

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2016 RM'000 (Unaudited)	Preceding Year Quarter 31.12.2015 RM'000 **	Current Year To Date 31.12.2016 RM'000 (Unaudited)	Preceding Year To Date 31.12.2015 RM'000 **
Revenue	6,934	N/A	24,027	N/A
Cost of Sales	(5,120)	N/A	(13,776)	N/A
<b>Gross Profit</b>	<b>1,814</b>	<b>N/A</b>	<b>10,251</b>	<b>N/A</b>
Administrative Expenses	(2,176)	N/A	(8,382)	N/A
Other Expenses	(1,233)	N/A	(3,211)	N/A
<b>EBITDA*</b>	<b>(1,595)</b>	<b>N/A</b>	<b>(1,342)</b>	<b>N/A</b>
Other Income	1,613	N/A	3,487	N/A
Finance Costs	-	N/A	-	N/A
Depreciation and Amortisation	(470)	N/A	(1,769)	N/A
<b>(Loss)/Profit Before Tax</b>	<b>(452)</b>	<b>N/A</b>	<b>376</b>	<b>N/A</b>
Tax Income/( Expense)	-	N/A	-	N/A
<b>(Loss)/Profit for the Financial Period</b>	<b>(452)</b>	<b>N/A</b>	<b>376</b>	<b>N/A</b>
<b>Other Comprehensive Loss</b>				
Item that may be Reclassified Subsequently to (Loss)/Profit				
Currency Translation Differences	(1,046)	N/A	(599)	N/A
<b>Item That Will not be subsequently reclassified to Profit</b>				
Actuarial gains on defined benefit obligation	-	N/A	-	N/A
Income Tax Effect	-	N/A	-	N/A
	-	N/A	-	N/A
<b>Total Comprehensive Loss for the Financial Period</b>	<b>(1,498)</b>	<b>N/A</b>	<b>(223)</b>	<b>N/A</b>
<b>(Loss)/Profit for the Financial Period</b>				
<b>Attributable to:</b>				
Owners of the Company	(495)	N/A	426	N/A
Non-Controlling Interest	43	N/A	(50)	N/A
	(452)	N/A	376	N/A
<b>Total Comprehensive Loss for the Financial Period Attributable to:</b>				
Owners of the Company	(1,541)	N/A	(173)	N/A
Non-Controlling Interest	43	N/A	(50)	N/A
	(1,498)	N/A	(223)	N/A
<b>(Loss)/Earnings Per Ordinary Share</b>				
<b>Attributable to Equity Holders of the Company</b>				
Basic and Diluted (sen)	(0.21)	N/A	0.18	N/A

\* - EBITDA denotes "Earnings Before Interest, Tax, Depreciation and Amortisation"

\*\*There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year end from 31 December to 30 June.

The Condensed Consolidated Statement of Profit or Loss and Other 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 this interim financial report.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31.12.2016 RM'000 (Unaudited)	As at 31.12.2015 RM'000 (Audited)
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,088	1,849
Intangible Assets	4,361	4,262
Deferred Tax Assets	79	79
	5,528	6,190
<b>Current Assets</b>		
Trade and Other Receivables	7,950	8,209
Prepayments	587	208
Inventories	19	19
Tax Recoverable	681	639
Cash and Bank Balances	3,284	3,470
	12,521	12,545
<b>Current Liabilities</b>		
Tax Payable	70	263
Trade and Other Payables	7,999	12,359
	8,069	12,622
<b>NET ASSETS</b>	9,980	6,113
<b>FINANCED BY:</b>		
<b>Equity Attributable to Owners of the Company</b>		
Share Capital	25,470	23,154
Share Premium	1,430	4,864
Treasury Shares	-	(5,212)
Reserves	9,305	9,904
Accumulated Loss	(25,564)	(25,990)
	10,641	6,720
Non-Controlling Interest	(1,081)	(1,031)
	9,560	5,689
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	135	139
Defined Benefits Obligations	285	285
	420	424
	9,980	6,113
<b>Net Assets Per Share (sen)</b>	4	3

*The 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 this interim financial report.*

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

[-----Non-distributable-----]

