

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

The Board of Directors of mTouche Technology Berhad is pleased to announce the following unaudited consolidated financial statements for the quarter ended 30 September 2018 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.09.2018 RM'000 (unaudited)	Preceding Year Quarter 30.09.2017 RM'000 (unaudited)	changes %	Current Year To Date 30.09.2018 RM'000 (unaudited)	Preceding Year To Date 30.09.2017 RM'000 (unaudited)	changes %
Revenue	2,908	4,025	-27.8	2,908	4,025	-27.8
Cost of sales	(2,786)	(1,537)	81.3	(2,786)	(1,537)	81.3
Gross profit	122	2,488	-95.1	122	2,488	-95.1
Other income	92	710	-87.0	92	710	-87.0
Administrative expenses	(1,470)	(2,081)	-29.3	(1,470)	(2,081)	-29.3
Other expenses	(523)	(615)	-15.0	(523)	(615)	-15.0
Finance costs	(27)	-	100.0	(27)	-	100.0
(Loss)/Profit before tax	(1,806)	502	-459.0	(1,806)	502	-459.0
Tax income/(expense)	198	(145)	-236.6	198	(145)	-236.6
(Loss)/Profit for the financial period	(1,608)	357	-549.2	(1,608)	357	-549.2
Other comprehensive (loss)/income:-						
Item that will be subsequently to profit or loss						
Exchange differences on translating foreign operation, net of tax	(229)	(39)	487.2	(229)	(39)	487.2
Other comprehensive loss for the financial period, net of tax	(229)	(39)	487.2	(229)	(39)	487.2
Total comprehensive (loss)/income for the financial period	(1,837)	318	-675.9	(1,837)	318	-675.9
(Loss)/Profit for the financial period attributable to:						
- Owners of the Company	(1,300)	709	-283.4	(1,300)	709	-283.4
- Non-controlling interests	(308)	(352)	-12.3	(308)	(352)	-12.3
	(1,608)	357	-549.2	(1,608)	357	-549.2
Total comprehensive (loss)/income attributable to:						
- Owners of the Company	(2,208)	392	-661.8	(2,208)	392	-661.8
- Non-controlling interests	371	(74)	-601.4	371	(74)	-601.4
	(1,837)	318	-675.9	(1,837)	318	-675.9

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONT'D)**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.09.2018 RM'000 (unaudited)	Preceding Year Quarter 30.09.2017 RM'000 (unaudited)	changes %	Current Year To Date 30.09.2018 RM'000 (unaudited)	Preceding Year To Date 30.09.2017 RM'000 (unaudited)	changes %
(Losses)/Earnings per share attributable to the owner of the company						
Basic (sen)	<u>(0.26)</u>	<u>0.56</u>	-126.0	<u>(0.26)</u>	<u>0.56</u>	-126.0
Diluted (sen)	<u>(0.26)</u>	<u>0.56</u>	-126.0	<u>(0.26)</u>	<u>0.56</u>	-126.0

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.09.2018 RM'000 (unaudited)	As at 30.06.2018 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	3,108	3,298
Intangible assets	5,285	3,925
Deferred tax assets	150	134
Total non-current assets	8,543	7,357
Current assets		
Trade receivables and other receivables	58,614	57,255
Prepayments	139	107
Other investments	1,242	1,242
Tax recoverable	308	27
Cash and bank balances	30,879	32,637
Total current assets	91,182	91,268
Total assets	99,725	98,625
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company		
Share capital	104,047	104,047
Reserves	(5,068)	(4,839)
Accumulated losses	(12,237)	(10,938)
Non-Controlling Interests	86,742	88,270
	(1,677)	(1,739)
Total equity	85,065	86,531
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	16	-
Defined benefits obligations	181	631
Finance lease liabilities	408	376
Total non-current liabilities	605	1,007
Current Liabilities		
Trade payables	5,708	3,415
Other payables	8,308	6,499
Finance lease liabilities	39	98
Tax payable	-	1,075
Total current liabilities	14,055	11,087
Total liabilities	14,660	12,094
Total equity and liabilities	99,725	98,625
Net assets per share (sen)	17.06	17.36



