

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2012**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEPTEMBER 2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEPTEMBER 2011 RM'000	CURRENT YEAR TO-DATE 30 SEPTEMBER 2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEPTEMBER 2011 RM'000
Revenue	8,294	10,380	27,899	33,895
Cost of sales	(4,257)	(5,898)	(14,296)	(20,075)
Gross profit	<u>4,037</u>	<u>4,482</u>	<u>13,603</u>	<u>13,820</u>
Administrative expenses	(2,435)	(2,617)	(7,172)	(7,592)
Other expenses	(472)	(4,346)	(1,455)	(5,816)
EBITDA*	<u>1,130</u>	<u>(2,481)</u>	<u>4,976</u>	<u>412</u>
Other income	129	122	367	1,319
Finance costs	(1)	(1)	(3)	(3)
Depreciation and amortisation	(122)	(494)	(369)	(1,516)
Share of results of associates	-	-	-	1
Profit before taxation	<u>1,136</u>	<u>(2,854)</u>	<u>4,971</u>	<u>213</u>
Taxation	-	(20)	-	(20)
Profit for the period	<u>1,136</u>	<u>(2,874)</u>	<u>4,971</u>	<u>193</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(18)	659	(193)	283
Total comprehensive income	<u>1,118</u>	<u>(2,215)</u>	<u>4,778</u>	<u>476</u>
Total profit/(loss) attributable to:				
Equity holders of the parent	1,083	(3,087)	5,010	51
Minority interests	53	213	(39)	142
	<u>1,136</u>	<u>(2,874)</u>	<u>4,971</u>	<u>193</u>
Total comprehensive income attributable to :				
Equity holders of the parent	1,079	(2,428)	4,828	334
Minority interests	39	213	(50)	142
	<u>1,118</u>	<u>(2,215)</u>	<u>4,778</u>	<u>476</u>
Earnings per share attributable to equity holders of the parent				
- Basic/ Diluted (sen)	<u>0.48</u>	<u>(1.36)</u>	<u>2.20</u>	<u>0.02</u>

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

The unaudited condensed consolidated statement of comprehensive income 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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STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 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	510	604	889
Intangible assets	329	472	6,339
Investment in associates	-	-	7,425
Deferred tax assets	788	793	897
Current assets			
Trade and other receivables	10,715	9,208	13,009
Tax recoverable	514	369	198
Cash and bank balances	20,503	21,103	14,882
	<u>31,732</u>	<u>30,680</u>	<u>28,089</u>
Current liabilities			
Borrowings	28	28	-
Tax payable	-	65	297
Trade and other payables	9,515	11,577	12,918
	<u>9,543</u>	<u>11,670</u>	<u>13,215</u>
Net current assets	<u>22,189</u>	<u>19,010</u>	<u>14,874</u>
	<u>23,816</u>	<u>20,879</u>	<u>30,424</u>
Financed by:			
Capital and reserves			
Equity attributable to equity holders of the parent			
Share capital	23,154	22,730	24,283
Share premium	4,864	3,969	53,298
Treasury shares	(3,118)	(153)	(3,636)
Warrant reserve	9,446	9,620	9,620
Capital redemption reserve	4,195	4,195	2,642
Other reserves	(238)	(56)	24,284
Accumulated losses	(14,935)	(19,945)	(80,421)
	<u>23,368</u>	<u>20,360</u>	<u>30,070</u>
Non-controlling interest	386	436	354
Total equity	<u>23,754</u>	<u>20,796</u>	<u>30,424</u>
Non-current liabilities			
Borrowings	62	83	-
	<u>23,816</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.

