

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Income Statements
For The 2nd Quarter Ended 30 June 2006
(The figures have not been audited)

	Note	Current Qtr Ended 30/06/2006 RM'000	Comparative Qtr Ended 30/06/2005 RM'000	Cumulative YTD 30/06/2006 RM'000	Cumulative YTD 30/06/2005 RM'000
Revenue	5	1,858	1,740	4,561	3,642
Cost of sales		(794)	(820)	(2,137)	(1,689)
Gross profits		1,064	920	2,424	1,953
Other income		28	29	102	65
Administrative expenses		(865)	(1,021)	(1,690)	(1,798)
Selling and distribution expenses		(170)	(578)	(527)	(1,554)
Finance costs		(1)	(2)	(2)	(5)
Profit/(Loss) before tax		56	(652)	307	(1,339)
Income tax expense	21	-	-	-	-
Profit/(Loss) for the period		56	(652)	307	(1,339)
Attributable to:					
Equity holders of the parent		62	(652)	333	(1,339)
Minority interest		(6)	-	(26)	-
		56	(652)	307	(1,339)
Earnings per share attributable to equity holders of the parent:					
- Basic (Sen)	29	0.07	(0.80)	0.36	(1.64)
- Diluted (Sen)	29	0.06	(0.80)	0.35	(1.64)

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Balance Sheet
As at 30 June 2006
(The figures have not been audited)

	Note	As At 30/06/2006 RM'000	As At 31/12/2005 RM'000
ASSETS			
Non-current assets			
Property, Plant & Equipment	10	2,043	2,614
Intangible Assets		4,587	4,587
Deferred Development Cost		1,586	1,167
Deferred tax assets		220	220
		8,436	8,588
Current assets			
Trade receivables		2,263	2,500
Other receivables		214	288
Cash and bank balances		6,458	4,616
		8,935	7,404
TOTAL ASSETS		17,371	15,992
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	9,627	8,173
Share premium	11	5,962	5,999
Other reserves		201	155
Retained earnings		1,036	703
		16,826	15,030
Minority interest		40	130
Total Equity		16,866	15,160
Non-current liabilities			
Borrowings	25	-	3
		-	3
Current liabilities			
Trade payables		238	391
Other payables		267	432
Tax payables		-	6
		505	829
Total liabilities		505	832
TOTAL EQUITY AND LIABILITIES		17,371	15,992

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

M-MODE BERHAD
(Company No. 635759-U)
 Condensed Consolidated Cash Flow Statements
 For The 2nd Quarter Ended 30 June 2006
 (The figures have not been audited)

	6 Months Ended 30/06/2006 RM'000	6 Months Ended 30/06/2005 RM'000
Net Cash Flows From Operating Activities	824	(1,408)
Net Cash Flows From Investing Activities	(381)	(1,232)
Net Cash Flows From Financing Activities	1,399	(45)
Net Change in Cash & Cash Equivalents	1,842	(2,685)
Cash & Cash Equivalents at Beginning of Financial Period	4,616	7,945
Cash & Cash Equivalent ats End of Financial Period	6,458	5,260
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	6,458	5,260
	6,458	5,260

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

M-MODE BERHAD
(Company No. 635759-U)
Condensed Consolidated Statements of Changes in Equity
For The 2nd Quarter Ended 30 June 2006
(The figures have not been audited)

Note	-----Attributable to Equity Holders of the Parent-----				Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	<--- Non Distributable ---> Share Premium RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000			
At 1 January 2005							
As previously stated	8,173	5,999	-	1,326	15,498	-	15,498
Prior year adjustments - effects of changes in accounting policy	-	-	-	184	184	-	184
At 1 January 2005 (restated)	8,173	5,999	-	1,510	15,682	-	15,682
Foreign currency translation Profit/(Loss) for the period	-	-	(2)	-	(2)	-	(2)
Total recognised income and expense for the period	-	-	(2)	(1,339)	(1,339)	-	(1,339)
At 30 June 2005	8,173	5,999	(2)	171	14,341	-	14,341
At 1 January 2006	8,173	5,999	155	703	15,030	130	15,160
Foreign currency translation Profit/(Loss) for the period	-	-	(13)	-	(13)	-	(13)
Total recognised income and expense for the period	-	-	(13)	333	320	(26)	294
Increase in interest in subsidiary Issue of ordinary shares: -	-	-	-	-	-	(64)	(64)
ESOS	228	22	-	-	250	-	250
Private placement	1,226	-	-	-	1,226	-	1,226
Transaction costs	-	(59)	-	-	(59)	-	(59)
Share-based payment under ESOS	-	-	59	-	59	-	59
At 30 June 2006	9,627	5,962	201	1,036	16,826	40	16,866

