

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER
ENDED 30 JUNE 2016**

STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUNE 2016	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2015	CURRENT YEAR TO-DATE 30 JUNE 2016	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,967	5,642	12,525	11,354
Cost of sales	(2,758)	(4,060)	(6,078)	(7,694)
Gross profit	2,209	1,582	6,447	3,660
Administrative expenses	(2,067)	(769)	(4,396)	(3,309)
Other expenses	325	(213)	(894)	(699)
EBITDA*	467	600	1,157	(348)
Other income	177	34	183	141
Finance costs	-	(1)	-	(2)
Depreciation and amortisation	(443)	(282)	(863)	(432)
Profit/(Loss) before taxation	201	351	477	(641)
Taxation	-	(457)	-	(504)
Profit/(Loss) for the period	201	(106)	477	(1,145)
Other comprehensive income/(loss)				
Actuarial gains/(losses) on defined benefit obligations	-	-	-	-
Total comprehensive income/(loss)	201	(106)	477	(1,145)
Total profit/(loss) attributable to:				
Equity holders of the parent	176	(106)	533	(1,147)
Minority interests	25	-	(56)	2
	201	(106)	477	(1,145)
Total comprehensive income/(loss) attributable to :				
Equity holders of the parent	176	(104)	533	(1,145)
Minority interests	25	(2)	(56)	-
	201	(106)	477	(1,145)
Earnings/(Losses) per share attributable to equity holders of the parent				
- Basic and Diluted (sen)	0.08	(0.05)	0.24	(0.53)

* - 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 2015 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 SECOND QUARTER
ENDED 30 JUNE 2016**

STATEMENT OF FINANCIAL POSITION

	AS AT 30 JUNE 2016 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2015 (AUDITED) RM'000
Non-current assets		
Property, plant and equipment	1,291	1,849
Intangible assets	4,958	4,262
Deferred tax assets	74	79
	<u>6,323</u>	<u>6,190</u>
Current assets		
Trade and other receivables	13,047	8,209
Prepayments	199	208
Inventories	19	19
Tax recoverable	710	639
Cash and bank balances	2,063	3,470
	<u>16,038</u>	<u>12,545</u>
Current liabilities		
Borrowings	-	-
Tax payable	289	263
Trade and other payables	12,811	12,359
	<u>13,100</u>	<u>12,622</u>
Net current assets	<u>2,938</u>	<u>(77)</u>
	<u>9,261</u>	<u>6,113</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	23,154	23,154
Share premium	1,430	4,864
Treasury shares	-	(5,212)
Warrant reserve	9,445	9,445
Capital redemption reserve	4,195	4,195
Other reserves	(2,839)	(3,736)
Accumulated losses	(25,457)	(25,990)
	<u>9,928</u>	<u>6,720</u>
Non-controlling interest	(1,087)	(1,031)
Total equity	<u>8,841</u>	<u>5,689</u>
Non-current liabilities		
Borrowings	-	-
Deferred tax liabilities	135	139
Defined benefits obligations	285	285
	<u>9,261</u>	<u>6,113</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>4</u>	<u>3</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 2015 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD

Company no. 656395-X
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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER
ENDED 30 JUNE 2016

STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Non-Distributable			Accumulated Losses RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
				Warrant Reserves RM'000	Capital Redemption Reserve RM'000	Other Reserves RM'000				
Six (6) months period ended 30 June 2016										
At 1 January 2016	23,154	4,864	(5,212)	9,445	4,195	(3,736)	(25,990)	6,720	(1,031)	5,689
Comprehensive income/(loss) :										
Loss, net of tax	-	-	-	-	-	-	533	533	(56)	477
Other comprehensive income:										
Foreign currency translation	-	-	-	-	-	897	-	897	-	897
Actuarial gains/(losses)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	897	533	1,430	(56)	1,374
Transaction with owners:										
Treasury shares :										
Disposed	-	(3,434)	5,212	-	-	-	-	1,778	-	1,778
Arising from part disposal in equity interest in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Total transaction with owners	-	(3,434)	5,212	-	-	-	-	1,778	-	1,778
At 30 June 2016	23,154	1,430	-	9,445	4,195	(2,839)	(25,457)	9,928	(1,087)	8,841
Six (6) months period ended 30 June 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										
Profit, net of tax	-	-	-	-	-	-	(1,145)	(1,145)	(271)	(1,416)
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	(1,145)	(1,145)	(271)	(1,416)
Transaction with owners:										
Treasury shares :										
Purchased	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-	-	-	-
At 30 June 2015	23,154	4,864	(5,212)	9,445	4,195	(87)	(25,991)	10,368	(1,075)	9,293

