

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

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEPTEMBER 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEPTEMBER 2009 RM'000	CURRENT YEAR TO-DATE 30 SEPTEMBER 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEPTEMBER 2009 RM'000
Revenue	11,587	10,148	32,408	32,469
Cost of sales	(7,655)	(7,285)	(21,556)	(20,752)
Gross profit	<u>3,932</u>	<u>2,863</u>	<u>10,852</u>	<u>11,717</u>
Administrative expenses	(2,502)	(2,835)	(7,567)	(9,251)
Other expenses	(578)	102	(1,483)	(746)
EBITDA*	<u>852</u>	<u>130</u>	<u>1,802</u>	<u>1,720</u>
Other income	102	1,439	805	1,762
Finance costs	(76)	(80)	(296)	(275)
Depreciation and amortisation	(573)	(786)	(1,812)	(2,472)
Share of results of associates	(75)	171	754	562
Profit before taxation	<u>230</u>	<u>874</u>	<u>1,253</u>	<u>1,297</u>
Taxation	-	-	-	-
Profit for the period	<u>230</u>	<u>874</u>	<u>1,253</u>	<u>1,297</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(253)	(345)	(662)	(826)
Total comprehensive income	<u>(23)</u>	<u>529</u>	<u>591</u>	<u>471</u>
Total profit attributable to:				
Equity holders of the parent	230	874	1,253	1,043
Minority interests	-	-	-	254
	<u>230</u>	<u>874</u>	<u>1,253</u>	<u>1,297</u>
Total comprehensive income attributable to:				
Equity holders of the parent	(23)	529	591	217
Minority interests	-	-	-	254
	<u>(23)</u>	<u>529</u>	<u>591</u>	<u>471</u>
Profit/(loss) per share attributable to equity holders of the parent				
- Basic/diluted (sen)	<u>0.11</u>	<u>0.68</u>	<u>0.60</u>	<u>0.81</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.

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 2010 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2009 (AUDITED) RM'000
Non-current assets		
Plant and equipment	1,126	1,593
Intangible assets	6,736	8,399
Investments in associates	7,706	6,915
Other investment	-	713
Deferred tax assets	1,270	1,315
Current assets		
Trade and other receivables	13,970	12,789
Tax recoverable	363	216
Cash and bank balances	14,446	8,443
	<u>28,779</u>	<u>21,448</u>
Current liabilities		
Borrowings	1,398	1,730
Trade and other payables	11,830	11,463
	<u>13,228</u>	<u>13,193</u>
Net current assets	<u>15,551</u>	<u>8,255</u>
	<u>32,389</u>	<u>27,190</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	24,283	13,612
Share premium	53,298	61,212
Treasury shares	(1,817)	(3,375)
Warrant reserve	9,620	7,428
Capital redemption reserve	2,642	-
Other reserves	23,946	24,608
Accumulated losses	(79,585)	(80,838)
	<u>32,387</u>	<u>22,647</u>
Minority interests	<u>2</u>	<u>2</u>
Total equity	32,389	22,649
Non-current liabilities		
Borrowings	-	4,541
	<u>32,389</u>	<u>27,190</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>16</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.

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Non-Distributable Warrant Reserves RM'000	Capital Redemption 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
Nine (9) months period ended 30 September 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	-	-	-	-	-	(662)	1,253	591	-	591
Total recognised income and expense for the period	13,612	61,212	(3,375)	7,428	-	23,946	(79,585)	23,238	2	23,240
Issuance of ordinary shares pursuant to rights issue with free warrants	13,313	(2,773)	-	2,192	-	-	-	12,732	-	12,732
Treasury shares :										
Purchased	-	-	(7,502)	-	-	-	-	(7,502)	-	(7,502)
Sold	-	1,507	2,512	-	-	-	-	4,019	-	4,019
Transaction costs	-	-	(100)	-	-	-	-	(100)	-	(100)
Cancellation of treasury shares:										
Issued capital diminished transfer to capital redemption reserve	(2,642)	-	-	-	2,642	-	-	-	-	-
Cost of treasury shares cancelled by utilised share premium	-	(6,648)	6,648	-	-	-	-	-	-	-
At 30 September 2010	<u>24,283</u>	<u>53,298</u>	<u>(1,817)</u>	<u>9,620</u>	<u>2,642</u>	<u>23,946</u>	<u>(79,585)</u>	<u>32,387</u>	<u>2</u>	<u>32,389</u>
Nine (9) months period ended 30 September 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	-	-	-	-	-	130	-	130	-	130
Net income/(expense) recognised directly in equity	13,612	61,212	(634)	7,428	-	25,236	(15,593)	91,261	202	91,463
Total comprehensive income for the period	-	-	-	-	-	(826)	1,043	217	254	471
Total recognised income and expense for the period	13,612	61,212	(634)	7,428	-	24,410	(14,550)	91,478	456	91,934
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(254)	(254)
Treasury shares :										
Purchased	-	-	(2,296)	-	-	-	-	(2,296)	-	(2,296)
Transaction costs	-	-	(14)	-	-	-	-	(14)	-	(14)
At 30 September 2009	<u>13,612</u>	<u>61,212</u>	<u>(2,944)</u>	<u>7,428</u>	<u>-</u>	<u>24,410</u>	<u>(14,550)</u>	<u>89,168</u>	<u>202</u>	<u>89,370</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.

