

**MTOUCHE TECHNOLOGY BERHAD**  
Company no. 656395-X  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER  
ENDED 31 DECEMBER 2009**

**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DECEMBER 2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DECEMBER 2008 RM'000	CURRENT YEAR TO-DATE 31 DECEMBER 2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 DECEMBER 2008 RM'000
Revenue	10,333	10,525	42,802	39,086
Cost of sales	(7,677)	(6,897)	(28,429)	(22,750)
<b>Gross Profit</b>	2,656	3,628	14,373	16,336
Administrative expenses	(2,775)	(4,045)	(12,025)	(13,916)
Other expenses	(51,935)	(28,574)	(52,681)	(33,057)
EBITDA*	(52,054)	(28,991)	(50,333)	(30,637)
Other income	(1,088)	449	674	4,099
Finance costs	(317)	(88)	(592)	(383)
Depreciation and amortisation	(809)	(1,417)	(3,281)	(4,907)
Share of results of associates	(12,276)	(6,218)	(11,714)	(8,966)
<b>Loss before taxation</b>	(66,544)	(36,265)	(65,246)	(40,794)
Income tax (expenses)/benefit	(278)	207	(278)	(16)
<b>Loss for the period</b>	(66,822)	(36,058)	(65,524)	(40,810)
Attributable to:				
Equity holders of the parent	(66,623)	(34,197)	(65,579)	(38,427)
Minority interests	(199)	(1,861)	55	(2,383)
	(66,822)	(36,058)	(65,524)	(40,810)
Loss per share attributable to equity holders of the parent				
- Basic (sen)	(52.13)	(25.80)	(51.32)	(28.90)
- Diluted (sen)	NA	NA	NA	NA

\* - EBITDA denotes "Earnings Before Interest, Tax, Depreciation and Amortisation"

The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

**MTOUCHE TECHNOLOGY BERHAD**  
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**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	<b>AS AT 31 DECEMBER 2009 (UNAUDITED) RM'000</b>	<b>AS AT 31 DECEMBER 2008 (AUDITED) RM'000</b>
<b>Non-current assets</b>		
Plant and equipment	1,594	2,248
Intangible assets	8,399	16,739
Investment in associates	6,915	62,353
Other investments	-	3,202
Deferred tax assets	1,315	1,506
<b>Current assets</b>		
Inventories	-	69
Trade receivables	10,567	9,723
Other receivables	2,289	2,593
Asset held for sale	713	-
Tax recoverable	216	420
Cash and bank balances	8,443	11,935
<b>Current assets</b>	<u>22,228</u>	<u>24,740</u>
<b>Current liabilities</b>		
Trade payables	4,362	4,339
Other payables	7,137	8,145
Borrowings	1,659	3,358
Hire purchase payable	71	83
Tax payable	-	246
	<u>13,229</u>	<u>16,171</u>
<b>Net current assets</b>	<u>8,999</u>	<u>8,569</u>
	<u>27,222</u>	<u>94,617</u>
<b>Financed by:</b>		
<b>Capital and reserves</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	13,612	13,612
Share premium	61,212	61,212
Treasury shares	(3,375)	(634)
Warrant reserve	7,428	7,428
Other reserves	24,973	25,106
Accumulated losses	(81,172)	(15,593)
	<u>22,678</u>	<u>91,131</u>
Minority Interests	3	202
Total equity	<u>22,681</u>	<u>91,333</u>
<b>Non-current liabilities</b>		
Hire purchase payable	-	71
Borrowing	4,541	3,213
	<u>27,222</u>	<u>94,617</u>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<u>18</u>	<u>69</u>

