

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2016**

STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEPTEMBER 2016	PRECEDING YEAR CORRESPONDING QUARTER 30 SEPTEMBER 2015	CURRENT YEAR TO-DATE 30 SEPTEMBER 2016	PRECEDING YEAR CORRESPONDING PERIOD 30 SEPTEMBER 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,568	5,223	17,093	16,577
Cost of sales	(2,578)	(2,285)	(8,656)	(9,979)
Gross profit	1,990	2,938	8,437	6,598
Administrative expenses	(1,810)	(2,353)	(6,206)	(7,759)
Other expenses	(1,084)	(423)	(1,978)	(948)
EBITDA*	(904)	162	253	(2,109)
Other income	1,691	11	1,874	2,075
Finance costs	-	(1)	-	(3)
Depreciation and amortisation	(436)	(282)	(1,299)	(714)
Profit/(Loss) before taxation	351	(110)	828	(751)
Taxation	-	(247)	-	(751)
Profit/(Loss) for the period	351	(357)	828	(1,502)
Other comprehensive income				
Exchange difference on translating foreign operations	-	2,493	-	2,493
Total comprehensive income	351	2,136	828	991
Total profit/(loss) attributable to:				
Equity holders of the parent	288	(357)	821	(1,504)
Minority interests	63	-	7	2
	351	(357)	828	(1,502)
Total comprehensive income attributable to:				
Equity holders of the parent	288	2,136	821	991
Minority interests	63	-	7	-
	351	2,136	828	991
Earnings/(Losses) per share attributable to equity holders of the parent				
- Basic and Diluted (sen)	0.13	(0.17)	0.36	(0.70)

* - 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 THIRD QUARTER
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STATEMENT OF FINANCIAL POSITION

	AS AT 30 SEPTEMBER 2016 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2015 (AUDITED) RM'000
Non-current assets		
Property, plant and equipment	1,143	1,849
Intangible assets	4,641	4,262
Deferred tax assets	74	79
	<u>5,858</u>	<u>6,190</u>
Current assets		
Trade and other receivables	12,499	8,209
Prepayments	352	208
Inventories	19	19
Tax recoverable	681	639
Cash and bank balances	3,592	3,470
	<u>17,143</u>	<u>12,545</u>
Current liabilities		
Borrowings	-	-
Tax payable	70	263
Trade and other payables	11,453	12,359
	<u>11,523</u>	<u>12,622</u>
Net current assets	<u>5,620</u>	<u>(77)</u>
	<u>11,478</u>	<u>6,113</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	25,470	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	(3,289)	(3,736)
Accumulated losses	(25,169)	(25,990)
	<u>12,082</u>	<u>6,720</u>
Non-controlling interest	(1,024)	(1,031)
Total equity	<u>11,058</u>	<u>5,689</u>
Non-current liabilities		
Borrowings	-	-
Deferred tax liabilities	135	139
Defined benefits obligations	285	285
	<u>11,478</u>	<u>6,113</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>5</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.

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STATEMENT OF CHANGES IN EQUITY

	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 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	-	-	-	-	-	-	821	821	7	828
Other comprehensive income:										
Foreign currency translation	-	-	-	-	-	447	-	447	-	447
Actuarial gains/(losses)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	447	821	1,268	7	1,275
Transaction with owners:										
Treasury shares :										
Disposed	-	(3,434)	5,212	-	-	-	-	1,778	-	1,778
Issuance of new shares	2,316							2,316	-	2,316
Total transaction with owners	2,316	(3,434)	5,212	-	-	-	-	4,094	-	4,094
At 30 September 2016	25,470	1,430	-	9,445	4,195	(3,289)	(25,169)	12,082	(1,024)	11,058
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										
Profit, net of tax	-	-	-	-	-	-	(1,502)	(1,502)	(265)	(1,767)
Other comprehensive income :										
Foreign currency translation	-	-	-	-	-	2,493	-	2,493	-	2,493
Actuarial gains/(losses)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	2,493	(1,502)	991	(265)	726
Transaction with owners:										
Purchased interests	-	-	-	-	-	-	-	-	-	-
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

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.

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

	NINE (9) MONTHS ENDED 30 SEPTEMBER 2016	NINE (9) MONTHS ENDED 30 SEPTEMBER 2015
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	828	(751)
Adjustments for:		
Non-cash items	1,299	714
Non-operating items	341	2,017
Plant and equipment written off	-	1
Profit/(Loss) before working capital changes	<u>2,468</u>	<u>1,981</u>
Changes in working capital:		
Net change in current assets	(4,434)	(1,810)
Net change in current liabilities	<u>(907)</u>	<u>(1,360)</u>
Cash used in operations	<u>(2,873)</u>	<u>(1,189)</u>
Tax paid	<u>(234)</u>	<u>(867)</u>
Net cash used in operating activities	<u>(3,107)</u>	<u>(2,056)</u>
Cash flows from investing activities		
Interest received	18	58
Acquisition of plant and equipment and intangible assets	<u>(971)</u>	<u>(4,248)</u>
Net cash used in investing activities	<u>(953)</u>	<u>(4,190)</u>
Cash flows from financing activities		
Disposal of treasury shares	1,778	-
Issuance of new shares	2,315	-
Interest paid	-	(3)
Repayment of hire purchase	-	(21)
Net cash generated from/(used) in financing activities	<u>4,093</u>	<u>(24)</u>
Net decrease in cash and cash equivalents	33	(6,270)
Effect of exchange rate changes on cash and cash equivalents	89	-
Cash and cash equivalents at 1 January	3,470	10,081
Cash and cash equivalents at end of period (i)	<u><u>3,592</u></u>	<u><u>3,811</u></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><u>3,592</u></u>	<u><u>3,811</u></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.