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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
Six (9) months period ended 30 September 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	-	-	-	-	-	-	5,010	5,010	(39)	4,971
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	(182)	-	(182)	(11)	(193)
Total comprehensive income	-	-	-	-	-	(182)	5,010	4,828	(50)	4,778
Transaction with owners:										
Issuance of ordinary shares pursuant to exercise of warrants	424	895	-	(174)	-	-	-	1,145	-	1,145
Treasury shares : Purchased	-	-	(2,965)	-	-	-	-	(2,965)	-	(2,965)
Total transaction with owners	424	895	(2,965)	(174)	-	-	-	(1,820)	-	(1,820)
At 30 September 2012	<u>23,154</u>	<u>4,864</u>	<u>(3,118)</u>	<u>9,446</u>	<u>4,195</u>	<u>(238)</u>	<u>(14,935)</u>	<u>23,368</u>	<u>386</u>	<u>23,754</u>
Six (9) months period ended 30 September 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	-	-	-	-	-	-	51	51	142	193
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	277	-	277	(5)	272
Dissolution of an associate	-	-	-	-	-	(24,284)	24,284	-	-	-
Total comprehensive income	-	-	-	-	-	(24,007)	24,335	328	137	465
Transaction with owners:										
Treasury shares : Purchased	-	-	(684)	-	-	-	-	(684)	-	(684)
Cancellation of treasury shares: Issued capital diminished transfer to capital redemption reserve	(1,553)	-	-	-	1,553	-	-	-	-	-
Cost of treasury shares cancelled by utilised share premium	-	(4,039)	4,039	-	-	-	-	-	-	-
Transaction costs	-	(149)	(3)	-	-	-	-	(152)	-	(152)
Total transaction with owners	(1,553)	(4,188)	3,352	-	1,553	-	-	(836)	-	(836)
At 30 September 2011	<u>22,730</u>	<u>49,110</u>	<u>(284)</u>	<u>9,620</u>	<u>4,195</u>	<u>277</u>	<u>(56,086)</u>	<u>29,562</u>	<u>491</u>	<u>30,053</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.

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STATEMENT OF CASH FLOWS

	NINE (9) MONTHS ENDED 30 SEPTEMBER 2012 RM'000	NINE (9) MONTHS ENDED 30 SEPTEMBER 2011 RM'000
Cash flows from operating activities		
Profit before taxation	4,971	213
Adjustments for non-cash item:		
Non-cash items	176	1,680
Non-operating items	(364)	(220)
Dividend income	-	(1,024)
Plant and equipment written off	(1)	-
Loss on disposal of plant and equipment	-	7
(Gain)/loss on disposals of interests in subsidiaries	-	3,926
Share of results of associates	-	(1)
Profit before working capital changes	4,782	4,581
Changes in working capital:		
Net change in current assets	(1,507)	(1,027)
Net change in current liabilities	(2,062)	(563)
Cash generated from operations	1,213	2,991
Tax paid	(205)	(132)
Net cash generated from operating activities	1,008	2,859
Cash flows from investing activities		
Acquisition of plant and equipment	(131)	(399)
Proceed from disposal of investment	-	3,500
Interest received	367	222
Dividend received	-	1,024
Net cash generated from investing activities	236	4,347
Cash flows from financing activities		
Proceeds from issuance of new shares	1,145	-
Listing expenses	-	(149)
Purchase of treasury shares	(2,965)	(687)
Interest paid	(3)	-
Drawdown of hire purchase	-	139
Repayment of hire purchase	(21)	(21)
Net cash generated from/(used in) financing activities	(1,844)	(718)
Net decrease in cash and cash equivalents	(600)	6,488
Cash and cash equivalents at 1 January	21,103	14,882
Cash and cash equivalents at end of period (i)	20,503	21,370

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	20,503	21,370
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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 30 September 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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A2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as below:

Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly at date of transition to MFRS, the cumulative foreign currency translation differences of RM787,509 were adjusted to retained earnings.

Reconciliation of equity:

	FRS as at 1 January 2011 RM'000	Adjustments RM'000	MFRS as at 1 January 2011 RM'000
Equity			
Other reserves	23,496	788	24,284
Accumulated losses	(79,633)	(788)	(80,421)
	(56,137)	-	(56,137)
	FRS as at 31 December 2011 RM'000	Adjustments RM'000	MFRS as at 31 December 2011 RM'000
Equity			
Other reserves	(844)	788	(56)
Accumulated losses	(19,157)	(788)	(19,945)
	(20,001)	-	(20,001)

A3. Auditors' Report on the Preceding Annual Financial Statements

The auditor's report on the latest audited financial statements for the year ended 31 December 2011 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

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 8th Annual General Meeting of MTB held on 15 June 2012. During the current quarter and 9 months period ended 30 September 2012, MTB bought back from the open market, 5,565,000 and 6,643,900 ordinary shares of RM0.10 each at an average price of RM0.4494 and RM0.4463 per share. The total consideration for the shares bought during the current quarter and 9 months period ended 30 September 2012, including transaction cost was RM2,500,888 and RM2,965,443, 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 9 months period ended 30 September 2012, a total of 4,238,000 Warrant 2010/2020 were exercised at an exercise price of RM0.27 per warrant totaling RM1,144,260, and 4,238,000 ordinary shares were issued for the 9 months period ended 30 September 2012 as a result of the exercise of these warrants. There was no warrant exercise during the current quarter.