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER  
ENDED 31 DECEMBER 2009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Share Premium RM'000	Non-Distributable Treasury Share RM'000	Warrant Reserve RM'000	Other Reserves RM'000	Distributable (Accumulated Losses)/ Retained Earnings/ RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<b>Twelve (12) months period ended 31 December 2009</b>									
At 1 January 2009	13,612	61,212	(634)	7,428	25,106	(15,593)	91,131	202	91,333
Share of associate reserves	-	-	-	-	(47)	-	(47)	-	(47)
Arising from translation of foreign currency	-	-	-	-	(86)	-	(86)	-	(86)
Net income/(expense) recognised directly in equity	13,612	61,212	(634)	7,428	24,973	(15,593)	90,998	202	91,200
(Loss)/Profit for the period	-	-	-	-	-	(65,579)	(65,579)	55	(65,524)
Total recognised income and expense for the period	13,612	61,212	(634)	7,428	24,973	(81,172)	25,419	257	25,676
Disposal of a subsidiary								(254)	(254)
Treasury shares : Purchased	-	-	(2,725)	-	-	-	(2,725)	-	(2,725)
Transaction costs	-	-	(16)	-	-	-	(16)	-	(16)
At 31 December 2009	<u>13,612</u>	<u>61,212</u>	<u>(3,375)</u>	<u>7,428</u>	<u>24,973</u>	<u>(81,172)</u>	<u>22,678</u>	<u>3</u>	<u>22,681</u>
<b>Twelve (12) months period ended 31 December 2008</b>									
At 1 January 2008	9,075	37,631	-	-	(2,802)	22,833	66,737	2,214	68,951
Share of associate reserves					25,705		25,705		25,705
Arising from translation of foreign currency	-	-	-	-	2,203	-	2,203	-	2,203
Net income/(expense) recognised directly in equity	9,075	37,631	-	-	25,106	22,833	94,645	2,214	96,859
Loss for the period	-	-	-	-	-	(38,426)	(38,426)	(2,383)	(40,809)
Total recognised income and expense for the period	9,075	37,631	-	-	25,106	(15,593)	56,219	(169)	56,050
Issuance of ordinary share right issue	4,537	24,177	-	7,585	-	-	36,299	-	36,299
Acquisition of a subsidiary	-	-	-	-	-	-	-	371	371
Treasury shares : Purchased	-	-	(629)	-	-	-	(629)	-	(629)
Transaction costs	-	(596)	(5)	(157)	-	-	(758)	-	(758)
At 31 December 2008	<u>13,612</u>	<u>61,212</u>	<u>(634)</u>	<u>7,428</u>	<u>25,106</u>	<u>(15,593)</u>	<u>91,131</u>	<u>202</u>	<u>91,333</u>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)**

	<b>TWELVE (12) MONTHS ENDED 31 DECEMBER 2009 RM'000</b>	<b>TWELVE (12) MONTHS ENDED 31 DECEMBER 2008 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(65,246)	(40,794)
Adjustments for non-cash item:		
Non-cash items	2,965	4,931
Non-operating items	410	(2,428)
Dividend income	-	(141)
Allowance for doubtful debts	323	5,234
Goodwill written off	795	2,415
Impairment of intangible assets	4,301	15,806
Impairment of investment in an associate	45,199	5,586
Plant and equipment written off	44	999
Plant and equipment transferred	3	-
Loss on disposal of plant and equipment	20	-
Loss on disposal of a subsidiary	187	-
Share of results of associates	11,714	8,966
Profit before working capital changes	715	574
Changes in working capital:		
Decrease in inventories	69	286
Net change in current assets	(1,753)	341
Net change in current liabilities	331	(755)
Cash (used in) generated from operations	(638)	446
Tax refund/(paid)	106	(26)
<b>Net cash (used in)/generated from operating activities</b>	<b>(532)</b>	<b>420</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	(181)	(717)
Settlement of balance of purchase considerations to acquire a subsidiary and intangible assets	-	(9,266)
Acquisition of plant and equipment	(360)	(1,560)
Acquisition of intangible assets	-	(4,337)
Proceed from disposal of plant and equipment	81	-
Proceed from disposal of a subsidiary	111	-
Interest received	178	355
Dividend received	1,000	141
Repayment of amount due to director	-	(7,003)
<b>Net cash generated from /(used in) investing activities</b>	<b>829</b>	<b>(22,387)</b>
<b>Cash flows from financing activities</b>		
Proceed from issuance of new shares	-	36,300
Expenses relating to share issue	-	(754)
Proceed from term loan	2,500	5,000
Loan repayment	(502)	(798)
Purchase of treasury shares	(2,741)	(634)
Interest paid	(594)	(383)
Repayment of hire purchase	(83)	(78)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,420)</b>	<b>38,653</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,123)</b>	<b>16,686</b>
<b>Cash and cash equivalents at 1 January</b>	<b>9,566</b>	<b>(7,120)</b>
<b>Cash and cash equivalents at end of period (i)</b>	<b>8,443</b>	<b>9,566</b>
<i>i) Cash and cash equivalents</i>		
Cash and cash equivalents included in the cash flow statements comprise		
Cash and bank balances	8,443	11,935
Bank Overdraft	-	(2,369)
	<b>8,443</b>	<b>9,566</b>