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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 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.

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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 ended 30 September 2016.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	13,752	3,341	-	17,093
Inter-segment sales	846	77	(923)	-
Total revenue	<u>14,508</u>	<u>3,418</u>	<u>(923)</u>	<u>17,093</u>
Results				
Profit before taxation	1,144	(672)	356	828
Taxation	-	-	-	-
Profit for the period				<u>828</u>

Segmental information by geographical segments for the nine (9) months 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				(751)
Loss for the period				<u>(1,502)</u>

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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

For the current quarter under review, M.B.O.X. Joint Stock Company ("MBOX"), a dormant subsidiary company of mTouche (Vietnam) Co. Ltd, which in turn is a wholly-owned subsidiary of the Company has been deregistered from the National Business Registration System of Vietnam on 5 March 2016 pursuant to the Notification of Dissolution issued by the Ministry of Planning and Investment of Vietnam, which was received by the Company on 26 August 2016. As such, MBOX has ceased to be a subsidiary.

The de-registration of MBOX does not have a material financial impact on the Company and the Group.

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 RM17.1 million for the nine months ended 30 September 2016 as compared to RM16.6 million for the preceding year corresponding quarter ended 30 September 2015. Revenue from matured market decreased by RM0.9 million from RM14.7 million to RM13.8 million whereas revenue from emerging markets increased by RM1.4 million from RM1.9 million to RM3.3 million as compared to the preceding year corresponding quarter. The Group registered a profit after tax of RM0.8 million compared a loss after tax of RM1.5 million for the preceding year corresponding quarter ended 30 September 2015, largely due to higher revenue and lower cost of services, reversal on overprovision of USP contribution and lower employment costs.

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

The Group recorded a profit before taxation of RM0.35 million in the third quarter of 2016 as compared to profit before tax of RM0.20 million in the immediate preceding quarter. This was mainly due to lower employment costs and higher other income, by lower revenue recorded. 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 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 30.9.2016 RM'000	Preceding year corresponding quarter 30.9.2015 RM'000	Current year to date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Current tax expense:				
Malaysian income tax	-	-	-	-
Foreign tax	-	(234)	-	(695)
	-	(234)	-	(695)
Deferred tax	-	(13)	-	(56)
	-	(247)	-	(751)

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.

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B6. Status of Corporate Proposals

On 7 September 2016, the Company has issued and listed 23,154,000 new mTouche Shares pursuant to the Private Placement on the ACE Market of Bursa Securities.

On 6 October 2016, the Company has announced the variation on the utilisation of proceeds raised in relation to the Private Placement. The variation will have no adverse effect on the financial performance of the Group and is not subject to any regulatory or shareholders' approval.

Status of utilisation of proceeds as at 30 September 2016:

Details of utilisation	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balanced Unutilised RM'000	Expected time frame for Utilisation of proceeds
Working Capital	2,265	-	2,265	Within 12 months
Expenses for the Proposals	50	(50)	-	
Total	2,315	(50)	2,265	

B7. Borrowings and Debt Securities

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

B8. Material Litigation

There were no significant changes in material litigation during the period under review.

B9. Dividends

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

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B10. Profit/(Loss) Per Share

	Third quarter ended		Nine (9) months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Profit/(Loss) for the period attributable to the ordinary equity holder of the Company (RM'000)	288	(357)	821	(1,504)
Weighted average number of ordinary shares in issue ('000)	229,996	215,515	229,996	215,515
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	0.13	(0.17)	0.36	(0.70)
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	0.13	(0.17)	0.36	(0.70)

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

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 30.9.2016 RM'000	As at 31.12.2015 RM'000 (Audited)
Total accumulated losses of MTB and its subsidiaries:		
- Realised	(73,261)	(76,298)
- Unrealised	(213)	3,802
	(73,474)	(72,496)
Add: Consolidated adjustments	48,305	46,506
Total group accumulated losses as per consolidated accounts	(25,169)	(25,990)

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

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B12. Profit/(Loss) Before Tax

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

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year To	Year To
	Quarter	Quarter	Date	Date
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(7)	(11)	(19)	(58)
Other income	(560)	-	(731)	(94)
Interest expenses	-	1	-	3
Depreciation and amortisation	436	282	1,299	714
Write-off of plant and equipment	-	-	-	1
Foreign exchange loss/(gain)	458	111	645	(1,923)

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