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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MARCH 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2007 RM'000	CURRENT YEAR TO-DATE 31 MARCH 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2007 RM'000
Revenue	9,191	12,285	9,191	12,285
Cost of sales	(4,454)	(4,896)	(4,454)	(4,896)
Gross Profit	4,737	7,389	4,737	7,389
Administrative expenses	(3,265)	(3,116)	(3,265)	(3,116)
Other expenses	(5,199)	(565)	(5,199)	(565)
EBITDA*	(3,727)	3,708	(3,727)	3,708
Other income	822	111	822	111
Finance costs	(124)	(5)	(124)	(5)
Depreciation and amortisation	(1,097)	(456)	(1,097)	(456)
Share of results of jointly controlled entity	-	(3)	-	(3)
Share of results of associates	(561)	49	(561)	49
(Loss)/Profit before taxation	(4,687)	3,404	(4,687)	3,404
Taxation	(474)	(98)	(474)	(98)
(Loss)/Profit for the period	(5,161)	3,306	(5,161)	3,306
Attributable to:				
Equity holders of the parent	(5,159)	3,208	(5,159)	3,208
Minority interests	(2)	98	(2)	98
	(5,161)	3,306	(5,161)	3,306
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	(4.2)	3.5	(4.2)	3.5
- 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 2007 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2008

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 31 MARCH 2008 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2007 (AUDITED) RM'000
Non-current assets		
Plant and equipment	1,920	2,560
Intangible assets	31,861	32,204
Investment in associates	22,443	23,005
Other investments	24,641	25,441
Deferred tax assets	1,384	1,394
Current assets		
Inventories	2	354
Trade receivables	11,017	15,290
Other receivables	8,428	4,830
Cash and bank balances	14,446	5,886
	33,893	26,360
Current liabilities		
Trade payables	3,628	5,564
Other payables	7,522	16,120
Borrowings	-	13,006
Hire purchase payable	59	79
Tax payable	503	88
	11,712	34,857
Net current assets/(liabilities)	22,181	(8,497)
	104,430	76,107
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	13,612	9,075
Share premium	68,629	37,631
Other reserves	(2,930)	(2,802)
Retained earnings	17,770	22,833
	97,081	66,737
Minority Interests	2,196	2,214
Total equity	99,277	68,951
Non-current liabilities		
Hire purchase payable	153	153
Borrowing	5,000	-
Amount owing to a director	-	7,003
	104,430	76,107
Net assets per share attributable to ordinary equity holders of the parent (sen)	79	74

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2008

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Non-Distributable Share Premium RM'000	Non-Distributable Other Reserves RM'000	Distributable Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Three (3) months period ended 31 March 2008							
At 1 January 2008	9,075	37,631	(2,802)	22,833	66,737	2,214	68,951
Arising from translation of foreign currency	-	-	(128)	-	(128)	-	(128)
Net income/(expense) recognised directly in equity	9,075	37,631	(2,930)	22,833	66,609	2,214	68,823
Loss for the period	-	-	-	(5,159)	(5,159)	(2)	(5,161)
Total recognised income and expense for the period	9,075	37,631	(2,930)	17,674	61,450	2,212	63,662
Issuance of ordinary share right issue	4,537	30,998	-	-	35,535	-	35,535
Acquisition of a subsidiary	-	-	-	96	96	(16)	80
At 31 March 2008	13,612	68,629	(2,930)	17,770	97,081	2,196	99,277
Three (3) months period ended 31 March 2007							
At 1 January 2007	9,075	37,631	(1,316)	33,237	78,627	4,315	82,942
Arising from translation of foreign currency	-	-	(517)	-	(517)	-	(517)
Net income recognised directly in equity	9,075	37,631	(1,833)	33,237	78,110	4,315	82,425
Profit for the period	-	-	-	3,208	3,208	98	3,306
Total recognised income and expense for the period	9,075	37,631	(1,833)	36,445	81,318	4,413	85,731
At 31 December 2007	9,075	37,631	(1,833)	36,445	81,318	4,413	85,731