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 “Interim Financial Reporting” and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The interim financial report should be read in conjunction with the latest audited financial statements of the mTouche Technology Berhad (“MTB or Company”) and its subsidiaries (“Group”) for the financial year ended (“FYE”) 31 December 2008.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since FYE 31 December 2008.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008. The adoption of the following FRS will be effective in the relevant financial period:

		Effective for financial period beginning on or after
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements (Revised)	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010

The adoption of the abovementioned FRSs will not result in significant changes in accounting policies of the Group.

**A3. Auditors’ Report on the Preceding Annual Financial Statements**

The auditor’s report on the latest audited financial statements for the FYE 31 December 2008 was not subject to any audit qualification.

**A4. Seasonal or Cyclical Factors of Interim Operations**

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review.

**A6. Material Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years, which may have a material effect in the current quarter results.

**A7. Issuance and Repayment of Debts and Equity Securities**

There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities for the current quarter under review save for the following:

The shareholders of MTB had given their approval for MTB to buy back its own shares at the Extraordinary General Meeting held on 26 August 2008 and such authority was renewed at the 5th Annual General Meeting of MTB held on 15 May 2009. During the 12 month period ended 31 December 2009, MTB bought back from the open market, 9,423,900 ordinary shares of RM0.10 each at an average price of RM0.291 per share. The total consideration for the shares bought during the period ended 31 December 2009, including transaction cost was RM2,741,044.01 and was financed by internally generated fund. The shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the period ended 31 December 2009.

**A8. Dividends Paid or Proposed**

There were no dividends declared and paid for the current quarter under review.

**A9. Segmental Information**

The management determines that its geographical segments comprise the following markets which have similar characteristics:

- (i) Matured markets – countries which the Group has achieved stable penetration rate including Malaysia and Singapore.
- (ii) Emerging markets – countries with potential growth and penetration rate including Hong Kong, People's Republic of China, Indonesia, Thailand, Vietnam, Philippines and India.

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**A9. Segmental Information (con't)**

**Segmental information by geographical segments for the twelve (12) months period ended 31 December 2009**

	<b>Matured markets RM'000</b>	<b>Emerging markets RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	21,887	20,915	-	42,802
Inter-segment sales	7,666	-	(7,666)	-
Total revenue	<u>29,553</u>	<u>20,915</u>	<u>(7,666)</u>	<u>42,802</u>
<b>Results</b>				
Segment results	(52,429)	(2,221)	1,118	(53,532)
Share of results of associates	1,583	(13,296)	-	(11,713)
Profit before taxation				(65,246)
Taxation				(278)
Profit for the period				<u>(65,524)</u>

**Segmental information by geographical segments for the twelve (12) months period ended 31 December 2008**

	<b>Matured markets RM'000</b>	<b>Emerging markets RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	19,710	19,376	-	39,086
Inter-segment sales	6,276	-	(6,276)	-
Total revenue	<u>25,986</u>	<u>19,376</u>	<u>(6,276)</u>	<u>39,086</u>
<b>Results</b>				
Segment results	(46,548)	(4,015)	18,735	(31,828)
Share of results of associates	(8,966)	-	-	(8,966)
Loss before tax				(40,794)
Taxation				(16)
Loss for the period				<u>(40,810)</u>

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

---

**A10. Valuation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

**A11. Material Events Subsequent To the End of the Quarter**

There were no material events subsequent to the end of the current quarter.

