

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER
ENDED 31 MARCH 2012**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MARCH 2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2011 RM'000	CURRENT YEAR TO-DATE 31 MARCH 2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2011 RM'000
Revenue	10,039	11,632	10,039	11,632
Cost of sales	(5,361)	(6,781)	(5,361)	(6,781)
Gross profit	<u>4,678</u>	<u>4,851</u>	<u>4,678</u>	<u>4,851</u>
Administrative expenses	(2,508)	(2,503)	(2,508)	(2,503)
Other expenses	(868)	(728)	(868)	(728)
EBITDA*	<u>1,302</u>	<u>1,620</u>	<u>1,302</u>	<u>1,620</u>
Other income	92	45	92	45
Finance costs	(1)	(1)	(1)	(1)
Depreciation and amortisation	(121)	(512)	(121)	(512)
Share of results of associates	-	1	-	1
Profit before taxation	<u>1,272</u>	<u>1,153</u>	<u>1,272</u>	<u>1,153</u>
Taxation	-	-	-	-
Profit for the period	<u>1,272</u>	<u>1,153</u>	<u>1,272</u>	<u>1,153</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(106)	(369)	(106)	(369)
Total comprehensive income	<u>1,166</u>	<u>784</u>	<u>1,166</u>	<u>784</u>
Total profit attributable to:				
Equity holders of the parent	1,312	1,146	1,312	1,146
Minority interests	(40)	7	(40)	7
	<u>1,272</u>	<u>1,153</u>	<u>1,272</u>	<u>1,153</u>
Total comprehensive income attributable to:				
Equity holders of the parent	1,218	806	1,218	806
Minority interests	(52)	(22)	(52)	(22)
	<u>1,166</u>	<u>784</u>	<u>1,166</u>	<u>784</u>
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	<u>0.58</u>	<u>0.50</u>	<u>0.58</u>	<u>0.50</u>
- Diluted (sen)	<u>0.47</u>	<u>0.50</u>	<u>0.47</u>	<u>0.50</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 2011 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER
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STATEMENT OF FINANCIAL POSITION

	AS AT 31 MARCH 2012 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2011 (UNAUDITED) RM'000 (Restated)	AS AT 1 JANUARY 2011 (UNAUDITED) RM'000 (Restated)
Non-current assets			
Property, plant and equipment	552	604	889
Intangible assets	420	472	6,339
Investment in associates	-	-	7,425
Deferred tax assets	791	793	897
Current assets			
Trade and other receivables	11,340	9,208	13,009
Tax recoverable	420	369	198
Cash and bank balances	19,155	21,103	14,882
	<u>30,915</u>	<u>30,680</u>	<u>28,089</u>
Current liabilities			
Borrowings	20	28	-
Tax payable	-	65	297
Trade and other payables	9,887	11,577	12,918
	<u>9,907</u>	<u>11,670</u>	<u>13,215</u>
Net current assets	<u>21,008</u>	<u>19,010</u>	<u>14,874</u>
	<u>22,771</u>	<u>20,879</u>	<u>30,424</u>
Financed by:			
Capital and reserves			
Equity attributable to equity holders of the parent			
Share capital	23,000	22,730	24,283
Share premium	4,539	3,969	53,298
Treasury shares	(157)	(153)	(3,636)
Warrant reserve	9,509	9,620	9,620
Capital redemption reserve	4,195	4,195	2,642
Other reserves	(150)	(56)	24,284
Accumulated losses	(18,633)	(19,945)	(80,421)
	<u>22,303</u>	<u>20,360</u>	<u>30,070</u>
Non-controlling interest	384	436	354
Total equity	<u>22,687</u>	<u>20,796</u>	<u>30,424</u>
Non-current liabilities			
Borrowings	84	83	-
	<u>22,771</u>	<u>20,879</u>	<u>30,424</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>10</u>	<u>9</u>	<u>13</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER
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STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrant Reserves RM'000	Non-Distributable Capital Redemption Reserve RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Three (3) months period ended 31 March 2012										
At 1 January 2012	22,730	3,969	(153)	9,620	4,195	(56)	(19,945)	20,360	436	20,796
Comprehensive income :										
Total comprehensive income	-	-	-	-	-	-	1,312	1,312	(40)	1,272
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	(94)	-	(94)	(12)	(106)
Dissolution of an associate										
Total comprehensive income	-	-	-	-	-	(94)	1,312	1,218	(52)	1,166
Transaction with owners:										
Issuance of ordinary shares pursuant to exercise of warrants	270	570	-	(111)	-	-	-	729	-	729
Treasury shares : Purchased	-	-	(4)	-	-	-	-	(4)	-	(4)
Total transaction with owners	270	570	(4)	(111)	-	-	-	725	-	725
At 31 March 2012	<u>23,000</u>	<u>4,539</u>	<u>(157)</u>	<u>9,509</u>	<u>4,195</u>	<u>(150)</u>	<u>(18,633)</u>	<u>22,303</u>	<u>384</u>	<u>22,687</u>
Three (3) months period ended 31 March 2011										
At 1 January 2011	24,283	53,298	(3,636)	9,620	2,642	24,284	(80,421)	30,070	354	30,424
Comprehensive income :										
Total comprehensive income	-	-	-	-	-	(340)	1,146	806	(22)	784
Transaction with owners:										
Treasury shares : Purchased	-	-	(532)	-	-	-	-	(532)	-	(532)
Transaction costs	-	-	(2)	-	-	-	-	(2)	-	(2)
Total transaction with owners	-	-	(534)	-	-	-	-	(534)	-	(534)
At 31 March 2011	<u>24,283</u>	<u>53,298</u>	<u>(4,170)</u>	<u>9,620</u>	<u>2,642</u>	<u>23,944</u>	<u>(79,275)</u>	<u>30,342</u>	<u>332</u>	<u>30,674</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 2011 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER
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STATEMENT OF CASH FLOWS