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 2007 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	THREE (3) MONTHS ENDED 31 MARCH 2008 RM'000	THREE (3) MONTHS ENDED 31 MARCH 2007 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(4,687)	3,404
Adjustments for non-cash item:		
Non-cash items	1,975	(12)
Non-operating items	61	(8)
Provision for doubtful debts	2,880	-
Plant and equipment written off	890	-
Share of results of jointly controlled entity	-	3
Share of results of associates	561	(49)
Profit before working capital changes	1,680	3,338
Changes in working capital:		
Decrease in inventories	353	-
Net change in current assets	(2,206)	(1,166)
Net change in current liabilities	(2,642)	(2,655)
Cash used in operations	(2,815)	(483)
Tax paid	(59)	(49)
Net cash used in operating activities	(2,874)	(532)
Cash flows from investing activities		
Acquisition of subsidiaries	(3,105)	-
Investment in associate	-	(2,909)
Acquisition of plant and equipment	(508)	(66)
Acquisition of intangible assets	(5,399)	-
Interest received	63	13
Payment made to a director	(7,003)	-
Net cash used in investing activities	(15,952)	(2,962)
Cash flows from financing activities		
Proceed from issuance of ordinary shares	36,300	-
Listing expenses	(765)	-
Proceed from term loan	5,000	-
Interest paid	(124)	(5)
Repayment of hire purchase	(19)	(49)
Net cash generated from /(used in) financing activities	40,392	(54)
Net increase/(decrease) in cash and cash equivalents	21,566	(3,548)
Cash and cash equivalents at 1 January	(7,120)	12,707
Cash and cash equivalents at end of year (i)	14,446	9,159

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	14,446	9,159
	14,446	9,159

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 13.

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 2007.

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 2007.

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 2007 except for the adoption of the following revised FRS effective for financial year beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

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 2007 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.

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 material 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

On 28 January 2008, the Company completed the proposed Right Issue with Warrants with the issuance of 45,375,000 new ordinary share(s) of RM0.10 each in mTouche together with 45,375,000 free detachable warrants.

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, Vietnam and India.

Segmental information by geographical segments for the three (3) months period ended 31 March 2008

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	4,496	4,695	-	9,191
Inter-segment sales	-	-	-	-
Total revenue	4,496	4,695	-	9,191

A9. Segmental Information (con't)

Segmental information by geographical segments for the three (3) months period ended 31 March 2008 (con't)

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Results				
Segment results	(2,768)	(1,358)	-	(4,126)
Share of results of associates	(561)	-	-	(561)
Loss before taxation				(4,687)
Taxation				(474)
Loss for the year				(5,161)

Segmental information by geographical segments for the three (3) months period ended 31 March 2007

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	7,609	4,676	-	12,285
Inter-segment sales	522	-	(522)	-
Total revenue	8,131	4,676	(522)	12,285
Results				
Segment results	1,330	2,170	(142)	3,358
Share of results of associates	49	-	-	49
Share of results of jointly controlled entities	(3)	-	-	(3)
Profit before taxation				3,404
Taxation				(98)
Profit for the year				3,306

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

A12. Changes in Composition of the Group

On 25 February 2008, MTB had announced that the Company's 100% owned subsidiary mTouche (Australia) Pty Ltd was deregistered under Section 601 AA (4) of the Australian Corporations Act 2001 and has ceased to be wholly-owned subsidiary of the company.

On 7 May 2008, MTB had announced the incorporation of a 99.99% owned subsidiary, mTouche Technology Philippines Inc ("MTP") a company incorporated in the Philippines on 6 May 2008 with an issued and paid-up share capital of Philippine Peso ("PHP") 8,280,000 divided into 82,800 ordinary shares of PHP100 each. The principal activities of MTP are provision of mobile messaging technology services and software development.

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 MTB 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.

The significant related party transaction by Inova Venture Pte Ltd ("Inova"), a subsidiary of MTB with Green Packet Berhad, a substantial shareholder of Inova holding 20% of the equity interest of Inova is as follows:

Transaction Party	Nature of transaction	3 months ended 31 March 2008	
		SGD'000	RM Equivalent RM'000
Green Packet Berhad (Bahrain Branch)	Distribution of Inova's products and solutions	145	333

The foreign exchange rate as at 31 March 2008 was SGD1.00 : RM2.2896.

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

B1. Review of Performance

For the financial quarter ended 31 March 2008, the Group recorded revenue of approximately RM9.2 million. The lower revenue as compared to the preceding year corresponding period was mainly attributable to the decrease in revenue from sales of goods sold due to lower new telecommunication projects undertaken. The Group’s mobile messaging business remained relatively stable. However, the Group recorded a Loss Before Tax (“LBT”) of approximately RM5.2 million in the current quarter mainly due to the following expenses incurred:-

i) provision for doubtful debts of RM2.8 million made in compliance with the Group’s accounting policy;
ii) plant & equipment written off amounted to RM0.5 million;
iii) increase in depreciation and amortisation of RM0.5 million;
iv) recognition of unrealised foreign exchange loss of RM0.8 million mainly in respect of the translation of foreign currency denominated Murabahah Loan Notes (“MLN”) issued by GMO Limited; and
v) the Group’s share of loss from its associate company namely GMO Limited of approximately RM0.6 million.