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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	[----- Non-distributable -----]					Distributable		Non-controlling interests RM'000	Total RM'000
	Share capital RM'000	Foreign currency translation reserve RM'000	Warrants reserve RM'000	Discount on shares RM'000	Other capital reserve RM'000	Accumulated losses RM'000	Total RM'000		
As at 1 July 2018 (audited)	104,047	(6,304)	22,985	(22,985)	1,465	(10,937)	88,271	(1,740)	86,531
Loss for the financial period	-	-	-	-	-	(1,300)	(1,300)	(308)	(1,608)
Other comprehensive (loss)/income for the financial period									
- Exchange translation differences, net of tax	-	(229)	-	-	-	-	(229)	371	142
Total comprehensive (loss)/income for the financial period	-	(229)	-	-	-	(1,300)	(1,529)	63	(1,466)
As at 30 September 2018 (unaudited)	104,047	(6,533)	22,985	(22,985)	1,465	(12,237)	86,742	(1,677)	85,065
As at 1 July 2017 (audited)	27,804	(4,511)	9,445	(9,445)	1,465	(12,306)	12,452	(1,430)	11,022
Profit/(Loss) for the financial period	-	-	-	-	-	709	709	(352)	357
Other comprehensive (loss)/income for the financial period									
- Exchange translation differences, net of tax	-	(39)	-	-	-	-	(39)	278	239
Total comprehensive (loss)/income for the financial period	-	(39)	-	-	-	709	670	(74)	596
As at 30 September 2018 (unaudited)	27,804	(4,550)	9,445	(9,445)	1,465	(11,597)	13,122	(1,504)	11,618

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year To Date 30.09.2018 RM'000 (unaudited)	Preceding Year To Date 30.09.2017 RM'000 (unaudited)
Operating activities		
(Loss)/Profit before tax	(1,806)	502
Adjustments for:-		
Amortisation of intangible assets	60	104
Depreciation of property, plant and equipment	250	49
Interest income	(24)	(3)
Interest expenses	27	-
Gain on disposal of property, plant and equipment	(1)	-
Unrealised loss on foreign exchange	6	82
	(1,488)	734
Operating (loss)/profit before working capital changes		
Changes in working capital:-		
Payables	3,975	439
Receivables	(1,398)	2,690
	1,089	3,863
Cash generated from operations		
Tax paid	(1,172)	(183)
Defined benefit obligation paid	(442)	-
	(525)	3,680
Net cash (used in)/from operating activities		
Investing activities		
Purchase of property, plant and equipment	(51)	(4,154)
Additions to intangible assets	(1,192)	-
Interest received	24	3
	(1,219)	(4,151)
Net cash used in investing activities		
Financing activities		
Placement of fixed deposits	(49)	(2)
Repayment of finance lease liabilities	(27)	-
Interest paid	(27)	-
	(103)	(2)
Net cash used in financing activities		
CASH AND CASH EQUIVALENTS		
Net changes	(1,847)	(473)
Effects of changes in foreign exchange rate	39	(22)
Brought forward	32,637	1,586
	30,829	1,091
Carried forward		
1. Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	30,879	1,136
Fixed deposits with maturity of three month or more	(50)	(45)
	30,829	1,091

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE 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 30 June 2018 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 30 June 2018.

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 30 June 2018 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 July 2018.

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

MFRS, Amendments to MFRSs and Interpretation effective 1 January 2019

MFRS 16	<i>Leases</i>
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to MFRS 128	<i>Long-term Interests in Associates and Joint Ventures#</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to MFRS Standards 2015-2017 Cycle	

MFRS effective 1 January 2021

MFRS 17	<i>Insurance Contracts#</i>
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Amendments to MFRSs (deferred effective dates to be announced by MASB)

Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture#</i>
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Not applicable to Group’s existing operations

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

A2. Auditors' Report on the Preceding Annual Financial Statements

The auditor's report on the latest audited financial statements for the financial year ended 30 June 2018 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 financial quarter.

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 financial quarter.

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 financial quarter results.

A6. Issues, Repurchases, and Repayments of Debt and Equity Securities

There no issues, repurchases, and repayments of debts and equity securities of the Group during the current financial quarter

A7. Dividends Paid

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

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.

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	1,319	1,589	-	2,908
Inter-segment sales	-	-	-	-
Total revenue	1,319	1,589	-	2,908
Results				
Profit before tax	(1,675)	(131)	-	(1,806)
Tax income	198	-	-	198
Loss for the period	(1,477)	(131)	-	(1,608)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

A9. Valuation of Property, Plant and Equipment

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

A10. Events after the End of the Quarter

There were no other material events subsequent to the end of the current financial quarter up to 22 November 2018.

A11. Changes in Composition of the Group

There were no other changes in the composition of the Group for the current financial quarter.

