

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2009

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MARCH 2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2008 RM'000	CURRENT YEAR TO-DATE 31 MARCH 2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2008 RM'000
Revenue	11,057	9,191	11,057	9,191
Cost of sales	(6,904)	(4,454)	(6,904)	(4,454)
Gross Profit	<u>4,153</u>	<u>4,737</u>	<u>4,153</u>	<u>4,737</u>
Administrative expenses	(3,263)	(3,265)	(3,263)	(3,265)
Other expenses	(657)	(5,199)	(657)	(5,199)
EBITDA*	<u>233</u>	<u>(3,727)</u>	<u>233</u>	<u>(3,727)</u>
Other income	219	822	219	822
Finance costs	(100)	(124)	(100)	(124)
Depreciation and amortisation	(846)	(1,097)	(846)	(1,097)
Share of results of associates	207	(561)	207	(561)
Loss before taxation	<u>(287)</u>	<u>(4,687)</u>	<u>(287)</u>	<u>(4,687)</u>
Taxation	-	(474)	-	(474)
Loss for the period	<u>(287)</u>	<u>(5,161)</u>	<u>(287)</u>	<u>(5,161)</u>
Attributable to:				
Equity holders of the parent	(287)	(5,159)	(287)	(5,159)
Minority interests	-	(2)	-	(2)
	<u>(287)</u>	<u>(5,161)</u>	<u>(287)</u>	<u>(5,161)</u>
Loss per share attributable to equity holders of the parent				
- Basic (sen)	<u>(0.2)</u>	<u>(4.2)</u>	<u>(0.2)</u>	<u>(4.2)</u>
- Diluted (sen)	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

* - 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 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 31 MARCH 2009 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2008 (AUDITED) RM'000
Non-current assets		
Plant and equipment	2,094	2,248
Intangible assets	16,490	16,739
Investment in associates	62,605	62,353
Other investments	3,202	3,202
Deferred tax assets	1,512	1,506
Current assets		
Inventories	-	69
Trade receivables	8,985	9,723
Other receivables	2,545	2,593
Tax recoverable	221	420
Cash and bank balances	12,061	11,935
	<u>23,812</u>	<u>24,740</u>
Current liabilities		
Trade payables	4,683	4,339
Other payables	7,768	8,145
Borrowings	3,406	3,358
Hire purchase payable	63	83
Tax payable	43	246
	<u>15,963</u>	<u>16,171</u>
Net current assets	<u>7,849</u>	<u>8,569</u>
	<u>93,752</u>	<u>94,617</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	13,612	13,612
Share premium	61,212	61,212
Treasury shares	(1,647)	(634)
Warrant reserve	7,428	7,428
Other reserves	25,541	25,106
Retained earnings	(15,880)	(15,593)
	<u>90,266</u>	<u>91,131</u>
Minority Interests	202	202
Total equity	<u>90,468</u>	<u>91,333</u>
Non-current liabilities		
Hire purchase payable	71	71
Borrowing	3,213	3,213
	<u>93,752</u>	<u>94,617</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>68</u>	<u>69</u>

