

mTouche™

MTOUCHE TECHNOLOGY BERHAD
(656395-X)



ANNUAL REPORT 2005



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Goh Eugene (Wu Eugene) - Chief Executive Officer (*Chairman / Executive Director*)

Tan Wee Meng (Chen Weiming) - Chief Operating Officer (*Executive Director*)

Hendra Sie - Chief Technology Officer (*Executive Director*) *Resigned w.e.f 13 March 2006*

Ng Joo How - Independent Non-Executive Director

Lai Teik Kin - Independent Non-Executive Director

Lim Ee-Jin - Non Independent Non-Executive Director *Appointed w.e.f 30 December 2005*

AUDIT COMMITTEE

Ng Joo How - *Chairman*
Independent Non-Executive Director

Lai Teik Kin - *Member*
Independent Non-Executive Director

Tan Wee Meng - *Member*
(Chen Weiming) Executive Director

COMPANY SECRETARY

Seow Fei San (MAICSA 7009732)
312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26, 47301 Petaling Jaya
Selangor
Tel : 03-7803 1126

Law Mee Poo (MAICSA 7033423)
312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26, 47301 Petaling Jaya
Selangor
Tel : 03-7803 1126

REGISTERED OFFICE

312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26, 47301 Petaling Jaya
Selangor
Tel : 03-7803 1126

HEAD OFFICE

mTouche Technology Berhad
Suite 39-06 Menara Citibank
165 Jalan Ampang, 50450 Kuala Lumpur
Tel : 03-2166 0018
Fax: 03-2166 1028
Website : www.mtouche.com

R & D OFFICE

C118, 1st Floor Block C
SME Technopreneur Centre
2270 Jalan Usahawan 2
63000 Cyberjaya, Selangor

GROUP AUDITORS

Ernst & Young
4th Floor, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2144 2333

PRINCIPAL BANKER

Public Bank Berhad

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd
312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26, 47301 Petaling Jaya
Selangor
Tel : 03-7806 2116

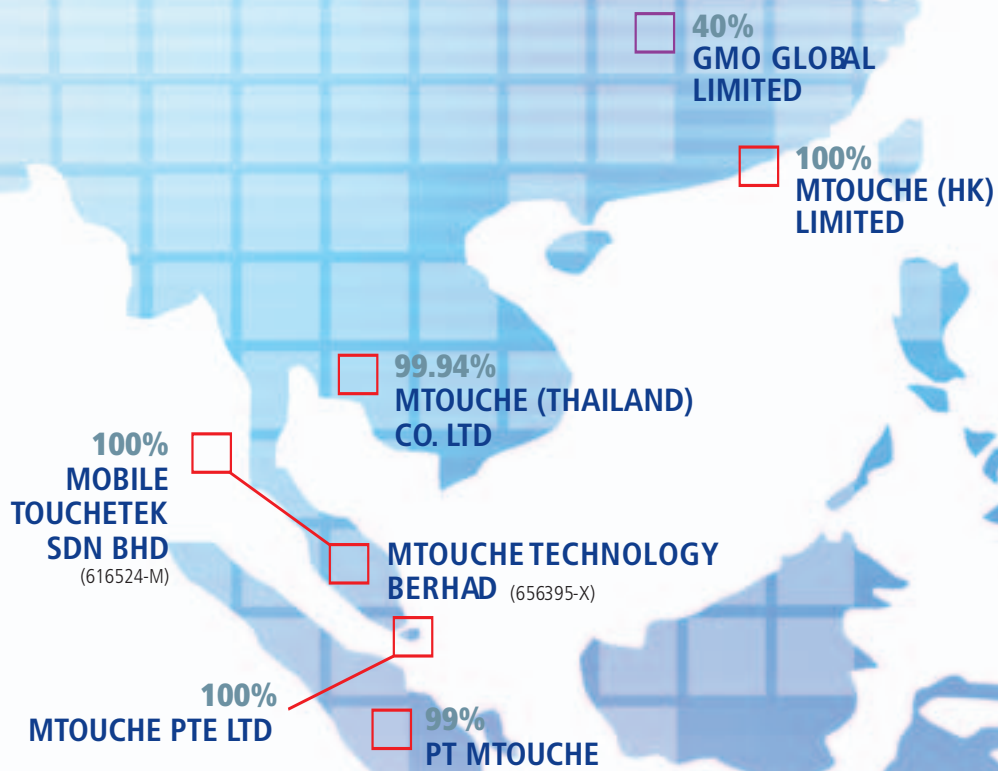
SPONSOR

Public Merchant Bank Berhad
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2166 9382

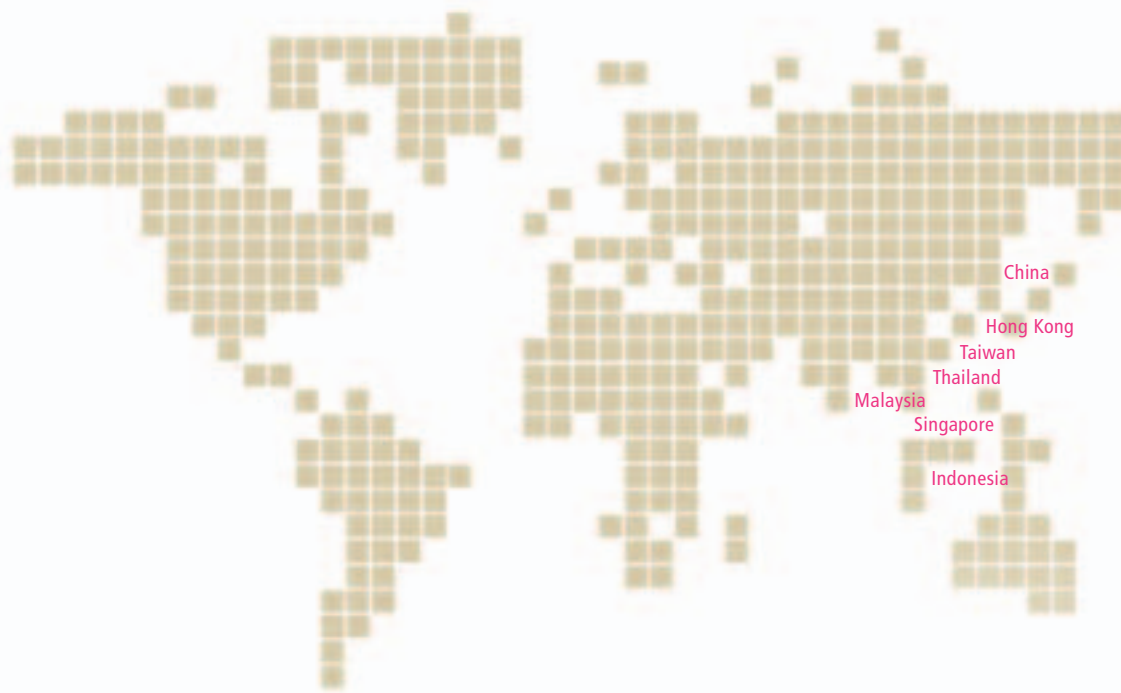
STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad

CORPORATE STRUCTURE



CORPORATE CALENDAR



2002

19 July

Incorporation of mTouche Pte Ltd ("MPL") as a private limited company in Singapore.

The company was founded by Goh Eugene (Wu Eugene), Tan Wee Meng (Chen Weiming) and Hendra Sie who are also our Company's Chief Executive Officer, Chief Operating Officer and Chief Technology Officer respectively.

2003

27 May

Incorporation of Mobile Touchetek Sdn Bhd ("MTSB") as a private limited company in Malaysia.

19 November

Incorporation of PT mTouche ("PTMT") as a private limited company in Indonesia.

2004

16 February

Incorporation of mTouche (Thailand) Co. Ltd ("MCL") as a private limited company in Thailand.

17 June

Incorporation of mTouche Technology Sdn Bhd as a private limited company in Malaysia.

1 July

mTouche Technology Sdn Bhd was granted Multimedia Super Corridor ("MSC") status company by Multimedia Development Corporation Sdn Bhd ("MDC")

7 July

mTouche Technology Sdn Bhd was converted to a public limited company and assumed our present name of mTouche Technology Bhd ("mTouche or the Company")



2005

18 April

mTouche was granted approval from the Securities Commission for the Initial Public Offering ("IPO").

14 June

mTouche was granted approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for admission to the Official List of Bursa Securities an onward listing of mTouche shares on the MESDAQ Market of Bursa Securities.

30 June

Official Launch of mTouche Prospectus for the IPO.

21 July

Listing of mTouche's 15,000,000 new ordinary shares on the MESDAQ Market of Bursa Securities.

9 Nov

MMS G3 Limited., Hong Kong became a wholly owned subsidiary of mTouche and changed its name to mTouche (HK) Ltd on 7 December 2005.

19 Dec

Official listing of 10% new ordinary shares of mTouche on the MESDAQ Market of Bursa Securities.

22 December

mTouche entered into a Joint Venture Agreement with Green Packet Berhad ("GPB") and OSK Ventures International Berhad ("OSKVI") to form a new company GMO Global Limited ("GMO") in the British Virgin Islands, to undertake investments in relation to the Cellular communication and wireless value-added services ("WVAS") businesses in the Asia-Pacific Region. On the same day, GMO and Hong Xun Limited entered into a Joint Venture Agreement to form a new company to develop and carry on the business in relation to the research and development as well as provision of WVAS in greater China and any other business ancillary thereto.



PROFILE OF DIRECTORS

GOH EUGENE (WU EUGENE)

Goh Eugene (Wu Eugene) aged 30, is the Chief Executive Officer of our Group. He is the founder of MPL and a major contributor to the setup of MPL's pioneering operations in Singapore. Under his guidance, our Group has grown and expanded exponentially into other Southeast Asia markets such as Malaysia, Indonesia and Thailand with local offices set up in each country. With this, our Group is one of the mobile technology platform service providers in the world to have direct server connections to all Mobile Network Operators in Singapore, Malaysia, Indonesia and Thailand, thereby offering an unparalleled reach to regional customers. Eugene graduated with a Bachelor of Business degree from the National University of Singapore in 1999.

