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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUNE 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2007 RM'000	CURRENT YEAR TO-DATE 30 JUNE 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2007 RM'000
Revenue	8,893	13,862	18,084	26,147
Cost of sales	(4,661)	(5,741)	(9,116)	(10,637)
Gross Profit	4,232	8,121	8,968	15,510
Administrative expenses	(3,179)	(2,940)	(6,444)	(6,056)
Other expenses	(83)	(4,189)	(5,281)	(4,754)
EBITDA*	970	992	(2,757)	4,700
Other income	805	228	1,626	339
Finance costs	(86)	(28)	(210)	(33)
Depreciation and amortisation	(1,096)	(633)	(2,193)	(1,089)
Share of results of jointly controlled entity	-	(99)	-	(102)
Share of results of associates	(744)	564	(1,305)	613
(Loss)/Profit before taxation	(151)	1,024	(4,839)	4,428
Taxation	(134)	27	(608)	(71)
(Loss)/Profit for the period	(285)	1,051	(5,447)	4,357
Attributable to:				
Equity holders of the parent	16	1,171	(5,145)	4,379
Minority interests	(301)	(120)	(302)	(22)
	(285)	1,051	(5,447)	4,357
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	0.01	1.29	(3.98)	4.83
- 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 12.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
AND SIX MONTHS ENDED 30 JUNE 2008

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 30 JUNE 2008 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2007 (AUDITED) RM'000
Non-current assets		
Plant and equipment	2,122	2,560
Intangible assets	34,004	32,204
Investment in associates	21,700	23,005
Other investments	25,172	25,441
Deferred tax assets	1,397	1,394
Current assets		
Inventories	2	354
Trade receivables	10,102	15,290
Other receivables	8,772	4,830
Cash and bank balances	13,556	5,886
	32,432	26,360
Current liabilities		
Trade payables	3,157	5,564
Other payables	6,443	16,120
Borrowings	6,134	13,006
Hire purchase payable	39	79
Tax payable	601	88
	16,374	34,857
Net current assets/(liabilities)	16,058	(8,497)
	100,453	76,107
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	13,612	9,075
Share premium	68,640	37,631
Other reserves	(2,483)	(2,802)
Retained earnings	18,635	22,833
	98,404	66,737
Minority Interests	1,896	2,214
Total equity	100,300	68,951
Non-current liabilities		
Hire purchase payable	153	153
Amount owing to a director	-	7,003
	100,453	76,107
Net assets per share attributable to ordinary equity holders of the parent (sen)	76	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 12.

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 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
Six (6) months period ended 30 June 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	-	-	319	-	319	-	319
Net income/(expense) recognised directly in equity	9,075	37,631	(2,483)	22,833	67,056	2,214	69,270
Loss for the period	-	-	-	(5,145)	(5,145)	(302)	(5,447)
Total recognised income and expense for the period	9,075	37,631	(2,483)	17,688	61,911	1,912	63,823
Issuance of ordinary share right issue	4,537	31,009	-	-	35,546	-	35,546
Acquisition of a subsidiary	-	-	-	947	947	(16)	931
At 30 June 2008	13,612	68,640	(2,483)	18,635	98,404	1,896	100,300
Six (6) months period ended 30 June 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	-	-	(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	9,075	37,631	(1,910)	37,616	82,412	4,293	86,705

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 12.

MTOUCHE TECHNOLOGY BERHAD
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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2008

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	SIX (6) MONTHS ENDED 30 JUNE 2008 RM'000	SIX (6) MONTHS ENDED 30 JUNE 2007 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(4,839)	4,428
Adjustments for non-cash item:		
Non-cash items	2,299	546
Non-operating items	46	(146)
Provision for doubtful debts	2,880	-
Plant and equipment written off	882	-
Share of results of jointly controlled entity	-	102
Share of results of associates	1,305	(613)
Profit before working capital changes	2,573	4,317
Changes in working capital:		
Decrease in inventories	352	-
Net change in current assets	(1,681)	4,987
Net change in current liabilities	(4,192)	(2,456)
Cash (used in)/from operations	(2,948)	6,848
Tax paid	(48)	(123)
Net cash (used in)/from operating activities	(2,996)	6,725
		-
Cash flows from investing activities		
Acquisition of subsidiaries	(3,105)	**
Other Investment	-	(3,665)
Acquisition of plant and equipment	(902)	(10,523)
Acquisition of intangible assets	(6,912)	-
Proceed from disposal of plant and equipment	-	***
Interest received	164	180
Payment made to a director	(7,003)	-
Net cash used in investing activities	(17,758)	(14,008)
Cash flows from financing activities		
Proceed from issuance of ordinary shares	36,300	-
Listing expenses	(754)	-
Proceed from term loan	5,000	-
Loan repayment	(266)	-
Interest paid	(210)	(33)
Repayment of hire purchase	(40)	(69)
Net cash generated from /(used in) financing activities	40,030	(102)
Net increase/(decrease) in cash and cash equivalents	19,276	(7,385)
Cash and cash equivalents at 1 January	(7,120)	12,707
Cash and cash equivalents at end of period (i)	12,156	5,322

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	13,556	6,667
Bank Overdraft	(1,400)	(1,345)
	12,156	5,322

** 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 2007 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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

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, Vietnam, Philippines and India.

