

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2013**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEPTEMBER 2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEPTEMBER 2012 RM'000	CURRENT YEAR TO-DATE 30 SEPTEMBER 2013 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEPTEMBER 2012 RM'000
Revenue	6,678	8,294	22,936	27,899
Cost of sales	(4,277)	(4,257)	(13,262)	(14,296)
Gross profit	<u>2,401</u>	<u>4,037</u>	<u>9,674</u>	<u>13,603</u>
Administrative expenses	(2,160)	(2,435)	(7,178)	(7,172)
Other expenses	(90)	(472)	(483)	(1,455)
EBITDA*	<u>151</u>	<u>1,130</u>	<u>2,013</u>	<u>4,976</u>
Other income	50	129	175	367
Finance costs	(1)	(1)	(3)	(3)
Depreciation and amortisation	(92)	(122)	(320)	(369)
Profit before taxation	<u>108</u>	<u>1,136</u>	<u>1,865</u>	<u>4,971</u>
Taxation	(157)	-	(574)	-
Profit for the period	<u>(49)</u>	<u>1,136</u>	<u>1,291</u>	<u>4,971</u>
Other comprehensive income				
Exchange difference on translating foreign operations	(152)	(18)	(218)	(193)
Total comprehensive income	<u>(201)</u>	<u>1,118</u>	<u>1,073</u>	<u>4,778</u>
Total profit attributable to:				
Equity holders of the parent	42	1,083	1,404	5,010
Minority interests	(91)	53	(113)	(39)
	<u>(49)</u>	<u>1,136</u>	<u>1,291</u>	<u>4,971</u>
Total comprehensive income attributable to:				
Equity holders of the parent	(94)	1,079	1,174	4,828
Minority interests	(107)	39	(101)	(50)
	<u>(201)</u>	<u>1,118</u>	<u>1,073</u>	<u>4,778</u>
Earnings per share attributable to equity holders of the parent				
- Basic and Diluted (sen)	<u>0.02</u>	<u>0.48</u>	<u>0.64</u>	<u>2.20</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 2012 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 13.

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STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 2013 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2012 (AUDITED) RM'000
Non-current assets		
Property, plant and equipment	793	579
Intangible assets	735	288
Deferred tax assets	787	808
Current assets		
Trade and other receivables	8,255	10,315
Prepayments	220	336
Tax recoverable	359	547
Cash and bank balances	17,959	21,155
	<u>26,793</u>	<u>32,353</u>
Current liabilities		
Borrowings	28	28
Tax payable	1,435	1,085
Trade and other payables	7,552	9,903
	<u>9,015</u>	<u>11,016</u>
Net current assets	<u>17,778</u>	<u>21,337</u>
	<u>20,093</u>	<u>23,012</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	23,154	23,154
Share premium	4,864	4,864
Treasury shares	(4,652)	(3,118)
Warrant reserve	9,445	9,445
Capital redemption reserve	4,195	4,195
Other reserves	(799)	(569)
Accumulated losses	(16,513)	(15,699)
	<u>19,694</u>	<u>22,272</u>
Non-controlling interest	254	561
Total equity	<u>19,948</u>	<u>22,833</u>
Non-current liabilities		
Borrowings	35	55
Deferred tax liabilities	110	124
	<u>20,093</u>	<u>23,012</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>9</u>	<u>10</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 2012 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 13.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD 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			Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
					Capital Redemption Reserve RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
<u>Nine (9) months period ended 30 September 2013</u>										
At 1 January 2013	23,154	4,864	(3,118)	9,445	4,195	(569)	(15,699)	22,272	561	22,833
Comprehensive income :										
Profit, net of tax	-	-	-	-	-	-	1,404	1,404	(113)	1,291
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	(230)	-	(230)	12	(218)
Total comprehensive income	-	-	-	-	-	(230)	1,404	1,174	(101)	1,073
Transaction with owners:										
Treasury shares :										
Purchased	-	-	(1,534)	-	-	-	-	(1,534)	-	(1,534)
Dividends on ordinary shares	-	-	-	-	-	-	(2,218)	(2,218)	-	(2,218)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(206)	(206)
Total transaction with owners	-	-	(1,534)	-	-	-	(2,218)	(3,752)	(206)	(3,958)
At 30 September 2013	<u>23,154</u>	<u>4,864</u>	<u>(4,652)</u>	<u>9,445</u>	<u>4,195</u>	<u>(799)</u>	<u>(16,513)</u>	<u>19,694</u>	<u>254</u>	<u>19,948</u>
<u>Nine (9) months period ended 30 September 2012</u>										
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	-	-	-	-	-	-	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>

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 2012 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 13.

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STATEMENT OF CASH FLOWS

	NINE (9) MONTHS ENDED 30 SEPTEMBER 2013 RM'000	NINE (9) MONTHS ENDED 30 SEPTEMBER 2012 RM'000
Cash flows from operating activities		
Profit before taxation	1,865	4,971
Adjustments for non-cash item:		
Non-cash items	320	176
Non-operating items	(402)	(364)
Plant and equipment written off	-	(1)
Profit before working capital changes	<u>1,783</u>	<u>4,782</u>
Changes in working capital:		
Net change in current assets	2,176	(1,507)
Net change in current liabilities	<u>(2,351)</u>	<u>(2,062)</u>
Cash generated from operations	1,608	1,213
Tax paid	<u>(36)</u>	<u>(205)</u>
Net cash generated from operating activities	<u>1,572</u>	<u>1,008</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(463)	(131)
Acquisition of intangible assets	(502)	-
Proceed from disposal of plant and equipment	3	-
Interest received	175	367
Net cash (used in)/generated from investing activities	<u>(787)</u>	<u>236</u>
Cash flows from financing activities		
Proceeds from issuance of new shares	-	1,145
Purchase of treasury shares	(1,534)	(2,965)
Interest paid	(3)	(3)
Dividend paid to shareholders of the Company	(2,218)	-
Dividend paid to non-controlling interests of subsidiary companies	(206)	-
Repayment of hire purchase	<u>(20)</u>	<u>(21)</u>
Net cash used in financing activities	<u>(3,981)</u>	<u>(1,844)</u>
Net decrease in cash and cash equivalents	(3,196)	(600)
Cash and cash equivalents at 1 January	21,155	21,103
Cash and cash equivalents at end of period (i)	<u>17,959</u>	<u>20,503</u>