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.

A14. Capital Commitments

There were no other capital commitments for the current financial quarter.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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

B1. Review of Performance

Statement of Profit & Loss and Other Comprehensive Income

	Current Year Quarter 30.09.2018 RM'000 (unaudited) RM'000	Preceding Year Quarter 30.09.2017 RM'000 (unaudited) RM'000
Revenue	2,908	4,025
Gross profit	122	2,488
(Loss)/Profit before tax	(1,806)	502

The Group registered revenue of RM2.91 million for the three (3) months ended 30 September 2018. It was decreased by 27.8% or RM1.11 million as compared to preceding year quarter. Revenue from matured market recorded at RM1.32 million whereas revenue from emerging markets recorded at RM1.59 million.

The bulk of the revenue was generated mainly from mTouche (Vietnam) Co. Ltd. and Mobile Asia Vietnam Co., Ltd. on providing mobile messaging technologies, billing platforms and interactive media solutions based on wireless and internet technologies, mTouche (Thailand) Co., Ltd on improved messaging content services and Mobile Fusion Pte. Ltd. on reduced cost of data communication service.

Loss before tax marked at RM1.81 million during the current financial quarter, resulted by lower sales during the reporting period given that the rapid changes in the mobile value-added services landscape has increased the competitive landscape which created a very challenging business environment to our core business.

Statement of Financial Position

	As at 30.09.2018 RM'000 (unaudited) RM'000	As at 30.06.2018 RM'000 (audited) RM'000
Total assets	99,725	98,625
Total liabilities	14,660	12,094

Total assets recorded a slight increase by 1.1% or RM1.1 million as at current financial quarter. Non-current assets comprising property, plant and equipment, intangible assets and deferred tax assets recorded at RM8.5 million as at 30 September 2018, comparing to RM7.4 million as at 30 June 2018, the increase was due to the additions of software purchased during the financial quarter to upgrade our current infrastructure.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

Statement of Financial Position (cont'd)

On the other hand, total liabilities recorded an increase of 21.2%. which was due to increase of payables by 41.4%.

Statement of Cash Flows

	As at 30.09.2018 RM'000 (unaudited) RM'000	As at 30.09.2017 RM'000 (unaudited) RM'000
Operating activities	(525)	3,680
Investing activities	(1,219)	(4,151)
Financing activities	(103)	(2)

The net cash used in operating activities during the current period amounting to RM0.50 million which was due to the loss before tax of RM1.81 million recorded during the current financial period resulted from the drop in sales, as mentioned above.

Net cash used in investing activities during the current financial period amounting to RM1.22 million (Q1 2018:RM4.15 million), given the growing of the future business, mTouche invested in software and property, plant and equipment amounting to RM1.24 million during the current financial period to support current business model and upgrading current facilities in the regions.

The net cash used in financing activities during current financial period was mainly contributed by placement of fixed deposit and repayment of finance lease liabilities.

B2. Material Changes in Profit before Tax for the Quarter Compared with Immediate Preceding Quarter

	Current Year Quarter 30.09.2018 RM'000 (unaudited) RM'000	Immediate Preceding Quarter 30.06.2018 RM'000 (unaudited) RM'000
Revenue	2,908	3,606
(Loss)/Profit before tax	(1,806)	2,567

The Group recorded decrease of revenue to RM2.91 million during the financial quarter comparing to RM3.61 million in the preceding quarter, largely due to decrease of revenue from Thailand region in the current financial quarter. As mentioned in B1, lower sales recorded in the current year quarter was due to the rapid changes in the mobile value-added services landscape has increased the competitive landscape which created a very challenging business environment to our core business.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

B3. Commentary on Prospects

The Group will continue to enhance its products and services offering and positioning itself to further promote Digital Media business opportunities and prospects in the local and regional markets. Our Group has taken various initiatives to improve our business as well as financial performance.

As for new business investment under consideration, the Company sees Asia Pacific is expected to be one of the most potential markets for licensed sports goods owing to rising disposable income, high population density, and rising number of sports loving people who are ready to pay considerable amounts for products that are original. It is anticipated to be the fastest developing region due increasing demand for licensed sporting goods in the developing economies of the China and India. China was the major contributor to the growth of the Asia Pacific licensed sports merchandise market. Collectively, these factors have propelled the growth of the licensed sports merchandise market in Asia Pacific. Thus, the growth potential of retail sales of print and digital sports publications via e-commerce in Southeast Asia is attractive and will bode well for the prospects of mTouche's entry into this industry.

