.

However, the bonus shares exercise is still in progress and pending revision of tax (if any) due to recent announced National Budget in Pakistan, as such, the bonus share exercise had been delayed.

Hence, the application 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”) had been delayed as well.

## **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-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian tax	-	-	-	-
- Foreign tax	1,395	585	2,513	1,507
	<u>1,395</u>	<u>585</u>	<u>2,513</u>	<u>1,507</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 2018 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	1,131	6,869	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	15,956	1,698	Within 24 months
Estimated expenses for the proposals	299	299	-	Within 24 months
<b>Total</b>	<b>38,953</b>	<b>27,396</b>	<b>11,557</b>	

## 16. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2018 and 30 June 2017 are as follows:

	<b>31-Mar-18</b>	<b>30-Jun-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>		
<u>Secured</u>		
- Term loan	61	65
- Obligations under finance leases	50	107
	<u>111</u>	<u>172</u>
<b>Non-current</b>		
<u>Secured</u>		
- Term loan	295	340
- Obligations under finance leases	316	631
	<u>611</u>	<u>971</u>
Total Group borrowings	<u>722</u>	<u>1,143</u>

The Group did not have any debt securities as at 31 March 2018.

## 17. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2018 and 30 June 2017 are analysed as follows:

	<b>31-Mar-18</b>	<b>30-Jun-17</b>
	<b>RM'000</b>	<b>RM'000</b>
The accumulated losses of the Group		
- Realised	(26,061)	(20,061)
- Unrealised	(55)	(63)
Total Group accumulated losses as per unaudited consolidated financial statement	<u>(26,116)</u>	<u>(20,124)</u>

## 18. Changes in Material Litigation

As at the seventh (7<sup>th</sup>) 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 9 months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Profit/(Loss) after tax and non-controlling interests (RM'000)	(4,320)	(574)	(5,992)	(2,257)
Weighted average number of ordinary shares in issue	584,288,820	584,288,820	584,288,820	541,008,167
<u>Profit/(Loss) Per Share</u> Basic Earnings/(Diluted) Sen	(0.74)	(0.10)	(1.03)	(0.42)

## 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  
18 May 2018