TAN WEE MENG (CHEN WEIMING)

Tan Wee Meng (Chen Weiming) aged 30, is the Chief Operating Officer and co-founder of MPL. Wee Meng has several years of working experience in the mobile computing and telecommunications industry. Prior to setting up MPL, Wee Meng served as a Senior Account Manager with MobileOne Ltd (formerly known as MobileOne (Asia) Pte Ltd) (a listed mobile operator in Singapore) since November 2000 till July 2002. He defined and developed strategies for channel partnerships, mobile solutions and products dedicated to enterprise businesses. This included market development and marketing of 2.5G services and infrastructure for the corporate sector. He also pioneered the solution sales unit converging hardware, applications and wireless communications technologies via strategic alliances for the business marketplace. Wee Meng graduated with an Upper Class Honours Degree in Accountancy from Nanyang Technological University in Singapore 1999.

NG JOO HOW

Ng Joo How aged 51, is our Independent Non-Executive Director. Joo How is a Fellow member of The Association of Chartered Certified Accountants, United Kingdom (ACCA). Joo How has been an active member of the Malaysian Chapter of ACCA and served as its vice president from July 1997 to August 1998. Currently, Joo How is the Delegate representing Malaysia in the International Assembly of ACCA in London. He is also a member of the Malaysian Institute of Accountants as a Chartered Accountant and the Malaysian Institute of Taxation. Joo How has more than 25 years experience in the field of accountancy and tax practices. He has been in public practice as an Approved Company Auditor for more than 20 years and is currently the Managing Partner of Messrs. Ng Joo How & Wan, a Chartered Accountants firm.



Profile of Directors

(Cont'd)


LAI TEIK KIN

Lai Teik Kin aged 41, is our Independent Non-Executive Director. Teik Kin a co-founder of Nova MSC Berhad which was listed on the MESDAQ Market in August 2003. He is the Chief Business Development officer for Nova MSC Group and Chief Executive Officer of novaHEALTH Pte Ltd. Teik Kin started his career in 1988 as a Supervisor with Baxter Healthcare in Malaysia. From 1989 to 1992, he joined the Housing & Development Board of Singapore as a surveyor. Thereafter, he left to be a Product Specialist of Siemens-Nixdorf Information Systems Pte Ltd from 1992 to 1993. From 1993 to 1995, he was employed in the IT Division of Siemens Pte Ltd as a Senior Consultant. Throughout these positions, he had been involved in the pre-sales, consultancy and project management of large-scale IT projects, both in Singapore and abroad. Among his achievements were the winning of major projects for the development of application software from Singapore's two major hospitals and a private hospital. He holds a Bachelor (Hons) in Surveying from the University of Queensland, Australia.

LIM EE-JIN

Lim Ee-Jin aged 36, was appointed a Non-Independent Non-Executive Director on 30 December 2005. He is currently the Assistant General Manager of OSK Ventures International Berhad and is responsible for managing venture capital investment covering a spectrum of industrial and high technology companies. Prior to his current designation, he was an investment analyst with the OSK Investment Research division from 1996 to 2000. He began his career in 1995 as an assistant accountant with Sunmix Concrete Sdn Bhd, a subsidiary of Sunway Building Technology Berhad. Ee-Jin holds a Bachelor of Commerce (majoring in Accountancy) from the University of Birmingham, United Kingdom. He is also an affiliate member with the Association of Chartered Certified Accountants. He is also the director of eBworx Bhd and Green Packet Berhad.

CHAIRMAN'S STATEMENT



Year 2005 marks the start of an exciting year for the **mTouche Technology Berhad** and its subsidiaries ("mTouche Group or the Group") following our Initial Public Offering ("IPO") on the 21 July on the MESDAQ market of Bursa Malaysia Securities Berhad ("Bursa Securities"). We were the best performing MESDAQ listed company for year 2005 with a jump from our IPO price of RM0.60 to close at RM3.47 for the financial year ended 31 December 2005, registered an increased of 478% from the said IPO price.

To-date, we have fully utilised the RM9.0 million raised from our IPO exercise for overseas expansion, Research & Development ("R&D"), listing expenses and working capital purposes, as indicated in our Prospectus dated 30 June 2005. As for our placement funds of RM12.7 million, approximately RM8.0 million has been utilised for the acquisition of Inova Venture Pte Ltd and the 20% equity interest in IdotTV Sdn Bhd.

The IPO funds allocated for R&D of RM 1.5 million was utilised on acquisition of mobile related hardware, software and additional headcounts of excellent engineers as part of our commitment towards new leading technologies.

We are proud to announce that mTouche, working closely with one of the leading Malaysia mobile network operator, successfully launched its first version of the mTouche 3G Platform during the financial year ended 31 December 2005. The mTouche 3G Platforms also concurrently supports the following 3G applications, namely mTouche 3G TV Platform, mTouche 3G Radio Platform, mTouche 3G Press Platform and the mTouche 3G Corporate Messaging Platform.

This fully illustrates our competency for the 3G industry and our readiness to provide 3G services in the region once the 3G adoption rate in the region takes flight.

Our fourth quarter ended 31 December 2005 recorded a profit before taxation of RM6.4 million, an increase of 48% from the previous quarter. Riding on the strong quarterly performance for financial year 2005, our full year results recorded a profit before taxation of RM12.2 million.

Chairman's Statement

(Cont'd)

Following the successful IPO, mTouche Group continued its geographical expansion strategy by successfully acquiring and integrated MMSG3 Ltd in Hong Kong, which was subsequently renamed as mTouche (HK) Ltd ("MTHK"). Currently MTHK has tied up with the following telecommunication companies namely Hong Kong CSL Ltd, Hutchison Telephone Company Ltd, New World PCS Ltd, China Resources Peoples Telephone Company Ltd, SmarTone Mobile Communications Ltd and Sunday O/B Mandarin Communication Ltd. This allows mTouche to have immediate channels to offer its products and services to the users of these telecommunication companies.

Apart from market expansion, mTouche Group also strengthened its product growth by entering into an agreement to acquire 51% equity interest in Inova Venture Pte Ltd ("Inova"), a leading telecommunications provider in Asia providing high-end value added solutions and telecommunication switches to telecommunication related companies. Inova product platforms are designed to allow integration with traditional legacy switching, Voice Over Internet Protocol ("VOIP") and wireless networks. This has provided a strong portfolio of product platforms in addition to the Group's messaging platforms.

In addition, mTouche Group, positions itself as a forward looking technology group, further enhances its product strength by entering into an agreement for a strategic 20% equity stake of IdotTV Sdn Bhd ("IdotTV"). IdotTV has developed a Peer to peer ("P2P") mobile solution named Airtime Transfer Solutions ("ATS") which allows mobile prepaid users to share their airtime credits. This will spearhead the Group's entry into the mobile payment industry which is closely tied with the Group's mTouche messaging platforms.

mTouche has in China, one of the largest mobile market in the world, entered into a joint venture agreement with Green Packet Berhad and OSK Ventures International Berhad to form a new company, GMO Global Limited ("GMO") to undertake investments in relation to the cellular communication and wireless value-added services ("WVAS") businesses in the Asia Pacific Region. GMO then entered into a Joint Venture Agreement with Hong Xun Limited to form MH Capital Inc, to develop and carry on the business in relation to the research and development as well as provision of WVAS in Greater China. Hong Xun Beijing is a leading WVAS service provider in the People's Republic of China ("PRC") with a national shortcode and provides its services via the telecommunication companies in the PRC such as China Mobile Communication Corporation, China Unicom Ltd, China Telecom Corporation Limited and China Netcom Communication Group Corporation.

In order to gain expertise and access to the Europe and India market, the Group has entered into a Memorandum of Understanding with Cellcast plc, an interactive digital broadcaster listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. Cellcast is a leading provider of participation television applications, formats and services with a vast expertise of interactive TV know-how. This collaboration will fast-track the Group's expansion to the Europe and India market and also widen our range of products and services.

Following the above mentioned acquisitions, the Group has built a strong market presence in six countries namely Malaysia, Singapore, Indonesia, Thailand, Hong Kong and China. The Group's growth is expected to come from Indonesia, Thailand and China where the mobile penetration rate is still relatively low. Our global presence and network has reinforced the Group's position as a market leader in Asia. The Group will continue to leverage on our global presence and network to secure a leading mobile player position in the world.

This has been an excellent year for the Group which is reflected in the Group's financial results. Our ability to grow via geographic and value-added product platform acquisitions in addition to organic growth, as well as integrating our acquisition targets and our strong China presence will allow us to secure a leading position as one of the top mobile player globally. The Group is confident of the year ahead and is well-positioned to take advantage of forecast growth in demand for mobile services globally.

GOH EUGENE

Chairman

STATEMENT OF CORPORATE GOVERNANCE

THE IMPORTANCE OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of mTouche Technology Berhad & its subsidiary ("the Group"). To this end, the Board fully supports the Malaysian Code on Corporate Governance ("the Code").

With this in mind, measures and efforts have always been taken to ensure as far as practicable, the adoption and the implementation of the Code's Best Practices and the compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirement throughout the Group.

The Board is pleased to outline the key principles and best practices of the Group, taken as a whole, which forms the system of governance adopted by the Board.

A. DIRECTORS

The Board

An effective Board with diverse backgrounds leads and controls the Group to ensure capable management. It resolves key business matters and corporate policies except those reserved for shareholders as provided in the Articles of Association in accordance with the Companies Act 1965, and other Regulations.

