



(Company No. 482772-D)
(Incorporated in Malaysia under the Companies Act, 1965)

M3 TECHNOLOGIES (ASIA) BERHAD
(“M3 TECH” OR THE “COMPANY”)
RESEARCH REPORT
31 DECEMBER 2008

1. PRINCIPAL ACTIVITIES

M3 Tech and its subsidiary companies (the “Group”) are principally involved in the provision of mobile-Internet messaging solutions using the Short Messaging Service (“SMS”), General Packet Radio Service (“GPRS”) and Wireless Application Protocol (“WAP”) technology.

2. FINANCIAL HIGHLIGHTS

	Financial year ended (“FYE”) 30 June					6 months financial period ended (“FPE”) 31 December 2008 (RM’000)
	2004 Group Audited (RM’000)	2005 Group Audited (RM’000)	2006 Group Audited (RM’000)	2007 Group Audited (RM’000)	2008 Group Audited (RM’000)	
Turnover	31,870	42,341	30,750	28,261	32,319	17,104
Profit / (Loss) before tax (“PBT”) / (“LBT”)	14,447	16,817	2,454	(3,107)	7,504	4,145
PBT / (LBT) Margin (%)	45.33	39.72	7.98	(10.99)	23.22	24.23
Profit / (Loss) after tax (“PAT”) / (“LAT”) but before minority interest	14,417	16,484	2,034	(4,371)	5,603	3,054
PAT / LAT and MI (“PATMI”) / (“LATMI”)	14,511	16,582	1,536	(4,807)	4,692	2,659
Gross earnings / (loss) per share (“EPS”) / (“LPS”) (Sen)	9.71	10.31	1.51	(1.90)	4.59	2.53
Net EPS / LPS (Sen)	9.75	10.23	0.94	(2.94)	2.87	1.63

3. FINANCIAL PERIOD UNDER REVIEW

	Unaudited 2 nd quarter ended 31 December 2008 (RM'000)	Unaudited 1 st quarter ended 30 September 2008 (RM'000)	Quarter- on- quarter (%)	Unaudited 6 months FPE 31 December 2008 (RM'000)	Unaudited 6 months FPE 31 December 2007 (RM'000)	Half year- on-half year (%)
Revenue	8,900	8,204	8.48	17,104	15,999	6.91
PBT	2,158	1,987	8.61	4,145	3,171	30.72
PATMI	1,413	1,246	13.40	2,659	1,582	68.08

Revenue

For the 6 months FPE 31 December 2008, the Group recorded revenue of approximately RM17.10 million representing an increase of approximately 6.91% over the revenue of approximately RM16.00 million recorded in the corresponding 6 months FPE 31 December 2007. The increase in revenue was mainly contributed by the foreign subsidiaries of the Group.

PATMI

In line with the increase in revenue, the Group recorded PATMI of approximately RM2.66 million for the 6 months FPE 31 December 2008 representing an increase of approximately 68.08% over the PATMI of approximately RM1.58 million recorded in the corresponding 6 months FPE 31 December 2007. The increase in PATMI was mainly contributed by the foreign subsidiaries of the Group.

4. DEVELOPMENT IN THE FIRST HALF OF THE FYE 30 JUNE 2009

There were no corporate proposals announced for the first half of FYE 30 June 2009.

5. MOBILE CONTENT INDUSTRY OUTLOOK

The world telecom services market is estimated at USD1,365 billion (RM4,760 billion) in 2008, a 4.2% increase over 2007, and is expected to be worth over USD1,416 billion (RM5,167 billion) in 2009. With a total turnover estimated at USD742 billion (RM2,587 billion) in 2008, mobile services account for 54% of the telecom services market and singlehandedly delivered all of the sector's growth. But the annual growth rate has dropped from more than 12% in 2007 to 8% in 2008. On the other hand, the mobile customer base worldwide grew by another 17% in 2008, but is offset by a steady decline in average revenue per user which dropped to USD17.50 (RM61.03) a month in 2008.