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Non-Distributable				Distributable (Accumulated Loss)/ Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		Share Premium RM'000	Treasury Share RM'000	Warrant Reserve RM'000	Other Reserves RM'000				
Three (3) months period ended 31 March 2009									
At 1 January 2009	13,612	61,212	(634)	7,428	25,106	(15,593)	91,131	202	91,333
Share of associate reserves	-	-	-	-	45	-	45	-	45
Arising from translation of foreign currency	-	-	-	-	390	-	390	-	390
Net income/(expense) recognised directly in equity	13,612	61,212	(634)	7,428	25,541	(15,593)	91,566	202	91,768
Loss for the period	-	-	-	-	-	(287)	(287)	-	(287)
Total recognised income and expense for the period	13,612	61,212	(634)	7,428	25,541	(15,880)	91,279	202	91,481
Treasury shares :									
Purchased	-	-	(1,007)	-	-	-	(1,007)	-	(1,007)
Transaction costs	-	-	(6)	-	-	-	(6)	-	(6)
At 31 March 2009	<u>13,612</u>	<u>61,212</u>	<u>(1,647)</u>	<u>7,428</u>	<u>25,541</u>	<u>(15,880)</u>	<u>90,266</u>	<u>202</u>	<u>90,468</u>
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	23,581	-	7,428	-	-	35,546	-	35,546
Acquisition of a subsidiary	-	-	-	-	-	96	96	(16)	80
At 31 March 2008	<u>13,612</u>	<u>61,212</u>	<u>-</u>	<u>7,428</u>	<u>(2,930)</u>	<u>17,770</u>	<u>97,092</u>	<u>2,196</u>	<u>99,288</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 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	THREE (3) MONTHS ENDED 31 MARCH 2009 RM'000	THREE (3) MONTHS ENDED 31 MARCH 2008 RM'000
Cash flows from operating activities		
Loss before taxation	(287)	(4,687)
Adjustments for non-cash item:		
Non-cash items	842	1,975
Non-operating items	42	61
Allowance for doubtful debts	-	2,880
Plant and equipment written off	-	890
Share of results of associates	(207)	561
Profit before working capital changes	390	1,680
Changes in working capital:		
Decrease in inventories	69	353
Net change in current assets	786	(2,206)
Net change in current liabilities	(34)	(2,642)
Cash generated from/(used in) operations	1,211	(2,815)
Tax paid	(3)	(59)
Net cash generated/(used in) from operating activities	1,208	(2,874)
Cash flows from investing activities		
Acquisition of subsidiaries	-	(612)
Settlement of balance of purchase considerations to acquire a subsidiary and intangible assets	-	(7,892)
Acquisition of plant and equipment	(56)	(508)
Interest received	59	63
Payment made to a director	-	(7,003)
Net cash generated from/(used in) investing activities	3	(15,952)
Cash flows from financing activities		
Proceed from issuance of ordinary shares	-	36,300
Listing expenses	-	(765)
Proceed from term loan	-	5,000
Loan repayment	(250)	-
Purchase of treasury shares	(1,013)	-
Interest paid	(100)	(124)
Repayment of hire purchase	(20)	(19)
Net cash (used in)/generated from financing activities	(1,383)	40,392
Net (decrease)/increase in cash and cash equivalents	(172)	21,566
Cash and cash equivalents at 1 January	9,566	(7,120)
Cash and cash equivalents at end of period (i)	9,394	14,446

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	12,061	14,446
Bank Overdraft	(2,667)	-
	9,394	14,446

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

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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 2008.

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 2008.

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 2008. The adoption of the following FRS will be effective in the relevant financial period:

		Effective for financial period beginning on or after
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010

The adoption of the abovementioned FRSs will 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 2008 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 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 save for the following:

The shareholders of MTB had given their approval for MTB to buy back its own shares at the Extraordinary General Meeting held on 26 August 2008 and such authority was renewed at the 5th Annual General Meeting of MTB held on 15 May 2009. During the 3 month period ended 31 March 2009, MTB bought back from the open market, 3,544,800 ordinary shares of RM0.10 each ("MTB shares") at an average price of RM0.286 per share. The total consideration for the share bought during the period ended 31 March 2009, including transaction cost was RM1,013,410.93 and was financed by internally generated fund. The MTB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the period ended 31 March 2009.

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.

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A9. Segmental Information (con't)

Segmental information by geographical segments for the three (3) month period ended 31 March 2009

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	6,209	4,848	-	11,057
Inter-segment sales	-	-	-	-
Total revenue	<u>6,209</u>	<u>4,848</u>	<u>-</u>	<u>11,057</u>
Results				
Segment results	298	(792)	-	(494)
Share of results of associates	493	(286)	-	207
Loss before taxation				(287)
Taxation				<u>-</u>
Loss for the period				<u>(287)</u>

Segmental information by geographical segments for the three (3) month 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	<u>4,496</u>	<u>4,695</u>	<u>-</u>	<u>9,191</u>
Results				
Segment results	(2,768)	(1,358)	-	(4,126)
Share of results of associates	115	(676)	-	(561)
Loss before tax				(4,687)
Taxation				<u>(474)</u>
Loss for the period				<u>(5,161)</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.