The Board consisting of competent individuals with appropriate specialised skills and knowledge successfully direct, supervise and manage the Group's business as a going concern, which encompass issues of setting strategic business directions, overseeing conducts and affairs, developing shareholders and investors relations and communications, reviewing the system of internal control and succession planning.

The Board takes full responsibility for the performance of the Group. The Board also approves all appointments of directors to the Board and key executive appointments; and monitors and reviews executive succession planning.

The Board has delegated specific responsibilities to the sub-committee namely the Audit Committee, which was established with specific terms of references. This committee has the authority to examine particular issues for reporting to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board of Directors.

Board Balance

The Board currently has five members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and One (1) Non-Independent Non-Executive Director. Together, the Directors bring a wide range of business and financial experience relevant to a large, expanding group. A brief description of the background of each Director is presented on pages 6 and 7.

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability with their unbiased and independent views, advice and judgement to take into account of the long term interests of the shareholders, employees, customers and the Company's business associates, which ensure that no one individual dominates the decisions of the Board. The Board considers its current size adequate, given the present scope of work and nature of the Company's business operations and the investment of the minority shareholders is fairly reflected in the Board representation.

Statement of Corporate Governance

(Cont'd)

A. DIRECTORS (cont'd)

Balance in the Board is achieved and maintained where the composition of the members of the Board is professionals and entrepreneurs, with the mix of industrial knowledge, board business and commercial experience. Such balance enables the Board to provide effective leadership in all aspects, as well as maintaining the high standards of governance and integrity in making decisions relating to strategy, performance, internal control, investors' relation and human resource management.

Board Meeting

The Company was listed on the MESDAQ Market of Bursa Securities on 21 July 2005. During the financial year ended 31 December 2005, the Board's first meeting held on 15 July 2005. Details of the attendance are as follows: -

Director	Position	Attendance	%
Eugene Goh	Chairman / Executive Director	2/2	100
Tan Wee Meng	Executive Director	2/2	100
Hendra Sie	Executive Director	1/2	50
Ng Joo How	Independent Non-Executive Director	2/2	100
Lai Teik Kin	Independent Non-Executive Director	2/2	100

The Board is scheduled to meet at least four times a year, at quarterly intervals, with additional meetings convened as necessary. The Chairman with the assistance of the Management and the Company Secretary, is responsible for setting the agenda for Board Meetings.

Re-election

The Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

Supply of Information

The Board recognises that the decision making process is highly contingent on the strength of information furnished. As such, Directors have unrestricted access to any information pertaining to the Group.

The Chairman plays a key role in ensuring that all Directors have full and timely access to information with Board papers circulated at least three (3) working days in advance of Board meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at the Board meeting and expedites the decision making process.

Every Director has unhindered access to advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board while the terms of appointment permit her removal and appointment only by the Board as a whole.

The Audit Committee plays a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committee partly functions as a filter to ensure that only pertinent matters are tabled at the Board level.

Statement of Corporate Governance

(Cont'd)

A. DIRECTORS (cont'd)

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by BURSATRA Sdn Bhd (formerly known as Bursa Malaysia Training Sdn Bhd) within the stipulated time frame required in the Listing Requirements. The Directors will also continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Appointment of Directors

The Malaysian Code on Corporate Governance endorses, as good practice, a formal procedure for appointment to the Board with a nomination committee making recommendations to the Board.

The Code, however, states that these procedures may be performed by the Board as a whole, although, as a matter of best practice, it recommends that this responsibility be delegated to a committee.

Currently, all Directors are involved in assessing the existing Directors and identifying, recruiting, nominating, appointing and orientating new Directors.

B. SHAREHOLDERS

The policy of the Group is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete picture of the Company's performance and position as possible.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answers from, both private and institutional shareholders on all issues relevant to the Company at the AGM. At each AGM, the board presents the progress and performance of the business and encourages shareholders to participate in question and answer session both about the resolutions being proposed or about the Group's operations in general. Executive Directors and, where appropriate, the Chairman of the Audit Committee, are available to response to the shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the questioner with a written answer to any significant question that cannot be readily answered on the spot.

However any information that may be regarded as undisclosed material information about the Group will not be given.

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half year announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reporting.

Statement of Internal Control

The Statement on Internal Control furnished on page 18 of the annual report provides an overview on the state of internal controls within the Group.

Statement of Corporate Governance

(Cont'd)

C. ACCOUNTABILITY AND AUDIT (cont'd)

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young has continued to report to shareholders of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the Auditors highlight to the Audit Committee and Board of Directors on matters that require Board's attention.

The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on pages 14 to 17 of the Annual Report.

Directors' Responsibility Statement

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



AUDIT COMMITTEE REPORT

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Ng Joo How	Chairman, Independent Non-Executive Director
Lai Teik Kin	Independent Non-Executive Director
Tan Wee Meng	Executive Director, Chief Operating Officer

MEETINGS

The Committee convened two (2) meetings during the period, which were attended by all the members. The Group Chief Executive Officer attended all meetings. Other members of the Board and senior management attended some of the meetings upon invitation by the Chairman of the Committee. The meetings were appropriately structured throughout the use of agendas, which were distributed to members with sufficient notification.

SUMMARY OF ACTIVITIES

The Committee carried out its duty in accordance with its Terms of Reference.

During the financial year ended 31 December 2005, the Committee reviewed the quarterly results and financial statement for recommendation to the Board of Directors.

TERMS OF REFERENCE

The terms of reference of the Committee are set out in pages 14 to 17.

TERMS OF REFERENCE

Primary Purposes

The Audit Committee shall:

1. provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").
2. improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
3. maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
4. enhance the independence of both the external and internal auditors function through active participation in the audit process.
5. strengthen the role of the independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
6. act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.

TERMS OF REFERENCE (cont'd)

Composition

The Audit Committee shall be appointed by the directors from amongst themselves which fulfils the following requirements: -

1. The Audit Committee shall be composed of no fewer than three (3) members;
2. A majority of the Audit Committee must be independent directors;
3. The Chairman of the Audit Committee shall be an independent director; and
4. The Chief Executive Officer shall not be a member of the Audit Committee.

Authority

The Audit Committee was formed under Chapter 13, Part IV, Paragraph 13.8 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the MESDAQ Market. The Audit Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full access to any information which it requires in the course of performing its duties;
- (d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (g) be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

Functions and Duties

The functions of the Audit Committee are as follows:-

1. To review:
 - (a) the nomination of external auditors;
 - (b) the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
 - (c) the effectiveness and adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (d) the effectiveness of the internal control and management information systems;
 - (e) the financial statements of the Company with both the external auditors and management;
 - (f) the external auditors' audit report;

Audit Committee Report

(Cont'd)

TERMS OF REFERENCE (cont'd)

Functions and Duties (cont'd)

- (g) any management letter sent by the external auditors to the Company and the management's response to such letter;
 - (h) any letter of resignation from the Company's external auditors;
 - (i) the assistance given by the employees of the Company to the external auditors;
 - (j) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - (k) all related party transactions and potential conflict of interests situations that may arise within the Company/Group.
2. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
 3. To carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effectiveness discharge of the Committee's duties and responsibilities.
 4. The Committee actions shall be reported to the Board of Directors with such recommendations as the Committee deemed appropriate.
 5. To report to the Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements for the MESDAQ Market.

RETIREMENT AND RESIGNATION

In the event of any vacancy in the Audit Committee, the Company shall fill in the vacancy within two (2) months, but in any case not later than three (3) months.

MEETINGS

1. The committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
2. A minimum of two (2) members present shall form the quorum.
3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

MEETINGS (cont'd)

5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
6. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

PROCEDURES OF AUDIT COMMITTEE

The Audit Committee may regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

SECRETARY

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

STATEMENT OF INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement on the nature and scope of the Group's internal controls.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, organisational, operational and compliance controls.

SYSTEM OF INTERNAL CONTROL

The key elements of the Group's internal control system include:

- Established management structure of the Group with clearly defined lines of responsibilities and appropriate levels of delegation and authority.
- Defined authorisation procedures for major operational and financial functions including sales, purchases, receipts, payment and capital expenditures which are subject to continuous review throughout the year.
- Weekly departmental meetings are held to review, discuss and resolve operational and administrative issues.
- Quarterly senior management meetings are held to monitor key operational and strategic business development together with financial performance of the Group.
- A Group risk management framework has been implemented where key business risks faced by respective countries are continuously being identified, assessed, monitored and managed consistently. This framework ensures that appropriate procedures are put in place to mitigate the exposure of those risks.
- Policies and procedures for key business and financial processes have been continuously reviewed by the directors to promote efficiency and accountability.
- The Board intends to set up an internal audit function within the Group in year 2006.

In view of the Group's current business activities, the Board is of the view that the above monitoring and reporting processes which have been put in place, provide an adequate form of check and balance. Nevertheless, the Board recognises that the system must continuously evolve and improve to support the Group's business activities.

The Jointly Controlled Entity namely GMO Global Limited has not been dealt with as part of the Group for the purpose of this statement.



Established in 2001, mTouche™ is a forward
and leader with expertise in software content
technologies, mobile messaging services and
interactive media applications.

With Malaysia as Headquarters,
we have wholly owned
subsidiaries in Singapore,
Malaysia, Indonesia & Thailand.



mTouche™ solutions are tailored
to the individual needs of our
personalized & interactive media
services. We leverage our unique
innovative technologies and services
for our customers by providing
solutions & services.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities.