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 2015 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
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 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER
 ENDED 30 JUNE 2016**

STATEMENT OF CASH FLOWS

	SIX (6) MONTHS ENDED 30 JUNE 2016	SIX (6) MONTHS ENDED 30 JUNE 2015
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	477	(641)
Adjustments for:		
Non-cash items	862	432
Non-operating items	(53)	(665)
Plant and equipment written off	-	1
Profit/(Loss) before working capital changes	<u>1,286</u>	<u>(873)</u>
Changes in working capital:		
Net change in current assets	(4,829)	(2,694)
Net change in current liabilities	452	1,926
Cash used in operations	<u>(3,091)</u>	<u>(1,641)</u>
Tax paid	(73)	(1,096)
Net cash used in operating activities	<u>(3,164)</u>	<u>(2,737)</u>
Cash flows from investing activities		
Interest received	12	42
Acquisition of plant and equipment and intangible assets	(1,001)	(3,477)
Net cash used in investing activities	<u>(989)</u>	<u>(3,435)</u>
Cash flows from financing activities		
Disposal of treasury shares	1,778	-
Interest paid	-	(2)
Repayment of hire purchase	-	(14)
Net cash generated from/(used) in financing activities	<u>1,778</u>	<u>(16)</u>
Net decrease in cash and cash equivalents	(2,375)	(6,188)
Effect of exchange rate changes on cash and cash equivalents	968	-
Cash and cash equivalents at 1 January	3,470	10,081
Cash and cash equivalents at end of period (i)	<u>2,063</u>	<u>3,893</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>2,063</u>	<u>3,893</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 2015 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

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 2015 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 2015.

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 2015 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.

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.

MTOUCHE TECHNOLOGY BERHAD
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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

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 ended 30 June 2016.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	10,311	2,214	-	12,525
Inter-segment sales	750	-	(750)	-
Total revenue	11,061	2,214	(750)	12,525
Results				
Profit/(Loss) before taxation	1,242	(513)	(252)	477
Taxation	-	-	-	-
Profit for the period				477

Segmental information by geographical segments for the six (6) months 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	10,210	1,457	(313)	11,354
Results				
Loss before taxation	(1,207)	(429)	995	(641)
Taxation				(504)
Loss for the period				(1,145)

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

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.

A13. 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.

**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 RM12.6 million for the six months ending 30 June 2016 as compared to RM11.4 million for the preceding year corresponding quarter ended 30 June 2015. Revenue from matured market increased by RM0.1 million from RM10.2 million to RM10.3 million whereas revenue from emerging markets increased by RM1.2 million from RM1.1 million to RM2.2 million as compared to the preceding year corresponding quarter. The Group registered a profit after tax of RM0.5 million compared a loss after tax of RM1.1 million for the preceding year corresponding quarter, largely due to higher revenue and favourable foreign exchange fluctuation movement for overseas subsidiaries.

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

The Group recorded a profit before taxation of RM0.2 million in the second quarter of 2016 as compared to profit before tax of RM0.3 million in the immediate preceding quarter. This was mainly due to lower revenue recorded. There were no material expenses incurred in the quarter under review except as disclosed in Note B12.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

B3. Future Prospect

The Group will continue to focus and grow its core mobile messaging services, and drive existing and new products across the six (6) main countries of operation i.e. Malaysia, Singapore, Thailand, Hong Kong, Indonesia and Vietnam.

