2. PARTICULARS OF THE IPO *(Cont'd)*

(v) Working Capital

An amount of RM3.66 million of the total proceeds shall be utilised for the Group's working capital requirements over the next twenty-four (24) months mainly for the personnel, administration, marketing expenses and other day-to-day operational expenses.

Any unutilised amount as mentioned in Sections 2.7(i), (ii) and (iii) above shall be used for working capital purposes of the Group, if any.

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The utilisation of the Public Issue proceeds by the Group is expected to have a financial impact on the Group as follows: -

(i) Increased product range

Part of the proceeds of RM7.1 million is earmarked for acquisition of R&D equipment and trainings, which in turn would increase Airocom's technical capability and product range. This would enable the Group to compete and keep abreast with technology and offer a broader product range.

(ii) Increase in revenue

Part of the proceeds of RM1.8 million is earmarked for **>*m***lifestyle™ operations and marketing budget. With an increase in marketing budget, Airocom will be able to increase its products exposure and awareness, thereby increasing its revenue through more downloads which directly related to advertising and promotional activities.

(iii) Interest savings

The repayment of borrowings will slightly reduce the Group's gearing level from approximately 30% to 19% (based on audited shareholders' funds as at 31 October 2005). Airocom would be able to save interest cost estimated at RM93,097 per annum.

2.9 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEE

(a) Underwriting Commission

The Managing Underwriter and Underwriter as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 9,500,000 Public Issue Shares to be issued to the Public, the eligible employees and/or business associates of the Group, save for Directors' pink form allocation of 600,000 Public Issue Shares where the Directors' have provided irrevocable undertakings to take up the Public Issue Shares. The underwriting commission is payable by the Company in respect of the Public Issue at the rate of 2.0% of the total underwritten shares of 9,500,000 at the Issue Price of RM0.60 per share to the Managing Underwriter and Underwriter.

(b) Brokerage

Brokerage is payable by the Company in respect of the Public Issue made available for application by the Public at the rate of 1.0% of the Issue Price of RM0.60 per share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(c) Placement Fee

Placement fee is payable by the Company to the Placement Agent at a rate of 1.5% of the Issue Price of RM0.60 per share in respect of all the Placement Shares successfully placed out by the Placement Agent.

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are some of the extracted Clauses of the Underwriting Agreement dated 6 March 2006 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer: -

Clause 1.3

The obligations of the Underwriters under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following: -

(a) the Bursa Securities having agreed in principle prior to or after the date of the Prospectus to the listing of and quotation for (on terms acceptable to the Underwriters) the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market of the Bursa Securities or the Underwriters being reasonably satisfied that such listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after the Public Issue Shares have been issued and dispatched to entitled holders and after the receipt of all relevant documents pertaining to the listing and quotation of the entire enlarged issued and paid-up share capital of the Company by Bursa Securities and the Prospectus being in form and substance satisfactory to the Underwriters;

(b) the issuance of and subscription for the Issues pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the Bursa Securities);

(c) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the Securities Commission Act 1993 and subsequent lodgement of the Prospectus with the Registrar of Companies on or before the Closing Date (as defined in the Underwriting Agreement);

(d) all other necessary approvals and consents required in relation to the Public Issue and the Bonus Issue II including but not limited to governmental approvals having been obtained and are in full force and effect;

(e) the issue of the Issues having been approved by the shareholders of the Company in an extraordinary general meeting;

(f) there having been, as at any time hereafter up to and including the Closing Date or the extended Closing Date as defined respectively under the heading of "Definitions", or up to the listing date as the case may be, no material adverse change in the condition (financial or otherwise) of the Company or the Group, no event of default pursuant to the provisions herein contained, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement which proves to be incorrect in any material respect;

(g) that the funds for the private placement referred to in Recital E(iii) are deposited into the joint account that is opened under the name of the Company and the Managing Underwriter before the registration of the Prospectus or such other extended date as agreed by the Managing Underwriter, but in no event later than the Closing Date;

(h) the Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of all expenses payable hereunder;

(i) the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus of : -

(i) a copy certified as true copy by an authorized officer of the Company of all the resolution of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the adoption of the listing scheme and the issuance of the Prospectus and the resolution of the shareholders in general meeting approving the Issues; and

(ii) the relevant directors' report and responsibility statement signed by the relevant duly authorized directors of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.11 of this Agreement; and

(j) the delivery to the Managing Underwriter on the Closing Date or extended Closing Date of such reports and confirmations from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company and/or the Group.

Clause 3.1

The agreement of the Managing Underwriter and the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the aforesaid representations, warranties and agreements. Without prejudice to the other rights and remedies of the Managing Underwriter and the Underwriters, the Company undertake with the Managing Underwriter and the Underwriters and each of them that they will hold the Managing Underwriter and the Underwriters and each of them fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which Managing Underwriter and the Underwriters may incur or which may be made against them as a result of or arising out of or in relation to any misrepresentation or alleged misrepresentation by the Company or any breach or alleged breach of any of the aforesaid representations, warranties or agreements and such indemnity shall extend to include all costs, charges and expenses which the Managing Underwriter and the Underwriters or any of them may reasonably pay or incur in disputing or defending any claim or action or other proceedings in respect of which indemnity may be sought against the Company under this Clause.

Clause 3.2

The rights and remedies conferred upon the Managing Underwriter and the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect from the date on which the shares of the Company are listed on the MESDAQ Market of the Bursa Securities notwithstanding the completion of the Issues and notwithstanding any investigations by or on behalf of the Managing Underwriter and the Underwriters.

Clause 9.1

Subject to prior consultation, the Managing Underwriter and any of the Underwriters shall be entitled to terminate this Agreement by notice in writing delivered to the Company prior to the Closing Date or the Extended Closing Date if the success of the Public Issue is in the opinion of the Underwriters giving the aforesaid notice, seriously jeopardised by: -

9.1.1 the coming into force of any laws or Governmental regulations or directives which seriously affects or will seriously affect the terms of the Public Issue; or

9.1.2 any material breach by the Company of any of their warranties, obligations or undertakings under this Agreement.

Clause 9.2

On delivery of such a notice this Agreement shall become void and each party's rights and obligations hereunder shall cease and none of the parties hereto (except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 13 hereof incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Managing Underwriter and the Underwriters and the Company shall confer with a view to deferring the Public Issue or amending their terms and/or entering into a new Underwriting Agreement PROVIDED THAT neither the Company nor the Managing Underwriter and the Underwriters shall be under any obligation to enter into a such new agreement.

