

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

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
 AND SIX (6) MONTHS ENDED 30 JUNE 2007**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUNE 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2006 RM'000	CURRENT YEAR TO-DATE 30 JUNE 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2006 RM'000
Revenue	13,862	12,169	26,147	24,131
Cost of sales	(5,741)	(4,084)	(10,637)	(9,701)
Gross Profit	8,121	8,085	15,510	14,430
Administrative expenses	(2,940)	(2,258)	(6,056)	(3,859)
Other expenses	(4,189)	(1,246)	(4,754)	(1,534)
EBITDA*	992	4,581	4,700	9,037
Other income	228	3	339	42
Finance costs	(28)	(5)	(33)	(10)
Depreciation and amortisation	(633)	(172)	(1,089)	(325)
Share of results of jointly controlled entities	(99)	634	(102)	1,156
Share of results of associates	564	123	613	123
Profit before taxation	1,024	5,164	4,428	10,023
Taxation	27	(375)	(71)	(834)
Profit for the period	1,051	4,789	4,357	9,189
Attributable to:				
Equity holders of the parent	1,171	4,053	4,379	7,573
Minority interests	(120)	736	(22)	1,616
	1,051	4,789	4,357	9,189
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	1.3	4.9	4.8	9.2
- Diluted (sen)	NA	NA	NA	NA

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

The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 30 JUNE 2007 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2006 (AUDITED) RM'000
Non-current assets		
Plant and equipment	12,827	2,968
Intangible assets	14,440	14,903
Investment in associates	25,454	24,841
Others investments	26,996	3,202
Deferred tax assets	587	600
Current assets		
Trade receivables	26,004	33,112
Other receivables	6,239	4,000
Cash and bank balances	5,322	12,707
	<u>37,565</u>	<u>49,819</u>
Current liabilities		
Trade payables	1,936	4,428
Other payables	8,585	8,448
Amount owing to a director	6,039	-
Hire purchase payables	36	105
Tax payable	246	178
	<u>16,842</u>	<u>13,159</u>
Net current assets	<u>20,723</u>	<u>36,660</u>
	<u>101,027</u>	<u>83,174</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	9,075	9,075
Share premium	37,631	37,631
Other reserve	(1,910)	(1,316)
Retained profits	37,616	33,237
	<u>82,412</u>	<u>78,627</u>
Minority Interests	4,293	4,315
Total equity	<u>86,705</u>	<u>82,942</u>
Non-current liabilities		
Hire purchase payables	232	232
Amount owing to a director	14,090	-
	<u>101,027</u>	<u>83,174</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>91</u>	<u>87</u>

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Non- Distributable Share Premium RM'000	Non- Distributable Reserve On Consolidation RM'000	Non- Distributable Foreign Exchange Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<u>Six (6) months period ended 30 June 2007</u>								
At 1 January 2007	9,075	37,631	-	(1,316)	33,237	78,627	4,315	82,942
Arising from translation of foreign currency	-	-	-	(594)	-	(594)	-	(594)
Net income/(expense) recognised directly in equity	9,075	37,631	-	(1,910)	33,237	78,033	4,315	82,348
Profit for the period	-	-	-	-	4,379	4,379	(22)	4,357
Total recognised income and expense for the period	9,075	37,631	-	(1,910)	37,616	82,412	4,293	86,705
At 30 June 2007	<u>9,075</u>	<u>37,631</u>	<u>-</u>	<u>(1,910)</u>	<u>37,616</u>	<u>82,412</u>	<u>4,293</u>	<u>86,705</u>
<u>Six (6) months period ended 30 June 2006</u>								
At 1 January 2006	8,250	17,056	722	47	11,887	37,962	-	37,962
Effect of adopting FRS3	-	-	(722)	-	722	-	-	-
Arising from translation of foreign currency	-	-	-	481	-	481	-	481
Net income/(expense) recognised directly in equity	8,250	17,056	-	528	12,609	38,443	-	38,443
Profit for the period	-	-	-	-	7,573	7,573	1,616	9,189
Total recognised income and expense for the period	8,250	17,056	-	528	20,182	46,016	1,616	47,632
Acquisition of a subsidiary	-	-	-	-	-	-	352	352
At 30 June 2006	<u>8,250</u>	<u>17,056</u>	<u>-</u>	<u>528</u>	<u>20,182</u>	<u>46,016</u>	<u>1,968</u>	<u>47,984</u>