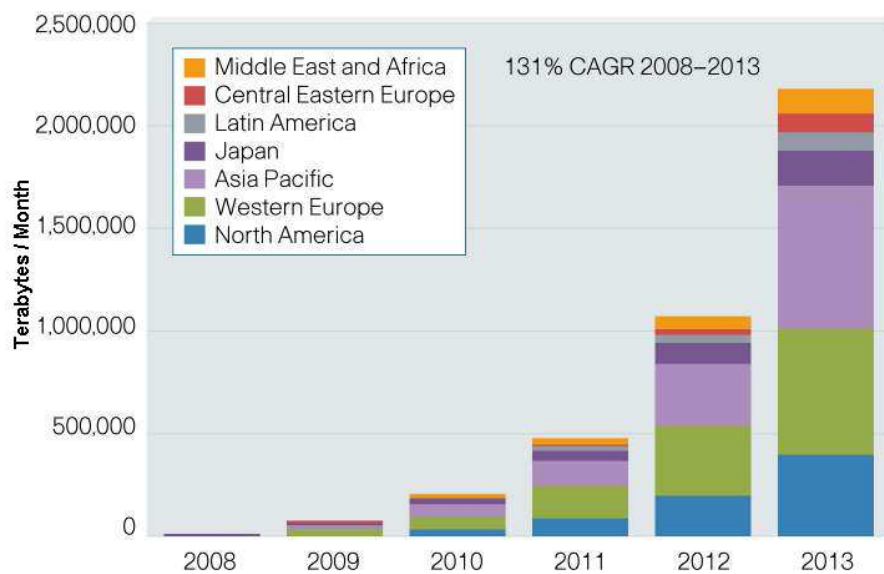
(Source: "Mobile World Market", IDate, 5 February 2009)

According to a Massachusetts-based provider of communications industry market data, Pyramid Research, mobile services will be the spark for growth globally. Pyramid Research also projected that regional telecom service revenue in Central and Eastern Europe, Asia/Pacific, Africa, and the Middle East will see about 7% year-on-year growth, while the mature markets of North America and Western Europe are negatively affected by the deteriorated economic environment. Middle Eastern and Latin American mobile operators are expected to reap the benefits of the next generation networks' (3G and eventually 4G) value-added services over their networks, many of them based on just-deployed 3G technology.

Pyramid Research expects mobile data to be the primary engine of growth, seeing revenue increase by 15% to USD223 billion (RM808 billion). The number of broadband accounts, including 3G mobile accounts, will more than double, going from the current 965 million to more than 2 billion by 2013. This will create an important target market for digital content, applications, and advertising dollars.

(Source: “Pyramid Research predicts near-flat growth for global telecom services in 2009”, Doug Allen, 28 January 2009)

According to Cisco’s Visual Networking Index’s findings, global mobile traffic is expected to increase by 66 times between 2008 and 2013 with a compounded annual growth rate (“CAGR”) of 131% over the period. Asia Pacific is expected to account for one-third of all mobile data traffic by 2013. Together, Western Europe and Asia Pacific is forecasted to account for over 60% of global mobile traffic.



(Source: “Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update”, Cisco, 29 January 2009)

Mobile content revenues are expected to grow from USD23 billion (RM80 billion) in 2008 to USD52 billion (RM181 billion) by 2013 according to Juniper Research, a telecommunications analyst firm. Juniper Research expects content providers to see their share of the market rising from 54% in 2008 to 68% by 2013, providing they are able to secure more attractive terms from mobile network operators.

(Source: “Mobile Content Strategies & Business Models: Scenarios & Forecasts 2008-2013”, Juniper Research, December 2008)

With the anticipated growth in mobile data subscribers worldwide and consequently the increase in mobile data traffic, the outlook of mobile content industry is expected to remain positive globally in the long run. Following the integration of next generation networks with improved mobile data performance, the ensuing demand for mobile services and applications by subscribers will be a contributing factor to continuous growth of the industry.

6. PROSPECTS OF THE COMPANY

Going forward, the Group will be introducing new revenue channels mainly focusing on their global positioning satellite (“GPS”) and Navigational solutions. M3 Tech has also launched its first online store, www.m3gps.com, which offers a comprehensive range of mobile applications as well as GPS-Navigational products.

This initiative is expected to be deployed in stages over the year across the Group’s regional footprint. The necessary infrastructure and licenses/permits are being obtained to commence the online business in Indonesia, Thailand and China under the second (2nd) phase. These respective online stores are scheduled to be launched by the start of the fourth (4th) financial quarter of the FYE 30 June 2009. This on-going effort by the Group is not anticipated to compromise the Group’s core business of continuously developing and providing mobile applications and services for the retail and corporate markets.

Following the commencement of Mobile Number Portability (“MNP”) during the end of 2008, network operators are focusing on improving their levels of service and product offerings. It is anticipated that a more competitive environment will arise with third party content providers potentially being in demand to help manage, maintain and beef up the quality of consumer products and services. To date, M3 Tech’s connectivity with the clearing house set up for MNP by Talian Gerak Alih Sdn Bhd has been predominantly to serve M3 Tech’s corporate customers, including banks and insurance firms amongst others. This connection provides an added advantage of accessibility to real-time information on subscriber status, hence giving M3 Tech’s clients the assurance on accuracy and a higher success rate for their transactions.