Clause 10

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters in the event that the Company is not granted permission by the Bursa Securities for listing of and quotation for all the issued ordinary shares of the Company and upon such termination the liabilities hereto of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against each other save that each party shall return any moneys paid to the other or others under this Agreement within seventy two (72) hours of the receipt of such notice.

Clause 11

Notwithstanding anything herein contained, the Managing Underwriter and/or the Underwriters, acting through the Managing Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if: -

11.1 there is any breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or withholding of information from the Underwriters, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

11.2 there is withholding of information of a material nature from the Underwriters, which, in the opinion of the Managing Underwriter and/or Underwriters, would have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

11.3 there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group.

Clause 13

The Company shall: -

13.1 bear and pay the Underwriting Commission and all costs charges and expenses in connection with the preparation of and incidental to or arising from the issuance of the Issues pursuant to the Public Issue and Bonus Issue II and the printing of the Prospectus and other documents relating to the Public Issue and their registration and lodgement thereof so far as necessary and all costs, fees and expenses in connection with the printing and publishing of advertisements and all costs and expenses in connection with the initial delivery and distribution of the Issues; and

13.2 pay all fees, costs, expenses and commissions incurred or payable in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market of the Bursa Securities which includes the cost of the preparation of this Agreement. Save for events stipulated in Clause 4.3, all costs and expenses referred to in this Clause 13 shall be payable notwithstanding that the Underwriters are released or discharged pursuant to the terms of this Agreement or that the conditions specified in Clause 1.3 are not satisfied. Without prejudice to any rights of the Underwriters to deduct any such payments from payments to be made by them under the provisions of Clause 4.3 the Company agrees to make payment of all costs and expenses under this Agreement to the Underwriters not later than five (5) Market Days following the date of listing of the Company on the MESDAQ Market or if the Company fails to be listed on the MESDAQ Market for any reason whatsoever, not later than five (5) Market Days following the date of the demand letter issues the Managing Underwriter on behalf of the Underwriter.

Clause 17.1

The Managing Underwriter shall give notice to the Company in the event there shall have occurred, happened or come into effect any of the following circumstances: -

17.1.1 any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

17.1.2 any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or

17.1.3 which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue, or the distribution or sale of the Issues, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

17.1.4 there is failure on the part of the Company to perform any of their respective obligations herein contained.

Clause 17.2

Upon such notice(s) being given, the Managing Underwriter and/or the Underwriters shall be released and discharged of its obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and for any antecedent breach.

2.11 FUTURE FINANCIALS

The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors such as, but not limited to, those discussed in Section 3 of this Prospectus. As such, the forecast of the Group is not disclosed in the Prospectus.

3. RISK FACTORS

In evaluating an investment in the Public Issue Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations: -

(a) Business Risks

The Group is subject to certain risk inherent to the ICT industry, particularly wireless and communication solutions industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, changes in general economic, business and credit conditions and changes in government policies. The achievement of revenue and profitability growth is substantially dependent upon the Group's ability to widen its customer base and successfully venture into the future wireless application and solution business. This in turn is very much dependent on the market acceptance of the Group's products and services and the ability of the Group to maintain or grow its partnerships with corporations and mobile network operators.

The Group has taken steps to mitigate the risks through continuous efforts to maintain, source and train for quality telecommunication professionals and software engineers. The Group also embraces new technology to continuously improve its products and services to meet customers' demand and expectations. Further, the Group provides maintenance services to customers who purchase technology infrastructure as after sales services to retain its customers. However, there is no assurance that the Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability.

(b) Financial Risks

Save as disclosed in Section 8.4(ii) of this Prospectus, the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees. As at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, the Group's total borrowings amounted to approximately RM4.4 million.

Some of the Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Group has borrowings and the payment of the loan interest is dependent on interest rates, future fluctuations of the interest rate could have material effects on the Group's interest and principal repayment.

(c) New Venture(s)

Save as disclosed below and as at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, the Group is not engaged in any new ventures that are not in the ordinary course of business.

On 28 September 2005 Airocom signed a Facility Management Services Agreement ("Facility Agreement") with Mekong Communication Corporation Sdn Bhd ("MCC") to develop wireless broadband Internet systems for MCC's joint venture partner, Saigon Post and Telecommunications Services Corporation ("SPT") of the Socialist Republic of Vietnam. MCC is a Malaysian company which is licensed to operate and implement contracts, agreements on trading field (communication and information technology investment) in accordance with Vietnam law signed between MCC and Vietnam counterparts. Details of the effects to the revenue and profits of Airocom resulting from the Facility Agreement are set out in Sections 8.2.1 and 8.2.2 where MCC has been billed accordingly.

As evident in any agreement, there are terms and conditions to be fulfilled by the parties to the agreement. More so if the locality of the venture is outside Malaysia where the parties are subject to the laws of that particular jurisdiction. Of critical importance would be the procurement of the requisite approvals, licenses and consents required for the Project to be implemented. These are amongst the terms and conditions specified in the agreement between Airocom and MCC.

Airocom has to ensure that the Project has been consented to by the government of Vietnam and is considered legal and valid under Vietnam laws. Non compliance by Airocom of any of the terms and conditions would render Airocom liable to be sued for breach of its terms and conditions and consequently the Project may be declared illegal by the government of Vietnam.

The Facility Agreement derives its validity from a contractual agreement earlier executed between MCC and SPT (Principle Agreement dated 26 June 2004), one of its Vietnamese counterparts. If at any material time there are issues arising from the agreement between MCC and SPT, the status of the project implemented by Airocom under the Facility Agreement would be affected as well. Therefore if SPT terminates the agreement they have executed with MCC, this would have adverse consequence for Airocom whereby the Project implemented by Airocom may not be completed as contemplated by both parties. However, this risk is mitigated by an indemnity provided by MCC to Airocom under the Facility Agreement whereby MCC had undertaken to be liable and indemnify Airocom against all liability, loss, cost, legal expenses sustained, incurred, paid or suffered by Airocom pursuant to the Facility Agreement.