	THREE (3) MONTHS ENDED 31 MARCH 2012 RM'000	THREE (3) MONTHS ENDED 31 MARCH 2011 RM'000
Cash flows from operating activities		
Profit before taxation	1,272	1,153
Adjustments for non-cash item:		
Non-cash items	31	219
Non-operating items	(87)	(40)
Share of results of associates	-	(1)
Profit before working capital changes	1,216	1,331
Changes in working capital:		
Net change in current assets	(2,132)	(1,635)
Net change in current liabilities	(1,755)	(81)
Cash generated (used in)/from operations	(2,671)	(385)
Tax paid	(50)	(33)
Net cash generated (used in)/from operating activities	(2,721)	(418)
Cash flows from investing activities		
Acquisition of plant and equipment	(32)	(238)
Interest received	88	41
Net cash generated from/(used in) investing activities	56	(197)
Cash flows from financing activities		
Proceeds from issuance of new shares	729	-
Purchase of treasury shares	(4)	(534)
Interest paid	(1)	(1)
Drawdown of hire purchase	-	139
Repayment of hire purchase	(7)	(7)
Net cash generated from/(used in) financing activities	717	(403)
Net decrease in cash and cash equivalents	(1,948)	(1,018)
Cash and cash equivalents at 1 January	21,103	14,882
Cash and cash equivalents at end of period (i)	19,155	13,864

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	19,155	13,864
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The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”)

The condensed consolidated interim financial statements should be read in conjunction with the latest audited financial statements of mTouche Technology Berhad (“MTB or the Company”) and its subsidiaries (“Group”) for the financial year ended (“FYE”) 31 December 2011 which were prepared under FRS and are available upon request from the Company registered office at Level 10, Menara Hap Seng, No 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.

These explanatory notes attached to these condensed consolidated 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 the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note A2 below. This note include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

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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

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 7th Annual General Meeting of MTB held on 30 June 2011. During the 3 months period ended 31 March 2012, MTB bought back from the open market, 10,000 ordinary shares of RM0.10 each at an average price of RM0.3945 per share. The total consideration for the shares bought during the period ended 31 March 2012, including transaction cost was RM3,945 and was financed by internally generated funds. 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 current quarter, a total of 2,698,000 Warrant 2010/ 2020 were exercised at an exercise price of RM0.27 per warrant totaling RM728,460 and 2,698,000 ordinary shares were issued.

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, Singapore, Thailand and Hong Kong.
- (ii) Emerging markets – countries with potential growth and penetration rate including Indonesia, Vietnam and the Philippines.

