

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Income Statements
For The 2nd Quarter 6 Months Ended 30 June 2005
(The figures have not been audited)

	Current Qtr Ended 30/06/2005 RM'000	Comparative * Qtr Ended 30/06/2004 RM'000	Cumulative YTD 30/06/2005 RM'000	Cumulative * YTD 30/06/2004 RM'000
Revenue	1,740	-	3,642	-
Operating Expenses	(2,419)	-	(5,041)	-
Other Operating Income	29	-	65	-
Profit/(Loss) From Operations	(650)	-	(1,334)	-
Finance Costs	(2)	-	(5)	-
Investing Results	-	-	-	-
Profit/(Loss) Before Taxation	(652)	-	(1,339)	-
Taxation	-	-	-	-
Profit/(Loss) After Taxation	(652)	-	(1,339)	-
Minority Interest	-	-	-	-
Net Profit/(Loss) For The Period	(652)	-	(1,339)	-
EPS - Basic (Sen)	(0.80)	-	(1.64)	-
- Diluted (Sen)	(0.80)	-	(1.64)	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report For the year ended 31 December 2004)

(* The comparative quarter figures for year 2004 are not available since the Company were not listed until 6 December 2004 and its first quarterly announcement to Bursa Malaysia Securities Bhd was for the period ended 30 September 2004)

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Balance Sheet
At 30 June 2005
(The figures have not been audited)

	At 30/06/2005 RM'000	At 31/12/2004 RM'000 (Restated)
Property, Plant & Equipment	2,424	1,669
Intangible Assets	5,168	5,342
Investment in Associate & Joint Ventures	-	-
Other Investments	-	-
Current Assets		
Inventories	-	-
Debtors	2,500	2,229
Cash & Cash Equivalents	5,260	7,945
	<hr/> 7,760	<hr/> 10,174
Current Liabilities		
Trade & Other Creditors	887	1,275
Short Term Borrowings	60	93
Taxation	-	-
	<hr/> 947	<hr/> 1,368
Net Current Assets	<hr/> 6,813	<hr/> 8,806
	<hr/> 14,405	<hr/> 15,817
Share Capital	8,173	8,173
Reserves	6,168	7,509
	<hr/> 14,341	<hr/> 15,682
Shareholders' Fund		-
Minority Interest		
Long Term Liabilities		135
Borrowings	64	-
Bonds (Debt Securities)	-	-
Other Deferred Liabilities		
	<hr/> 14,405	<hr/> 15,817

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Cash Flow Statements
For The 2nd Quarter 6 Months Ended 30 June 2005
(The figures have not been audited)

	6 Months Ended 30/06/2005 RM'000	6 Months* Ended 30/06/2004 RM'000
Net Profit Before Taxation	(1,339)	-
Adjustment For Non-Cash Item		
Non-Cash Items	531	-
Non-Operating Items		-
Operating Profit Before Changes In Working Capital	<hr style="width: 100%; border: 0.5px solid black;"/> (808)	-
Changes In Working Capital		
Net Change in Current Assets	(232)	-
Net Change in Current Liabilities	(428)	-
Net Cash Flows From Operation	<hr style="width: 100%; border: 0.5px solid black;"/> (1,468)	-
Taxation Paid	-	-
Interest Paid	(5)	-
Interest Received	65	-
Net Cash Flows From Operating Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (1,408)	-
Investing Activities		
Equity Investments	-	-
Other Investments	(1,232)	-
Net Cash Flows From Investing Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (1,232)	-
Financing Activities		
Transactions With Owners as Owners	-	-
Bank Borrowings	(45)	-
Net Proceeds From Issuance of Shares		-
Net Cash Flows From Financing Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (45)	-
Net Change in Cash & Cash Equivalents	(2,685)	-
Cash & Cash Equivalents at Beginning of Year	7,945	-
Cash & Cash Equivalent at End of Year	<hr style="width: 100%; border: 0.5px solid black;"/> 5,260	-