Moving forward, the Group is optimistic about continuing its profit trend and remaining profitable for the FYE 30 June 2009 due to continuous effort to ensure sustainable growth and positive contribution from its foreign operations. The growth potential of the Group in countries such as Pakistan, Indonesia and Thailand remains extremely positive due to the continuous increase in mobile subscribers. The commissioning of the various online stores in these countries have the objective of not only providing state-of-the-art Navigational devices, but also a range of mobile-based applications, e.g. Anti-Theft, Anti-Spam etc., to cater to the large, growing subscriber base in these countries. The Indonesian subsidiary has managed to turn around its operations by running various business-to-customer campaigns, such as auction and contest-based services to boost its earnings.

7. DEVELOPMENT MILESTONES OF THE BUSINESS DEVELOPMENT PLAN (“BDP”)

M3 Tech is continually focused on expanding channels through which its range of products and services are offered.

The Group has continued to increase the range of products and services offerings. Although products using SMS and WAP are expected to continue to be the primary source of the Group’s income, new applications such as mobile Anti-Theft, Anti-Spam etc. are being introduced to increase the repertoire of the Group’s products and services.

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The Group has also turned its focus to their GPS and Navigational solutions, which offer a comprehensive range of mobile applications and GPS-Navigational products via its online store as stated in Section 6 above. The store in Malaysia is now fully commissioned to handle purchases both locally and internationally. New products are being sourced from around the world, including China, to be added to the product catalogue, which includes a range of Personal Navigational Devices (“PND”) that not only provides GPS services but also other multimedia services, such as video and MP3 playback amongst others. This is scheduled to be made available online by April 2009. The online stores in Thailand, China and Indonesia are scheduled to be fully commissioned by the end of March 2009.

Mobile Advertising is also another key channel that is being developed internally. Bluetooth options have been launched to encourage corporate entities to embark on an alternative advertising, promotional and marketing medium which is both versatile and cost effective.

The partnership entered into with AMP Radio, the leading radio network in the country, has proven to be successful based on the increased usage of the Group’s products and services which contributed partly to an increase in revenue recognised for the FYE 30 June 2008. M3 Tech has continued to reap the benefits of the partnership by developing more products unique to each of the stations. The repertoire of mobile services on offer now includes providing MP3 downloads, real-time contest campaigns, voting and polling activities and Financial/Bursa updates and alerts.

In addition, M3 Tech has deployed 3G Video Call services for live streaming and mobile marketing options through its partnership with AMP Radio Stations in February 2009.

With the Group continuing to develop according to their business development plan, it is expected that the Group will have positive earnings for the FYE 30 June 2009.

8. RESEARCH AND DEVELOPMENT (“R&D”)

As at 31 December 2008, there are 31 R&D employees within the Group, representing a decrease of approximately 24.39% as compared to 41 R&D employees at 30 June 2008. Going forward, the Group’s R&D focus is to develop and explore new areas including 3G applications, mobile marketing options, web developments to enhance its online store capabilities as well as the further development of its mobile GPS-Navigational-Tracking applications for mobile phones, i.e. Scout.

For the 6 months FPE 31 December 2008, the Group has incurred approximately RM0.532 million for the development of various mobile applications and solutions to cater to its various business channels, i.e. corporate clients, GPS initiatives etc. Research costs are charged to the profit and loss and development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 2 years. Impairment is assessed when there is an indication of impairment and amortisation is reviewed yearly.

The Company foresees that subject to the successful commercialisation of the R&D activities, the Group is expected to benefit from such R&D efforts.

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9. LIST OF TOP TEN LARGEST SHAREHOLDERS OF M3 TECH

The details of the 10 securities account holders having the largest number of securities of M3 Tech according to the Record of Depositors as at 13 February 2009 are as follows:-

No.	Name of Shareholders	No. of shares held	%
1.	Goh Lee Lang	19,853,040	12.14
2.	Lim Seng Boon	12,681,000	7.76
3.	Lembaga Tabung Haji	8,063,300	4.93
4.	Exodus Holdings Sdn Bhd	7,159,600	4.38
5.	Chew Sau Yoong	4,202,600	2.57
6.	OCBC Securities Private Limited	3,365,000	2.06
7.	Choong Yean Yaw	2,884,000	1.76
8.	Malahon Credit Company Limited	2,836,800	1.73
9.	Chew Shin Yong, Mark	2,130,600	1.30
10.	Ong Liang Ching	1,650,740	1.01

10. FINANCIAL FORECAST

M3 Tech has not disclosed any profit forecast for the financial year ending 30 June 2009.

11. UTILISATION OF PROCEEDS

The Company does not have any proceeds from any corporate exercises which are pending utilisation as at the date of this announcement.

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