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A9. Segmental Information (con't)

Segmental information by geographical segments for the three (3) months period ended 31 March 2012.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	8,138	1,901	-	10,039
Inter-segment sales	283	-	(283)	-
Total revenue	<u>8,421</u>	<u>1,901</u>	<u>(283)</u>	<u>10,039</u>
Results				
Segment results	1,719	(525)	78	1,272
Share of result of associates	-	-	-	-
Profit before taxation				1,272
Taxation				-
Profit for the period				<u>1,272</u>

Segmental information by geographical segments for the three (3) months period ended 31 March 2011.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	7,418	4,214	-	11,632
Inter-segment sales	-	-	-	-
Total revenue	<u>7,418</u>	<u>4,214</u>	<u>-</u>	<u>11,632</u>
Results				
Segment results	981	171	-	1,152
Share of results of associates	1	-	-	1
Profit before taxation				1,153
Taxation				-
Profit for the period				<u>1,153</u>

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.

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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 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 cumulative quarter ended 31 March 2012, the Group achieved revenue of approximately RM10.0 million and Profit Before Taxation (“PBT”) of RM1.3 million. Revenue from matured markets has increased by RM0.7 million from RM7.4 million to RM8.1 million as compared to the preceding corresponding quarter whereas revenue from emerging markets has dropped by RM2.3 million from RM4.2 million to RM1.9 million. Gross profit margin has increased by 5% from 42% to 47% as compared to the preceding corresponding quarter.

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

The Group recorded Revenue RM10.0 million and PBT of RM1.3 million in the current quarter as compared to Revenue of RM9.8 million and Loss Before Taxation (“LBT”) of RM4.5 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 the existing and new products across the six (6) main countries of operation ie Malaysia, Singapore, Thailand, Hong Kong, Indonesia and Vietnam.

Barring unforeseen circumstances, the Directors of MTB are optimistic of the prospects ahead.

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 31.03.2012 RM'000	Preceding year corresponding quarter 31.03.2011 RM'000	Current year to date 31.03.2012 RM'000	Preceding year corresponding period 31.03.2011 RM'000
Current tax 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. Status of Corporate Proposals

There was no corporate proposal announced but not completed in the interval from the date of the last report and the date of this announcement.

B7. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2012.

Short Term Borrowings

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Hire Purchase	20	20
	<u>20</u>	<u>20</u>

Long Term Borrowings

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Hire Purchase	84	112
	<u>84</u>	<u>112</u>

B8. Material Litigation

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

B9. Dividends

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

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B10. Earnings Per Share

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

	3 months ended 31.3.2012	3 months ended 31.3.2011
Profit for the period attributable to the ordinary equity holder RM'000)	1,312	1,146
Weighted average number of ordinary shares in issue ('000)	226,797	227,526
Effects of dilution		
- Warrants ('000)	50,552	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	277,349	-
Basic earnings per share attributable to equity holders (sen)	0.58	0.50
Diluted earning per share attributable to equity holders (sen)	0.47	0.50

B11. Disclosure of Realised and Unrealised Profits/(Losses)

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Total accumulated losses of MTB and its subsidiaries :		
- Realised	(17,394)	(82,183)
- Unrealised	791	47
	<u>(16,603)</u>	<u>(82,136)</u>
Total share of retained earnings from associate		
- Realised	-	2,861
	<u>(16,603)</u>	<u>79,275</u>
Add: Consolidated adjustments	(2,030)	-
Total group accumulated losses as per consolidated accounts	<u>(18,633)</u>	<u>(79,275)</u>

Unrealised profit/losses include unrealised forex and deferred tax.

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B12. Profit Before Tax

The following items have been included in arriving at profit before tax:

	Current quarter ended 31 Mar 2012 RM'000	Previous year quarter ended 31 Mar 2012 RM'000
Interest income	(88)	(42)
Other income	(4)	(3)
Interest expenses	1	1
Depreciation and amortisation	121	512
Foreign exchange (gain)/loss	48	52

The following items are not applicable for the quarter/ year:

1. Provision for and write off of receivables
2. Provision for and write off of inventories
3. Loss on disposal of unquoted investments
4. Impairment of assets
5. (Gain)/loss on derivatives
6. Exceptional items