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

(* The comparative quarter figures for year 2004 are not available since the Company were not listed until 6 December 2004 and its first quarterly announcement to Bursa Malaysia Securities Bhd was for the period ended 30 September 2004)

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Statements of Changes in Equity
For The 2nd Quarter 6 Months Ended 30 June 2005
(The figures have not been audited)

	Share Capital RM'000	Reserve Attributable To Capital RM'000	Reserve Attributable To Revenue RM'000	Retained Profits RM'000	Total RM'000
6 Months Ended 30/06/2005					
Opening Balance As At 1/1/2005	8,173	5,999	-	1,326	15,498
Change in accounting policy with respect to the capitalisation of purchased digital content	-	-	-	184	184
Opening Balance As Restated	8,173	5,999	-	1,510	15,682
Pre-Acquisition Reserves	-	-	-	-	-
Movements During The Period (Cumulative)	-	-	(2)	(1,339)	(1,341)
Balance At End Of Period	8,173	5,999	(2)	171	14,341

**6 Months Ended
30/06/2004***

Opening Balance As 1/1/2004	-	-	-	-	-
Change in accounting policy with respect to the capitalisation of purchased digital content	-	-	-	-	-
Opening Balance As Restated	-	-	-	-	-
Movements During The Period (Cumulative)	-	-	-	-	-
Balance At End Of Period	-	-	-	-	-

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

(* The comparative quarter figures for year 2004 are not available since the Company were not listed until 6 December 2004 and its first quarterly announcement to Bursa Malaysia Securities Bhd was for the period ended 30 September 2004)

Selected Explanatory Notes
MASB 26 (Paragraph 16) Requirements

A1 Accounting Policies

The interim financial statements of the Group are prepared using the same accounting policies and method of computation as those used in preparation of the audited financial statements for the year ended 31 December 2004 except that during the year, the Group changed its accounting policy with respect to the treatment of digital content costs acquired from 3rd parties.

The change of policy was made in order to reflect a more appropriate presentation of transactions in the financial statements of the Group that those expenses are now capitalised and amortised on a straight line basis over its economic benefit life expected to flow into the Group. This change in accounting policy has been accounted for retrospectively. The comparative statements for 30 June 2004 and 31 December 2004 have been restated to conform to the changed policy. The change resulted in an net reduction in the Group expenses of RM841,690 (30/06/2005) and RM184,974 (31/12/2004). Opening retained earnings for the consolidated financial statement for year 2004 remains unchanged but the goodwill arising from consolidation will be reduced by RM87,111 which is amount of adjustment relating to periods prior to 2004.

The comparative quarter figures are not available since the Company was listed on 6 December 2004.

A2 Preceding Audited Financial Statements

The auditor's reports on the audited financial statements for the financial year ended 31 December 2004 was not qualified.

A3 Seasonality or Cyclicity of Interim Operations

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

A4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the interim financial statement of the Group during the quarter under review.

A5 Material Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have material effect in the current quarter under review other than the changes in the accounting policies mentioned in A1.

A6 Debt And Equity Securities

There were no issuance and repayment of debt and equity securities for the current quarter under review.

A7 Dividend Paid

There were no dividend paid during the quarter under review.

A8 Segmental Reporting

The segmented result of the Group for the 2nd quarter ended 30 June 2005 based on segment activities are as follows:-

	Investment Holding RM'000	Mobile Value Added Service RM'000	Elimination RM'000	Consolidation RM'000
REVENUE				
External customers	-	3,641	-	3,641
Inter-Segment sales	-	-	-	-
Total Revenue	-	3,641	-	3,641
RESULT				
Segment result after tax before unallocated corporate exp. And interest				(1,399)

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Unallocated corporate exp.	-
Operating profits	(1,399)
Interest expense	(5)
Interest income	65
Net profit from ordinary activities	<u>(1,339)</u>

A9 Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued for the quarter under review.

A10 Subsequent Material Event

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

A11 Changes in Group Composition

There were no changes in the Group composition for the current quarter under review.

A12 Contingent Liabilities & Assets

There were no changes on any contingent liabilities or assets of the Group in the quarter under review.