The principal activities of the subsidiaries are provision of mobile messaging technology services. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	12,574,289	15,707,097

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

Lai Teik Kin *(appointed on 20 May 2005)*

Ng Joo How *(appointed on 20 May 2005)*

Lim Ee-Jin *(appointed on 30 December 2005)*

Seng Yee Ping *(resigned on 20 May 2005)*

Seng Siau Lee *(resigned on 20 May 2005)*

Hendra Sie *(resigned on 13 March 2006)*

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each		
	01.01.2005	Bonus Issue	Before Subdivision on 24.05.2005
The Company			
Direct Interest:			
Goh Eugene (Wu Eugene)	1,637,854	994,646	2,632,500
Tan Wee Meng (Chen Weiming)	1,077,094	654,596	1,731,690
Hendra Sie	493,876	299,924	793,800
Lai Teik Kin	105,084	63,816	168,900
Ng Joo How	-	-	-

	After Subdivision on 24.05.2005	Number of Ordinary Shares of RM0.10 Each		
		Acquired	Sold	31.12.2005
The Company				
Direct Interest:				
Goh Eugene (Wu Eugene)	26,325,000	714,300	(2,900,000)	24,139,300
Tan Wee Meng (Chen Weiming)	17,316,900	500,000	(2,400,000)	15,416,900
Hendra Sie	7,938,000	200,000	(1,900,000)	6,238,000
Lai Teik Kin	1,689,000	-	(1,689,000)	-
Ng Joo How	-	200,000	(170,000)	30,000

	01.01.2005	Number of Ordinary Shares of USD10 Each		
		Acquired	Sold	31.12.2005
Subsidiary - PT mTouche				
Direct Interest:				
Goh Eugene (Wu Eugene)	30	-	-	30

	01.01.2005	Number of Ordinary Shares of THB100 Each		
		Acquired	Sold	31.12.2005
Subsidiary - mTouche (Thailand) Co., Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	1	-	-	1

Directors' Report

(cont'd)

DIRECTORS' INTERESTS (cont'd)

Goh Eugene (Wu Eugene), Tan Wee Meng (Chen Weiming), Hendra Sie and Ng Joo How by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM3,733,000 comprising 3,733,000 ordinary shares of RM1 each to RM8,250,000 comprising 82,500,000 ordinary shares of RM0.10 each on completion of the flotation of the Company and Private Placement as disclosed under Significant Events (Note (a) and (b)) in the Directors' Report.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

OTHER STATUTORY INFORMATION (cont'd)

- (f) (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

(a) Flotation of Company

During the financial year, the Company completed the implementation of a flotation scheme which involved the following:

Bonus Issue

Bonus issue of 2,267,000 new ordinary shares of RM1 each to existing shareholders of the Company on the basis of one (1) new ordinary share of RM1 each for approximately every 1.65 existing ordinary shares held in the Company by way of capitalisation of RM2,267,000 out of the retained profit of the Company.

Subdivision

Subdivision of every one (1) ordinary share of RM1 each after the Bonus Issue into ten (10) new ordinary shares of RM0.10 each.

Public Issue

Public issue for cash of 15,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.60 per share for total cash proceeds of RM9,000,000.

The entire enlarged issued and paid-up share capital of the Company comprising 75,000,000 ordinary shares of RM0.10 each was listed and quoted on the MESDAQ Market of Bursa Malaysia Securities Berhad on 21 July 2005.

(b) Private Placement

During the financial year, the Company completed a Private Placement for cash of 7,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.70 per ordinary share for total cash proceeds of RM12.75 million.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

(c) Acquisition of Subsidiary

On 9 November 2005, the Company acquired 100% equity interest in MMS G3 Ltd, a company incorporated in Hong Kong, comprising 2,000,000 ordinary shares of Hong Kong Dollar ("HKD") 1 each, for a total consideration of RM0.6 million satisfied wholly by cash.

(d) Acquisition of Jointly Controlled Entity

On 22 December 2005, the Company acquired 40% equity interest in GMO Global limited, a company incorporated in the British Virgin Islands, comprising 40 ordinary shares of United States Dollar ("USD") 1 each, for a total cash consideration of USD40 satisfied wholly by cash.

Directors' Report

(cont'd)

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 18 February 2006, the Company entered into a conditional sale agreement to acquire 20% equity interest in IdotTV Sdn Bhd, a company incorporated in Malaysia, comprising 50,000 ordinary shares of RM1 each, for a total consideration of RM4.5 million to be satisfied wholly by cash. The proposed acquisition is pending approval from the relevant authorities and shareholders at a general meeting to be convened.
- (b) On 22 February 2006, the Board of Directors announced that one of the Service-Based Operator ("SBO") Class Licences (registration number DV100638) held by mTouche Pte Ltd, a wholly owned subsidiary of the Company, has been temporarily suspended by the Infocomm Development Authority of Singapore on 21 February 2006 for a period of six (6) months with immediate effect. The Board of Directors is of the view that the financial implication as a result of the suspension of the said SBO Class Licence would not be material to the Group's consolidated financial results.
- (c) On 8 March 2006, the Company completed the acquisition of a 51% equity interest in Inova Venture Pte Ltd, a company incorporated in Singapore, comprising 51,000 ordinary shares of Singapore Dollar ("SGD") 1 each, for a total consideration of SGD5.1 million satisfied wholly by cash.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

GOH EUGENE (WU EUGENE)

Kuala Lumpur, Malaysia
21 March 2006

TAN WEE MENG (CHEN WEIMING)

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **GOH EUGENE (WU EUGENE)** and **TAN WEE MENG (CHEN WEIMING)**, being two of the directors of **MTOUCHE TECHNOLOGY BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 27 to 57 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

GOH EUGENE (WU EUGENE)

Kuala Lumpur, Malaysia
21 March 2006

TAN WEE MENG (CHEN WEIMING)

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **GOH EUGENE (WU EUGENE)**, being the director primarily responsible for the financial management of **MTOUCHE TECHNOLOGY BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 27 to 57 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **GOH EUGENE (WU EUGENE)** at Kuala Lumpur in the Federal Territory on 21 March 2006

GOH EUGENE (WU EUGENE)

Before me,

SOH AH KAU

W315
Commissioner for Oaths

REPORT OF THE AUDITORS

to the Member of mTouche Technology Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 27 to 57. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements, and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

In forming our opinion, we have considered the disclosure included in the audit reports of certain subsidiaries, namely Mobile ToucheTek Sdn Bhd (incorporated in Malaysia), mTouche (Thailand) Co, Ltd (incorporated in Thailand) and PT mTouche (incorporated in Republic of Indonesia), of which the financial statements have been prepared as a going concern on the assumption of continued financial support from the Company. Our opinion is not qualified in this respect.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

21 March 2006

YEO ENG SENG

No.1212/12/06 (J)

Partner

INCOME STATEMENTS

for the year ended 31 December 2005

	Note	2005 RM	Group Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Company Period from 17.06.2004 to 31.12.2004 RM
Revenue	3	36,537,694	8,351,293	16,921,402	6,980,000
Cost of sales		(20,271,643)	(5,407,470)	-	-
Gross profit		16,266,051	2,943,823	16,921,402	6,980,000
Administrative expenses		(4,329,195)	(1,243,269)	(1,013,946)	(231,989)
Other operating expenses		(1,994,177)	(849,949)	(229,437)	(1,215,038)
Profit from operations	4	9,942,679	850,605	15,678,019	5,532,973
Other income	7	65,422	-	40,386	-
Finance costs	7	(10,406)	-	-	-
Share of results of jointly controlled entity		2,163,175	-	-	-
Profit before taxation		12,160,870	850,605	15,718,405	5,532,973
Taxation	8	413,419	728,450	(11,308)	-
Profit after taxation		12,574,289	1,579,055	15,707,097	5,532,973
Minority interests		-	932	-	-
Net profit for the year/period		12,574,289	1,579,987	15,707,097	5,532,973
Earnings per share (sen)	9	19	3		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

at 31 December 2005

	Note	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Non-Current Assets					
Property, plant and equipment	10	2,113,421	294,377	10,193	-
Investments in subsidiaries	11	-	-	7,041,843	6,441,843
Investment in jointly controlled entity	12	2,163,326	-	151	-
Goodwill on consolidation	13	387,156	-	-	-
Deferred tax assets	24	564,108	143,731	-	-
		5,228,011	438,108	7,052,187	6,441,843
Current Assets					
Trade receivables	14	18,118,466	6,226,851	23,401,402	6,480,000
Other receivables	15	7,526,223	981,957	5,740,837	564,569
Cash and bank balances	16	12,988,210	462,240	11,904,449	43,778
		38,632,899	7,671,048	41,046,688	7,088,347
Current Liabilities					
Hire purchase payables	17	194,856	-	-	-
Trade payables	18	3,322,376	1,482,358	-	-
Other payables	19	2,053,370	490,942	3,819,445	4,264,159
Tax payable		-	38,645	-	-
		5,570,602	2,011,945	3,819,445	4,264,159
Net Current Assets		33,062,297	5,659,103	37,227,243	2,824,188
		38,290,308	6,097,211	44,279,430	9,266,031
Financed By:					
Share capital	20	8,250,000	3,733,000	8,250,000	3,733,000
Share premium		17,056,360	58	17,056,360	58
Reserve on consolidation	21	721,558	721,558	-	-
Foreign exchange reserve	22	46,909	62,608	-	-
Retained profits	23	11,887,276	1,579,987	18,973,070	5,532,973
Shareholders' equity		37,962,103	6,097,211	44,279,430	9,266,031
Hire purchase payables	17	328,205	-	-	-
		38,290,308	6,097,211	44,279,430	9,266,031

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	Note	Non-Distributable			Foreign Exchange Reserve RM	Distributable	Total RM
		Share Capital RM	Share Premium RM	Reserve on Consolidation RM		Retained Profits RM	
At date of incorporation		2	-	-	-	-	2
Issue of ordinary shares :							
Acquisition of subsidiaries	11	3,732,998	58	721,558	-	-	4,454,614
Arising from translation of foreign currency							
financial statements	22	-	-	-	62,608	-	62,608
Net profit for the period		-	-	-	-	1,579,987	1,579,987
At 31 December 2004		3,733,000	58	721,558	62,608	1,579,987	6,097,211
At 1 January 2005		3,733,000	58	721,558	62,608	1,579,987	6,097,211
Issue of ordinary shares :							
Bonus Issue	20	2,267,000	-	-	-	(2,267,000)	-
Public Issue	20	1,500,000	7,500,000	-	-	-	9,000,000
Private Placement	20	750,000	12,000,000	-	-	-	12,750,000
Expenses relating to the Flotation Scheme		-	(1,739,885)	-	-	-	(1,739,885)
Expenses relating to the Private Placement		-	(703,813)	-	-	-	(703,813)
Arising from translation of foreign currency							
financial statements	22	-	-	-	(15,699)	-	(15,699)
Net profit for the year		-	-	-	-	12,574,289	12,574,289
At 31 December 2005		8,250,000	17,056,360	721,558	46,909	11,887,276	37,962,103