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Capital Redemption Reserve RM'000	Other Reserve RM'000	Accumulated Loss RM'000	Total RM'000	Retained Earnings RM'000	Total Equity RM'000
As at 1 January 2016	23,154	4,864	(5,212)	9,445	4,195	(3,736)	(25,990)	6,720	(1,031)	5,689
Profit/(Loss) for the financial period	-	-	-	-	-	-	426	426	(50)	376
Currency Translation Differences	-	-	-	-	-	(599)	-	(599)	-	(599)
Total comprehensive profit/(loss)	-	-	-	-	-	(599)	426	(173)	(50)	(223)
<b>Transaction with owners:-</b>										
Disposal of treasury shares	-	(3,434)	5,212	-	-	-	-	1,778	-	1,778
Issuance of new shares	2,316	-	-	-	-	-	-	2,316	-	2,316
Total transactions with owners	2,316	(3,434)	5,212	-	-	-	-	4,094	-	4,094
As at 31 December 2016 (Unaudited)	25,470	1,430	-	9,445	4,195	(4,335)	(25,564)	10,641	(1,081)	9,560
As at 1 January 2015	23,154	4,864	(5,212)	9,445	4,195	(86)	(24,846)	11,514	(804)	10,710
Loss for the financial year	-	-	-	-	-	-	(1,151)	(1,151)	(147)	(1,298)
Remeasurement Gain on Defined Benefit Obligation, Net of Tax	-	-	-	-	-	-	7	7	-	7
Currency Translation Differences	-	-	-	-	-	(3,650)	-	(3,650)	(80)	(3,730)
Total comprehensive profit/(loss)	-	-	-	-	-	(3,650)	(1,144)	(4,794)	(227)	(5,021)
As at 31 December 2015 (Audited)	23,154	4,864	(5,212)	9,445	4,195	(3,736)	(25,990)	6,720	(1,031)	5,689

*The 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 this interim financial report.*

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Current Year To Date 31.12.2016 RM'000 (Unaudited)</b>	<b>Preceding Year To Date 31.12.2015 RM'000 (Audited)</b>
<b>Operating activities</b>		
Profit/(Loss) before tax	376	(720)
Adjustments for:-		
Non-cash items	1,769	1,303
Non-operating items	319	(3,711)
Written off of property, plant and equipment	-	5
Operating profit/(loss) before changes in working capital	2,464	(3,123)
Changes in working capital:-		
Trade and non-trade receivables	(699)	5,684
Trade and non-trade payables	(4,867)	(3,218)
Cash used in operations	(3,102)	(657)
Income tax paid	(238)	(1,143)
Net cash used in operating activities	(3,340)	(1,800)
<b>Investing activities</b>		
Interest received	28	75
Purchase of property, plant and equipment	(1,107)	(5,509)
Net cash used in investing activities	(1,079)	(5,434)
<b>Financing activities</b>		
Proceeds from disposal of treasury Shares	1,778	-
Proceeds from issuance of ordinary shares	2,315	-
Interest paid	-	(4)
Repayment of financial lease liabilities	-	(28)
Withdrawal of fixed deposits with maturity of three months or more	(4)	29
Net cash from/(used in) financing activities	4,089	(3)
Net changes in cash and cash equivalents	(330)	(7,237)
Effect of changes in foreign exchange rate	140	656
Cash and cash equivalents at beginning of financial period	3,427	10,008
Cash and cash equivalents at end of financial period	3,237	3,427
1. Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	3,284	3,470
Fixed deposits with maturity of three month of more	(47)	(43)
	3,237	3,427

*The 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 this interim financial report.*

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

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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.

These explanatory notes 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 financial year ended 31 December 2015.

The accounting policies and methods of computation used in the interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2015 except for the changes in accounting policies and presentation resulting from the adoption of new and revised MFRSs and amendments to MFRSs that are effective for financial periods beginning on or after 1 January 2016.

The Group has not adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board:

<b>Title</b>	<b>Effective date</b>
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 16 Leases	1 January 2019

The possible impact on adoption of the above pronouncements in the period of initial application cannot be determined at present.

**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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**FOR THE QUARTER ENDED 31 DECEMBER 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 twelve (12) months ended 31 December 2016.**

	<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	19,708	4,319	-	24,027
Inter-segment sales	2,667	80	(2,747)	-
Total revenue	<u>22,375</u>	<u>4,399</u>	<u>(2,747)</u>	<u>24,027</u>
<b>Results</b>				
Profit before tax	2,576	(957)	(1,243)	376
Tax expenses	-	-	-	-
Profit for the period	<u>2,576</u>	<u>(957)</u>	<u>(1,243)</u>	<u>376</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**

(a) On 23 January 2017, the Company's shareholders' approved the following resolutions:

- Par value reduction via the cancellation of RM0.05 from the par value of every existing ordinary shares of RM0.10 each in the issued and paid-up share capital of the company.
- Consolidation of every two ordinary shares of RM0.05 each (after the par value reduction) into one (1) ordinary share of RM 0.10 each.
- Renounceable rights issue of up to 557,500,566 new ordinary shares of RM0.10 each in mTouche ("mTouche Shares" or "Shares") ("Rights Shares") together with up to 278,750,283 free detachable warrants in mTouche ("Warrants C") (after share consolidation) on the basis of six (6) rights shares together with three (3) free warrants C for every two (2) existing shares held by entitled shareholders on a rights entitlement date to be determined.
- Establishment of an employees' share option scheme involving up to 30% of the issued and paid-up share capital of mTouche for the eligible Directors and employees of the Company and its subsidiaries.
- Increase in the authorised share capital of mTouche from RM50,000,000 comprising 500,000,000 shares to RM300,000,000 comprising 3,000,000,000 shares.

