

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

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2010**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MARCH 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2009 RM'000	CURRENT YEAR TO-DATE 31 MARCH 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2009 RM'000
Revenue	11,153	11,057	11,153	11,057
Cost of sales	(6,927)	(6,904)	(6,927)	(6,904)
Gross Profit	<u>4,226</u>	<u>4,153</u>	<u>4,226</u>	<u>4,153</u>
Administrative expenses	(2,543)	(3,263)	(2,543)	(3,263)
Other expenses	(273)	(657)	(273)	(657)
EBITDA*	<u>1,410</u>	<u>233</u>	<u>1,410</u>	<u>233</u>
Other income	592	219	592	219
Finance costs	(102)	(100)	(102)	(100)
Depreciation and amortisation	(632)	(846)	(632)	(846)
Share of results of associates	418	207	418	207
Profit/(loss) before taxation	<u>1,686</u>	<u>(287)</u>	<u>1,686</u>	<u>(287)</u>
Taxation	-	-	-	-
Profit/(loss) for the period	<u>1,686</u>	<u>(287)</u>	<u>1,686</u>	<u>(287)</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(594)	390	(594)	390
Total comprehensive income	<u>1,092</u>	<u>103</u>	<u>1,092</u>	<u>103</u>
Total profit/(loss) attributable to:				
Equity holders of the parent	1,686	(287)	1,686	(287)
Minority interests	-	-	-	-
	<u>1,686</u>	<u>(287)</u>	<u>1,686</u>	<u>(287)</u>
Total comprehensive income attributable to:				
Equity holders of the parent	1,092	103	1,092	103
Minority interests	-	-	-	-
	<u>1,092</u>	<u>103</u>	<u>1,092</u>	<u>103</u>
Profit/(loss) per share attributable to equity holders of the parent				
- Basic (sen)	<u>1.1</u>	<u>(0.2)</u>	<u>1.1</u>	<u>(0.2)</u>
- Diluted (sen)	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

* - 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 2009 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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STATEMENT OF FINANCIAL POSITION

	AS AT 31 MARCH 2010 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2009 (AUDITED) RM'000
Non-current assets		
Plant and equipment	1,392	1,593
Intangible assets	7,792	8,399
Investments in associates	7,370	6,915
Other investment	-	713
Deferred tax assets	1,298	1,315
Current assets		
Trade and other receivables	12,948	12,789
Tax recoverable	264	216
Cash and bank balances	23,472	8,443
	<u>36,684</u>	<u>21,448</u>
Current liabilities		
Borrowings	2,348	1,730
Trade and other payables	10,736	11,463
	<u>13,084</u>	<u>13,193</u>
Net current assets	<u>23,600</u>	<u>8,255</u>
	<u>41,452</u>	<u>27,190</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	26,925	13,612
Share premium	59,946	61,212
Treasury shares	(4,444)	(3,375)
Warrant reserve	9,620	7,428
Other reserves	24,014	24,608
Accumulated losses	(79,152)	(80,838)
	<u>36,909</u>	<u>22,647</u>
Minority interests	2	2
Total equity	<u>36,911</u>	<u>22,649</u>
Non-current liabilities		
Borrowings	4,541	4,541
	<u>41,452</u>	<u>27,190</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>25</u>	<u>18</u>