Segmental information by geographical segments for the six (6) months period ended 30 June 2008

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	9,083	9,001	-	18,084
Inter-segment sales	-	-	-	-
Total revenue	9,083	9,001	-	18,084
Results				
Segment results	(3,280)	167	(421)	(3,534)
Share of results of associates	(1,305)	-	-	(1,305)
Loss before taxation				(4,839)
Taxation				(608)
Loss for the period				(5,447)

A9. Segmental Information (con't)

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	19,524	7,682	(1,059)	26,147
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 taxation				4,428
Taxation				(71)
Profit for the period				4,357

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 4 July 2008, MTB had announced that the Company's 70% owned subsidiary, Rayson Management Limited, which is held through mTouche (HK) Limited, a wholly owned subsidiary of MTB, had disposed of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up share capital in Telesmart Communications Sdn. Bhd. for a cash consideration of RM2.00 and has ceased to be a subsidiary of the Company.

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	6 months ended 30 June 2008	
		SGD'000	RM Equivalent RM'000
Green Packet Berhad (Bahrain Branch)	Distribution of Inova's products and solutions	158	379

The foreign exchange rate as at 30 June 2008 was SGD1.00 : RM2.3995

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

B1. Review of Performance

For the second quarter and six (6) months financial period ended 30 June 2008, the Group recorded revenue of approximately RM8.9 million and RM18.1 million respectively. During this six (6) months period, the Group steadily grew its core mobile messaging business however lower revenue contribution from the sales of Voice Over Internet Protocol ("VOIP") related products and services affected the overall Group revenue. The decrease in VOIP sales of a subsidiary is in line with the realignment of the Group's products and services. The Group recorded positive EBITDA of approximately RM970,000 and lower Loss Before Taxation of approximately RM151,000 for the second quarter ended 30 June 2008. There were no material expenses incurred in the current six (6) months period ended 30 June 2008, other than those disclosed in the previous quarter. Excluding the share of results of associates, the Group recorded an improved Profit Before Taxation ("PBT") of RM593,000 in Q2'08 compared to Q2'07 of RM460,000, an increase of 29%.

On the other hand, the performance of GMO Limited ("GMOL"), an associate company, grew steadily in terms of revenue but higher financial and operational costs resulted in losses for both the quarters under review.

B2. Material Changes in Profit Before Taxation ("PBT") In Comparison to the Previous Quarter

The Group's performance has improved as compared to the previous quarter. With continuous product innovation, launch of new products and expanded distribution channels in 8 countries, the Group recorded EBIDTA of RM970,000 with lower Loss Before Taxation of RM151,000 for the second quarter ended 30 June 2008. There were no material expenses incurred in the second quarter under review. Excluding the share of results of GMOL, the Group recorded a profit of RM593,000.

B3. Future Prospect

Moving forward, the Group will continue to focus on its core mobile messaging services which are operationally profitable and invest in Research & Development to drive more new mobile messaging products across the 8 countries in which the Group operates.

Premised on the above and barring any unforeseen circumstances, the Board of Directors of MTB is optimistic of achieving further business 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 30.06.2008 RM'000	**Preceding year corresponding quarter 30.06.2007 RM'000**	**Current year to date 30.06.2008 RM'000**	**Preceding year corresponding period 30.06.2007 RM'000**
Current tax:				
Malaysian income tax				
- Group	134	(27)	265	71
Foreign tax	-	-	343	-
	134	(27)	608	71
Deferred tax	-	-	-	-
	134	(27)	608	71

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 30 June 2008 the provision for taxation arose from companies operating in Malaysia and Thailand.

B5. Taxation (con't)

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

(i) 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 30 June 2008, the Company had utilised approximately 74% 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	5,730	9,270
Right Issue expenses	1,300	1,300	-
Total	36,300	27,030	9,270

B8. Status of Corporate Proposals (con't)

(ii) Proposed Variation to the Terms of the Murabahah Loan Notes Subscription Agreements Entered into on 22 January 2007 By mTouche and Goh Eugene respectively with GMO Limited (GMOL), a 29.93% owned Associate Company of mTouche. ("Proposed Variation")

On 18 July 2008, MTB announced that the Company had entered into a Supplemental Subscription Agreement with GMOL, to vary the terms of the Subscription Agreements to allow for the conversion of outstanding MLN into ordinary shares in GMOL at any time prior to the maturity dates of the MLN.

The Proposed Variation is pending approval from the shareholders of MTB in an Extraordinary General meeting to be held on 26 August 2008.

(iii) Proposed Purchase by mTouche of up to Ten Percent (10%) of its issued and paid-up share capital ("Proposed Share Buy-Back")

On 24 July 2008, MTB announced that the Company intends to seek the approval of its shareholders in respect of the Proposed Share Buy-Back pursuant to Section 67A of the Companies Act, 1965 and Chapter 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The Proposed Share Buy-Back is pending approval from the shareholders of MTB in an Extraordinary General meeting to be held on 26 August 2008.

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2008.

Short Term Borrowing

	As at 30.6.2008 RM'000	As at 30.6.2007 RM'000
Overdraft	1,400	1,345
	1,400	1,345

Long Term Borrowing

Term Loan (secured)	As at 30.6.2008 RM'000	As at 30.6.2007 RM'000
Operating	4,734	-
	4,734	-

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

B9. Borrowings and Debt Securities (con't)

Hire purchase payable (secured)

	As at 30.6.2008 RM'000	As at 30.6.2007 RM'000
Payable within 12 months		
- Malaysia	39	36
	39	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. Earnings/(loss) Per Share

The basic earnings/(loss) per share has been calculated based on the profit/(loss) 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.

	Second quarter ended		Accumulated six months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Profit/(loss) for the period attributable to the ordinary equity holder (RM'000)	16	1,171	(5,145)	4,379
Weighted average number of ordinary shares in issue ('000)	129,144	90,750	129,144	90,750
Basic earnings per share attributable to equity holders (sen)	0.01	1.29	(3.98)	4.83