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 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	SIX (6) MONTHS ENDED 30 JUNE 2007 RM'000	SIX (6) MONTHS ENDED 30 JUNE 2006 RM'000
Cash flows from operating activities		
Profit before taxation	4,428	10,023
Adjustments for non-cash item:		
Non-cash items	546	789
Non-operating items	(146)	52
Share of results of jointly controlled entities	102	(1,156)
Share of results of associates	(613)	(123)
Profit before working capital changes	<u>4,317</u>	<u>9,585</u>
Changes in working capital:		
Net change in current assets	4,987	4,805
Net change in current liabilities	(2,456)	(2,085)
Cash generated from operations	<u>6,848</u>	<u>12,305</u>
Tax paid	(123)	(248)
Interest paid	(33)	(10)
Net cash generated from operating activities	<u>6,692</u>	<u>12,047</u>
Cash flows from investing activities		
Acquisition of subsidiary	**	(11,446)
Investment in associate	-	(4,561)
Other investments	(3,665)	-
Acquisition of plant and equipment	(10,523)	(192)
Proceed from disposal of plant and equipment	***	(10)
Interest received	180	(42)
Net cash used in investing activities	<u>(14,008)</u>	<u>(16,251)</u>
Cash flows from financing activity		
Repayment of hire purchase	(69)	(96)
Net cash used in financing activity	<u>(69)</u>	<u>(96)</u>
Net decrease in cash and cash equivalents	(7,385)	(4,300)
Cash and cash equivalents at 1 January	12,707	12,988
Cash and cash equivalents at end of period (i)	<u>5,322</u>	<u>8,688</u>

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Cash and bank balances	6,667	8,688
Bank Overdraft	(1,345)	-
	<u>5,322</u>	<u>8,688</u>

** Denotes RM91

*** Denotes RM6

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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NOTES TO THE INTERIM FINANCIAL REPORT

**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD
("FRS") 134 INTERIM FINANCIAL REPORTING**

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 "Interim Financial Reporting" and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial report should be read in conjunction with the latest audited financial statements of the mTouche Technology Berhad ("MTB or Company") and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2006.

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 FYE 31 December 2006.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following revised FRS effective for financial period beginning 1 January 2007:

Amendment to FRS 119 2004	Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as the effective date has been deferred.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

A3. Auditors' Report on the Preceding Annual Financial Statements

The auditor's report on the latest audited financial statements for the FYE 31 December 2006 was not subject to any audit qualification.

A4. 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.

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A5. 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.

A6. Material Changes in Estimates

There were no materials changes in estimates of amounts reported in prior financial years, which may have a material effect in the current quarter results.

A7. Issuance and Repayment of Debts and Equity Securities

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

A8. Dividends Paid or Proposed

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

A9. 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 and Singapore.
- (ii) Emerging markets – countries with potential growth and penetration rate including Hong Kong, People's Republic of China, Indonesia, Thailand, Australia and India.

Segmental information by geographical segments for the six months period ended 30 June 2007

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	18,465	7,682	-	26,147
Inter-segment sales	1,059	-	(1,059)	-
Total revenue	<u>19,524</u>	<u>7,682</u>	<u>(1,059)</u>	<u>26,147</u>
Results				
Segment results	1,333	2,867	(283)	3,917
Share of results of associates	613	-	-	613
Share of results of jointly controlled entities	(102)	-	-	(102)
Profit before tax				4,428
Taxation				(71)
Profit for the period				<u>4,357</u>

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A9. Segmental Information (con't)

Segmental information by geographical segments for the six months period ended 30 June 2006

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	17,898	6,233	-	24,131
Inter-segment sales	3,332		(3,332)	-
Total revenue	<u>21,230</u>	<u>6,233</u>	<u>(3,332)</u>	<u>24,131</u>
Results				
Segment results	7,560	1,180	4	8,744
Share of results of associates	123	-	-	123
Share of results of jointly controlled entities	<u>1,156</u>	<u>-</u>	<u>-</u>	<u>1,156</u>
Profit before tax				10,023
Taxation				<u>(834)</u>
Profit for the period				<u><u>9,189</u></u>

A10. Valuation of Property, Plant and Equipment

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

A11. Material Events Subsequent To the End of the Quarter

There no were material events subsequent to the end of the current quarter.