The accompanying notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	Note	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At date of incorporation		2	-	-	2
Issue of ordinary shares :					
Acquisition of subsidiaries	11	3,732,998	58	-	3,733,056
Net profit for the period		-	-	5,532,973	5,532,973
At 31 December 2004		3,733,000	58	5,532,973	9,266,031
At 1 January 2005		3,733,000	58	5,532,973	9,266,031
Issue of ordinary shares :					
Bonus Issue	20	2,267,000	-	(2,267,000)	-
Public Issue	20	1,500,000	7,500,000	-	9,000,000
Private Placement	20	750,000	12,000,000	-	12,750,000
Expenses relating to the Flotation Scheme		-	(1,739,885)	-	(1,739,885)
Expenses relating to the Private Placement		-	(703,813)	-	(703,813)
Net profit for the year		-	-	15,707,097	15,707,097
At 31 December 2005		8,250,000	17,056,360	18,973,070	44,279,430

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Note	2005 RM	2004 RM
Cash Flows From Operating Activities			
Profit before taxation		12,160,870	850,605
Adjustment for:			
Depreciation		334,172	58,252
Effect of currency translation		(1,215)	55,382
Loss on disposal of property, plant and equipment		14,022	-
Property plant and equipment written-off		364	-
Interest expense		10,406	-
Interest income		(47,363)	-
Share of results in jointly controlled entity		(2,163,175)	-
Operating profit before working capital changes		10,308,081	964,239
(Increase)/decrease in receivables		(18,129,431)	5,489,239
Increase/(decrease) in payables		3,319,003	(5,836,535)
Cash (used in)/generated from operations		(4,502,347)	616,943
Taxes paid		(80,058)	(111,473)
Net cash (used in)/generated from operating activities		(4,582,405)	505,470
Cash Flows From Investing Activities			
Acquisition of subsidiary/subsidiaries	11	(583,200)	21,262
Investment in jointly controlled entity		(151)	-
Purchase of property, plant and equipment		(1,547,962)	(64,492)
Proceeds from disposal of property, plant and equipment		200	-
Interest received		44,158	-
Net cash used in investing activities		(2,086,955)	(43,230)
Cash Flows From Financing Activities			
Proceeds from issuance of shares:			
Flotation Scheme		9,000,000	-
Private Placement		12,750,000	-
Expenses relating to:			
Flotation Scheme		(1,739,885)	-
Private Placement		(703,813)	-
Interest paid		(10,406)	-
Repayment of hire purchase		(100,566)	-
Net cash generated from financing activities		19,195,330	-
Net increase in cash and cash equivalents		12,525,970	462,240
Cash and cash equivalents at beginning of year/period		462,240	-
Cash and cash equivalents at end of year/period	16	12,988,210	462,240

The accompanying notes form an integral part of the financial statements.

COMPANY CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Note	2005 RM	2004 RM
Cash Flows From Operating Activities			
Profit before taxation		15,718,405	5,532,973
Adjustment for:			
Depreciation		1,163	-
Interest income		(40,386)	-
Operating profit before working capital changes		15,679,182	5,532,973
Increase in receivables		(22,093,173)	(7,044,569)
(Decrease)/increase in payables		(444,714)	4,264,159
Cash generated (used in)/from operations		(6,858,705)	2,752,563
Taxes paid		(12,600)	-
Net cash (used in)/generated from operating activities		(6,871,305)	2,752,563
Cash Flows From Investing Activities			
Acquisition of subsidiary/subsidiaries	11	(600,000)	(2,708,787)
Investment in jointly controlled entity		(151)	-
Purchase of property, plant and equipment		(11,356)	-
Interest received		37,181	-
Net cash used in investing activities		(574,326)	(2,708,787)
Cash Flows From Financing Activities			
Proceeds from issuance of shares:			
Incorporation		-	2
Flotation Scheme		9,000,000	-
Private Placement		12,750,000	-
Expenses relating to:			
Flotation Scheme		(1,739,885)	-
Private Placement		(703,813)	-
Net cash generated from financing activities		19,306,302	2
Net increase in cash and cash equivalents		11,860,671	43,778
Cash and cash equivalents at beginning of year/period		43,778	-
Cash and cash equivalents at end of year/period	16	11,904,449	43,778

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities.

The principal activities of the subsidiaries are provision of mobile messaging technology services.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 312, 3rd Floor, Kelana Square, Jalan SS7/26, Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 104 (2004: 40) and 36 (2004: 16) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operation policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

Notes to the Financial Statements

31 December 2005 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of Consolidation (cont'd)

(ii) Jointly Controlled Entity

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investment in jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entity. Under the equity method of accounting, the Group's share of profit less loss of jointly controlled entity during the financial year is included in the consolidated income statement. The Group's interest in jointly controlled entity is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains or transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(d) Investments in Subsidiaries and Jointly Controlled Entity

The Company's investments in subsidiaries and jointly controlled entity are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

During the financial year, certain subsidiaries had changed the annual depreciation rate for furniture and fittings, and office equipment from 10% - 20% to 33% to conform to the applicable rate of the Group. The change in accounting estimate has no material effect to the results for the current year.

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Computers	33%
Furniture and fittings	20%
Office equipment	33%
Renovation	20%
Motor vehicle	20%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

Notes to the Financial Statements

31 December 2005 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Cash and Cash Equivalents

For purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank, and deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(m).

(ii) Operating lease

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements

31 December 2005 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Income Tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(j) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Revenue from provision of mobile messaging technology services

Revenue from provision of mobile messaging technology services is recognised net of service taxes and discount as and when the services are performed.

(ii) Licensing fees and management fee

Licensing fees and management fee are recognised on an accrual basis.

(iii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Revenue from product customisation

Revenue from product customisation is recognised based on invoiced value.

(l) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

Notes to the Financial Statements

31 December 2005 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(I) Foreign Currencies (cont'd)

(i) Foreign currency transactions (cont'd)

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2005 RM	2004 RM
Thai Baht (unit of 100)	9.2049	9.7636
Indonesia Rupiah (unit of 100)	0.0385	0.0408
Singapore Dollars	2.2714	2.3258
Hong Kong Dollars	0.4875	-
United States Dollars	3.7780	-

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

31 December 2005 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial Instruments (cont'd)

(i) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Trade payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period which they are incurred.

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by shareholders.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. REVENUE

	Group		Company	
	2005	Period from 17.06.2004 to 31.12.2004	2005	Period from 17.06.2004 to 31.12.2004
	RM	RM	RM	RM
Revenue from provision of mobile messaging technology services	30,653,214	8,351,293	-	-
Licensing fees	5,280,000	-	15,883,582	6,975,000
Management fee	-	-	433,340	-
Revenue from product customisation	604,480	-	604,480	5,000
	36,537,694	8,351,293	16,921,402	6,980,000

Notes to the Financial Statements

31 December 2005 (Cont'd)

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2005 RM	Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Staff costs (Note 5)	3,118,330	1,219,228	954,694	231,989
Non-executive directors' remuneration (Note 6)	43,832	6,000	40,832	-
Auditors' remuneration:				
(i) Auditors of the Company:				
Statutory audit	35,000	15,000	25,000	15,000
(ii) Other auditors:				
Statutory audit	32,709	34,051	-	-
Rental expenses for offices	442,096	173,675	10,369	-
Depreciation (Note 10)	334,172	58,252	1,163	-
Net foreign exchange losses/(gains):				
Realised	190,445	(24,790)	-	-
Loss on disposal of property, plant and equipment	14,022	-	-	-
Property, plant and equipment written-off	364	-	-	-

5. STAFF COSTS

	Group		Company	
	2005 RM	Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Wages and salaries	2,736,550	1,130,350	798,896	204,641
Social security costs	15,061	3,667	11,086	2,761
Short term accumulating compensated absences	52,096	-	32,521	-
Pension costs				
- defined contribution plans	246,351	85,211	99,686	24,587
Other staff related expenses	68,272	-	12,505	-
	3,118,330	1,219,228	954,694	231,989

Included in staff costs of the Group are executive directors' remuneration amounting to RM1,066,567 (2004: RM394,087) as further disclosed in Note 6.