Moving forward, the Group will continue to focus and drive the existing core business in mobile value-added services, and seek continuous development and feasible investment on new products and services for the future growth of our market share in South East Asia, Asia Pacific and eventually global markets.

B4. Variation on Revenue or Profit Estimate, Forecast, Projection or Internal Targets

Not applicable.

B5. Variance of Actual Profit After Tax and Minority Interest and the Forecast Profit after Tax and Minority Interest

Not applicable.

B6. Shortfall in the Profit Guarantee

Not applicable.

B7. Tax income

	Current Year Quarter 30.09.2018 RM'000 (unaudited)	Cumulative Year To Date 30.09.2018 RM'000 (unaudited)
Current tax income/(expense):		
- Malaysian income tax	-	-
- Foreign tax	198	198
	198	198
Deferred tax	-	-
Total	198	198

Malaysian income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for others jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

B8. Status of Corporate Proposals

There were no corporate proposals announced and completed as at 23 November 2018.

B9. Utilisation of Proceeds Raised from Corporate Proposal

The proceeds raised from the renounceable rights issue with free detachable warrants amounting RM76.24 million.

Purpose	Proposed Utilisation	Actual Utilisation	Unutilised Proceeds	Intended Timeframe for Utilisation	Deviation amount		Explanation (if the deviations > 5%)
	RM'000	RM'000	RM'000		RM'000	%	
Upgrading of existing Mobile Value-Added Service Platform	2,500	1,263	1,237	within 12 months	-	-	N/A
Development of a Mobile Digital Ecosystem Platform	7,500	5,762	1,738	within 18 months	-	-	N/A
Working Capital	3,035	1,585	1,450	within 24 months	-	-	N/A
Acquisition of new office premises	7,500	-	7,500	within 24 months	-	-	N/A
Regional business expansion	12,000	-	12,000	within 24 months	-	-	N/A
Acquisition and/or investment in other complementary business and/or assets	42,708	35,900	6,808	within 24 months	-	-	N/A
Expenses in relation to the Corporate Exercise	1,000	1,000	-	Immediate	-	-	N/A
Total	76,243	45,510	30,733				

B10. Borrowings and Debts Securities

There were no borrowings or debt securities in the Group as at 30 September 2018.

B11. Material Litigation

There were no significant changes in material litigation as at 23 November 2018.

B12. Dividends

No dividend was declared and paid during the current financial quarter.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

B13. (Losses)/Earnings per shares

	Current Year Quarter 30.09.2018	Preceding Year Quarter 30.09.2017	Current Year To Date 30.09.2018	Preceding Year To Date 30.09.2017
(Losses)/Earnings attributable to ordinary shareholders of the Company (RM'000)	(1,300)	709	(1,300)	709
Weighted average number of ordinary shares in issue ('000)	508,564	127,348	508,564	127,348
Basic & diluted (losses)/earnings per share (sen)	(0.26)	0.56	(0.26)	0.56

The diluted (losses)/earnings per ordinary share is same as the basic (losses)/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.

B14. Note to the Statements of Profit or Loss and Other Comprehensive Income

(Loss)/Profit before tax has been determined after (crediting)/charging, amongst others, the followings items:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Quarter 30.09.2017 RM'000	Current Year To Date 30.09.2018 RM'000	Preceding Year To Date 30.09.2017 RM'000
Interest income	(24)	(3)	(24)	(3)
Other income	(67)	(707)	(67)	(707)
Gain on disposal of property, plant and equipment	(1)	-	(1)	-
Depreciation and amortisation	310	153	310	153
Interest expenses	27	-	27	-
Foreign exchange losses	6	75	6	75

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.

B15. Foreign Currency Risk Management

The Group does not enter into any foreign currency contracts during the current financial quarter.



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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

B16. Trade Receivables

	As at 30.09.2018 RM'000 (unaudited)	As at 30.06.2018 RM'000 (audited)
	RM'000	RM'000
Neither past due nor impaired	3,126	2,705
Past due but not impaired:		
1-30 days	833	3,930
31-60 days	552	438
61-90 days	1,932	27
91-365 days	387	2,750
More than 365 days	-	3,079
Past due and impaired	21	24
	6,851	12,953

B17. Material Impairment of Assets

There was no material impairment of assets during the current financial quarter.

By Order of the Board,

NG SALLY (MAICSA 7060343)
TEO MEE HUI (MAICSA 7050642)
Company Secretary
30 November 2018