A12. Changes in Composition of the Group

On 9 April 2007, MTB had announced the incorporation of mBit Pte Ltd ("mBit"), a company incorporated in Singapore, with an issued and paid-up share capital of SGD100 divided into 100 ordinary shares of SGD1.00 each. MTB holds sixty percent (60%) of mBit shares while N2N Consulting Pte Ltd, a company incorporated in Singapore and See Chun Yan hold twenty percent (20%) each respectively. The principal activity of mBit is software development.

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A12. Changes in Composition of the Group (con't)

Subsequently on 18 April 2007, MTB had announced that mBit had entered into a subscription agreement with IWAI Group Pte Ltd ("IWAI") ("Subscription Agreement"), a company incorporated in Singapore whereby IWAI will subscribe for ten percent (10%) of mBit shares. Upon the completion of the Subscription Agreement, mBit will increase its issued and paid-up share capital by 400 ordinary shares of SGD1.00 each to a total of 500 ordinary shares of SGD1.00 each. Consequently, MTB will further subscribe for 210 shares for a consideration of SGD210. This will dilute MTB's shareholdings to 54% of the enlarged issued and paid-up share of mBit, upon completion of the condition precedents as per the Subscription Agreement.

A13. Contingent Assets or Changes on Contingent Liabilities

There were no contingent assets or contingent liabilities since the last annual balance sheet date.

A14. Significant Related Party Transaction

Save as disclosed below, the Directors of mTouche are of the opinion that there are no other related party transactions which would have material impact on the financial position and the business of the Group during the current financial quarter.

On 8 May 2007, MTB had announced that the Company had, on even date, entered into a conditional sale and purchase cum novation agreement with Goh Eugene (the "Subscriber") an Executive Director, Chief Executive Officer and a major shareholder of the Company and GMO Limited (the "Issuer" or "GMOL") to acquire the USD7,093,220 nominal value Murabahah Loan Notes ("MLN") held by the Subscriber, for a total cash consideration of USD6,117,302.

On 15 June 2007, MTB had announced that its shareholder have approved the acquisition of the USD7,093,220 nominal value MLN held by the Subscriber at the Extraordinary General Meeting ("EGM") held on even date.

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

B1. Review of Performance

For the six (6) months financial period ended 30 June 2007, the Group recorded revenue and profit before taxation ("PBT") of approximately RM26.1 million and RM4.4 million respectively. The increase in revenue of approximately 8.3% as compared to preceding year corresponding period was mainly due to the growth recorded from its subsidiaries in the emerging markets. However, the Group's PBT was lower as compared to preceding year corresponding period largely due to the higher expenses from new subsidiaries, provision of doubtful debts and professional fees incurred for corporate exercises. In addition, higher depreciation and amortisation cost also affected the Group's PBT.

B2. Material Change in PBT In Comparison to the Previous Quarter

For the financial quarter ended 30 June 2007, the Group recorded a PBT of approximately RM1.0 million as compared to RM3.4 million from the previous quarter. The PBT for the current quarter are lower than the previous quarter due to provision of doubtful debts, professional fees incurred for corporate exercises as well as higher depreciation and amortisation costs.

B3. Future Prospect

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will be satisfactory for the financial year ending 31 December 2007.

B4. Variance on Profit Forecast

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

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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.6.2007 RM'000	Preceding year corresponding quarter 30.6.2006 RM'000	Current year to date 30.6.2007 RM'000	Preceding year corresponding period 30.6.2006 RM'000
Current tax:				
Malaysian income tax				
- Group	27	-	71	10
Foreign tax	-	375	-	824
	<u>27</u>	<u>375</u>	<u>71</u>	<u>834</u>
Deferred tax	-	-	-	-
	<u>27</u>	<u>375</u>	<u>71</u>	<u>834</u>

Malaysian income tax is calculated at the Malaysian statutory tax rate of 27% (2006:28%) of the estimated assessable profit for the period. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

For the period ended 30 June 2007, the provision for taxation arose from companies operating in Malaysia. There is no provision for taxation for Singapore, Indonesia and Thailand in the current period due to the utilisation of prior year business tax losses brought forward. No provision for taxation for Australia, Vietnam and India subsidiaries as they are in a net loss position.

