

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

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

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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 2014, 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 2013 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 2013.

**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 2013 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendment to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

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**A2. Changes in Accounting Policies (con't)**

Adoption of the above standards and interpretations will have no material impact 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 119: Defined Benefits Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will not have any material impact on the financial performance or position of the Group except as discussed below.

**MFRS 9: Financial Instruments**

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies in classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial liabilities. The Group is in the process of making assessment of the impact of the adoption of MFRS 9.

**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 2013 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 10th Annual General Meeting of MTB held on 26 June 2014. During the 12 months period ended 31 December 2014, MTB bought back from the open market 2,307,100 ordinary shares of RM0.10 each at an average price of RM0.2425 per share. The total consideration for the shares bought during the 12 months period ended 31 December 2014, including transaction cost was RM559,425, 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, Philippines and Cambodia.

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**A9. Segmental Information (con't)**

**Segmental information by geographical segments for the twelve (12) months period ended 31 December 2014.**

	<b>Matured markets RM'000</b>	<b>Emerging markets RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	20,078	5,790	-	25,868
Inter-segment sales	14,472	344	(15,086)	-
Total revenue	<u>34,820</u>	<u>6,134</u>	<u>(15,086)</u>	<u>25,868</u>
<b>Results</b>				
Loss before taxation	(5,589)	(70)	(273)	(5,932)
Taxation				(926)
Loss for the period				<u>(6,858)</u>

**Segmental information by geographical segments for the twelve (12) months period ended 31 December 2013.**

	<b>Matured markets RM'000</b>	<b>Emerging markets RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	24,022	4,315	-	28,338
Inter-segment sales	5,639	48	(5,687)	-
Total revenue	<u>29,661</u>	<u>4,363</u>	<u>(5,687)</u>	<u>28,338</u>
<b>Results</b>				
Profit/ (Loss) before taxation	3,432	(1,646)	(1,019)	766
Taxation				(850)
Profit for the period				<u>(84)</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**

The Company had on 9 February 2015 entered into an Exclusive Licensing and Revenue Sharing Agreement with PT. Inovisi Infracom Tbk (“Inovisi”) to grant Inovisi an exclusive license to distribute, market and commercialise the One Krypto only in the Republic of Indonesia, Thailand, Greater China (People’s Republic of China, Hong Kong, Taiwan, Macau), Japan and South Korea. One Krypto is an encryption communication application for mobile devices that allows subscribers to communicate with each other via chat, email and voice calls securely.

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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 2014, the Group achieved Revenue of approximately RM25.9 million and Loss Before Taxation (“LBT”) of RM5.9 million. Revenue from matured market had decreased by RM4 million from RM24 million to RM20 million whereas revenue from emerging markets increased by RM1.5 million from RM4.3 million to RM5.8 million as compared to the preceding corresponding period. The decrease in revenue from matured market was mainly due to lower Short Message Service (SMS) revenue and third party partner traffic. The increase in revenue from emerging market is contributed by higher WAP and telco revenue. The Gross Profit Margin decreased from 43% to 39% as compared to the preceding corresponding period due to increase of cost of service. For period under review, the Group incurred a LBT of RM5.9 million compared to a Profit Before Taxation (“PBT”) of RM0.8 million for the preceding corresponding period due to lower gross profit performance, higher administrative and other expenses.

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

The Group recorded a decrease of 35% in Revenue which reduced from RM6.8 million for the previous quarter to RM4.4 million for the current quarter. The Group’s Gross Profit for the current quarter had decreased by 15% from RM2.7 million to RM2.3 million compared to previous quarter. The Group’s performance declined further from a RM0.8 million LBT in the previous quarter to a LBT of RM3.5 million in the current quarter. The increase in losses is mainly attributable to increase of cost of services, administrative and other expenses and impairment of development costs. There were no material expenses incurred in the quarter under review except as disclosed in Note B12.

**B3. Future Prospect**

The Group will continue to focus on its core mobile messaging services and drive the existing and new products across the seven (7) main countries of operation ie Malaysia, Singapore, Thailand, Hong Kong, Indonesia, Vietnam and Cambodia.

Moving forward, the Group is developing Cybersecurity and Internet-related mobile applications to provide further growth opportunities.

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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter 31.12.2014 RM'000</b>	<b>Preceding year corresponding quarter 31.12.2013 RM'000</b>	<b>Current year to date 31.12.2014 RM'000</b>	<b>Preceding year corresponding period 31.12.2013 RM'000</b>
Current tax expense:				
Malaysian income tax	-	16	-	-
Foreign tax	(435)	(326)	(93)	(884)
	(435)	(310)	(93)	(884)
Deferred tax	-	34	(833)	34
	(435)	(276)	(926)	(850)

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 2014.

**Short Term Borrowings**

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000 (Audited)</b>
Hire Purchase	28	28
	28	28

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**B7. Borrowings and Debt Securities (con't)**

**Long Term Borrowings**

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000 (Audited)</b>
Hire Purchase	-	28
	<hr/>	<hr/>
	-	28

**B8. Material Litigation**

The Company has commenced a civil suit in the High Court in Malaya at Kuala Lumpur on 17 February 2015 against Pearl Legend International Limited (“PLIL”), Goh Eugene and Tan Wee Meng. Goh Eugene and Tan Wee Meng were previously the directors of the Company and its wholly-owned subsidiary, Mobile Touchetek Sdn. Bhd. (“MTSB”). The civil suit is for, amongst others, the recovery of wrongful payments made by MTSB to PLIL from 2009 to 2010 amounting to RM6.3 million on the basis of PLIL’s total failure of consideration in relation to an agreement dated 2 January 2009 entered into between MTSB and PLIL.

**B9. Dividends**

No dividend was declared and paid during the current quarter under review.



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**B10. (Losses)/Earnings Per Share**

The (losses)/earnings per share has been calculated based on the (loss)/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.

	<b>Fourth quarter ended</b>		<b>Twelve months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
(Loss)/Profit for the period attributable to the ordinary equity holder RM ('000)	(3,887)	(1,298)	(6,613)	107
Weighted average number of ordinary shares in issue ('000)	215,515	220,226	215,515	220,226
Basic (loss)/earnings per share attributable to equity holders (sen)	(1.80)	(0.59)	(3.07)	0.05
Diluted (loss)/earnings per share attributable to equity holders (sen)	(1.80)	(0.59)	(3.07)	0.05

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.

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

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000 (Audited)</b>
Total accumulated (losses)/ profits of MTB and its subsidiaries :		
- Realised	(27,333)	(16,718)
- Unrealised	(502)	1,642
	(27,835)	(15,076)
Add/(Less): Consolidated adjustments	2,976	(2,653)
Total group accumulated losses as per consolidated accounts	(24,859)	(17,729)

Unrealised (losses)/ profits include unrealised gain/loss on foreign exchange and deferred tax.

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**B12. (Loss)/Profit Before Tax**

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter 31.12.2014 RM'000</b>	<b>Preceding year quarter 31.12.2013 RM'000</b>	<b>Current year to-date 31.12.2014 RM'000</b>	<b>Preceding year to-date 31.12.2013 RM'000</b>
Interest income	(550)	(109)	(653)	(280)
Other income	(558)	(3)	(657)	(3)
Gain on disposal of PPE	-	(10)	-	(10)
Interest expenses	1	1	4	4
Depreciation and amortisation	121	85	374	404
Write-off of receivable	-	3	1	3
Impairment of goodwill	-	233	252	233
Impairment of Development Costs	1,220	-	1,220	-
Foreign exchange loss/(gain)	6	84	97	(959)

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. Exceptional items