(b) On 13 February 2017, the Board of Directors of the Company has approved the change of financial year end of the Company from 31 December to 30 June. Thus, the next set of audited financial statements of the Company will be made up from 1 January 2016 to 30 June 2017 covering a period of eighteen (18) months. Thereafter, the financial year end of the Company shall end on 30 June for each subsequent year.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

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**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 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.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

**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 RM24.0 million for the twelve months ended 31 December 2016. There is no preceding year corresponding period comparison due to the change in the financial year end from 31 December to 30 June. Revenue from matured market recorded at RM19.7 million whereas revenue from emerging markets recorded at RM4.3 million. Overall, the figures shown an acceleration in revenue which in turn shown the improved market response to our products.

With the abovementioned higher revenue recorded, coupled with Management's initiative to tighten the cost of services through a series of cost control measurement and management, The Group registered a profit after tax of RM0.4 million as compared to a loss position for the financial year ended 31 December 2015.

**B2. Material Changes in Profit before Tax in Comparison to the Previous Quarter**

The Group recorded a loss before tax of RM0.4 million in the fourth quarter of 2016. This was mainly due to the Group has recorded a higher advertisement and promotion expenses during the quarter, in order to enlarge the Group's subscribers' base. Given the competitive and challenging trading operating climate, advertisement and promotion activities will be carried on until year 2017 in order to increase the Group's market share in this industry.

**B3. Future Prospect**

The market outlook for the Group's products remains very challenging. The competitive environment coupled with rising costs and volatility of currency exchange pose a serious challenge to the Group's profitability.

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 constantly embraces sustainability principles when it formulates and implements its business strategies based on the Company's vision of sustainable long-term growth. Moving forward, Management would strive to improve the Group's market share in ICT industry as well as to achieve operational efficiency, and seek cost reduction in order to enhance the Group's profitability and competitive edge. Barring unforeseen circumstances, the Directors of the Company are optimistic of the prospects ahead.

**B4. Variance on Profit Forecast**

Not applicable as the Group has not issued any profit forecast.

**B5. Tax income/(expenses)**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.12.2016 RM'000	Preceding year corresponding quarter 31.12.2015 RM'000	Current year to date 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Current tax expense:				
Malaysian income tax	-	N/A	-	N/A
Foreign tax	-	N/A	-	N/A
	-	N/A	-	N/A
Deferred tax	-	N/A	-	N/A
	-	N/A	-	N/A

Malaysian income tax is calculated at the Malaysian statutory tax rate of 24% 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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**FOR THE QUARTER ENDED 31 DECEMBER 2016**

**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.

Status of utilisation of proceeds as at 31 December 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	-	289	Within 12 months
- Trade Creditors		(1,075)		
- Office Expenses		(397)		
- Professional Fees		(336)		
- A&P Expenses		(168)		
Expenses for the Proposals	50	(50)	-	
<b>Total</b>	<b>2,315</b>	<b>(2,026)</b>	<b>289</b>	

**B7. Borrowings and Debt Securities**

There were no other borrowings or debt securities in the Group as at 31 December 2016.

**B8. Material Litigation**

There were no significant changes in material litigation as at this reporting date.

**B9. Dividends**

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

**B10. Earnings per shares**

	Current Year Quarter 31.12.2016	Preceding Year Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year To Date 31.12.2015
(Loss)/Profit attributable to ordinary shareholders of the Company (RM'000)	(495)	N/A	426	N/A
Weighted average number of ordinary shares in issue ('000)	236,204	N/A	236,204	N/A
Basic & diluted (loss)/earnings per share (sen)	(0.21)	N/A	0.18	N/A

The diluted earnings per ordinary share is same as the basic earnings per share as the average market price of the ordinary shares during the current financial quarter was lower than the exercise price of the warrants and accordingly, the effect of the assumed conversion of warrants outstanding will be anti-dilutive effect and the Company has no other dilutive potential ordinary shares in issue as at the end of the current financial quarter.

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2016**

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

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to the Bursa Securities' Listing Requirements, issued by the Malaysian Institute of Accountants:

	<b>As at 31.12.2016 RM'000 (Unaudited)</b>	<b>As at 31.12.2015 RM'000 (Audited)</b>
Total accumulated losses of the Group:		
- Realised	(71,996)	(76,298)
- Unrealised	(332)	3,802
	(72,328)	(72,496)
Add: Consolidated adjustments	46,764	46,506
	(25,564)	(25,990)

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

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

The following items have been included in arriving at (loss)/profit before tax:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 31.12.2016 RM'000</b>	<b>Preceding Year Quarter 31.12.2015 RM'000</b>	<b>Current Year to Date 31.12.2016 RM'000</b>	<b>Preceding Year to Date 31.12.2015 RM'000</b>
Interest income	(9)	N/A	(28)	N/A
Other income	(534)	N/A	(1,265)	N/A
Depreciation and amortisation	470	N/A	1,769	N/A
Foreign exchange gain	(590)	N/A	(45)	N/A

Save for the above, the other items as required under Chapter 9 Appendix 9B (16) of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

By Order of the Board,

NG SALLY (MAICSA 7060343)  
LIM LEE KUAN (MAICSA 7017753)  
Company Secretary  
27 February 2017