Notes to the Financial Statements

31 December 2005 (Cont'd)

6. DIRECTORS' REMUNERATION

	Group		Company	
	2005	Period from	2005	Period from
	RM	17.06.2004 to	RM	17.06.2004 to
		31.12.2004		31.12.2004
		RM		RM
Directors of the Company				
Executive:				
Salaries and other emoluments	839,507	365,083	-	-
Pension costs				
- defined contribution plans	55,708	29,004	-	-
Benefits-in-kind	-	43,269	-	-
	895,215	437,356	-	-
Non-Executive:				
Fees	40,832	-	40,832	-
	936,047	437,356	40,832	-
Directors of the Subsidiaries				
Executive:				
Salaries and other emoluments	153,774	-	-	-
Pension costs				
- defined contribution plans	17,578	-	-	-
	171,352	-	-	-
Non-Executive:				
Fees	3,000	6,000	-	-
	174,352	6,000	-	-
Total	1,110,399	443,356	40,832	-
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 7)	1,066,567	394,087	-	-
Total non-executive directors' remuneration (Note 6)	43,832	6,000	40,832	-
Total directors' remuneration excluding benefits-in-kind	1,110,399	400,087	40,832	-

Notes to the Financial Statements

31 December 2005 (Cont'd)

6. DIRECTORS' REMUNERATION (cont'd)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2005	Period from 17.06.2004 to 31.12.2004
Executive:		
RM 50,001 - RM100,000	-	1
RM100,001 - RM150,000	-	2
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	1	-
RM350,001 - RM400,000	1	-
Non-Executive:		
Less than RM50,0000	2	-

7.1 OTHER INCOME

	Group		Company	
	2005 RM	Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Interest income on deposits	(47,365)	-	(40,386)	-
Others	(18,057)	-	-	-
	(65,422)	-	(40,386)	-

7.2 FINANCE COSTS

	Group		Company	
	2005 RM	Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Interest expense on:				
Hire purchase	10,250	-	-	-
Overdraft	156	-	-	-
	10,406	-	-	-

Notes to the Financial Statements

31 December 2005 (Cont'd)

8. TAXATION

	Group		Company	
	2005	Period from	2005	Period from
	RM	17.06.2004 to	RM	31.12.2004
		31.12.2004		RM
		RM		
Company and Subsidiaries				
Income tax:				
Malaysian income tax	11,308	-	11,308	-
Foreign tax	-	-	-	-
	11,308	-	11,308	-
Under/(over)provision in prior years:				
Malaysian income tax	2,613	(587,054)	-	-
Foreign tax	-	25,870	-	-
	13,921	(561,184)	11,308	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(427,128)	(167,266)	-	-
Overprovided in prior year	(212)	-	-	-
	(427,340)	(167,266)	-	-
	(413,419)	(728,450)	11,308	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

As the Company has been granted Multimedia Super Corridor ("MSC") status and the incentive awarded to the Company is Pioneer Status under Section 4A of the Promotion of Investments Act, 1986, its income from MSC-qualifying services is exempted from tax. The provision for income tax made by the Company in the financial year is in respect of interest income.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2005	Period from
	RM	17.06.2004 to
		31.12.2004
		RM
Group		
Profit before taxation	12,160,870	850,605
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	3,405,044	238,169
Effect of different rates in other countries	98,782	68,180
Effect of income not subject to tax	(4,432,273)	(1,549,232)
Effect on opening deferred tax of reduction in depreciation rate	(1,098)	-
Effect of expenses not deductible for tax purposes	271,026	1,075,617
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(44,321)	-

Notes to the Financial Statements

31 December 2005 (Cont'd)

8. TAXATION (cont'd)

	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Under/(over)provision of tax expense in prior years:		
Company and subsidiaries	2,613	(561,184)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	287,020	-
Overprovision of deferred tax in prior year:		
Company and subsidiaries	(212)	-
Tax expense for the year/period	(413,419)	(728,450)
Company		
Profit before taxation	15,718,405	5,532,973
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	4,401,153	1,549,232
Effect of income not subject to tax	(4,432,273)	(1,549,232)
Effect of expenses not deductible for tax purposes	42,428	-
Tax expense for the year	11,308	-

Tax savings during the financial year/period from:

	Group		Company	
	2005 RM	Period from 17.06.2004 to 31.12.2004 RM	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Utilisation of current year tax losses	543	-	-	-
Utilisation of previous unrecognised tax losses	-	-	-	-

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	2005 RM	Group Period from 17.06.2004 to 31.12.2004 RM
Net profit for the year/period	12,574,289	1,579,987
Weighted average number of ordinary shares in issue	67,006,849	58,680,253*
Basic earnings per share (sen)	19	3

* The earnings per share in the prior year has been restated on the basis that the bonus issue and subdivision were in effect throughout the financial period from 17 June 2004 to 31 December 2004.

Notes to the Financial Statements

31 December 2005 (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

	Computers RM	Furniture and Fittings RM	Office Equipment RM	Renovation RM	Motor Vehicle RM	Total RM
Group						
Cost						
At 1 January 2005	171,521	65,976	55,652	60,488	-	353,637
Additions	1,344,070	117,468	90,597	168,328	451,126	2,171,589
Disposals	-	-	-	(19,160)	-	(19,160)
Written-offs	(4,089)	(123)	-	-	-	(4,212)
Acquisition of subsidiary (Note 11(a))	2,692	1,039	3	-	-	3,734
Reclassification	-	(7,487)	5,324	2,163	-	-
Exchange differences	(3,583)	(1,584)	(1,430)	(782)	-	(7,379)
At 31 December 2005	1,510,611	175,289	150,146	211,037	451,126	2,498,209
Accumulated Depreciation						
At 1 January 2005	36,773	8,837	8,843	4,807	-	59,260
Depreciation charge for the year	224,929	21,083	39,737	25,867	22,556	334,172
Disposals	-	-	-	(4,938)	-	(4,938)
Written-offs	(3,834)	(14)	-	-	-	(3,848)
Reclassification	-	(832)	592	240	-	-
Exchange differences	294	(153)	(9)	10	-	142
At 31 December 2005	258,162	28,921	49,163	25,986	22,556	384,788
Net Book Value						
At 31 December 2005	1,252,449	146,368	100,983	185,051	428,570	2,113,421
At 31 December 2004	134,748	57,139	46,809	55,681	-	294,377

	Office Equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2005	-	-	-
Additions	3,900	7,456	11,356
At 31 December 2005	3,900	7,456	11,356

Notes to the Financial Statements

31 December 2005 (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office Equipment RM	Renovation RM	Total RM
Accumulated Depreciation			
At 1 January 2005	-	-	-
Depreciation charge for the year	542	621	1,163
At 31 December 2005	542	621	1,163
Net Book Value			
At 31 December 2005	3,358	6,835	10,193
At 31 December 2004	-	-	-

During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM2,171,589 (2004: RM64,492) of which RM633,311 (2004: Nil) were acquired by means of hire purchase arrangements. Net book value of property, plant and equipment held under hire purchase arrangements are as follows:

	Group RM
Computers	204,741
Motor vehicle	428,570
	633,311

11. INVESTMENTS IN SUBSIDIARIES

	2005 RM	Company 2004 RM
Unquoted shares, at cost	7,041,843	6,441,843

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
Mobile ToucheTek Sdn Bhd	Malaysia	100	100	Provision of mobile messaging technology services
mTouche Pte Ltd *	Singapore	100	100	Provision of mobile messaging technology services

Notes to the Financial Statements

31 December 2005 (Cont'd)

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
PT mTouche *	Republic of Indonesia	99	99	Provision of mobile messaging technology services
mTouche (Thailand) Co, Ltd *	Thailand	99.94	99.94	Provision of mobile messaging technology services
mTouche (HK) Ltd * (formerly known as MMS G3 Ltd)	Hong Kong	100	-	Provision of mobile messaging technology services

* Audited by firms of auditors other than Ernst & Young

(a) Acquisitions of Subsidiaries

On 9 November 2005, the Company acquired 100% equity interest in mTouche (HK) Limited (formerly known as MMS G3 Ltd), a company incorporated in Hong Kong, for a total cash consideration of RM0.6 million.

On 24 June 2004, the Company acquired 100% equity interest in mTouche Pte Ltd, a company incorporated in Singapore, for a total consideration of RM3,733,056 satisfied by the issue of 3,732,998 new ordinary shares of RM1 each in the Company at par.

On 25 June 2004, the Company undertook an internal reorganisation of its group of companies by way of acquiring 100% equity interest in Mobile Touchetek Sdn Bhd for a total cash consideration of RM2,208,787.

On 25 June 2004, the Company undertook an internal reorganisation of its group of companies by way of acquiring 99% equity interest in PT mTouche, a company incorporated in Indonesia, for a total cash consideration of RM1.

On 25 June 2004, the Company undertook an internal reorganisation of its group of companies by way of acquiring 99.4% in mTouche (Thailand) Co Ltd, a company incorporated in Thailand, for a total cash consideration of RM1.

The acquisition had the following effect on the Group's financial results for the year/period:

	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Revenue	407,003	8,351,293
Profit from operations	253,264	1,097,631
Profit after taxation	253,264	1,826,081
Minority interest	-	932
Net profit for the period	253,264	1,827,013

Notes to the Financial Statements

31 December 2005 (Cont'd)

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Acquisitions of Subsidiaries (cont'd)

The acquisition had the following effect on the financial position of the Group as at the end of the year/period:

	2005 RM	2004 RM
Property, plant and equipment	8,911	294,377
Goodwill on consolidation	387,156	-
Deferred tax assets	-	169,616
Trade and other receivables	1,428,345	6,644,241
Cash and bank balances	28,251	418,462
Trade and other payables	(80,545)	(1,935,002)
Deferred tax liabilities	-	(25,884)
Reserve on consolidation	-	(721,558)
Group's share of net assets	1,772,118	4,844,252

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiaries were as follows:

	As at 9.11.2005 RM	As at 24.06.2004 and 25.06.2004 RM
Property, plant and equipment (Note 10)	3,734	280,911
Trade and other receivables	275,753	12,698,045
Cash and bank balances	16,800	2,230,051
Trade and other payables	(83,443)	(7,809,835)
Deferred tax liabilities	-	(734,837)
Fair value of total net assets	212,844	6,664,335
Less: Minority interest	-	(932)
Group's share of net assets	212,844	6,663,403
Goodwill/(discount) on acquisition (Note 13 and 21)	387,156	(721,558)
Cost of acquisition	600,000	5,941,845
Purchase consideration satisfied by:		
Cash	600,000	2,208,789
Ordinary shares issued, at fair value	-	3,733,056
Total purchase consideration	600,000	5,941,845
Costs attributable to the acquisition, paid in cash	-	-
Total cost of acquisition	600,000	5,941,845
Cash outflow/(inflow) arising on acquisition:		
Purchase consideration satisfied by cash	600,000	2,208,789
Total cash outflow of the Company	600,000	2,208,789
Cash and cash equivalents of subsidiary acquired	(16,800)	(2,230,051)
Net cash outflow/(inflow) of the Group	583,200	(21,262)

Notes to the Financial Statements

31 December 2005 (Cont'd)

12. INVESTMENT IN JOINTLY CONTROLLED ENTITY

On 22 December 2005, the Company acquired 40% equity interest in GMO Global Ltd, a jointly controlled entity incorporated in the British Virgin Islands, for a total consideration of USD40.