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 nine (9) months period ended 30 September 2012.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	22,999	4,900	-	27,899
Inter-segment sales	5,974	-	(5,974)	-
Total revenue	<u>29,553</u>	<u>4,900</u>	<u>(5,974)</u>	<u>27,899</u>
Results				
Segment results	8,462	(847)	(2,644)	4,971
Share of result of associates	-	-	-	-
Profit before taxation				<u>4,971</u>
Taxation				-
Profit for the period				<u><u>4,971</u></u>

Segmental information by geographical segments for the nine (9) months period ended 30 September 2011.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	21,263	12,632	-	33,895
Inter-segment sales	6,250	-	(6,250)	-
Total revenue	<u>27,513</u>	<u>12,632</u>	<u>(6,250)</u>	<u>33,895</u>
Results				
Segment results	2,708	397	(2,893)	212
Share of results of associates	1	-	-	1
Profit before taxation				<u>213</u>
Taxation				(20)
Profit for the period				<u><u>193</u></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 30 September 2012, the Group achieved Revenue of approximately RM27.9 million and Profit Before Taxation (“PBT”) of RM5.0 million. Revenue from matured markets has increased by RM1.7 million from RM21.3 million to RM23.0 million as compared to the preceding corresponding quarter whereas revenue from emerging markets has dropped by RM7.7 million from RM12.6 million to RM4.9 million. The increase in revenue from matured markets was mainly due to better marketing strategy in the matured markets segment, whereas the reduction in revenue from emerging markets was mainly due to regulatory issues arising from countries in this segment. Gross Profit Margin has increased by 8% from 41% to 49% as compared to the preceding corresponding quarter mainly due to changes in the business mix.

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

The Group recorded a decrease of 13.3% in Revenue which dropped from RM9.6 million for the previous quarter to RM8.3 million for the current quarter. The Group’s Gross Profit for the current quarter decreased by 17.4% from RM4.9 million in the previous quarter to RM4.0 million in the current quarter. The Group’s PBT has decreased by 55.7% from RM2.6 million in the previous quarter to RM1.1 million in the current 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.

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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.09.2012 RM'000	Preceding year corresponding quarter 30.09.2011 RM'000	Current year to date 30.09.2012 RM'000	Preceding year corresponding period 30.09.2011 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

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 30 September 2012.

Short Term Borrowings

	As at 30.09.2012 RM'000	As at 30.09.2011 RM'000
Hire Purchase	28	18
	<u>28</u>	<u>18</u>

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B7. Borrowings and Debt Securities (con't)

Long Term Borrowings

	As at 30.09.2012 RM'000	As at 30.09.2011 RM'000
Hire Purchase	62	100
	62	100
	62	100

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.

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.

	Third quarter ended		Accumulated nine months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit for the period attributable to the ordinary equity holder RM ('000)	1,083	(3,087)	5,010	51
Weighted average number of ordinary shares in issue ('000)	227,288	227,331	227,288	227,331
Basic earnings per share attributable to equity holders (sen)	0.48	(1.36)	2.20	0.02
Diluted earnings per share attributable to equity holders (sen)	0.48	(1.36)	2.20	0.02

The outstanding warrants have been excluded from the computation of diluted earnings per share as the exercise of warrants to ordinary shares would be antidilutive. There were no other transactions involving the potential dilution of ordinary shares in issue.

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

	As at 30.9.2012 RM'000	As at 30.9.2011 RM'000
Total accumulated losses of MTB and its subsidiaries :		
- Realised	(13,225)	(55,513)
- Unrealised	791	215
	(12,434)	(55,298)
 Total share of retained earnings from associate		
- Realised	-	-
	(12,434)	(55,298)
Add: Consolidated adjustments	(2,501)	-
	(14,935)	(55,298)
 Total group accumulated losses as per consolidated accounts	(14,935)	(55,298)

Unrealised profit/losses include unrealised forex and deferred tax.

B12. Profit Before Tax

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

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.09.2012 RM'000	Preceding year corresponding quarter 30.09.2011 RM'000	Current year to date 30.09.2012 RM'000	Preceding year correspondin g period 30.09.2011 RM'000
Interest income	(127)	(112)	(361)	(227)
Other income	(2)	(7)	(6)	(1,092)
Interest expenses	1	1	3	3
Depreciation and amortization	122	490	369	1,516
Foreign exchange (gain)/loss	340	-	46	-

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 quoted and unquoted investments
4. Impairment of assets
5. (Gain)/loss on derivatives
6. Exceptional items