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A11. Material Events Subsequent To the End of the Quarter

On 21 April 2009, MTB had announced that the Company's 37.91% owned associated company, GMO Limited ("GMO") is proposing to seek a delisting from the Alternative Investment Market of the London Stock Exchange. Upon completion of the proposed exercise, GMO intends to undertake an internal reorganisation.

A12. Changes in Composition of the Group

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

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

The Directors of MTB are of the opinion that there are no related party transactions which would have material impact on the financial position and the business of the Group during the current financial quarter.

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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 financial quarter ended 31 March 2009, the performance of the Group continued to improve steadily in terms of revenue of approximately RM11.0 million. However high operational costs and expenses resulted in Loss Before Taxation of approximately RM0.2 million. There were no material expenses incurred in the current quarter.

B2. Material Changes in Loss Before Taxation (“LBT”) In Comparison to the Previous Quarter

For the financial quarter ended 31 March 2009, the Group’s performance improved with an increase in revenue, improved EBITDA and lower expenses as compared to the previous quarter. The Group recorded EBITDA of RM0.2 million and LBT of RM0.2 million in the current quarter. There were no material expenses incurred in the quarter under review.

B3. Future Prospect

Moving forward, despite the global economic crisis, the Group will focus more on its core mobile messaging services which are operationally profitable and drive our existing and new products across our eight (8) countries of operation.

Premised on the above and barring any unforeseen circumstances, the Directors of MTB are optimistic of achieving growth for the financial year 2009.

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 31.3.2009 RM’000	Preceding year corresponding quarter 31.3.2008 RM’000	Current year to date 31.3.2009 RM’000	Preceding year corresponding period 31.3.2008 RM’000
Current tax:				
Malaysian income tax	-	131	-	131
Foreign tax	-	343	-	343
	-	474	-	474
Deferred tax	-	-	-	-
	-	474	-	474

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B5. Taxation (con't)

Malaysian income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

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 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) Utilisation of proceeds from the Rights Issue with Warrants completed on 28 January 2008

As at 31 March 2009, the Company had utilised approximately 79% 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:

Nature of Expenses	Proposed Amount RM'000	Actual Utilisation RM'000	Unused Amount RM'000
Working Capital	2,000	2,000	-
Acquisition of MLN	18,000	18,000	-
Future viable investments	15,000	7,275	7,725
Right Issue expenses	1,300	1,300	-
Total	<u>36,300</u>	<u>28,575</u>	<u>7,725</u>

(b) Proposed Bonus Issue

On 16 November 2007, MTB announced that the shareholders of the Company had at the Extraordinary General Meeting held on the same date, approved the 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 ("Proposed Bonus Issue").

On 15 May 2009, MTB announced that the Proposed Bonus Issue had been cancelled.

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B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2009.

Short Term Borrowings

	As at 31.3.2009 RM'000	As at 31.3.2008 RM'000
Overdraft	2,667	-
Term Loan	739	1,000
Hire Purchase	63	59
	<u>3,469</u>	<u>1,059</u>

Long Term Borrowings

	As at 31.3.2009 RM'000	As at 31.3.2008 RM'000
Term Loan	3,213	4,000
Hire Purchase	71	153
	<u>3,284</u>	<u>4,153</u>

The overdraft and term loan are secured by deposits placed with a licensed bank.

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.

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B13. Loss Per Share

The basic loss per share has been calculated based on the 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, excluding treasury shares held by the Company.

	3 months ended 31.3.2009	3 months ended 31.3.2008
Loss for the period attributable to the ordinary equity holder (RM'000)	(287)	(5,159)
Weighted average number of ordinary shares in issue ('000)	133,420	122,163
Basic loss per share attributable to equity holders (sen)	(0.2)	(4.2)