

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

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUNE 2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2008 RM'000	CURRENT YEAR TO-DATE 30 JUNE 2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2008 RM'000
Revenue	11,263	8,893	22,321	18,084
Cost of sales	(6,563)	(4,661)	(13,467)	(9,116)
Gross Profit	<u>4,700</u>	<u>4,232</u>	<u>8,854</u>	<u>8,968</u>
Administrative expenses	(3,144)	(3,179)	(6,415)	(6,444)
Other expenses	(201)	(83)	(849)	(5,281)
EBITDA*	<u>1,355</u>	<u>970</u>	<u>1,590</u>	<u>(2,757)</u>
Other income	105	805	323	1,626
Finance costs	(95)	(86)	(195)	(210)
Depreciation and amortisation	(840)	(1,096)	(1,686)	(2,193)
Share of results of associates	184	(744)	391	(1,305)
Profit/(loss) before taxation	<u>709</u>	<u>(151)</u>	<u>423</u>	<u>(4,839)</u>
Taxation	(0)	(134)	(0)	(608)
Profit/(loss) for the period	<u>709</u>	<u>(285)</u>	<u>423</u>	<u>(5,447)</u>
Attributable to:				
Equity holders of the parent	455	16	169	(5,145)
Minority interests	254	(301)	254	(302)
	<u>709</u>	<u>(285)</u>	<u>423</u>	<u>(5,447)</u>
Earning/(loss) per share attributable to equity holders of the parent				
- Basic (sen)	<u>0.34</u>	<u>0.01</u>	<u>0.13</u>	<u>(3.98)</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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 30 JUNE 2009 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2008 (AUDITED) RM'000
Non-current assets		
Plant and equipment	1,912	2,248
Intangible assets	14,679	16,739
Investment in associates	62,789	62,353
Other investments	3,202	3,202
Deferred tax assets	1,551	1,506
Current assets		
Inventories	-	69
Trade receivables	9,230	9,723
Other receivables	2,860	2,593
Tax recoverable	86	420
Cash and bank balances	9,768	11,935
Current assets	21,944	24,740
Current liabilities		
Trade payables	3,760	4,339
Other payables	6,811	8,145
Borrowings	2,956	3,358
Hire purchase payable	44	83
Tax payable	11	246
	13,582	16,171
Net current assets	8,362	8,569
	92,495	94,617
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	(2,489)	(634)
Warrant reserve	7,428	7,428
Other reserves	24,670	25,106
Retained earnings	(15,424)	(15,593)
	89,009	91,131
Minority Interests	202	202
Total equity	89,211	91,333
Non-current liabilities		
Hire purchase payable	71	71
Borrowing	3,213	3,213
	92,495	94,617
Net assets per share attributable to ordinary equity holders of the parent (sen)	67	69

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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Share Premium RM'000	Non-Distributable		Other Reserves RM'000	Distributable (Accumulated Loss)/ Retained Earnings/ RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
			Treasury Share RM'000	Warrant Reserves RM'000					
Six (6) months period ended 30 June 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	-	-	-	-	(481)	-	(481)	-	(481)
Net income/(expense) recognised directly in equity	13,612	61,212	(634)	7,428	24,670	(15,593)	90,695	202	90,897
Profit for the period	-	-	-	-	-	169	169	254	423
Total recognised income and expense for the period	13,612	61,212	(634)	7,428	24,670	(15,424)	90,864	456	91,320
Disposal of a subsidiary								(254)	(254)
Treasury shares :									
Purchased	-	-	(1,844)	-	-	-	(1,844)	-	(1,844)
Transaction costs	-	-	(11)	-	-	-	(11)	-	(11)
At 30 June 2009	<u>13,612</u>	<u>61,212</u>	<u>(2,489)</u>	<u>7,428</u>	<u>24,670</u>	<u>(15,424)</u>	<u>89,009</u>	<u>202</u>	<u>89,211</u>
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	<u>13,612</u>	<u>68,640</u>	<u>-</u>	<u>-</u>	<u>(2,483)</u>	<u>18,635</u>	<u>98,404</u>	<u>1,896</u>	<u>100,300</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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	SIX (6) MONTHS ENDED 30 JUNE 2009 RM'000	SIX (6) MONTHS ENDED 30 JUNE 2008 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	423	(4,839)
Adjustments for non-cash item:		
Non-cash items	915	2,299
Non-operating items	89	46
Allowance for doubtful debts	-	2,880
Plant and equipment written off	1	882
Loss on disposal of a subsidiary	192	-
Share of results of associates	(391)	1,305
Profit before working capital changes	1,229	2,573
Changes in working capital:		
Decrease in inventories	69	352
Net change in current assets	(597)	(1,681)
Net change in current liabilities	(608)	(4,192)
Cash generated from/(used in) operations	93	(2,948)
Tax refund/(paid)	124	(48)
Net cash generated from/(used in) operating activities	217	(2,996)
Cash flows from investing activities		
Acquisition of subsidiaries	-	(612)
Settlement of balance of purchase considerations to acquire a subsidiary and intangible assets	-	(9,405)
Acquisition of plant and equipment	(115)	(902)
Proceed from disposal of a subsidiary	116	
Interest received	106	164
Repayment of amount due to director	-	(7,003)
Net cash generated from /(used in) investing activities	107	(17,758)
Cash flows from financing activities		
Proceed from issuance of new shares	-	36,300
Expenses relating to share issue	-	(754)
Proceed from term loan	-	5,000
Loan repayment	(500)	(266)
Purchase of treasury shares	(1,855)	-
Interest paid	(195)	(210)
Repayment of hire purchase	(39)	(40)
Net cash (used in)/generated from financing activities	(2,589)	40,030
Net (decrease)/increase in cash and cash equivalents	(2,265)	19,276
Cash and cash equivalents at 1 January	9,566	(7,120)
Cash and cash equivalents at end of period (i)	7,301	12,156
 <i>i) Cash and cash equivalents</i>		
Cash and cash equivalents included in the cash flow statements comprise		
Cash and bank balances	9,768	13,556
Bank Overdraft	(2,467)	(1,400)
	7,301	12,156