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements of the Group are prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and in accordance to the requirements of paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements 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 year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new or revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The following new/revised FRSs has been adopted earlier in the audited financial statements for the year ended 31 December 2005:

FRS 2	Share-based Payment
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The adoption of FRS 108, 110, 116, 121, 133 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below: -

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing to amortise its annual goodwill arising from consolidation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Prior to 1 January 2006, goodwill arising on consolidation was amortised on a straight line basis over its estimated useful life of 20 years. The transitional provisions of FRS 3 have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM587,725 against the carrying amount of goodwill of RM5,175,206. The adoption of this FRS has resulted in reducing the amortisation charges by RM63,601 in the current quarter and RM254,405 for the financial year ending 31 December 2006.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the minority interest in particular to the Group and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity whereas in the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

Likewise on the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and minority interest would need to be disclosed. The current quarter's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current quarter's presentation.

3. Comparatives

The comparative figures are not affected by the adoption of the FRSs as a result of the Group's early adoption of FRS 2: Share-based payment in the last audited financial statements of the Group for the financial year ended 31 December 2005.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

5. Segmental Information

	Current Qtr Ended 30/06/2006 RM'000	Comparative Qtr Ended 30/06/2005 RM'000	Cumulative YTD 30/06/2006 RM'000	Cumulative YTD 30/06/2005 RM'000
Segment Revenue				
Investment Holding	307	-	307	-
Mobile Value Added	1,791	1,740	4,494	3,642
Total revenue including inter-segment sales	2,098	1,740	4,801	3,642
Elimination of inter-segment sales	(240)	-	(240)	-
Total revenue	1,858	1,740	4,561	3,642
Segment Result				
Investment Holding	(327)	(299)	(565)	(440)
Mobile Value Added	389	(353)	898	(899)
Eliminations	62	(652)	333	(1,339)
Total results	62	(652)	333	(1,339)

6. Unusual Items due to their Nature, Size or Event

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2006 other than as disclosed in note 2 and 7.

7. Changes in Estimates

There were no changes in accounting estimates made that would materially affect the accounts of the Group or Company for the quarter ended 30 June 2006 other than those disclosed under note 2.

8. Seasonal or Cyclical Factors

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

9. Dividends Paid

There were no dividends paid during the quarter under review.

10. Valuation of Property, Plant and Equipment

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

11. Debt And Equity Securities

There were no issuance, cancellation, resale and repayment of debt and equity securities for the current quarter under review other than the following:-

(a) Employee Share Options Scheme ("ESOS")

The Company has issued 2,275,000 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at an exercise price of RM0.11 per ordinary share during the 1st quarter of year 2006 as reported previously.

(b) Ordinary Shares Issued under Private Placement

On 27 January 2006, the Company issued 12,259,000 new ordinary shares of RM0.10 each at par value in accordance to the private placement exercise which was approved by the shareholders of the Company on 18 May 2005.

12. Changes in Composition of the Group

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On 1 March 2006, the Group entered into an agreement to purchase the entire 20% equity interest from Dalian Dreamfun Digital Technology Co. Ltd representing their entire existing equity interest in Dalian M-Mode Dreamfun Technology Co. Ltd ("Dalian M-Mode"), with total cash consideration of RMB25,000 or RM11,550 (exchange rate of RMB1 = RM0.4620). With the completion of the acquisition, the Group's effective equity interests in Dalian M-Mode will be increased from 65% to 85%.

Further to the JV between the Company and PT Mega Mobile Solution which was first announced on 3 April 2006, a subsidiary has been incorporated in Indonesia where the Company holds 50% of the equity interest. The principle activities of the subsidiary is provision of mobile value added services in telecommunications.

13. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

14. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

15. Changes in Contingent Liabilities and Contingent Assets

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

16. Subsequent Material Events

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

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad For the MESDAQ Market

17. Performance Review of the Company and Its Subsidiaries

The Group's performance has generally improved as compared to the same period last year as a result of the cost cutting measures introduced last year and increased revenue. The profits attributable to shareholders has improved from RM652K losses in the previous year corresponding quarter to RM62K profits in the current quarter. Amongst the measures taken by the Group during the current quarter include cutting selling and distribution expenses and focusing on smartpartnership with the mobile telecommunication companies connected to the Group's gateway.