Since MCC is licensed to implement contracts with Vietnamese counterparts, including the contract which serves to entrench MCC's position with their Vietnamese counterparts and confirm earlier contractual agreement that has expired, Airocom would not be privy to these contracts and has no direct control over the contracts executed between MCC and their Vietnamese counterparts. Of concern is the fact that MCC may have obligations to be fulfilled under the contracts with their Vietnamese counterparts of which Airocom would not be in a position to ensure compliance of the terms and conditions under the said contracts by MCC.

In case of disputes between MCC and any of their Vietnamese counterparts, the laws applicable would be the laws of Vietnam and MCC would be subject to the judicial system of Vietnam. As the Facility Agreement between MCC and Airocom is subject to the jurisdiction of Malaysian laws, Airocom would be able to avail itself to the remedies under the Malaysian law including the enforcement of the indemnity provided by MCC to Airocom under the Facility Agreement.

The Group intends to minimise its risks in the ventures undertaken as abovestated by discussing terms with MCC for a Put and Call Option Agreement with MCC for the acquisition of equity in MCC. Upon the finalisation of the exercise of this Put and Call Option Agreement (Option Agreement) the Group will have a strong presence in the wireless communication technologies sector in Vietnam through MCC.

The final decision to finalise and enter into the Option Agreement however rests with Airocom and MCC. Consequently in the event the Group do not finalise the signing of the Option Agreement, the venture is subject to the risks as abovementioned.

However, if appropriate opportunities present themselves, the Group may acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

Nevertheless like many other cross border transaction, the Group will encounter and be faced with unfamiliar terrain of the foreign sovereign systems particularly with the foreign investment policies, permits, licenses, approvals, levies, taxes and compliances of the relevant authorities, including financial risks, cultural sensitivity and market acceptance of the services offered by the Group.

The Group may from time to time invest in new ventures that are relatively new to the Malaysian market. As such, there is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments. The Group plans to mitigate this risk, together with other possible ventures risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group.

(d) New Products and Services

The markets for the Group's products and services are characterised by rapid technological development, evolving industry standards, swift changes in customer requirements, computer and communication infrastructure operating environments and software applications, and frequent new product introductions and enhancements. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms.

As mentioned in Sections 4.2.8 and 4.2.11, the Group has undertaken the R&D for development of new products and services. The timely development of new or enhanced products and services is a complex and uncertain process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products and services, and/or new products and services and enhancements. The Group may also be required to collaborate with third parties to develop products and services and may not be able to do so on a timely and cost-effective basis, if at all.

If the Group is not able to develop new products and services or enhancements to its existing products and services on a timely and cost-effective basis, or if the Group's new products and services or enhancements fail to achieve market acceptance, or if one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected. The Group has taken steps to mitigate these risks by studying market demand for new products and services through its close working collaboration with its customers, partners and international wireless and communication solution providers such as Ericsson and Nokia.

(e) Industry Life-Cycle

The mobile content services and wireless communication technology enabler market is in its early stages of development in Malaysia. While SMS usage and transactions have grown exponentially in Europe and the Philippines, the level of growth and its market acceptance in Malaysia may not be replicated. If general wireless communication product usage does not continue to increase, or the market for premium wireless content and applications services does not develop, or develops more slowly than expected, the demand for the Group's products and services may be limited and the Group's business, operating results and financial condition could be affected.

As a mitigating factor, the Group has developed solutions to cover wide customer base in mobile and telecommunication network operators, enterprises and mobile phone users. However, there can be no assurance that the industry down trend will not happen and any unexpected down trend will adversely affect the performance of the Group.

(f) Dependence on Third Party Telecommunications Infrastructure / Vendors

Only the Group's >*m*lifestyle™ services are dependent on the leased lines provided by the fixed line network operators. The Group will ensure that it is in compliance with the vendors' requirement with regards to the usage of the leased line facilities and will make timely payments for such services. However, there can be no assurance that the Group will be able to maintain the leased lines from fixed line network operators on existing terms, which could have a material adverse effect on the Group's business, operating results and financial condition.

(g) Foreign Operations / Currency Risk

As at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, all the revenue and purchases of the Group are generated from the local market. However, the Group is in the process of expanding its reach regionally as well as internationally as highlighted in part 3(c) above, thus there can be no assurance that the Group will not be exposed to foreign exchange risk in the future. The Group believes in adopting proper internal controls and performing continuous monitoring of foreign currency movements to mitigate the foreign currency risks.

(h) Dependence on Directors and Key Management

The Group's performance is dependent to a certain extent on the continued services and on the performance of its key management. The Group's performance also depends on its ability to retain and motivate its other officers and key employees. The loss of the services of any of its communication professionals or other key employees could have a material adverse effect on the Group's business. The Group does not have long-term employment agreements with any of its key personnel. The Group's future success also depends on its ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that the Group will be able to successfully attract, integrate or retain sufficiently qualified personnel. In particular, the Group may encounter difficulties in attracting a sufficient number of qualified telecommunication professionals and software engineers for future enhancement of its products, and there can be no assurance that the Group will be able to retain and attract such professionals. The failure to retain and attract the necessary personnel could have a material adverse effect on the Group's business, results of operations and financial condition. The changes in the Board and key management of the Group are set out in Sections 5.12 and 5.13 of this Prospectus.

It is the Group's practice to retain the services of these key personnel whenever possible. To reward its employees and to retain them in the Airocom Group, various measures such as allocation of shares to the eligible directors and employees of the Group under the "Pink Form Allocation" will be implemented.

(i) Dependence on protection of intellectual property

The Group's success is also dependent on its ability to protect its proprietary technology. Currently, the Group has applied for registration for its brand name, logo and tagline as mentioned in Section 4.2.5. Moreover, the Group's products have been conferred protection against infringing activities under the Malaysian copyright law. The Group has also put in place several security measures to protect its proprietary technology, including not disclosing the source codes of the Group's software to its customers to whom the software is licensed. The nature of the Group's wireless and communication solutions also acts as a barrier against illegal usage as specialised knowledge and familiarisation with the hardware and software are required to make it work, and most of its software, hardware and infrastructure designs requires special training and domain knowledge to develop or customise; hence, such solution is often licensed to customers together with the Group's professional services.

In addition, the Group also takes measures to protect its existing and future confidential information by having confidentiality clauses in all agreements executed between them with its employees and other contractual licencees.