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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

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 ACE 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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

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 6 month period ended 30 June 2009, MTB bought back from the open market, 6,314,900 ordinary shares of RM0.10 each at an average price of RM0.296 per share. The total consideration for the share bought during the period ended 30 June 2009, including transaction cost was RM1,866,910.69 and was financed by internally generated fund. The 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 30 June 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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

A9. Segmental Information (con't)

Segmental information by geographical segments for the six (6) months period ended 30 June 2009

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	11,310	11,011	-	22,321
Inter-segment sales	-	-	-	-
Total revenue	<u>11,310</u>	<u>11,011</u>	<u>-</u>	<u>22,321</u>
Results				
Segment results	4,554	355	(4,877)	32
Share of results of associates	802	(411)	-	391
Profit before taxation				423
Taxation				<u>-</u>
Profit for the period				<u>423</u>

Segmental information by geographical segments for the six (6) months period ended 30 June 008

	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	<u>9,083</u>	<u>9,001</u>	<u>-</u>	<u>18,084</u>
Results				
Segment results	(3,280)	167	(421)	(3,534)
Share of results of associates	229	(1,534)	-	(1,305)
Loss before tax				(4,839)
Taxation				<u>(608)</u>
Loss for the period				<u>(5,447)</u>

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

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 16 June 2009, MTB had announced that the Company had entered into a Sale and Purchase Agreement with Green Packet Berhad (“GPB”) to dispose 51,000 ordinary shares of SGD1.00 each in Inova Venture Pte Ltd (“Inova”) representing 51% equity interest for a total consideration of SGD30,000 (“Disposal”).

The Disposal was completed on 30 June 2009 and Inova and its wholly-owned subsidiary, Brillante Novastella Sdn Bhd, had ceased to be subsidiaries 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

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.

MTOUCHE TECHNOLOGY BERHAD

Company no. 656395-X

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009**

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

B1. Review of Performance

For the cumulative quarter ended 30 June 2009, the performance of the Group continued to improve steadily to achieve revenue of approximately RM22.3 million, EBITDA of RM1.59 million and Profit Before Taxation ("PBT") of RM0.4 million. There were no material expenses incurred for the current quarter.

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

The Group recorded EBITDA of RM1.3 million and PBT of RM0.7 million in the current quarter as compared to EBITDA of RM0.2 million and Loss Before Tax ("LBT") of RM 0.2 million in the previous quarter. The Group's performance improved with an increase in revenue and improved EBITDA as compared to the previous quarter, attributed to improved gross profit and decrease in expenses.

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 30.6.2009 RM'000	Preceding year corresponding quarter 30.6.2008 RM'000	Current year to date 30.6.2009 RM'000	Preceding year corresponding period 30.6.2008 RM'000
Current tax:				
Malaysian income tax	-	134	-	265
Foreign tax	-	-	-	343
	-	134	-	608
Deferred tax	-	-	-	-
	-	134	-	608

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

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

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

As at 30 June 2009, the Company had utilised approximately 80% 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 murabahah loan notes	18,000	18,000	-
Future viable investments	15,000	7,822	7,178
Right issue expenses	1,300	1,300	-
Total	<u>36,300</u>	<u>29,122</u>	<u>7,178</u>

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

B9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2009.

Short Term Borrowings

	As at 30.6.2009 RM'000	As at 30.6.2008 RM'000
Overdraft	2,467	1,400
Term Loan	489	734
Hire Purchase	44	39
	<u>3,000</u>	<u>2,173</u>

Long Term Borrowings

	As at 30.6.2009 RM'000	As at 30.6.2008 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.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

B13. Earnings/(Loss) Per Share

The basic earnings/(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.

	Second quarter		Accumulated	
	ended		six months ended	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
Profit/(loss) for the period attributable to the ordinary equity holder (RM'000)	455	16	176	(5,145)
Weighted average number of ordinary shares in issue ('000)	133,388	129,144	133,388	129,144
Basic earnings per share attributable to equity holders (sen)	0.34	0.01	0.13	(3.98)