

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

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

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in Malaysia Financial Reporting Standards (“MFRS”) 134 – Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

The interim financial statements of the Group have been prepared in accordance with the Malaysia Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 1965.

The accounting policies and methods adopted by the Group are consistent with the audited financial statements for the financial year ended 31 December 2014.

A2. Auditors’ Report on the Preceding Annual Financial Statements

The auditor’s report on the latest audited financial statements for the year ended 31 December 2014 was not subject to any audit qualification.

A3. 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.

A4. 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.

A5. 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.

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SECOND QUARTER ENDED 30 JUNE 2015**

A6. Issuance and Repayment of Debts and Equity Securities

There were no issuance and repayment of debts and equity securities of the Group during the current quarter under review.

A7. Dividends Paid or Proposed

There were no dividends declared and paid for the current quarter under review.

A8. 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.

Segmental information by geographical segments for the six (6) months period ended 30 June 2015.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	10,210	1,144	-	11,354
Inter-segment sales	-	313	(313)	-
Total revenue	<u>10,210</u>	<u>1,457</u>	<u>(313)</u>	<u>11,354</u>
Results				
Loss before taxation	(1,133)	(429)	995	(567)
Taxation				<u>(504)</u>
Loss for the period				<u><u>(1,071)</u></u>

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

Segmental information by geographical segments for the six (6) months period ended 30 June 2014.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	11,038	3,627	-	14,665
Inter-segment sales	-	1,357	(1,357)	-
Total revenue	<u>11,038</u>	<u>4,984</u>	<u>(1,357)</u>	<u>14,665</u>
Results				
Profit/ (Loss) before taxation	(1,482)	(538)	445	(1,575)
Taxation				(125)
Loss for the period				<u>(1,700)</u>

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A10. Material Events Subsequent To the End of the Quarter

Further to the Company's announcements made on 15 December 2014, 27 February 2015 and 29 May 2015 pertaining to the MOU entered between the Company and Arbor to explore strategic business collaboration and commercialisation opportunities in the field of information technology, the Board of Directors of mTouche wishes to inform that the Company had made presentations to various government agencies and discussed with them on the business opportunities. The Board of Directors of mTouche wishes to further inform that there were no material development on the status of MOU since the signing of the above MOU dated 16 December 2014, save for as disclosed above.

A11. Changes in Composition of the Group

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

A12. 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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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENT OF BURSA SECURITIES FOR THE ACE MARKET**

B1. Review of Performance

The Group registered a revenue of RM11.4 million for the six month ended 30 June 2015 as compared to RM14.6 million for the preceding six months ended 30 June 2014. Revenue from matured market had decreased by RM0.8 million from RM11.0 million to RM10.2 million in whereas revenue from emerging markets decreased by RM2.5 million from RM3.6 million to RM1.1 million as compared to the preceding year corresponding quarter. The decrease in revenue is contributed by lower WAP and telco revenue. The Group registered a loss after tax of RM1.1 million, lower by 37% or RM0.6 million from a loss after tax of RM1.7 million as compared to the preceding year corresponding quarter due to lower administrative and other expenses incurred.

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

The Group recorded a profit before taxation of RM0.4 million in the second quarter of 2015 as compared to loss before tax of RM1.0 million of the immediate preceding quarter. This was mainly due to the lower administrative and other expenses incurred. 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 i.e. 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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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.6.2015 RM'000	Preceding year corresponding quarter 30.6.2014 RM'000	Current year to date 30.6.2015 RM'000	Preceding year corresponding period 30.6.2014 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	(460)	(38)	(460)	(123)
	(460)	(38)	(460)	(123)
Deferred tax	3	(-)	(44)	(2)
	(457)	(38)	(504)	(125)

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.

B6. Status of Corporate Proposals

The Company had on 23 June 2015 announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) had, vide its letter dated 23 June 2015, approved the listing of and quotation for up to 23,154,000 new mTouche Shares to be issued pursuant to the Private Placement on the ACE Market of Bursa Securities.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

B7. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2015.

Short Term Borrowings

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 (Audited)
Hire Purchase	14	28
	14	28
	14	28

B7. Borrowings and Debt Securities (con't)

Long Term Borrowings

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 (Audited)
Hire Purchase	-	28
	-	28
	-	28

B8. Material Litigation

Further to the Company's announcements on 13 January 2015 and 18 February 2015 in relation to the commencement of the 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 ("2nd and 3rd Defendants"), the Board of Directors of the Company wishes to inform that the Company's solicitors, Messrs. Bon Advocates had successfully served the relevant cause papers on the 2nd and 3rd Defendants on 10 June 2015 and 6 June 2015 respectively. The 2nd and 3rd Defendants had entered their appearance on 23 June 2015 and filed their defence on 3 July 2015. On 20 July 2015, the Company had filed its reply to the 2nd and 3rd Defendants' defence.

The Court has extended the writ for a further 6 months to enable substituted service to be obtained against PLIL in Hong Kong and has fixed 11 September 2015 for case management to update the Court on service in Hong Kong.

B9. Dividends

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

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2015**

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.

	Second quarter ended		Six months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
(Loss)/Profit for the period attributable to the ordinary equity holder RM ('000)	(106)	(1,594)	(1,147)	(1,566)
Weighted average number of ordinary shares in issue ('000)	215,515	215,538	215,515	215,538
Basic (loss)/earnings per share attributable to equity holder (sen)	(0.05)	(0.74)	(0.53)	(0.73)
Diluted (loss)/earnings per share attributable to equity holders (sen) the ordinary equity holder RM ('000)	(0.05)	(0.74)	(0.53)	(0.73)

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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SECOND QUARTER ENDED 30 JUNE 2015**

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

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 (Audited)
Total accumulated (losses)/ profits of MTB and its subsidiaries :		
- Realised	(26,992)	(40,951)
- Unrealised	(1,226)	519
	(28,218)	(40,432)
Add/(Less): Consolidated adjustments	2,227	15,586
	(25,991)	(24,846)

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

B12. (Loss)/Profit Before Tax

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

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.6.2015 RM'000	Preceding year quarter 30.6.2014 RM'000	Current year to-date 30.6.2015 RM'000	Preceding year to-date 30.6.2014 RM'000
Interest Income	(5)	(32)	(42)	(67)
Other income	(29)	(53)	(99)	(99)
Interest expenses	1	1	2	2
Depreciation	193	82	240	163
Amortisation	89	1	192	1
Write-off plant and equipment	-	-	1	1
Impairment of goodwill	-	-	-	252
Foreign exchange loss/(gain)	32	575	(1,093)	174

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