Third parties may challenge or dispute the Group's intellectual property rights in terms of, amongst others, title and third party intellectual property rights infringement and the Group could incur substantial costs in defending or prosecuting any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the Group's intellectual property will be resolved in the Group's favour.

Moreover, any such disputes could be time consuming, cause delays in introducing new or improved products and services or require that the Group discontinue using the challenged technology, and could have a material adverse effect on the Group's reputation, business, operating results and financial condition. Accordingly, there can be no assurance that the Group will be able to universally protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition.

(j) Maintenance and Reliability of the Telecommunications Network Infrastructure and Security Risks

The performance of the Group's business will depend on the development and maintenance of its mobile messaging gateway, network and leased line infrastructure. These include leasing and monitoring of a reliable network backbone with the necessary speed, data capacity and security. The mobile messaging gateway may experience a variety of outages and delays as a result of damage to components of its infrastructure. These outages and delays could frustrate customers or partners using the Group's products and services, which could directly affect the revenue of the Group.

The ability to provide secure transmissions of confidential information over networks accessible to the public is a significant problem for electronic commerce and communications. They are subject to capacity limitations, breaches of security by computer viruses, sabotage, break-ins and other factors. Despite a variety of network security measures taken by the Group, the Group cannot assure that unauthorised access, computer viruses, accidental or intentional actions and other disruptions will not occur. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology that the Group uses to protect confidential customer and end-user data stored on or transmitted through the Group's network.

The costs required to prevent or eliminate computer viruses and alleviate other security problems could be prohibitively expensive. In addition, any of these occurrences may cause systems failures, interruptions in service or reduced customer capacity, which could have an impact on the Group's ability to acquire, manage or service its customers or partners and could materially and adversely affect the Group.

As a mitigating factor, the Group has located its application servers at a specialised data centre that provides security measures such as firewall, virus detection and data/power recovery system, to protect its network and operation systems.

(k) Disaster Recovery

The Group's daily operations may be affected by events of emergency such as explosion, fire, flooding, energy crisis, health crisis, sabotage, civil commotion, terrorism, war or acts of God. As mentioned earlier, the Group has located its application servers at a specialised data centre that provides security measures from the aforesaid events of emergency. In addition, the Group has the capability to replicate the facilities and services to implement a disaster recovery plan such as off-site backup storage with review and validation processes.

Notwithstanding the existing disaster recovery plan, which could temporarily divert the operations from the affected area to back-up area, there is no certainty that the operations at the back-up sites will function to a satisfactory operating level.

The Group endeavours to ensure all office equipment and other peripherals that include the back-up sites and remote access system facilities are in good working condition.

(l) Insurance Coverage on Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

For the Group's operations, all assets such as inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(m) Rapid or Over Expansion/ Rapid Development of Technological Change

The markets for the Group's products and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications, and frequent new product introductions and enhancements. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms.

The timely development of new or enhanced products and services is a complex process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products and services, and/or new products and services and enhancements. The Group may also be required to collaborate with third parties to develop products and services and may not be able to do so on a timely and cost-effective basis.

If the Group is not able to develop new products and services or enhancements to its existing products and services on a timely and cost-effective basis, or if the Group's new products and services or enhancements fail to achieve market acceptance, or if one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected. The Group mitigates this risk by carefully implementing its strategies and plans as disclosed in Section 4.7 of this Prospectus.

(n) Competitive Risks

Airocom believes that it competes with local and overseas wireless and communication solutions providers which provide:

- Wireless content development;
- Wireless applications and solutions;
- Wireless infrastructure; and
- Telecom OSS/BSS Solutions.

The Group believes that it has the edge over its competitors due to the wide range of its products, its economy of scale in development and providing solution, its research and development capabilities and its technological skill acquired through years of research. The Group has taken pro-active measures to mitigate the competitive risks which include, inter-alia, to constantly review its development and marketing strategies in response to ever-changing economic conditions and market demands, and to adopt different development concepts and marketing strategies that will correctly position its products and services to serve the needs of the target market.

In addition, to mitigate the competition and remain innovative, creative and current with respect to the Group's mobile content, Airocom has taken the following measures: -

(i) Set up of Technology and Systems Development Department ("TSD")

The Group is able to exploit its current technology platform to provide its own mobile content. Therefore, the Group has recently set up its own TSD, which is headed by the Chief Technology Officer. The TSD is set up to undertake Airocom's own research on market trend and demand for mobile contents as well as to create new mobile contents according to market trend. For instance, one of the TSD functions is to identify the most current popular contents and 'urgent and important' contents such as election polling station and summons.

With the identified content demand, TSD will drive the development and implementation of the content identified. Hence, the process of identifying and developing of contents can be done effectively and efficiently.

(ii) The Group plans to co-operate and collaborate with more content providers

The Content Aggregator Program, which was launched by the Group in September 2004, offers the platform to content providers that do not have the technology to operate on their own. Currently, the Group is offering this service to two (2) content providers. The collaboration with the content providers is to provide mobile contents such as colour animated wallpapers, polyphonic and monophonic ringtones, e-card and others. Going forward, the Group plans to co-operate and collaborate with more content providers, which enables the Group to have a wide variation of mobile contents to cater for different consumers.

In addition, content providers are sensitive to market demand and trend. Hence, the content providers will create mobile contents according to anticipated market trend and customer needs.

(iii) Brand building

As disclosed in Section 2.7(i) of the Prospectus, the Group plans to do more marketing to build brand awareness for **>*m***lifestyle™. With more marketing via advertisements in radio, newspaper, magazine and other electronic media, the market will be aware on various types of mobile contents that are provided by the Group.

(iv) Past innovation

As disclosed in Section 4.2.2 of the Prospectus, the Group currently provides solutions of mobile contents such as: -

a) IOD
b) Content download
c) Interactive media
d) Games, contest and quizzes
e) Mobile chat
f) Polling and voting

The Group remains innovative, creative and competitive over the years by providing a wide range of mobile contents. For instance, the Group has developed mobile contents such as mobileHotel, which enable hotel reservation be made via SMS, SMS@POS that enables the user to enquire about post transaction information via SMS and SMS mobile contents for Mawi' s Fan Club Members - Please refer to Section 4.2.11(iv) of the Prospectus for the solutions developed by Airocom over the years.