**A12. Changes in Composition of the Group**

On 13 November 2009, MTB had announced that its wholly-owned subsidiary, mTouche (HK) Limited had on today, disposed 50,000 ordinary shares of USD1.00 each in Rayson Management Limited (“Rayson”), representing 100% equity in Rayson for a total cash consideration of USD1,000.00 (equivalent to RM3,400.00) (“Disposal”) to an unrelated third party. With the Disposal, Rayson and its wholly-owned subsidiary, Smartcom Global Pte Ltd (“Rayson Group”), will cease to be subsidiaries of mTouche.

On 21 January 2010, MTB had announced that its associate, GMO Limited (“GMOL”) had on 19 January 2010 received notification letter (dated 15 January 2010) from the Jersey Financial Services Commission, on the dissolution of GMOL on 30 December 2009. GMOL has also completed the internal reorganisation in year 2009.

**A13. Contingent Assets or Changes on Contingent Liabilities**

There were no contingent assets or contingent liabilities since the last annual balance sheet date.

**A14. Significant Related Party Transaction**

The Directors of MTB are of the opinion that there are no related party transactions which would have material impact on the financial position and the business of the Group during the current financial quarter.



**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES FOR THE ACE MARKET**

**B1. Review of Performance**

The Group's negative EBITDA of approximately RM50.3 million and Loss Before Taxation ("LBT") of approximately of RM65.2 million for the year ended 31 December 2009 were mainly attributable to the following :-

- i provisions for impairment of intangible assets and goodwill amounting to approximately RM5.1 million;
- ii provisions for impairment of investments amounting to approximately RM45.2 million and
- iii share of loss from its associate company namely GMO Global of approximately RM13.2 million

**B2. Material Changes in Profit Before Taxation ("PBT") In Comparison to the Previous Quarter**

The Group's negative EBITDA of RM52.0 million and LBT of RM66.5 million in the current quarter as compared to EBITDA of RM0.1 million and PBT of RM 0.9 million in the previous quarter is due to the expenses as detailed below which affected the overall results of the Group:

- i provision for impairment of intangible assets and goodwill amounting to approximately RM5.1 million;
- ii provisions for impairment of investments amounting to approximately RM45.2 million
- iii provisions of doubtful debts amounting to approximately RM0.3 million made in compliance with the Group's accounting policy and
- iv share of loss from its associate company namely GMO Global of approximately RM12.7 million

**B3. Future Prospect**

Moving forward, despite the global economic crisis, the Group will focus more on its core mobile messaging services and drive our existing and new products across our eight (8) countries of operation.

Premised on the above and barring any unforeseen circumstances, the Directors of MTB are optimistic of achieving growth for the financial year 2009.

**B4. Variance on Profit Forecast**

Not applicable as the Group has not issued any profit forecast.

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.12.2009 RM'000	Preceding year corresponding quarter 31.12.2008 RM'000	Current year to date 31.12.2009 RM'000	Preceding year corresponding period 31.12.2008 RM'000
Current tax benefit/(expense):				
Malaysian income tax	23	(277)	23	(158)
Foreign tax	(35)	381	(35)	39
	(12)	104	(12)	(119)
Deferred tax	(266)	103	(266)	103
	(278)	207	(278)	(16)

Malaysian income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

No provision for taxation has been made on the chargeable income of MTB, as there was no income tax liability imposed on the approved qualifying activities based on the Pioneer Status incentive awarded to MTB as a Multimedia Super Corridor Status company under Section 4A of the Promotion of Investment Act, 1986, except for the interest income earned from fixed deposit which are taxable.

**B6. Profits on Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments and/or properties by the Group for the current quarter and financial year under review.