18. Comments on Material Change in Profit Before Taxation

	Qtr Ended 30/06/2006 RM'000	Qtr Ended 31/03/2006 RM'000	% Changes
Turnover	1,858	2,702	-31.2%
Net Profit Before Taxation	56	250	-77.6%

The Group's net profit before taxation for the current quarter under review was significantly lower by 77.6% as compared to the immediate previous quarter due to lower revenue. The lower revenue were mainly contributed by the introduction of new regulations imposed by the relevant authority and technical adjustment period. Despite the lower revenue, the Group continue to achieve profitable position in the current quarter by cutting overheads expenses.

19. 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 number of players emerging locally and abroad. However, barring unforeseen circumstances, the Board is confident of a profitable year ahead as a result of the new measures taken to improve the Company's performance.

20. Variance of Profit Forecast

Not Applicable

21. Income Tax Expense

There is no tax charge for the current quarter and financial year to date as majority of the Group's income was generated by the tax exempt subsidiary holding pioneer status.

22. Unquoted Investments and/or Properties

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

23. Quoted Securities

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

24. Status of Corporate Proposals

(a) Status of Corporate Proposal Announced But Not Completed

On 3 May 2006, Affin Merchant Bank Berhad announced on behalf of the Board of Directors, that the Company is seeking the shareholders' mandate on the revision of the Proposed Bonus Issue which was originally approved by the shareholders on 18 May 2005 on the basis of one (1) new ordinary share of RM0.10 each for every two (2) existing ordinary shares of RM0.10 each held in the Company up to 46,996,000 which is still pending implementation.

The Proposed Revised Bonus Issue arose due to the subsequent increase in the Company's paid up capital as a result of ESOS options exercised as stated in note 11.

Subsequent to the announcement, the Company has obtained approval from Bursa Malaysia Securities Berhad on the content of the circular to be circulated to the shareholders on 22 May 2006, together with the Annual Report of the Company for the financial year ended 31 December 2005. The Company received approval from shareholders during the AGM convened on 13 June 2006 and subsequently implemented the Proposed Revised Bonus Issue as announced through Bursa Malaysia on 7 July 2006.

(b) Status of Utilisation of Proceeds as at 30 June 2006

Description	Approved Utilisation RM'000	Actual Utilization RM'000	Balance RM'000
IPO Proceeds			
Overseas Market Penetration	2,895	(1,881)	1,014
Private Placement Proceeds			
R&D	1,226	(59)	1,167
	<u>4,121</u>	<u>(1,940)</u>	<u>2,181</u>

The unutilized proceeds are kept in interest bearing accounts maintained with approved financial institutions in Malaysia.

25. Group Borrowings and Debt Securities

Group borrowings and debt securities were denominated in Ringgit Malaysia as at 31 March 2006 as follows: -

	Short Term (RM'000)	Long Term (RM'000)
Secured	19	-
Unsecured	-	-
	<u>19</u>	<u>-</u>

26. Financial Instruments With Off Balance Sheet Risk

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

27. Material Litigation

There were no pending material litigation in the reporting quarter.

28. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 30 June 2006.

29. Earnings Per Share (EPS)

(a) Basic

Basic earnings per share figures are computed by dividing profits for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	Current Qtr Ended 30/06/2006	Comparative Qtr Ended 30/06/2005	Cumulative YTD 30/06/2006	Cumulative YTD 30/06/2005
Profit attributable to ordinary equity holders of the parent (RM'000)	62	(652)	333	(1,339)
Weighted average number of ordinary shares in issue	94,043,927	81,733,000	91,718,644	81,733,000
Basic earnings per share (sen)	0.07	(0.80)	0.36	(1.64)

(b) Diluted

For the purpose of computing diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, ie: - share options granted to employees.

	Current Qtr Ended 30/06/2006	Comparative Qtr Ended 30/06/2005	Cumulative YTD 30/06/2006	Cumulative YTD 30/06/2005
Profit attributable to ordinary equity holders of the parent (RM'000)	62	(652)	333	(1,339)
Weighted average number of ordinary shares in issue	94,043,927	81,733,000	91,718,644	81,733,000
Effects of dilution: Share options	2,224,152	-	2,224,152	-
Adjusted weighted average number of ordinary shares in issue and issuable	96,268,079	81,733,000	93,942,796	81,733,000
Diluted earnings per share (sen)	0.06	(0.80)	0.35	(1.64)

30. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 August 2006.