(v) Expansion of operation to overseas market

Airocom believes that its products have potential beyond Malaysia. The Group is planning to expand its marketing and promotional efforts to Vietnam, Indonesia, Bangladesh and other countries. This will enable the Group to remain competitive as well as increase the market share of the Group.

(o) Dependence on Revenue from >*m*telecomm™ Services

In the past two (2) financial years ended 31 December 2004, revenue from >*m*lifestyle™ contributed more than 50% of the total Group revenue. However, for the financial period ended 31 October 2005, one of the Group's major streams of revenue, of approximately 76%, was derived from a new contract secured on 28 September 2005 for the supply, delivery, installation and commissioning of wireless high speed Internet systems and the provision of engineering services and support and maintenance for an ISP operator in Vietnam. The new contract, which was mentioned in Section 3(c) of this Prospectus, is classified under >*m*telecomm™ as the end-customer is a telecommunications company in Vietnam i.e. SPT.

As a mitigating factor, Airocom's strength lies in the Group's continuous R&D of mobile solutions for its >*m*telecomm™ and >*m*enterprise™ segments that caters to other Telcos and enterprise markets, such as the development of AiroGate™ 3G, AiroGate Lite and GSM/GPRS products.

The Group had in the past developed AiroGate™ Version 1.0 and Version 2.4. Airocom has now embarked to develop AiroGate™ 3G. The deployment of AiroGate™ 3G is subject to the adoption of MMS and 3G based services, which are developing at a low but incremental pace. AiroGate™ 3G shall be able to support high volume messaging traffic and is highly scaleable to cater for various requirements of different telcos and enterprises. Due to the proven technology of AiroGate™, its software components have been used to develop other products such as AiroBuzz for mobile alert and AiroQuest for information on demand.

Besides AiroGate™ 3G, Airocom has developed a prototype of a new product called AiroGate Lite that enables the AiroGate™ technology to be embedded in an electronic chip. This would enable Airocom to penetrate the non-mobile network operators and enterprises for the >*m*enterprise™ solutions. These markets include enterprises and corporations that require wireless and mobile connectivity.

In addition, Airocom plans to invest in the R&D test equipments such as GSM/GPRS Test Equipment as disclosed in Section 2.7(ii) of the Prospectus. With experienced in-house programmers and the R&D test equipments, Airocom would be able to develop and conduct testing on the GSM/GPRS products such as AiroMAX™ SMSC, AiroGAIN™ Prepaid System, AiroMAX™ MMSC and AiroBACC™ as set out in Section 4.2.11(v) of the Prospectus.

Notwithstanding the above, for the ten (10) months period ended 31 October 2005, the Group recorded operating loss for its >*m*enterprise™ sector as set out in Section 8.2.2 of this Prospectus. The loss was due to higher cost of sales and lower margins from the sale of its >*m*enterprise™ products and services. This is mitigated by the introduction of the new AiroGate Lite product range as set out in Sections 4.2.11 and 4.7(v) of this Prospectus.

(p) Dependence on Particular Markets and Geographical Locations

As at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, the Group currently focuses on wireless and communication solutions industry in Malaysia, with clients in various levels from telecommunications network operators, enterprises to individuals and indirectly to Vietnam vide its Facility Management Services Agreement with MCC. Airocom believes that the Group will not be overly dependent on any particular markets and geographical locations in the near future, as the Group has explored the opportunities for expansion into the market throughout various other countries which includes Indonesia and Bangladesh.

(q) Dependence on Major Customer

As for the financial period ended 31 October 2005, Airocom's major revenue contribution was derived from the contract secured from MCC on the supply, delivery and maintenance of wireless high speed Internet systems and solutions in Vietnam. The risks relating to the Facility Agreement with MCC are set out in Section 3(c) above. To mitigate the risk of over-dependence on the major customers, Airocom has continuously made efforts to expand its customer base locally and overseas in countries such as Vietnam, Indonesia and Bangladesh via marketing and promotional efforts. Marketing and promotional efforts to expand its customer base include intensifying sales call activities among potential clients and participating in targeted seminars and exhibition.

The customer base and long-term customer relationships have also been further strengthened by the company's continuous efforts in emphasizing quality products and services. Besides that, Airocom will continuously develop new products that meet market demand and customer requirements.

(r) Economic Conditions and Cycles that are Significant or Peculiar to the Industry

The Group's revenue and its ability to achieve and sustain profitability depend on the overall demand for the products and services that the Group offers. Any economic slowdown in the world, regional or national economy may cause the Group's customers to defer purchases of the Group's products and services or otherwise alter their usage patterns.

Uncertainty in the economic environment may cause some businesses to curtail or eliminate spending on information technology. In addition, the Group may experience hesitancy on the part of existing and potential customers to commit to continuing or new services from the Group.

The market for mobile content and applications solutions and technology enabling solutions is evolving rapidly and is characterised by an increasing number of market entrants. This market may not prove to be viable or, if it becomes viable, may not continue to grow. If the Group cannot retain or grow its customer base and increase its partnership programs, it will not be able to increase revenue or create economies of scale to offset the fixed and operating costs in order to maintain profitability. However, as mentioned in Section 4.4.3 and 4.4.4, Frost & Sullivan estimates the OSS/BSS, Mobile Content, IN and cellular markets which Airocom engaged its business in, will continue to have high growth in next five years. As such, the Group optimises on the prospects of its wireless and communication solutions business.

As a mitigating factor, the Group has developed solutions to cover a wide customer base, such as mobile network operators, enterprises and mobile phone users. However, there can be no assurance that the demand for the Group's products and services will materialise as anticipated and any unexpected reduction in demand will adversely affect the performance of the Group.

(s) Control by Promoters/ Substantial Shareholders

After the Public Issue, the Promoters, as set out in Section 5 of this Prospectus will collectively control 64.51% of Airocom's enlarged issued and paid up capital. As a result, these Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of Airocom's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

Nevertheless, the Group' has appointed three (3) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into at arms length terms.

(t) Government Control or Regulation Considerations

The Group's business operations are governed by the Government's rules and regulations as set out in Section 4.4.6. Like all other business entities, any adverse developments in political, economic, regulatory and environment conditions in Malaysia and other countries where the Group may operate could materially and adversely affect the financial and business prospects of the Group. These political, economic, regulatory and environment uncertainties include but are not limited to changes in political leadership, expropriation, nationalisation, renegotiation or nullification of existing contract, changes in rates of interest, methods of taxation and currency rules.