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Non-Distributable			Other Reserves RM'000	Distributable (Accumulated Losses)/ Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		Share Premium RM'000	Treasury Shares RM'000	Warrant Reserves RM'000					
Three (3) months period ended 31 March 2010									
At 1 January 2010	13,612	61,212	(3,375)	7,428	24,608	(80,838)	22,647	2	22,649
Share of associates' reserves	-	-	-	-	-	-	-	-	-
Net income/(expense) recognised directly in equity	13,612	61,212	(3,375)	7,428	24,608	(80,838)	22,647	2	22,649
Total comprehensive income for the period	-	-	-	-	(594)	1,686	1,092	-	1,092
Total recognised income and expense for the period	13,612	61,212	(3,375)	7,428	24,014	(79,152)	23,739	2	23,741
Issuance of ordinary shares pursuant to right issue with free warrants	13,313	(2,773)	-	2,192	-	-	12,732	-	12,732
Treasury shares :									
Purchased	-	-	(3,552)	-	-	-	(3,552)	-	(3,552)
Sold	-	1,507	2,512	-	-	-	4,019	-	4,019
Transaction costs	-	-	(29)	-	-	-	(29)	-	(29)
At 31 March 2010	<u>26,925</u>	<u>59,946</u>	<u>(4,444)</u>	<u>9,620</u>	<u>24,014</u>	<u>(79,152)</u>	<u>36,909</u>	<u>2</u>	<u>36,911</u>
Three (3) months period ended 31 March 2009									
At 1 January 2009	13,612	61,212	(634)	7,428	25,106	(15,593)	91,131	202	91,333
Share of associates' reserves	-	-	-	-	45	-	45	-	45
Net income/(expense) recognised directly in equity	13,612	61,212	(634)	7,428	25,151	(15,593)	91,176	202	91,378
Total comprehensive income for the period	-	-	-	-	390	(287)	103	-	103
Total recognised income and expense for the period	13,612	61,212	(634)	7,428	25,541	(15,880)	91,279	202	91,481
Treasury shares :									
Purchased	-	-	(1,007)	-	-	-	(1,007)	-	(1,007)
Transaction costs	-	-	(6)	-	-	-	(6)	-	(6)
At 31 March 2009	<u>13,612</u>	<u>61,212</u>	<u>(1,647)</u>	<u>7,428</u>	<u>25,541</u>	<u>(15,880)</u>	<u>90,266</u>	<u>202</u>	<u>90,468</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 2009 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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STATEMENT OF CASH FLOWS

	THREE (3) MONTHS ENDED 31 MARCH 2010 RM'000	THREE (3) MONTHS ENDED 31 MARCH 2009 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	1,686	(287)
Adjustments for non-cash item:		
Non-cash items	341	842
Non-operating items	69	42
Plant and equipment written off	1	-
Gain on disposal of investment	(520)	
Share of results of associates	(418)	(207)
Profit before working capital changes	1,159	390
Changes in working capital:		
Decrease in inventories	-	69
Net change in current assets	(159)	786
Net change in current liabilities	(726)	(34)
Cash generated from operations	274	1,211
Tax paid	(48)	(3)
Net cash generated from operating activities	226	1,208
Cash flows from investing activities		
Acquisition of subsidiaries	(65)	-
Investment in associate	(37)	-
Proceed from disposal of investment	1,233	-
Acquisition of plant and equipment	(46)	(56)
Interest received	33	59
Net cash generated from investing activities	1,118	3
Cash flows from financing activities		
Proceeds from issuance of new shares	13,313	-
Listing expenses	(581)	-
Proceeds from borrowing	1,020	-
Loan repayment	(381)	(250)
Purchase of treasury shares	(1,069)	(1,013)
Resale of treasury shares	1,507	-
Interest paid	(102)	(100)
Repayment of hire purchase	(22)	(20)
Net cash generated from/(used in) financing activities	13,685	(1,383)
Net increase/(decrease) in cash and cash equivalents	15,029	(172)
Cash and cash equivalents at 1 January	8,443	9,566
Cash and cash equivalents at end of period (i)	23,472	9,394

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Cash and bank balances	23,472	12,061
Bank overdraft	-	(2,667)
	23,472	9,394

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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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 2009.

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 2009.

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 2009. The adoption of the following FRS will be effective in the relevant financial period:

		Effective for financial period beginning on or after
Amendment to FRS 132	Financial Instruments: Classification of Rights Issues	1 March 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (amended)	1 July 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendment to FRS 138	Intangible Assets	1 July 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 2009 was not subject to any audit qualification.

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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.

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

- (i) 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 3 month period ended 31 March 2010, MTB bought back from the open market, 18,620,400 ordinary shares of RM0.10 each at an average price of RM0.243 per share. The total consideration for the shares bought during the period ended 31 March 2010, including transaction cost was RM4,530,174.79 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.

During the period ended 31 March 2010, the Company sold 8,943,000 treasury shares in the open market. The average selling price of the treasury shares was RM0.448 per share.

- (ii) On 19 March 2010, the Company completed the proposed Right Issue with Warrants with the issuance of 133,125,000 new ordinary share(s) of RM0.10 each in mTouche together with 53,250,000 free detachable warrants.

