

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2012**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DECEMBER 2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DECEMBER 2011 RM'000	CURRENT YEAR TO-DATE 31 DECEMBER 2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 DECEMBER 2011 RM'000
Revenue	8,989	9,858	36,889	43,754
Cost of sales	(5,700)	(5,387)	(19,997)	(25,462)
Gross profit	<u>3,289</u>	<u>4,471</u>	<u>16,892</u>	<u>18,292</u>
Other income	175	173	542	1,492
Administrative expenses	(2,059)	(2,639)	(9,232)	(10,231)
Other expenses	(162)	(5,724)	(1,617)	(11,540)
Finance costs	(1)	(1)	(4)	(4)
Depreciation and amortisation	(117)	(486)	(486)	(2,002)
	<u>1,125</u>	<u>(4,206)</u>	<u>6,095</u>	<u>(3,993)</u>
Share of results of associates	-	-	-	2
Profit/(loss) before taxation	<u>1,125</u>	<u>(4,206)</u>	<u>6,095</u>	<u>(3,991)</u>
Taxation	(1,712)	(300)	(1,712)	(320)
(Loss)/ profit for the period	<u>(587)</u>	<u>(4,506)</u>	<u>4,383</u>	<u>(4,311)</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(331)	352	(524)	(70)
Total comprehensive income	<u>(918)</u>	<u>(4,154)</u>	<u>3,859</u>	<u>(4,381)</u>
Total (loss)/ profit attributable to:				
Equity holders of the parent	(763)	(4,459)	4,247	(4,407)
Non- controlling interests	176	(47)	136	96
	<u>(587)</u>	<u>(4,506)</u>	<u>4,383</u>	<u>(4,311)</u>
Total comprehensive income attributable to :				
Equity holders of the parent	(993)	(4,100)	3,734	(4,463)
Non- controlling interests	75	(54)	125	82
	<u>(918)</u>	<u>(4,154)</u>	<u>3,859</u>	<u>(4,381)</u>
Earnings/(loss) per share attributable to equity holders of the parent				
- Basic/diluted (sen)	<u>(0.34)</u>	<u>(1.97)</u>	<u>1.88</u>	<u>(1.94)</u>