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

STATEMENT OF CASH FLOWS

	NINE (9) MONTHS ENDED 30 SEPTEMBER 2010 RM'000	NINE (9) MONTHS ENDED 30 SEPTEMBER 2009 RM'000
Cash flows from operating activities		
Profit before taxation	1,253	1,297
Adjustments for non-cash item:		
Non-cash items	1,735	1,619
Non-operating items	135	128
Dividend income		(1,000)
Plant and equipment written off	3	28
Loss on disposal of plant and equipment	15	24
Loss on disposals of interests in subsidiaries	-	192
Gain on disposal of investment	(520)	-
Share of results of associates	(754)	(562)
Profit before working capital changes	1,867	1,726
Changes in working capital:		
Decrease in inventories	-	69
Net change in current assets	(1,181)	(1,965)
Net change in current liabilities	369	(508)
Cash generated from operations	1,055	(678)
Tax paid	(147)	152
Net cash generated from/(used in) operating activities	908	(526)
Cash flows from investing activities		
Acquisition of subsidiaries	(65)	(181)
Investment in associate	(37)	-
Proceed from disposal of investment	1,233	116
Acquisition of plant and equipment	(176)	(284)
Proceed from disposal of plant and equipment		81
Disposals of interest in subsidiaries	-	
Interest received	161	147
Dividend received		1,000
Net cash generated from investing activities	1,116	879
Cash flows from financing activities		
Proceeds from issuance of new shares	13,313	-
Listing expenses	(581)	-
Proceeds from borrowing	1,392	2,500
Loan repayment	(6,200)	(350)
Purchase of treasury shares	(5,091)	(2,310)
Resale of treasury shares	1,507	-
Interest paid	(296)	(275)
Repayment of hire purchase	(65)	(59)
Net cash generated from/(used in) financing activities	3,979	(494)
Net increase/(decrease) in cash and cash equivalents	6,003	(141)
Cash and cash equivalents at 1 January	8,443	9,566
Cash and cash equivalents at end of period (i)	14,446	9,425

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	14,446	9,425
Bank overdraft	-	-
	14,446	9,425

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.

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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 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.

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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

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 further renewed at the 6th Annual General Meeting of MTB held on 14 May 2010. During the 9 months period ended 30 September 2010, MTB bought back from the open market, 30,075,800 ordinary shares of RM0.10 each at an average price of RM0.253 per share. The total consideration for the shares bought during the period ended 30 September 2010, including transaction cost was RM7,602,310.61 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 9 months period ended 30 September 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.

On 6 May 2010, the Company had cancelled 26,422,000 ordinary shares of RM0.10 each for total cost of RM6,647,646 by utilising share premium account. Pursuant to Section 67A(3E) of the Companies Act, 1965, the Company is required to create a capital redemption reserve for the issued capital diminished.

A8. Dividends Paid or Proposed

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

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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, the Philippines and India.

Segmental information by geographical segments for the nine (9) months period ended 30 September 2010.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	23,925	8,483	-	32,408
Inter-segment sales	316	-	(316)	-
Total revenue	<u>24,241</u>	<u>8,483</u>	<u>(217)</u>	<u>32,408</u>
Results				
Segment results	18,114	1,961	(19,576)	499
Share of result of associates	754	-	-	754
Profit before taxation				1,253
Taxation				-
Profit for the period				<u>1,253</u>

Segmental information by geographical segments for the nine (9) months period ended 30 September 2009.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	16,390	16,079	-	32,469
Inter-segment sales	-	-	-	-
Total revenue	<u>16,390</u>	<u>16,079</u>	<u>-</u>	<u>32,469</u>
Results				
Segment results	5,646	(34)	(4,877)	735
Share of results of associates	1,151	(589)	-	562
Profit before taxation				1,297
Taxation				-
Profit for the period				<u>1,297</u>

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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

There were no changes in the composition of the Group for the current quarter under review.

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 THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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

B1. Review of Performance

For the cumulative quarter ended 30 September 2010, the Group achieve revenue of approximately RM32.4 million, EBITDA of RM1.8 million and Profit Before Taxation ("PBT") of RM1.2 million. There were no material expenses incurred for the current quarter.

B2. Material Changes in Profit Before Taxation In Comparison to the Previous Quarter

The Group record positive EBITDA of RM0.8 million and PBT of RM0.2 million in the current quarter as compare to negative EBITDA of RM0.4 million and Loss Before Taxation ("LBT") of RM0.6 million in the previous quarter. There were no material expenses incurred in the quarter under review.

B3. Future Prospect

The Group will continue to 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 satisfactory performance 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 30.9.2010 RM'000	Preceding year corresponding quarter 30.9.2009 RM'000	Current year to date 30.9.2010 RM'000	Preceding year corresponding period 30.9.2009 RM'000
Current tax benefit/(expense):				
Malaysian income tax	-	-	-	-
Foreign tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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 30 September 2010, the Company had utilised approximately 47% 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	12,713	5,695	7,018
Rights issue expenses	600	581	19
Total	<u>13,313</u>	<u>6,276</u>	<u>7,037</u>

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

B8. Status of Corporate Proposals (con't)

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

As at 30 September 2010, 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	-

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 September 2010.

Short Term Borrowings

	As at 30.9.2010 RM'000	As at 30.9.2009 RM'000
Overdraft	-	-
Borrowing	1,392	-
Term Loan	-	639
Hire Purchase	6	23
	1,398	662

Long Term Borrowings

	As at 30.9.2010 RM'000	As at 30.9.2009 RM'000
Term Loan	-	5,713
Hire Purchase	-	71
	-	5,784

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010

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 Per Share

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

	Third quarter ended		Accumulated nine months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
Profit for the period attributable to the ordinary equity holder (RM'000)	230	874	1,253	1,043
Weighted average number of ordinary shares in issue ('000)	208,383	128,878	208,383	128,878
Basic profit per share attributable to equity holders (sen)	0.11	0.68	0.60	0.81