The Group will temporary defer the development activities on its Cybersecurity and internet-related mobile applications to concentrate on growing its core mobile messaging services.

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.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.6.2016 RM'000	Preceding year corresponding quarter 30.6.2015 RM'000	Current year to date 30.6.2016 RM'000	Preceding year corresponding period 30.6.2015 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	-	(460)	-	(460)
	-	(460)	-	(460)
Deferred tax	-	3	-	(44)
	-	(457)	-	(504)

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.

MTOUCHE TECHNOLOGY BERHAD
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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

B6. Status of Corporate Proposals (Cont.)

The Private Placement exercise is delayed mainly due to the weak market sentiment subsequent to the approval date. On 9 December 2015, the Company applied for extension of time from Bursa Securities to complete this exercise, with approval obtained on 13 January 2016. The Company has on 8 June 2016 applied for further extension of time from Bursa Securities to complete the exercise. Bursa Securities has vide its letter dated 28 June 2016, approved an extension of time from 23 June 2016 to 22 December 2016. The Company is working on completing this exercise before the expiry date.

B7. Borrowings and Debt Securities

There were no other borrowings or debt securities in the Group as at 30 June 2016.

B8. Material Litigation

Pearl Legend International Limited and 2 others

The Company has made an announcement on 6 May 2016 advising that during a trial held on 5 May 2016, the Company's solicitor, Messr. AmerBON Avocates had obtained the following judgement from the Kuala Lumpur High Court:-

- I. Against the Pearl Legend International Limited, amongst other terms:
 - a) The termination of the Agreement dated 2 January 2009; and,
 - b) Restitution of RM6.3 million.

- II. By consent and without admission to liability, against Goh Eugene (2nd Defendant) and Tan Wee Meng (3rd Defendant), amongst other terms:
 - a) RM1.7 million in 10 monthly instalments by way of 10 post-dated cheques which must be cleared on or before the 28th day of each month beginning from 28 May 2016 until 28 February 2017; and
 - b) Any default by the 2nd and 3rd defendants will render the full RM1.7 million less any sums which has already been paid to be payable immediately.

As far as the Company is concerned, this ends the material litigation subject to the Defendants complying with the terms of the judgement.

B9. Dividends

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

B10. Profit/(Loss) Per Share

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

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

B10. Profit/(Loss) Per Share (Cont.)

	Second quarter ended		Six (6) months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Profit/(Loss) for the period attributable to the ordinary equity holder of the Company (RM'000)	176	(106)	533	(1,147)
Weighted average number of ordinary shares in issue ('000)	226,161	215,515	226,161	215,515
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	0.08	(0.05)	0.24	(0.53)
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	0.08	(0.05)	0.24	(0.53)

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

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000 (Audited)
Total accumulated losses of MTB and its subsidiaries:		
- Realised	(73,275)	(76,298)
- Unrealised	56	3,802
	(73,219)	(72,496)
Add: Consolidated adjustments	47,762	46,506
Total group accumulated losses as per consolidated accounts	(25,457)	(25,990)

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

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Company no. 656395-X
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2016**

B12. Profit/(Loss) Before Tax

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2016 RM'000	Preceding Year Quarter 30.6.2015 RM'000	Current Year To Date 30.6.2016 RM'000	Preceding Year To Date 30.6.2015 RM'000
Interest income	(6)	(5)	(12)	(42)
Other income	(171)	(29)	(171)	(99)
Interest expenses	-	1	-	2
Depreciation and amortisation	443	282	863	432
Write-off of plant and equipment	-	-	-	1
Foreign exchange (gain)/loss	(773)	32	187	(1,093)

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 or loss on disposal of quoted or unquoted investments or properties
4. Impairment of assets
5. Gain or loss on derivatives
6. Exceptional items