(u) Material Litigation/ Legal Uncertainties

As at 28 February 2006, being the latest practical date prior to the issuance of this Prospectus, the Group's agreements with its customers typically contain provisions designed to limit the Group's exposure to potential product and/or service liability claims. To date, the Group has not experienced any material product and/or service liability claims. It is possible, however, that the limitation of liability provisions contained in the Group's customer agreements may not be effective as a result of existing or future laws or unfavourable judicial decisions. As the Group has not purchased any product liability insurance, there is a risk that the Group's interests will not be adequately protected in the event of litigation. As a mitigating factor, the Group will only commission the usage of its products upon the execution of a user acceptance test document signed by the customers. In addition, the Group's liability is limited by the terms and conditions of the agreements between the Group and its customers.

Save as disclosed below and in Sections 1.10, 8.4(v) and 14.6 respectively, as at the latest practicable date prior to the issuance of this Prospectus, the Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the Group.

A legal proceeding vide Kuala Lumpur High Court Civil Suit No. MT4-22-1739-2004 for copyright infringement has been commenced against Celcom by Goodsound Music Publishing Sdn Bhd and eight (8) others ("Plaintiffs"). In the said suit the Plaintiffs alleged that Celcom had converted and reproduced certain songs owned by them collectively and made the same available to the general public in the form of downloadable ringtones from Celcom's websites, without any authority, licence or permission of the Plaintiffs. Celcom's solicitors, Messrs Bustaman & Co had via a letter dated 9 May 2005 informed Airocom that Celcom had obtained leave to issue a third party notice against Airocom in the above legal suit. Airocom's solicitors, Messrs Muhammad, Ganesan & Nazri via a letter dated 13 October 2005, are of the view that there is no legal basis for Celcom to proceed with a third party notice on Airocom in relation to the above legal suit as Airocom had never provided any ringtones to Celcom's website.

Similarly, the Plaintiffs would also have no recourse against Airocom as Airocom had, at the material time, provided its services based on valid licenses obtained and had always made the necessary payment according to the terms of various license agreements. As at the latest practicable date, Airocom's solicitors has filed and entered Notice of Appearance.

(v) Financial Performance

Restrictive Covenants

Pursuant to facility agreements entered into by Airocom with banks or financiers, it is bound by certain positive and negative covenants, which may limit Airocom's operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in facility agreements in Malaysia. Any act by Airocom falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier.

Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant facility and/or enforce any security granted in relation to that facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach.

Material Commitments

As at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, there are no material commitments for capital expenditure incurred or known to be incurred by the Group, which may have a substantial impact on the financial position of the Group.

Indebtedness

Save as disclosed in Section 8.4 of this Prospectus, the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees which may have a substantial impact on the result or the financial position of the Group.

(w) Change in or Loss of MSC Status

Airocom was granted MSC status on 29 December 2000 by MDC. MDC is the body responsible for assessing and monitoring all MSC status companies. As an MSC status Company, Airocom enjoys certain financial and non-financial incentives, which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

The financial incentives include: -

- A five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from the date the Company starts generating income, renewable to ten (10) years – the renewal will depend on the Group's performance in transferring technology or knowledge to Malaysia, or 100% investment tax allowance on new investments made in the MSC cybercities, commencing from the date on which the first qualifying capital expenditure is incurred;

- Duty free importation of multimedia equipment, provided that the equipment is used by the Company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and

- Research and development grants for MSC small and medium enterprises that are at least 51% Malaysian owned.

The non-financial incentives include: -

- Unrestricted employment of foreign knowledge workers;
- Freedom of ownership; and
- Freedom to source capital for MSC infrastructure globally, and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements, which will allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limits on balances.

MDC has the right to take back the Company's MSC status at any time. There can be no assurance that the Company will continue to retain its MSC status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition. The MSC Pioneer Status in relation to the 100% exemption on the taxable statutory income of Airocom for the initial period of five (5) years had expired on 29 December 2005, and the Company had submitted its application for extension of the tax relief period pioneer status on 28 December 2005.

(x) Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Group, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements to differ materially from the future results, performances or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(y) Uncertainties in the Five (5) Year Business Development Plan

The success of Airocom's five (5) year Business Plan will depend upon: -

(i) the acceptability of the Group's products by the market;
(ii) its marketing strategies;
(iii) its R&D activities;
(iv) the ability to further develop and commercialise new products; and
(v) the ability to hire and retained skilled management and/or financial, technical, marketing and other personnel.

There can be no assurance that Airocom will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which could result in material delays in its implementation or even deviation from its original plan. In addition, the actual results may deviate from the business plan due to rapid technological changes, market and/or competitive pressures.

(z) Related Party Transactions/ Conflict of Interest

For the period ended 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, there is no material related-party transaction involving the Directors and substantial shareholders and/or persons connected with the Directors or substantial shareholders of Airocom.

(aa) No Prior Market for Airocom's Shares

Prior to this Public Issue, there has been no public market for Airocom's shares. There can be no assurance that an active market for Airocom's shares will develop and continue to develop upon or subsequent to its listing on the MESDAQ Market of Bursa Securities or, if developed, that such a market will be sustained. The Issue Price of RM0.60 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions at the time the application for listing of Airocom was submitted to the relevant authorities. There can be no assurance that the Issue Price will correspond to the price at which Airocom's shares will trade on the MESDAQ Market of Bursa Securities upon or subsequent to its listing.

(ab) Failure/ Delay In The Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

(i) The eligible directors, employees and/or business associates of the Group fail to subscribe the Public Issue Shares allocated to them;

(ii) The Underwriters of the Public Issue fail to honour their obligations under the underwriting agreements;

(iii) The placees under the private placement fail to subscribe the Public Issue Shares allocated to them; and

(iv) Airocom is unable to meet the public spread requirements i.e. at least 25% but not more than 49% of the total number of shares for which listing is sought by the Company must be held by a minimum of 200 public shareholders holding not less than 100 shares each, upon admission to the MESDAQ Market.