B2. Material Change in Profit Before Taxation (“PBT”) In Comparison to the Previous Quarter

For the financial quarter ended 31 March 2008, the Group’s performance improved as compared to the previous quarter with an increase in revenue and a lower LBT. Higher revenue coupled with lower cost of sales resulted in a gross profit of approximately RM4.7 million as compared to the gross loss of RM1.6 million incurred in the previous quarter. The improvement in the current quarter was mainly attributable to the new sales and marketing initiatives undertaken by the Group to improve overall performance. However, the Group recorded a LBT of approximately RM5.2 million in the current quarter mainly due to the followings expenses incurred:-

i) provision for doubtful debts of RM2.8 million made in compliance with the Group’s accounting policy;
ii) plant & equipment written off amounted to RM0.5 million;
iii) recognition of unrealised foreign exchange loss of RM0.8 million mainly in respect of the translation of foreign currency denominated MLN issued by GMO Limited; and
iv) the Group’s share of loss from its associate company namely GMO Limited of approximately RM0.6 million.

B3. Future Prospect

Moving forward, the Group will focus more on its core mobile messaging services which are operationally profitable. The Group is also seeking collaborations with global media players with a view of transforming itself into a prominent mobile media player in this region.

Premised on the above and barring any unforeseen circumstances, the Directors of MTB are optimistic of achieving growth for the financial year 2008.

B4. Variance on Profit Forecast

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

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.3.2008 RM'000	Preceding year corresponding quarter 31.3.2007 RM'000	Current year to date 31.3.2008 RM'000	Preceding year corresponding period 31.3.2007 RM'000
Current tax:				
Malaysian income tax				
- Group	131	89	131	89
Foreign tax	343	9	343	9
	474	98	474	98
Deferred tax	-	-	-	-
	474	98	474	98

Malaysian income tax is calculated at the Malaysian statutory tax rate of 26% of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

For the period ended 31 March 2008 the provision for taxation arose from companies operating in Malaysia and Thailand. No provision for taxation for Singapore, Indonesia, 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 year 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 year under review.

B8. Status of Corporate Proposals

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 shareholders of the Company have approved the private placement at the EGM held on even date.

On 24 September 2007, MTB had announced that the Securities Commission ("SC") had vide its letter dated 20 September 2007 approved for an extension of time of six (6) months from 29 September 2007 to 28 March 2008 for the Company to implement the Private Placement.

The directors have decided not to proceed with the private placement.

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

The Increase in Authorised Share Capital and the Rights Issue with Warrants was completed on 16 November 2007 and 28 January 2008 respectively while the Bonus Issue is currently pending implementation.

As at 31 March 2008, the Company had utilised approximately 69% of the proceeds raised from the Rights Issue with Warrants exercise which was completed on 28 January 2008. Details of the utilisation are as follows:

	Proposed Amount RM'000	Actual Utilisation RM'000	Unused Amount RM'000
Nature of Expenses			
Working Capital	2,000	2,000	-
Acquisition of Murabahah Loan Notes ("MLN")	18,000	18,000	-
Future viable investments	15,000	3,800	11,200
Right Issue expenses	1,300	1,300	-
Total	36,300	25,100	11,200

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2008.

Long Term Borrowing

Term Loan (secured)	As at 31.3.2008 RM'000	As at 31.3.2007 RM'000
Operating	5,000	-
	5,000	-

The term loan is secured by deposits placed with a licensed bank.

Hire purchase payable (secured)

	As at 31.3.2008 RM'000	As at 31.3.2007 RM'000
Payable within 12 months		
- Malaysia	59	56
	59	56
Payable after 12 months		
- Malaysia	153	232
	153	232

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. (Loss)/Earnings Per Share

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

	3 months ended 31.3.2008	**3 months ended 31.3.2007**
(Loss)/Profit for the year attributable to the ordinary equity holder (RM'000)	(5,159)	3,208
Weighted average number of ordinary shares in issue ('000)	122,163	90,750
Basic(loss)/earnings per share attributable to equity holders (sen)	(4.2)	3.5