

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2015**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEPTEMBER 2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEPTEMBER 2014 RM'000	CURRENT YEAR TO-DATE 30 SEPTEMBER 2015 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEPTEMBER 2014 RM'000
Revenue	5,223	6,798	16,577	21,463
Cost of sales	(2,285)	(4,140)	(9,979)	(13,739)
Gross profit	2,938	2,658	6,598	7,724
Administrative expenses	(2,353)	(2,800)	(7,759)	(7,705)
Other expenses	(423)	(635)	(948)	(2,371)
EBITDA*	162	(777)	(2,109)	(2,352)
Other income	11	36	2,075	202
Finance costs	(1)	(1)	(3)	(3)
Depreciation and amortisation	(282)	(89)	(714)	(253)
(Loss)/Profit before taxation	(110)	(831)	(751)	(2,406)
Taxation	(247)	(366)	(751)	(491)
(Loss)/Profit for the period	(357)	(1,197)	(1,502)	(2,897)
Other comprehensive income/(loss)				
Exchange difference on translating foreign operations	2,493	60	2,493	86
Total comprehensive (loss)/income	2,136	(1,137)	991	(2,811)
Total (loss)/profit attributable to:				
Equity holders of the parent	(357)	(1,123)	(1,504)	(2,689)
Minority interests	-	(74)	2	(208)
	(357)	(1,197)	(1,502)	(2,897)
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	2,136	(1,066)	991	(2,613)
Minority interests	-	(71)	-	(198)
	2,136	(1,137)	991	(2,811)
(Losses)/ Earnings per share attributable to equity holders of the parent				
- Basic and Diluted (sen)	(0.17)	(0.52)	(0.70)	(1.25)

* - 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 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
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STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 2015 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2014 (AUDITED) RM'000
Non-current assets		
Property, plant and equipment	1,911	1,017
Intangible assets	3,483	843
Deferred tax assets	64	64
	<u>5,458</u>	<u>1,924</u>
Current assets		
Trade and other receivables	7,268	6,489
Prepayments	1,255	224
Inventories	19	19
Tax recoverable	221	182
Cash and bank balances	3,811	10,081
	<u>12,574</u>	<u>16,995</u>
Current liabilities		
Borrowings	7	28
Tax payable	85	257
Trade and other payables	6,215	7,575
	<u>6,307</u>	<u>7,860</u>
Net current assets	<u>6,267</u>	<u>9,135</u>
	<u>11,725</u>	<u>11,059</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	(5,212)	(5,212)
Warrant reserve	9,445	9,445
Capital redemption reserve	4,195	4,195
Other reserves	2,406	(87)
Accumulated losses	(26,348)	(24,846)
	<u>12,504</u>	<u>11,513</u>
Non-controlling interest	(1,069)	(804)
Total equity	<u>11,435</u>	<u>10,709</u>
Non-current liabilities		
Borrowings	-	-
Deferred tax liabilities	191	135
Defined benefits obligations	99	215
	<u>11,725</u>	<u>11,059</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>5</u>	<u>5</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 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

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STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Non-Distributable						Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrant Reserves RM'000	Capital Redemption Reserve RM'000	Other Reserves RM'000				Accumulated Losses RM'000
Nine (9) months period ended 30 September 2015										
At 1 January 2015	23,154	4,864	(5,212)	9,445	4,195	(87)	(24,846)	11,513	(804)	10,709
Comprehensive income/(loss) :										
Loss, net of tax	-	-	-	-	-	-	(1,502)	(1,502)	(265)	(1,767)
Other comprehensive income:										
Foreign currency translation	-	-	-	-	-	2,493	-	2,493	-	2,493
Total comprehensive income/(loss)	-	-	-	-	-	2,493	(1,502)	991	(265)	726
Transaction with owners:										
Treasury shares :										
Purchased	-	-	-	-	-	-	-	-	-	-
Arising from part disposal in equity interest in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-	-	-	-
At 30 September 2015	23,154	4,864	(5,212)	9,445	4,195	2,406	(26,348)	12,504	(1,069)	11,435
Nine (9) months period ended 30 September 2014										
At 1 January 2014	23,154	4,864	(4,653)	9,445	4,195	(1,277)	(17,729)	17,999	177	18,176
Comprehensive income :										
Profit, net of tax	-	-	-	-	-	-	(2,689)	(2,689)	(208)	(2,897)
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	76	-	76	10	86
Total comprehensive income	-	-	-	-	-	76	(2,689)	(2,613)	(198)	(2,811)
Transaction with owners:										
Treasury shares :										
Purchased	-	-	(559)	-	-	-	-	(559)	-	(559)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	1,465	-	1,465	(1,117)	348
Total transaction with owners	-	-	(559)	-	-	1,465	-	906	(1,117)	(211)
At 30 September 2014	23,154	4,864	(5,212)	9,445	4,195	264	(20,418)	16,292	(1,138)	15,154

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 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