**B7. Purchase or Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial year under review.

**B8. Status of Corporate Proposals**

**a) Proposed Rights Issue with Warrants**

On 25 January 2010, MTB had announced that the shareholders of the Company have at the Extraordinary General Meeting held on the same date, approved the ordinary resolutions relating to the following:-

- (i) Executed the Deed Poll constituting up to 72,600,000 free detachable New Warrants to be issued pursuant to the Right Issue ("Deed Poll");

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**B8. Status of Corporate Proposals (con't)**

**a) Proposed Rights Issue with Warrants (con't)**

- (ii) Entered into an Underwriting Agreement with OSK for the underwriting of up to 62,036,808 Rights Shares to be issued by mTouche pursuant to the Rights Issue;
- (iii) To fix the issue price of the Rights Shares at RM0.10 each, representing a discount of RM0.17 or 63.0% from the theoretical ex-rights price of mTouche Shares of RM0.27, based on the five (5)-day Weighted Average Market Price ("WAMP") of mTouche Shares from 18 January 2010 up to and including 22 January 2010 of RM0.44; and
- (iv) to fix the exercise price of the New Warrants at RM0.27 each, which is equivalent to the theoretical ex-rights price of mTouche Shares of RM0.27 based on the five (5)-day WAMP of mTouche Shares up to 22 January 2010 of RM0.44, subject to the provisions of the Deed Poll.

**b) Utilisation of proceeds from the Rights Issue with Warrants completed on 28 January 2008**

As at 31 December 2009, the Company had utilised approximately 80% of the proceeds raised from the Rights Issue with Warrants exercise which was completed on 28 January 2008. Details of the utilisation are as follows:

<b>Nature of Expenses</b>	<b>Proposed Amount RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Unused Amount RM'000</b>
Working capital	2,000	2,000	-
Acquisition of murabahah loan notes	18,000	18,000	-
Future viable investments	15,000	7,822	7,178
Right issue expenses	1,300	1,300	-
<b>Total</b>	<b>36,300</b>	<b>29,122</b>	<b>7,178</b>

**B9. Borrowings and Debt Securities**

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 December 2009.

**Short Term Borrowings**

	<b>As at 31.12.2009 RM'000</b>	<b>As at 31.12.2008 RM'000</b>
Overdraft	-	2,369
Term Loan	1,659	989
Hire Purchase	71	83
	<b>1,730</b>	<b>3,441</b>

**MTOUCHE TECHNOLOGY BERHAD**  
**Company no. 656395-X**  
**(Incorporated in Malaysia)**

---

**INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER**  
**ENDED 31 DECEMBER 2009**

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**B9. Borrowings and Debt Securities (con't)**

**Long Term Borrowings**

	<b>As at</b>	<b>As at</b>
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Term Loan	4,541	3,213
Hire Purchase	-	71
	4,541	4,153
	4,541	4,153

The overdraft and term loan are secured by deposits placed with a licensed bank. The overdraft has been converted to term loan during the quarter.

**B10. Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instruments.

**B11. Material Litigation**

There is no pending material litigation for the current quarter and financial year under review.

**B12. Dividends**

No interim/final dividend was declared during the current quarter under review.

**B13. Loss Per Share**

The basic loss per share has been calculated based on the loss for the year attributable to ordinary equity holder divided by the weighted number of ordinary shares of RM0.10 each in issue during the year, excluding treasury shares held by the Company.

	<b>Forth quarter</b>		<b>Accumulated</b>	
	<b>ended</b>		<b>twelve months ended</b>	
	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
Loss for the period attributable to the ordinary equity holder (RM'000)	(66,623)	(34,197)	(65,579)	(38,427)
Weighted average number of ordinary shares in issue ('000)	127,790	132,784	127,790	132,784
Basic loss per share attributable to equity holders (sen)	(52.13)	(25.80)	(51.32)	(28.9)
	(52.13)	(25.80)	(51.32)	(28.9)
	(52.13)	(25.80)	(51.32)	(28.9)