	Group 2005 RM	Company 2005 RM
Unquoted shares at cost	151	151
Share of post-acquisition reserves	2,163,175	-
	2,163,326	151

The Group's aggregate share of of the income, expenses, assets and liabilities of the jointly controlled entity is as follows:

	2005 RM
Revenue	3,626,880
Expenses, including finance costs	(81,943)
Current asset	196
Non-current assets	13,525,240
Current liabilities	(10,433,663)
Minority interests	(928,447)
Net assets	2,163,326

Details of the jointly controlled entity are as follows:

Name of Jointly Controlled Entity	Country of Incorporation	Effective Equity Interest Held (%) 2005	Principal Activities
GMO Global Limited *	British Virgin Islands	40	Investment holding
Subsidiary of GMO Global Limited - MH Capital Inc *	British Virgin Islands	28	Research and development of wireless networking and telecommunication products, networking solutions and other high technology products and services

* Audited by firms of auditors other than Ernst & Young

13. GOODWILL ON CONSOLIDATION

	Group 2005 RM
At 1 January 2005	-
Acquisition of subsidiary (Note 11(a))	387,156
At 31 December 2005	387,156

Notes to the Financial Statements

31 December 2005 (Cont'd)

14. TRADE RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables:				
Subsidiaries	-	-	17,516,922	6,480,000
Others	18,118,466	6,226,851	5,884,480	-
	18,118,466	6,226,851	23,401,402	6,480,000

Included in trade receivables is an amount of RM604,480 (2004: Nil) due from MH Capital Inc, a subsidiary of the jointly controlled entity, GMO Global Limited.

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

15. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits (Note (i))	4,405,710	67,749	4,251,246	-
Prepayments	1,335,914	844,794	-	-
Other receivables	1,509,320	69,414	4,412	564,569
Amount due from subsidiaries (Note (ii))	-	-	1,483,887	-
Tax recoverable	275,279	-	1,292	-
	7,526,223	981,957	5,740,837	564,569

(i) Included in deposits of the Group and of the Company is an amount of RM4,242,773 (2004: Nil) paid as part settlement of the consideration for the proposed acquisitions of the equity interest in Inova Venture Pte Ltd and IdotTV Sdn Bhd.

(ii) The amount due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

16. CASH AND BANK BALANCES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	3,988,210	462,240	2,904,449	43,778
Deposits with licensed bank	9,000,000	-	9,000,000	-
	12,988,210	462,240	11,904,449	43,778

Notes to the Financial Statements

31 December 2005 (Cont'd)

16. CASH AND BANK BALANCES (cont'd)

The weighted average effective interest rates of deposits at the balance sheet date were as follow:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Licensed bank	2.6	-	2.6	-

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2005 Days	2004 Days	2005 Days	2004 Days
Licensed bank	30	-	30	-

17. HIRE PURCHASE PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Minimum hire purchase payments:				
Not later than 1 year	214,919	-	-	-
Later than 1 year and not later than 2 years	205,938	-	-	-
Later than 2 year and not later than 5 years	159,426	-	-	-
Later than 5 years	-	-	-	-
	580,283	-	-	-
Less: Future finance charges	(57,222)	-	-	-
Present value of hire purchase liabilities	523,061	-	-	-
Present value of hire purchase liabilities:				
Not later than 1 year	194,856	-	-	-
Later than 1 year and not later 2 years	185,224	-	-	-
Later than 2 years and not later than 5 years	142,981	-	-	-
Later than 5 years	-	-	-	-
	523,061	-	-	-
Analysed as:				
Due within 12 months	194,856	-	-	-
Due after 12 months	328,205	-	-	-
	523,061	-	-	-

The hire purchase liabilities bore interest at the balance sheet date at rates between 2.3% to 4.75% (2004: Nil) per annum.

18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days.

Notes to the Financial Statements

31 December 2005 (Cont'd)

19. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accruals	1,002,196	271,968	98,353	15,000
Payables	1,051,174	214,941	298,800	61,943
Amount due to a director	-	4,033	-	-
Amounts due to subsidiaries	-	-	3,422,292	4,187,216
	2,053,370	490,942	3,819,445	4,264,159

The amounts due to subsidiaries are unsecured, interest free and have no fixed term of repayment.

The amount due to a director is unsecured, interest free and has no fixed term of repayment.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1/ RM0.10 Each 2005	Amount 2005
Authorised:		
Ordinary shares of RM1 each		
At 1 January 2005 and before subdivision on 24 May 2005	10,000,000	10,000,000
Ordinary shares of RM0.10 each		
After subdivision on 24 May 2005 and at 31 December 2005	100,000,000	10,000,000
	Number of Ordinary Shares of RM1/ RM0.10 Each 2004	Amount 2004
Authorised:		
Ordinary shares of RM1 each		
At date of incorporation	100,000	100,000
Created during the period	9,900,000	9,900,000
At 31 December 2004	10,000,000	10,000,000

Notes to the Financial Statements

31 December 2005 (Cont'd)

20. SHARE CAPITAL (cont'd)

	Number of Ordinary Shares of RM1/ RM0.10 Each 2005	Amount 2005
Issued and fully-paid up capital:		
Ordinary shares of RM1 each		
At 1 January 2005	3,733,000	3,733,000
Issued during the year:		
Bonus Issue	2,267,000	2,267,000
Before subdivision on 24 May 2005	6,000,000	6,000,000
Ordinary shares of RM0.10 each		
After subdivision on 24 May 2005	60,000,000	6,000,000
Issued during the year/period:		
Public Issue	15,000,000	1,500,000
Private Placement	7,500,000	750,000
At 31 December 2005	82,500,000	8,250,000

	Number of Ordinary Shares of RM1/ RM0.10 Each 2004	Amount 2004
Issued and fully-paid up capital:		
Ordinary shares of RM1 each		
At date of incorporation	2	2
Issued during the period:		
Acquisition of subsidiary	3,732,998	3,732,998
At 31 December 2004	3,733,000	3,733,000

(a) Bonus Issue

During the financial year, the Company made a bonus issue of 2,267,000 new ordinary shares of RM1 each to existing shareholders of the Company on the basis of one (1) new ordinary share of RM1 each for approximately every 1.65 existing ordinary shares held in the Company by way of capitalisation of RM2,267,000 out of the retained profit of the Company.

(b) Subdivision

During the financial year, the Company subdivided its authorised share capital from 10,000,000 ordinary shares of RM1 each to 100,000,000 ordinary shares of RM0.10 each and subdivided its issued and fully paid-up share capital from 6,000,000 ordinary shares of RM1 each to 60,000,000 ordinary shares of RM0.10 each after the Bonus Issue.

(c) Public Issue

During the financial year, the Company implemented a public issue for cash of 15,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.60 per ordinary share for total cash proceeds of RM9,000,000.

Notes to the Financial Statements

31 December 2005 (Cont'd)

20. SHARE CAPITAL (cont'd)

(d) Private Placement

During the financial year, the Company implemented a private placement for cash of 7,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.70 per ordinary shares for total proceeds of RM12,750,000.

21. RESERVE ON CONSOLIDATION

	2005 RM	Group	2004 RM
At 1 January/date of incorporation	721,558		-
Acquisition of subsidiaries	-		721,558
At 31 December	721,558		721,558

22. FOREIGN EXCHANGE RESERVE

	2005 RM	Group	2004 RM
At 1 January/date of incorporation	62,608		-
Arising in the year/period	(15,699)		62,608
At 31 December	46,909		62,608

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

23. RETAINED PROFITS

The Company has sufficient balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005, subject to the agreement of the Inland Revenue Board.

24. DEFERRED TAX

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January/date of incorporation	(143,731)	-	-	-
Acquisition of subsidiaries	-	21,130	-	-
Recognised in income statement	(427,340)	(167,266)	-	-
Exchange differences	6,963	2,405	-	-
At 31 December	(564,108)	(143,731)	-	-

Notes to the Financial Statements

31 December 2005 (Cont'd)

24. DEFERRED TAX (cont'd)

The components and movements of deferred tax liabilities and liabilities during the financial period prior to offsetting are as follows:

Deferred Tax (Assets)/Liabilities of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM	Property, Plant and Equipment RM	Others RM	Total RM
At January	(153,102)	9,371	-	(143,731)
Recognised in income statement	(480,412)	61,300	(8,228)	(427,340)
Exchange differences	7,014	(8)	(43)	6,963
At 31 December	(626,500)	70,663	(8,271)	(564,108)

25. COMMITMENT

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Balance of purchase consideration for proposed acquisitions of equity interest in Inova Venture Pte Ltd and IdotTV Sdn Bhd	11,841,367	-	11,841,367	-

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005 RM	Period from 17.06.2004 to 31.12.2004 RM
Group		
Sales to MH Capital Inc, a subsidiary of a jointly controlled entity	604,480	-
Company		
Licensing fees charged to subsidiaries	10,603,582	6,980,000
Management fees charged to a subsidiary, Mobile Touchetek Sdn Bhd	433,340	-
Assignment fees in relation to an intellectual property charged by a subsidiary, mTouche Pte Ltd	-	1,200,000

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

27. SIGNIFICANT EVENTS

Significant Events are as disclosed in the Directors' Report.

Notes to the Financial Statements

31 December 2005 (Cont'd)

28. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

Subsequent Events After Balance Sheet Date are as disclosed in the Directors' Report.