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4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

Airocom was incorporated in Malaysia under the Companies Act, 1965 on 15 November 1999 as a private company under the name of Airocom Technology Sdn Bhd. Subsequently, on 16 April 2004 it was converted to a public company and assumed its present name. It commenced operations in November 1999.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of Airocom is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each. The issued and paid up share capital of Airocom is RM7,500,000 comprising 75,000,000 ordinary shares of RM0.10 each.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-up Share Capital (RM)
15.11.1999	2	1.00	Subscribers' shares	2
21.02.2000	99,998	1.00	Cash	100,000
30.08.2002	900,000	1.00	Cash	1,000,000
15.03.2004	2,750,000	1.00	Bonus issue I	3,750,000
16.03.2004	3,750,000	1.00	Acquisition of IP	7,500,000
19.03.2004	75,000,000	0.10	Subdivision of shares	7,500,000

4.1.3 Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Airocom on the MESDAQ Market of the Bursa Securities, the Company undertook a listing scheme which involved the following: -

(i) <u>Public Issue</u>

The Public Issue of 26,000,000 new ordinary shares at an issue price of RM0.60 are payable in full on application upon such terms and conditions as set out in this Prospectus. The Public Issue Shares will be allocated and allotted in the following manner: -

(a) Public

2,000,000 Public Issue Shares will be made available for application by individuals, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Employees, Directors and/or Business Associates of the Group

8,100,000 Public Issue Shares will be reserved for the eligible employees, Directors and/or the business associates (which include the suppliers, sales agents and customers) of the Group.

4. INFORMATION ON THE GROUP *(Cont'd)*

4,100,000 Public Issue Shares have been allocated to 31 eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

(a) at least eighteen (18) years old;
(b) job position; and
(c) length of service.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Ir Mohd Salleh@ Mohamed Ali Bin Yusoff	Independent Non-Executive Director	200,000
Dato' Azman Bin Mahmood	Independent Non-Executive Director	200,000
Khairil Anuar Bin Abdullah	Independent Non-Executive Director	200,000
Total		**600,000**

4,000,000 Public Issue Shares have also been allocated to 21 eligible business associates of the Group based on the following criteria as approved by the Group's Board of Directors: -

(a) Contribution to Airocom's current and future business operations and opportunities; and
(b) Length of business relationship.

(c) Placees

15,900,000 Public Issue Shares are reserved for private placement to selected investors, which have been identified.

In summary, the IPO Shares will be allocated and allotted in the following manner: -

	Public Issue Shares	% of Enlarged Share Capital (%)
Public	2,000,000	1.98
Eligible Employees, Directors and/or Business Associates of the Group	8,100,000	8.02
Placement – Selected Investors	15,900,000	15.74
Total	**26,000,000**	**25.74**

Upon completion of the Public Issue, the issued and paid up share capital of Airocom will be increased to RM10,100,000 comprising 101,000,000 ordinary shares of RM0.10 each. All the Public Issue shares shall rank pari passu in all respects with the then existing ordinary shares of Airocom except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Public Issue Shares.

(ii) **Bonus Issue II**

As part of the Listing and an incentive to the shareholders of Airocom subsequent to the Public Issue, Airocom shall undertake a bonus issue of 50,500,000 new ordinary shares of RM0.10 each to the existing shareholders of Airocom on the basis of one (1) new ordinary shares for every two (2) existing ordinary shares held in Airocom. The Bonus Issue II will be completed prior to the Listing and will be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid up share capital of Airocom will be increased to RM15,150,000 comprising 151,500,000 ordinary shares of RM0.10 each. All the Bonus Shares II will rank pari passu in all respects with the then existing ordinary shares of Airocom except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Bonus Shares II.

(iii) **Listing and Quotation**

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of Airocom of RM15,150,000 comprising 151,500,000 ordinary shares of RM0.10 each in Airocom on the Official List of the MESDAQ Market will be sought.

4.2 BUSINESS

Airocom was established on 15 November 1999 as a software application developer and integrator, specializing in SMS applications and communication solutions. Today, it has emerged to be a total wireless and communication solutions provider.

Airocom was appointed as Logica's application provider and reseller on 15 November 2000. Globally, Logica is one of the leading telecommunication SIs and solution providers. Besides reselling Logica's solutions, Airocom also developed supporting applications, such as provisioning systems and messaging gateways that complement Logica's platforms.

Airocom was also appointed as Maxis' Business Partner and Ericsson's Mobility World Partner in January 2002 and March 2002 respectively. Development of strong partnerships and alliances on both the supply and demand side has enabled Airocom to strengthen its position as a total solutions provider. In addition, Airocom participated in the testing of GPRS and 3G applications on Ericsson's platform.

Airocom is also a recognised vendor in the telecommunications industry. It is registered as Ministry of Finance ICT Vendor on 8 November 2000, Telekom Vendor on 18 November 2000, Celcom Vendor on 1 October 2001 and Petronas ICT Vendor on 1 March 2002.

Airocom developed IN applications in collaboration with Pernec Berhad, an efficient solution to prepaid service, for Telekom's Ring Ring Card in 2001 and Home Prepaid in 2003. Airocom also provided the Mobile Service Provisioning System, which activates prepaid mobile phones services for TMTouch in 2001 and Celcom in 2003. In 2002, Airocom deployed the AiroGate™ Messaging Gateway, which enabled SMS content providers to provide services on Celcom GSM Network via Internet (known as Celcom SMS Online Service).

Airocom also provided the messaging platform to develop SMS Yellow Pages, a mobile version of Yellow Pages. This service can be reached via SMS or through the 64k version of SIM card provided by TMTouch. SMS Yellow Pages provides query for businesses (company name and classification), Government, enforcement agencies and embassies. This service was launched on 8 August 2002.

4. INFORMATION ON THE GROUP *(Cont'd)*

Airocom on 8 October 2002 provided the messaging platform to develop SMS@POS, which is an SMS IOD system for Pos Malaysia Berhad. It provides mobile subscribers with the functionalities such as: -

- Tracking the latest delivery status of their parcels/packages for Pos Daftar and Pos Ekspres;
- Information on philately – for the avid postal material collector; and
- Information on postcode, i.e. location or postcode number.

Users can track any packages delivered through Pos Malaysia Berhad any time, anywhere and as many times as desired.

Airocom increased its presence in the mobile content provision space in 2003 by launching a series of lifestyle mobility applications in the information and entertainment segment of the market. It launched MetaMobile in February 2003 (a joint venture with Metadome), mobifrenz™ in May 2003, MobileHotel in July 2003, Eelis.com in August 2003 and redsarong™ in December 2003. Lifestyle mobility applications are ringtones, logo or icon downloads and other types of IOD.