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 31 DECEMBER 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			
Plant and equipment	542	604	889
Intangible assets	325	472	6,339
Investments in associates	-	-	7,425
Deferred tax assets	794	793	897
	<u>1,661</u>	<u>1,869</u>	<u>15,550</u>
Current assets			
Trade and other receivables	10,650	9,208	13,009
Tax recoverable	547	369	198
Cash and bank balances	21,155	21,103	14,882
	<u>32,352</u>	<u>30,680</u>	<u>28,089</u>
Current liabilities			
Borrowings	28	28	-
Tax payable	985	65	297
Deferred tax liabilities	210	-	-
Trade and other payables	9,900	11,577	12,918
	<u>11,123</u>	<u>11,670</u>	<u>13,215</u>
Net current assets	<u>21,229</u>	<u>19,010</u>	<u>14,874</u>
	<u>22,890</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	(569)	(56)	24,284
Accumulated losses	(15,698)	(19,945)	(80,421)
	<u>22,274</u>	<u>20,360</u>	<u>30,070</u>
Non-controlling interest	561	436	354
Total equity	<u>22,835</u>	<u>20,796</u>	<u>30,424</u>
Non-current liabilities			
Borrowings	55	83	0
	<u>22,890</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
Twelve (12) months period ended 31 December 2012										
At 1 January 2012	22,730	3,969	(153)	9,620	4,195	(56)	(19,945)	20,360	436	20,796
Comprehensive income :										
Profit, net of tax	-	-	-	-	-	-	4,247	4,247	136	4,383
Other comprehensive income:										
Foreign currency translation	-	-	-	-	-	(513)	-	(513)	(11)	(524)
Total comprehensive income	-	-	-	-	-	(513)	4,247	3,734	125	3,859
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 transactions with owners	424	895	(2,965)	(174)	-	-	-	(1,820)	-	(1,820)
At 31 December 2012	<u>23,154</u>	<u>4,864</u>	<u>(3,118)</u>	<u>9,446</u>	<u>4,195</u>	<u>(569)</u>	<u>(15,698)</u>	<u>22,274</u>	<u>561</u>	<u>22,835</u>
Twelve (12) months period ended 31 December 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 :										
Profit, net of tax	-	-	-	-	-	-	(4,407)	(4,407)	96	(4,311)
Other comprehensive income:										
Foreign currency translation	-	-	-	-	-	(56)	-	(56)	(14)	(70)
Total recognised income and expense for the period	-	-	-	-	-	(56)	(4,407)	(4,463)	82	(4,381)
Transaction with owners:										
Treasury shares : Purchased	-	-	(687)	-	-	-	-	(687)	-	(687)
Cancellation of shares: Issued capital diminished transfer to capital redemption reserve	(1,553)	-	-	-	1,553	-	-	-	-	-
Cost of treasury shares cancelled by utilised share premium	-	(4,117)	4,117	-	-	-	-	-	-	-
Transaction costs	-	-	53	-	-	-	(84)	(31)	-	(31)
Dividends on ordinary shares	-	-	-	-	-	-	(4,529)	(4,529)	-	(4,529)
Dissolution of an associate	-	-	-	-	-	(24,284)	24,284	-	-	-
Share premium reduction	-	(45,212)	-	-	-	-	45,212	-	-	-
Total transactions with owners	(1,553)	(49,329)	3,483	-	1,553	(24,284)	64,883	(5,247)	-	(5,247)
At 31 December 2011	<u>22,730</u>	<u>3,969</u>	<u>(153)</u>	<u>9,620</u>	<u>4,195</u>	<u>(56)</u>	<u>(19,945)</u>	<u>20,360</u>	<u>436</u>	<u>20,796</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

	TWELVE (12) MONTHS ENDED 31 DECEMBER 2012 RM'000	TWELVE (12) MONTHS ENDED 31 DECEMBER 2011 RM'000
Cash flows from operating activities		
Profit/ (Loss) before taxation	6,095	(3,991)
Adjustments for non-cash item:		
Non-cash items	486	2,141
Non-operating items	(316)	(43)
Dividend income	-	(1,024)
Impairment of assets	-	4,522
Loss on disposals of interests in associate	-	3,926
Share of results of associates	-	(2)
Profit before working capital changes	6,265	5,529
Changes in working capital:		
Net change in current assets	(1,620)	3,821
Net change in current liabilities	(1,677)	(1,475)
Cash generated from operations	2,968	7,875
Tax paid	(766)	(619)
Net cash generated from operating activities	2,202	7,256
Cash flows from investing activities		
Acquisition of plant and equipment	(302)	(284)
Proceed from disposal of investment	-	3,500
Dividend received	-	1,024
Net cash generated from investing activities	(302)	4,240
Cash flows from financing activities		
Dividends paid on ordinary shares	-	(4,529)
Proceeds from issuance of new shares	1,145	-
Purchase of treasury shares	(2,965)	(718)
Repayment of hire purchase	(28)	(28)
Net cash (used in)/generated from financing activities	(1,848)	(5,275)
Net increase in cash and cash equivalents	52	6,221
Cash and cash equivalents at 1 January	21,103	14,882
Cash and cash equivalents at end of period (i)	21,155	21,103

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	21,155	21,103
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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 December 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 12 months period ended 31 December 2012, MTB bought back from the open market, 6,643,900 ordinary shares of RM0.10 each at an average price of RM0.4463 per share. The total consideration for the shares bought during the 12 months period ended 31 December 2012, including transaction cost was RM2,965,443, and was financed by internally generated funds. There were no shares bought back during the current quarter. 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 12 months period ended 31 December 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 12 months period ended 31 December 2012 as a result of the exercise of these warrants. There were no warrants exercised 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 twelve (12) months period ended 31 December 2012.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	30,991	5,898	-	36,889
Inter-segment sales	6,092	-	(6,092)	-
Total revenue	<u>37,082</u>	<u>5,898</u>	<u>(6,092)</u>	<u>36,889</u>
Results				
Segment results	6,580	(389)	(96)	6,095
Share of result of associates	-	-	-	-
Profit before taxation				<u>6,095</u>
Taxation				(1,712)
Profit for the period				<u><u>4,383</u></u>