29. COMPARATIVE FIGURES

The first set of financial statements were presented by the Company since its date of incorporation on 17 June 2004. Accordingly, comparative amounts for the income statements, statements of changes in equity, cash flow statements and the related notes which are largely attributed to acquisition of the subsidiaries which were completed in June 2004, are strictly not comparable with those of the current year.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest Rate Risk

The Group had no long term interest-bearing assets nor interest-bearing debts. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

(c) Foreign Exchange Risk

The Group is exposed to various currencies, mainly Singapore Dollars, Thai Baht and Indonesia Rupiah, Hong Kong Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group manages all its foreign assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	← Net Financial Assets/ (Liabilities) Held in Non-Functional Currency →					Total RM
	Ringgit Malaysia RM	Singapore Dollars RM	Indonesia Rupiah RM	Thai Baht RM	Hong Kong Dollars RM	
At 31 December 2005:						
Ringgit Malaysia	-	4,148,745	2,718,274	2,393,026	930,859	10,190,904
Singapore Dollars	(4,139,590)	-	663,308	269,776	1,256	(3,205,250)
Indonesia Rupiah	(2,721,767)	(664,084)	-	113,537	-	(3,272,314)
Thai Baht	(2,347,041)	(236,070)	(108,315)	-	-	(2,691,426)
Hong Kong Dollars	(917,290)	(1,231)	-	-	-	(918,521)
	(10,125,688)	3,247,360	3,273,267	2,776,339	932,115	103,393

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all funding needs and working capital requirements are met.

Notes to the Financial Statements

31 December 2005 (Cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Value

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their respective net fair values.

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets				
At 31 December 2005:				
Non-current unquoted shares	151	*	7,041,843	*
Advances to subsidiaries	-	-	19,000,809	**
At 31 December 2004:				
Non-current unquoted shares	-	-	6,441,843	*
Advances to subsidiaries	-	-	6,480,000	**
Financial Liabilities				
At 31 December 2005:				
Advances from subsidiaries	-	-	3,422,292	**
At 31 December 2004:				
Advances from subsidiaries	-	-	4,187,216	**

* It is not practicable to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

** It is also not practicable to estimate the fair value of advances to/from subsidiaries due principally to a lack of fixed terms entered into by the parties involved and without incurring excessive costs.

31. SEGMENT INFORMATION

(a) Business Segment

The Group operates within the mobile messaging technology business segment.

Notes to the Financial Statements

31 December 2005 (Cont'd)

31. SEGMENT INFORMATION (cont'd)

(b) Geographical Segment

The Group's business is managed and operated within and outside Malaysia. In Malaysia, its home country, the Group's areas of operation are principally investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunication and multimedia systems. Other operations in Malaysia include provision of mobile messaging technology services.

Outside Malaysia, the Group operates its business of providing mobile messaging technology services in other countries within the Asian region which include the Republic of Singapore, the Republic of Indonesia, Thailand and Hong Kong SAR.

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	Period from 17.06.2004 to		31.12.2005	31.12.2004	Period from 17.06.2004 to	
	2005	31.12.2004			2005	31.12.2004
	RM	RM	RM	RM	RM	RM
Malaysia	20,329,141	4,719,139	31,154,277	4,068,563	1,142,674	121,790
Outside Malaysia	16,208,553	3,632,154	12,706,633	4,040,593	1,032,649	223,613
Group	36,537,694	8,351,293	43,860,910	8,109,156	2,175,323	354,403

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2006

Authorised Share Capital	-	100,000,000
Issued & Fully Paid-up Capital	-	82,500,000
Class of Shares	-	Ordinary share of RM0.10 each
Voting Rights	-	One vote per share
Number of Shareholders	-	228

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of Holders	%	No. of Shares	%
1 - 99	2	0.92	100	0.00
100 - 999	14	6.42	3,700	0.01
1,000 - 4,999	58	26.60	115,500	0.14
5,000 - 10,000	30	13.76	201,000	0.24
10,001 - 100,000	72	33.03	2,837,100	3.44
100,001 - 1,000,000	34	15.60	12,137,800	14.71
ABOVE 1,000,000 SHARES	8	3.67	67,204,800	81.46
	228	100	82,500,000	100

REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2006

Name	Direct	%	Indirect	%
1 GOH EUGENE	24,686,500	29.92	-	-
2 TAN WEE MENG	15,425,000	18.70	-	-
3 NG JOO HOW	2,000	0.00	-	-
4 LAI TEIK KIN	0	0.00	-	-
5 LIM EE-JIN	0	0.00	-	-

REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2006

Name	No. of Shares		No. of Shares	
	Direct	%	Indirect	%
1 GOH EUGENE	24,686,500	29.92	-	-
2 TAN WEE MENG	15,425,000	18.70	-	-
3 HENDRA SIE	6,184,000	7.50	-	-
4 OSK CAPITAL PARTNERS SDN. BHD.	16,830,900	20.40	-	-
5 OSK VENTURES INTERNATIONAL BERHAD	-	-	16,830,900	20.40 ¹
6 OSK HOLDINGS BERHAD	-	-	16,830,900	20.40 ²
7 ONG LEONG HUAT @ WONG JOO HWA	-	-	16,830,900	20.40 ³

¹ Deemed interested by virtue of its shareholdings in OSK Capital Partners Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

² Deemed interested by virtue of its shareholdings in OSK Ventures International Berhad pursuant to Section 6A of the Companies Act, 1965.

³ Deemed interested by virtue of his shareholdings in OSK Holding Berhad pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings

as at 31 March 2006 (Cont'd)

THE 20 LARGEST SECURITIES ACCOUNT HOLDERS

	Holder Name	Shares Held	%
1	GOH EUGENE (WU EUGENE)	17,156,847	20.80
2	OSK CAPITAL PARTNERS SDN. BHD.	16,830,900	20.40
3	TAN WEE MENG (CHEN WEIMING)	11,392,095	13.81
4	HENDRA SIE	5,201,058	6.30
5	TAN WEE MENG (CHEN WEIMING)	4,032,905	4.89
6	GOH EUGENE (WU EUGENE)	4,009,653	4.86
7	TCL NOMINEES (ASING) SDN BHD QUALIFIER:OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	3,000,000	3.64
8	TCL NOMINEES (TEMPATAN) SDN BHD QUALIFIER:OSK CAPITAL SDN BHD FOR SENG SIAU LEE	2,000,000	2.42
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	1,956,000	2.37
10	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK-UOB GROWTH AND INCOME FOCUS TRUST (4892)	1,588,400	1.93
11	NORA EE SIONG CHEE	1,000,000	1.21
12	HSBC NOMINEES (ASING) SDN BHD QUALIFIER:TNTC FOR DBS MALAYSIA EQUITY FUND	1,000,000	1.21
13	HDM NOMINEES (ASING) SDN BHD QUALIFIER:UOB KAY HIAN (HONG KONG) LIMITED FOR LI YAN	820,000	0.99
14	SENG SIAU LEE	667,800	0.81
15	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)	600,000	0.73
16	TCL NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	543,900	0.66
17	PUBLIC NOMINEES (ASING) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR GOH EUGENE (E-KLC)	520,000	0.63
18	TAN KIN LEE	500,000	0.61
19	LOH TECK YEN	500,000	0.61
20	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD QUALIFIER:KIM ENG SECURITIES PTE LTD FOR HENDRA SIE	500,000	0.61
		73,819,558	89.49

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at Mersawa & Meranti, LG Level, Eastin Hotel, No 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan on Friday, 16 June 2006 at 10.00 a.m. for the following business:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the payment of Directors' fees. **Resolution 2**
3. To re-elect Mr. Goh Eugene retiring in accordance with Article 83 of the Company's Articles of Association. **Resolution 3**
4. To re-elect the following Directors retiring in accordance with Article 99 of the Company's Articles of Association:
 - (i) Mr. Ng Joo How **Resolution 4**
 - (ii) Mr. Lai Teik Kin **Resolution 5**
 - (iii) Mr. Lim Ee-Jin **Resolution 6**
5. To appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 7**
6. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

AUTHORITY TO ISSUE SHARES

"THAT subject always to the Companies Act, 1965 ("Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 8

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

SEOW FEI SAN

LAW MEE POO

Secretaries

Selangor Darul Ehsan

28 April 2006

Notes:-

(i) Proxy

(a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.

(b) The instrument of proxy shall be deposited at the Registered Office of the Company, 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.

(c) Form of Proxy sent through facsimile transmission shall not be accepted.

(ii) Explanatory Note on Special Business

* Resolution 8

The proposed Ordinary Resolution 8, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Name of directors who are standing for election

- (a) Mr. Goh Eugene - Article 83
- (b) Mr. Ng Joo How - Article 99
- (c) Mr. Lai Teik Kin - Article 99
- (d) Mr. Lim Ee-Jin - Article 99

2. Place, date and time of the Annual General Meeting

Place	Date	Time
Mersawa & Meranti, LG Level, Eastin Hotel, No 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan	16 June 2006	10.00 a.m.

3. Further details of the abovementioned retiring directors are set out on pages 6 & 7 of this Annual Report.

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No of Shares Held

I/We _____ (BLOCK LETTERS)

NRIC No./Company No. _____ of

being (a) Member(s) of MTOUCHE TECHNOLOGY BERHAD (656395 X) hereby appoint _____

_____ of

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Mersawa & Meranti, LG Level, Eastin Hotel, No 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan on Friday, 16 June 2006 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this day of, 2006

Signature / Seal of Member

Notes:

- (a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.
- (b) The instrument of proxy shall be deposited at the Registered Office of the Company, 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
- (c) Form of Proxy sent through facsimile transmission shall not be accepted.

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Affix
stamp
here

The Company Secretary

MTOUCHE TECHNOLOGY BERHAD

(656395-X)

312, 3rd Floor, Block C

Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor, Malaysia

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