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STATEMENT OF CASH FLOWS

	NINE (9) MONTHS ENDED 30 SEPTEMBER 2015 RM'000	NINE (9) MONTHS ENDED 30 SEPTEMBER 2014 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(751)	(2,406)
Adjustments for non-cash item:		
Non-cash items	714	253
Non-operating items	2,017	(27)
Impairment of goodwill	-	252
Plant and equipment written off	1	1
(Loss)/Profit before working capital changes	1,981	(1,927)
Changes in working capital:		
Net change in current assets	(1,810)	(2,164)
Net change in current liabilities	(1,360)	439
Cash used in operations	(1,189)	(3,652)
Tax paid	(867)	(357)
Net cash used in operating activities	(2,056)	(4,009)
Cash flows from investing activities		
Acquisition of plant and equipment	(1,327)	(203)
Acquisition of intangible assets	(2,921)	(2,040)
Interest received	58	103
Net cash used in investing activities	(4,190)	(2,140)
Cash flows from financing activities		
Purchase of treasury shares	-	(559)
Interest paid	(3)	(3)
Repayment of hire purchase	(21)	(21)
Net cash used in financing activities	(24)	(583)
Net decrease in cash and cash equivalents	(6,270)	(6,732)
Cash and cash equivalents at 1 January	10,081	16,927
Cash and cash equivalents at end of period (i)	3,811	10,195

i) Cash and cash equivalents

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

Cash and bank balances	3,811	10,195
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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 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
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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

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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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 nine (9) months period ended 30 September 2015.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	14,661	1,916	-	16,577
Inter-segment sales	846	428	(1,274)	-
Total revenue	<u>15,507</u>	<u>2,344</u>	<u>(1,274)</u>	<u>16,577</u>
Results				
Loss before taxation	1,313	(208)	(1,856)	(751)
Taxation				<u>(751)</u>
Loss for the period				<u><u>(1,502)</u></u>

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Segmental information by geographical segments for the nine (9) months period ended 30 September 2014.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	16,471	4,992	-	21,463
Inter-segment sales	1,823	-	(1,823)	-
Total revenue	<u>18,294</u>	<u>4,992</u>	<u>(1,357)</u>	<u>21,463</u>
Results				
Profit/ (Loss) before taxation	(2,597)	(853)	(1,044)	(2,406)
Taxation				(491)
Loss for the period				<u>(2,897)</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

There are no subsequent events which have a material impact on the financial statements under review.

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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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 revenue of RM16.6 million for the nine month ended 30 September 2015 as compared to RM21.5 million for the preceding nine months ended 30 September 2014. Revenue from matured market had decreased by RM1.8 million from RM16.5 million to RM14.7 million in whereas revenue from emerging markets decreased by RM3.1 million from RM5.0 million to RM1.9 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 RM1.5 million, lower by 48% or RM1.4 million from a loss after tax of RM2.9 million as compared to the preceding year corresponding quarter largely due to foreign exchange gain.

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

The Group recorded a loss before taxation of RM0.1 million in the third quarter of 2015 as compared to profit before tax of RM0.3 million of the immediate preceding quarter. This was mainly due to the higher administrative 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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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.9.2015 RM'000	Preceding year corresponding quarter 30.9.2014 RM'000	Current year to date 30.9.2015 RM'000	Preceding year corresponding period 30.9.2014 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	(234)	(366)	(695)	(489)
	(234)	(366)	(695)	(489)
Deferred tax	(13)	(-)	(56)	(2)
	(247)	(366)	(751)	(491)

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.

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.

The Private Placement exercise is delayed mainly due to the weak market sentiment subsequent to the approval date. The Company is still working on completing this exercise before the expiry of the approval on 23 December 2015.

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B7. Borrowings and Debt Securities

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

Short Term Borrowings

	As at 30.9.2015 RM'000	As at 31.12.2014 RM'000 (Audited)
Hire Purchase	7	28
	<u>7</u>	<u>28</u>

B8. Material Litigation

Pearl Legend International Limited and 2 others

The Company had made an announcement on 15 September 2015 advising that during the case management held on 11 September 2015 the Court has advised to apply for a substituted service against the 1st Defendant in Malaysia. In the meantime, the Company and MTSB and the 2nd and 3rd Defendants have agreed to proceed with mutual discovery between parties. The Judge has fixed 28 October 2015 for further case management.

Our Solicitors filed an application for substituted service to serve the Notice of Writ, the Concurrent Writ and the Statement of Claim on the 1st Defendant by way of courier and advertisement and chosen newspapers in Hong Kong and British Virgin Islands. The application was allowed during the case management held on 28 October 2015. The Court fixed 30 November 2015 for case management to update the progress of service on the 1st Defendant.

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.

	Third quarter ended		Nine months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
(Loss)/Profit for the period attributable to the ordinary equity holder RM ('000)	(357)	(1,123)	(1,504)	(2,689)
Weighted average number of ordinary shares in issue ('000)	215,515	215,515	215,515	215,515
Basic (loss)/earnings per share attributable to equity holder (sen)	(0.17)	(0.52)	(0.70)	(1.25)
Diluted (loss)/earnings per share attributable to equity holders (sen) the ordinary equity holder RM ('000)	(0.17)	(0.52)	(0.70)	(1.25)

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 30.9.2015 RM'000	As at 31.12.2014 RM'000 (Audited)
Total accumulated (losses)/ profits of MTB and its subsidiaries :		
- Realised	(44,892)	(40,951)
- Unrealised	(1,378)	519
	(46,270)	(40,432)
Add/(Less): Consolidated adjustments	19,922	15,586
	(26,348)	(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 30.9.2015 RM'000	Preceding year quarter 30.9.2014 RM'000	Current year to-date 30.9.2015 RM'000	Preceding year to-date 30.9.2014 RM'000
Interest Income	(11)	(36)	(58)	(103)
Other income	-	-	(94)	(99)
Interest expenses	1	1	3	3
Depreciation	193	89	433	253
Amortisation	89	-	281	-
Write-off plant and equipment	-	-	1	1
Impairment of goodwill	-	-	-	252
Foreign exchange loss/(gain)	111	(83)	(1,923)	91

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