A8. Dividends Paid or Proposed

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

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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, Singapore, Thailand and Hong Kong.
- (ii) Emerging markets – countries with potential growth and penetration rate including People's Republic of China, Indonesia, Vietnam, Philippines and India.

Segmental information by geographical segments for the three (3) months period ended 31 March 2010.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	8,231	2,922	-	11,153
Inter-segment sales	114	-	(114)	-
Total revenue	8,345	2,922	(114)	11,153
Results				
Segment results	118	1,150	-	1,268
Share of results of associates	418	-	-	418
Profit before taxation				1,686
Taxation				-
Profit for the period				1,686

Segmental information by geographical segments for the three (3) months period ended 31 March 2009.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	9,600	1,457	-	11,057
Inter-segment sales	-	-	-	-
Total revenue	9,600	1,457	-	11,057
Results				
Segment results	410	(904)	-	(494)
Share of results of associates	493	(286)	-	207
Loss before taxation				(287)
Taxation				-
Loss for the period				(287)

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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

- (i) 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.
- (ii) On 18 February 2010, MTB had announced the disposal of its entire shareholding in Cellcast consisting of 4,500,000 Cellcast Shares (“Disposal”). The aggregate sale consideration of the Disposal within the preceding twelve (12) months amounts to £235,036 (equivalent to RM1,237,510 based on the exchange rate of £1.00 : RM5.265).

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.

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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

For the financial quarter ended 31 March 2010, the performance of the Group continued to improve steadily to achieve revenue of approximately RM11.2 million, EBITDA of RM1.4 million and Profit Before Taxation ("PBT") of RM1.7 million. There were no material expenses incurred for the current quarter.

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

For the financial quarter ended 31 March 2010, the Group's performance improved with an increase in revenue, improved EBITDA and lower expenses as compared to the previous quarter. The Group recorded EBITDA of RM1.4 million and PBT of RM1.7 million in the current quarter. There were no material expenses incurred in the quarter under review.

B3. Future Prospect

Moving forward, the Group will focus on its core mobile messaging services and drive our existing and new products across our nine (9) 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 2010.

B4. Variance on Profit Forecast

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

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.3.2010 RM'000	Preceding year corresponding quarter 31.3.2009 RM'000	Current year to date 31.3.2010 RM'000	Preceding year corresponding period 31.3.2009 RM'000
Current tax benefit/(expense):				
Malaysian income tax	-	-	-	-
Foreign tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

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B5. Taxation (con't)

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

The Rights Issue with Warrants was completed on 19 March 2010.

As at 31 March 2010, the Company had utilised approximately 4% of the proceeds raised from the Rights Issue with Warrants exercise. Details of the utilisation are as follows:

	Proposed Amount RM'000	Actual Utilisation RM'000	Unused Amount RM'000
Nature of Expenses			
Working capital	12,713	-	12,713
Right issue expenses	600	581	19
Total	<u>13,313</u>	<u>581</u>	<u>12732</u>

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B8. Status of Corporate Proposals (con't)

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 81% of the proceeds raised from the Rights Issue with Warrants exercise. Details of the utilisation are as follows:

Nature of Expenses	Proposed Amount RM'000	Actual Utilisation RM'000	Unused Amount RM'000
Working capital	2,000	2,000	-
Acquisition of murabahah loan notes	18,000	18,000	-
Future viable investments	15,000	7,926	7,074
Right issue expenses	1,300	1,300	-
Total	36,300	29,226	7,074

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2010.

Short Term Borrowings

	As at 31.3.2010 RM'000	As at 31.3.2009 RM'000
Overdraft	-	2,667
Borrowing	1,021	-
Term Loan	1,278	739
Hire Purchase	49	63
	2,348	3,469

Long Term Borrowings

	As at 31.3.2010 RM'000	As at 31.3.2009 RM'000
Term Loan	4,541	3,213
Hire Purchase	-	71
	4,541	3,284

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.

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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. Profit/(loss) Per Share

The basic profit/(loss) per share has been calculated based on the profit/(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.

	3 months ended 31.3.2010	3 months ended 31.3.2009
Profit/(loss) for the period attributable to the ordinary equity holder (RM'000)	1,686	(287)
Weighted average number of ordinary shares in issue ('000)	146,790	133,420
Basic profit/(loss) per share attributable to equity holders (sen)	1.1	(0.2)