MESDAQ Listing Requirement (Part IV - Appendix 7A)

B1 Performance Review of the Company and Its Subsidiaries

The Group performance has been not been satisfactory and to date the Group's recorded YTD losses of RM1.3 million due to softening demand of mobile content offered by the Group. The price war and intense competitions by other players has also affected the overall performance of the Group.

B2 Comparison With Preceding Quarter's Results

	Qtr Ended 30/06/2005 RM'000	Qtr Ended 31/03/2005 RM'000	% Changes
Turnover	1,740	1,902	-8.5%
Net Profit/(Loss) After Taxation	(652)	(687)	5.1%

The turnover of the Group continue to drop and was 8.5% lower for the current quarter as compared to immediate preceding quarter's results mainly due to increase competition from existing and new competitors.

However, the losses of the Group improved slightly for the current quarter as compared to previous quarter mainly due reduced overhead costs incurred.

B3 Current Year Prospects

The Board is of the opinion that the current prospects for the mobile data services industry will continue to be challenging in view of the increasing players emerging locally and abroad. However, barring unforeseen circumstances, the Board is confident of profitable second half year performances.

B4 Variance of Profit Forecast

Not Applicable

B5 Taxation

The reported taxation did not contain any deferred tax in respect of prior years. There were no taxation provided in the current quarter and financial year for the Group due to its financial losses.

B6 Unquoted Investments and/or Properties

There were no disposal of any unquoted investments or properties in the current quarter under review.

B7 Quoted Securities

There were no purchase or disposal of any quoted securities for the current quarter under review.

B8 Status of Corporate Proposal

There was no corporate proposal announced but not completed in the current quarter under review except for the following corporate exercise which was announced by Affin Merchant Bank Berhad on behalf of the Company on 1 April 2005: -

- (a) Proposed private placement of up to fifteen percent (15%) of the issued and paid-up share capital of M-Mode ("Proposed Private Placement");
- (b) Proposed bonus issue of up to 46,996,000 new ordinary shares of RM0.10 each in M-Mode ("Bonus Shares"), on the basis of one (1) Bonus Share for every two (2) existing ordinary shares of RM0.10 each ("M-Mode Shares") held ("Proposed Bonus Issue");
- (c) Proposed employee share option scheme of up to ten percent (10%) of the issued and paid-up share capital of M-Mode ("Proposed ESOS");

The proposed exercises above have been approved by Securities Commission on 5 May 2005 and shareholders at the Extraordinary General Meeting on 18 May 2005.

The status of the utilization of the Group's IPO proceeds for the quarter ended 30 June 2005 was as follows: -

Description	Approved Utilisation RM'000	Actual Utilization RM'000	Balance RM'000
Research & Development	2,300	(1,795)	505
Working Capital	2,500	(2,843)	(343)
Overseas Market Penetration	2,895	(736)	2,159
Listing Expenses	1,500	(1,157)	343
	<u>9,195</u>	<u>(6,531)</u>	<u>2,664</u>

The balance of the listing expenses will be used for working capital and other unutilized proceeds were kept in the interest earning accounts maintained with approved financial institution in Malaysia.

B9 Group Borrowing and Debt Securities

Group borrowing and debt securities were denominated in Ringgit Malaysia as at 30 June 2005: -

	Short Term (RM'000)	Long Term (RM'000)
Secured	60	64
Unsecured	-	-
	<u>60</u>	<u>64</u>

B10 Financial Instruments With Off Balance Sheet Risk

The Group does not have any financial instruments with off balance sheet risk in the reporting quarter.

B11 Material Litigation

There were no pending material litigation in the reporting quarter.

B12 Dividend

The Board of Directors does not recommend any dividend for the reporting quarter and for the financial year.

B13 Earnings Per Share

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The EPS for the quarter and financial year was calculated based on the profit after tax for the respective period divided by 81.733 million weighted average ordinary shares issued.

There was no dilutive potential ordinary shares in issue during the quarter under review that give diluted effect to the earnings per share.