i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

Cash and bank balances	<u>17,959</u>	<u>20,503</u>
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The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the condensed consolidated 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 2013, 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.

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 2012 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 2012.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements of the Group for the year ended 31 December 2012 except for the adoption of the following Standards, Amendments and Issues Committee (“IC”) Interpretations have been issued by the Malaysian Accounting Standards Board (“MASB”) which effective for annual periods beginning on and after:

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to IC Interpretation 2 Members’ Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)	1 January 2013

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A2. Changes in Accounting Policies (con't)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and IC 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits	1 January 2013
MFRS 127: Separate Financial Statements	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2003)	1 January 2013
MFRS 128: Investments in Associates and Joint Venture	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

MFRS 132: Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

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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 2012 was not subject to any audit qualification.

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 9th Annual General Meeting of MTB held on 25 June 2013. During the current quarter and 9 months period ended 30 September 2013, MTB bought back from the open market, 2,024,300 and 6,255,400 ordinary shares of RM0.10 each at an average price of RM0.2742 and RM0.2453 per share. The total consideration for the shares bought during the current quarter and 9 months period ended 30 September 2013, including transaction cost was RM555,015 and RM1,534,406, 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.

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 2013.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	20,037	2,899	-	22,936
Inter-segment sales	-	-	-	-
Total revenue	<u>20,037</u>	<u>2,899</u>	<u>-</u>	<u>22,936</u>
Results				
Profit before taxation	3,199	(1,286)	(48)	1,865
Taxation	(574)	-	-	(574)
Profit for the period	<u>2,625</u>	<u>(1,286)</u>	<u>(48)</u>	<u>1,291</u>

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				
Profit before taxation	8,462	(847)	(2,644)	4,971
Taxation	-	-	-	-
Profit for the period	<u>8,462</u>	<u>(847)</u>	<u>(2,644)</u>	<u>4,971</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.

A12. Changes in Composition of the Group

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

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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 30 September 2013, the Group achieved Revenue of approximately RM22.9 million and Profit Before Taxation (“PBT”) of RM1.9 million. Revenue from matured market had decreased from RM23.0 million to RM20.0 million whereas revenue from emerging markets decreased from RM4.9 million to RM2.9 million as compared to the preceding corresponding quarter. The decrease in revenue from both matured and emerging markets was mainly due to lower Short Message Service (SMS) revenue and third party partner traffic. The Gross Profit Margin decreased by 7% from 49% to 42% as compared to the preceding corresponding quarter due to increase of cost of service.

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

The Group recorded a decrease of 5.6% in Revenue which decreased from RM7.1 million for the previous quarter to RM6.7 million for the current quarter. The Group’s Gross Profit for the current quarter decreased by 36.8% from RM3.8 million in the previous quarter to RM2.4 million in the current quarter. The Group’s PBT decreased from RM0.9 million in the previous quarter to RM0.1 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 30.09.2013 RM'000	Preceding year corresponding quarter 30.09.2012 RM'000	Current year to date 30.09.2013 RM'000	Preceding year corresponding period 30.09.2012 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	(157)	-	(574)	-
	(157)	-	(574)	-
Deferred tax	-	-	-	-
	(157)	-	(574)	-

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 30 September 2013.

Short Term Borrowings

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000 (Audited)
Hire Purchase	28	28
	28	28

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B7. Borrowings and Debt Securities (con't)

Long Term Borrowings

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000 (Audited)
Hire Purchase	35	55
	35	55

B8. Material Litigation

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

B9. Dividends

No dividend was declared and paid 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	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Profit for the period attributable to the ordinary equity holder RM ('000)	42	1,083	1,404	5,010
Weighted average number of ordinary shares in issue ('000)	221,054	227,288	221,054	227,288
Basic earnings per share attributable to equity holders (sen)	0.02	0.48	0.64	2.20
Diluted earnings per share attributable to equity holders (sen)	0.02	0.48	0.64	2.20

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 (Losses)/ Profits

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000 (Audited)
Total accumulated (losses)/ profits of MTB and its subsidiaries :		
- Realised	(14,664)	(12,683)
- Unrealised	1,354	(588)
	(13,310)	(13,271)
Add: Consolidated adjustments	(3,203)	(2,428)
	(16,513)	(15,699)

Unrealised (losses)/ profits include unrealised gain/loss on foreign exchange 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 30.09.2013 RM'000	Preceding year Quarter 30.09.2012 RM'000	Current year to date 30.09.2013 RM'000	Preceding year correspondi ng quarter 30.09.2012 RM'000
Interest income	(50)	(127)	(175)	(361)
Other income	-	(2)	-	(6)
Interest expenses	1	1	3	3
Depreciation and amortisation	92	122	320	369
Foreign exchange (gain)/loss	(417)	340	(863)	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. (Gain)/loss on derivatives
4. Loss on disposal of unquoted investments
5. Impairment of assets
6. Exceptional items