No provision for taxation has been made on the chargeable income of MTB as there was no income tax liability imposed on the approved qualifying activities based on the Pioneer Status incentive awarded to MTB as a Multimedia Super Corridor Status company under Section 4A of the Promotion of Investment Act, 1986 except for the interest income earned from fixed deposit and the murabahah loan notes which are taxable.

B6. Profits on Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments and/or properties by the Group for the current quarter and financial period under review.

B7. Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial period under review.

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B8. Status of Corporate Proposals and Utilisation of Proceeds

a) (i) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of MTB

On 21 February 2007, MTB announced that the Company is proposing to undertake a proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of MTB which was approved by the Securities Commission on 30 March 2007.

On 15 June 2007, MTB announced that the Company shareholder have approved the proposed private placement at the EGM held on even date.

(ii) Proposed Rights Issue with Warrants, Proposed Bonus Issue and Proposed Increase in Authorised Share Capital

On 23 April 2007, MTB had announced that the Company has decided to vary the terms of the proposals which as announced on 21 February 2007, with the following:-

- (i) Proposed renounceable rights of up to 49,912,500 new MTB Shares with up to 49,912,500 free detachable warrants on the basis of one (1) rights share with (1) free warrant for every two (2) existing MTB Shares held on an entitlement date to be determined later and at an indicative issue price of RM1.20 per rights shares (“Proposed Rights Issue with Warrants”)
- (ii) Proposed bonus issue of up to 37,434,375 new MTB Shares on the basis of one (1) new MTB share for every four (4) existing MTB Shares held at the entitlement date to be determined later; and
- (iii) Proposed increase in authorised share capital of MTB from RM10,000,000 comprising 100,000,000 MTB Shares to RM50,000,000 comprising 500,000,000 MTB Shares.

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B8. Status of Corporate Proposals and Utilisation of Proceeds (con't)

b) Utilisation of proceeds from the Private Placement

As at 30 June 2007, the Company has utilised approximately 87.1% of the proceeds raised from the Private Placement which was deemed completed on 16 August 2006.

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation Amount	
	RM'000	RM'000		RM'000	%
Future viable investments	22,188	18,491	12 months	3,697	16.7%
Placement expenses	500	1,277		(777)	>100.0%
Total	22,688	19,768		2,920	

Note:

- The Private Placement was completed on 16 August 2006 with an additional RM777,000 expenses incurred. This was due mainly to consultancy fees incurred for the procurement of suitable placees. In this regard, the Company will adjust the difference against the proceeds identified for viable future investments.

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2007.

Short Term Bank Overdraft (secured)	As at 30.6.2007 RM'000	As at 30.6.2006 RM'000
- Malaysia	1,345	-
	1,345	-

The secured bank overdrafts are secured by fixed deposit placement of RM1,500,000 with the bank.

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B9. Borrowings and Debt Securities (con't)

Hire purchase payables (secured)	As at 30.6.2007 RM'000	As at 30.6.2006 RM'000
Payable within 12 months		
- Malaysia	36	40
- Singapore (RM equivalent)	-	59
	36	99
Payable after 12 months		
- Malaysia	232	298
- Singapore (RM equivalent)	-	30
	232	328

The foreign exchange rate for period ended 30 June 2006 was SGD1.00 : RM2.3126.

B10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments.

B11. Material Litigation

There is no pending material litigation for the current quarter and financial year under review.

B12. Dividends

No interim/final dividend was declared during the current quarter under review.

B13. Earnings Per Share

The basic earnings per share has been calculated based on the profit for the period attributable to ordinary equity holder divided by the weighted number of ordinary shares of RM0.10 each in issue during the period.

	2nd quarter ended		Accumulated 6 months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
Profit for the period attributable to the ordinary equity holder (RM'000)	1,171	4,053	4,379	7,573
Weighted average number of ordinary shares in issue ('000)	90,750	82,500	90,750	82,500
Basic earnings per share attributable to equity holders (sen)	1.3	4.9	4.8	9.2