Segmental information by geographical segments for the twelve (12) months period ended 31 December 2011.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	29,045	14,709	-	43,754
Inter-segment sales	8,844	-	(8,844)	-
Total revenue	<u>37,889</u>	<u>14,709</u>	<u>(8,844)</u>	<u>43,754</u>
Results				
Segment results	(149)	(307)	(3,537)	(3,993)
Share of result of associates	2	-	-	2
Profit before taxation				<u>(3,991)</u>
Taxation				(320)
Profit for the period				<u><u>(4,311)</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 statement of financial position 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 December 2012, the Group achieved Revenue of approximately RM36.9 million and Profit Before Taxation ("PBT") of RM6.1 million. Revenue from matured markets has increased by RM1.0 million from RM29.0 million to RM30.0 million as compared to the preceding corresponding quarter whereas revenue from emerging markets has dropped by RM8.8 million from RM14.7 million to RM5.9 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 4% from 42% to 46% 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 an increase of 8.4% in Revenue which increased from RM8.3 million for the previous quarter to RM9.0 million for the current quarter. The Group's Gross Profit for the current quarter decreased by 18.5% from RM4.0 million in the previous quarter to RM3.3 million in the current quarter. There were no significant variances on the Group's PBT which remained at RM1.1 million. 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 31.12.2012 RM'000	Preceding year corresponding quarter 31.12.2011 RM'000	Current year to date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Current tax expense:				
Malaysian income tax	(16)	(14)	(16)	(34)
Foreign tax	(1,491)	(182)	(1,491)	(182)
	(1,507)	(196)	(1,507)	(216)
Deferred tax	(205)	(104)	(205)	(104)
	(1,712)	(300)	(1,712)	(320)

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 and overseas withholding taxes.

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 December 2012.

Short Term Borrowings

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Hire Purchase	28	28
	28	28

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B7. Borrowings and Debt Securities (con't)

Long Term Borrowings

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Hire Purchase	55	83
	55	83
	55	83

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.

	Fourth quarter ended		Accumulated Twelve months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
(Loss)/ Profit for the period attributable to the ordinary equity holder RM ('000)	(763)	(4,459)	4,247	(4,407)
Weighted average number of ordinary shares in issue ('000)	226,476	226,439	227,476	227,106
Basic and diluted (loss)/ earnings per share attributable to equity holders (sen)	(0.34)	(1.97)	1.88	(1.94)

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 31.12.2012 RM'000	As at 31.12.2011 RM'000
Total accumulated losses of MTB and its subsidiaries :		
- Realised	(13,390)	(17,179)
- Unrealised	651	(658)
	(12,739)	(17,837)
Add: Consolidated adjustments	(2,959)	(2,108)
	(15,698)	(19,945)

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	Preceding	Current	Preceding
	year	year	year	year
	quarter	corresponding	to date	corresponding
	31.12.2012	quarter	31.12.2012	period
	RM'000	31.12.2011	RM'000	31.12.2011
		RM'000		RM'000
Interest income	(163)	(172)	(524)	(394)
Other income	(12)	(1)	(18)	1,098
Interest expenses	1	1	4	4
Depreciation and amortisation	117	486	486	2,002
Foreign exchange (gain)/loss	(116)	461	(70)	365
Impairment of assets	-	4,522	-	4,522
Loss on disposal of unquoted investments	-	-	-	3,926
Impairment loss on trade receivables	14	24	14	24

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

1. Provision for and write off of inventories
2. (Gain)/loss on derivatives
3. Exceptional items