The year 2004 saw Airocom launch its Content Aggregator Program. This program was targeted at Content Providers that want to offer their services to the mobile phone subscribers without the need to incur high infrastructure costs. In October 2004, Airocom and TMNet collaborated to launch TMNet Messenger, where Airocom provided the AiroMail application technology for TMNet subscribers.

In May 2005, Airocom re-launched its mobifrenz™ mobile content service by the formation of a fan club called "Geng mobifrenz". The objective of the club is to sustain the interest of existing customers and attract new mobifrenz™ subscribers from different segments for continued expansion of the mobile content services of mobifrenz™. "Geng mobifrenz" is filled with fun activities packed with educational programs that are beneficial to the development of a healthy and wholesome mind, body and spirit. It is a positive step in promoting a safe, healthy and active lifestyle among the younger generation, which are the subscribers of mobifrenz™. Airocom also appointed Malaysia's popular hip-hop group "Ruffedge" as the ambassador for "Geng mobifrenz". On 28 September 2005 Airocom signed a Facility Management Services Agreement with Mekong Communication Corporation Sdn Bhd ("MCC") to develop wireless broadband Internet systems for MCC's joint venture partner, Saigon Post and Telecommunications Services Corporation ("SPT") of the Socialist Republic of Vietnam. Airocom will provide its expertise and experience in developing and implementing a total solution for the wireless broadband Internet systems in Vietnam.

During the East Asia Business Exhibition ("EABEX '05") in conjunction with the inaugural East Asia Summit and the 11th ASEAN Summit in Kuala Lumpur in 2005, Airocom introduced its AiroGate Lite solutions. AiroGate Lite is a technology innovation derived through the R&D on AiroGate™ SMS Messaging Gateway application solution. AiroGate Lite is an individual AiroGate™ module that is embedded into microchips (or device) to provide SMS/MMS gateway features specifically targeted for customer telemetry applications. With its modular design and characteristics, it can be easily integrated into any existing devices to enable subscribers to leverage on SMS application via the digital cellular mobile network to access various value added services.

Frost & Sullivan reported that the Airocom Group has established itself to be one (1) of the leading players in providing wireless and communication solutions and is the only local player with a wide portfolio of OSS/BSS focus products serving various industries in Malaysia and overseas. The wireless and communication solution suites and services of the Group are as follows: -

- Wireless Solutions
- Telecom OSS/BSS Solutions
- Mobile Content Provision and Aggregation
- Professional Services and Consulting

Airocom provides a multitude of wireless solutions designed for three (3) categories of customers, namely Service Providers, Enterprise (including the public sector) and Individual Consumers. Each solution is tailor-made to satisfy and meet customers' requirements without compromising on functionalities and capabilities. These solutions are further broken into the following three (3) product categories: -

- **>*m***telecomm™ for service providers portfolio
    - Wireless messaging
    - Wireless broadband solutions
    - Wireless broadcasting solutions
    - Prepaid platforms
    - Operations support system
    - Billing and customer care
    - Customization and integration

- **>*m***enterprise™ solutions portfolio
    - Mobile field service
    - Mobile enforcement
    - Mobile messaging
    - Mobile reservation
    - Mobile alerts

- **>*m***lifestyle™ for mobile consumers portfolio
    - IOD
    - Content download
    - Interactive media
    - Games, contests and quizzes
    - Mobile chat
    - Mobile polling and voting
    - Mobile Email

Please refer to Section 4.2.2 for further description on Airocom's products and services.

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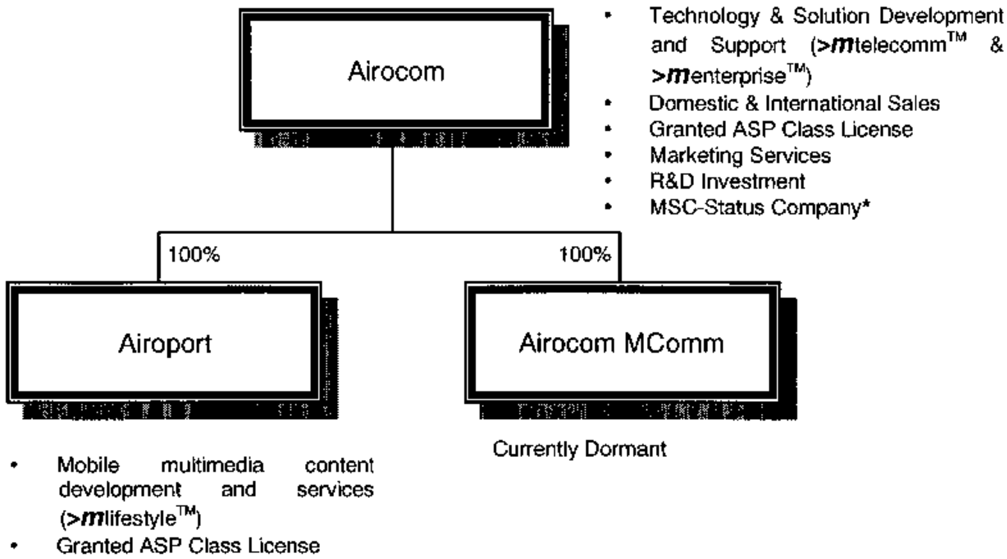
4. INFORMATION ON THE GROUP *(Cont'd)*

4.2.1 Group Structure

An overview of the Group's structure is set out below: -



Note: -

* The Company was granted MSC status by the Government of Malaysia on 29 December 2000. However the Company's MSC Pioneer Status in relation to the 100% exemption on the taxable statutory income for the initial period of five (5) years had expired on 29 December 2005, and the Company had submitted its application for the extension of the tax relief period pioneer status on 28 December 2005.

Presently, the principal activities of the Airocom Group are in the provision of wireless and communication solutions and services, specializing in development and provision of messaging technology and/or mobile content. Details of the subsidiaries of the Company are summarised below: -

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Subsidiaries of Airocom				
Airoport	24.10.2000/ Malaysia	200,000	100	Mobile multimedia content development and services
Airocom MComm	16.02.2001/ Malaysia	3	100	Dormant

4.2.2 Types of Products and Services

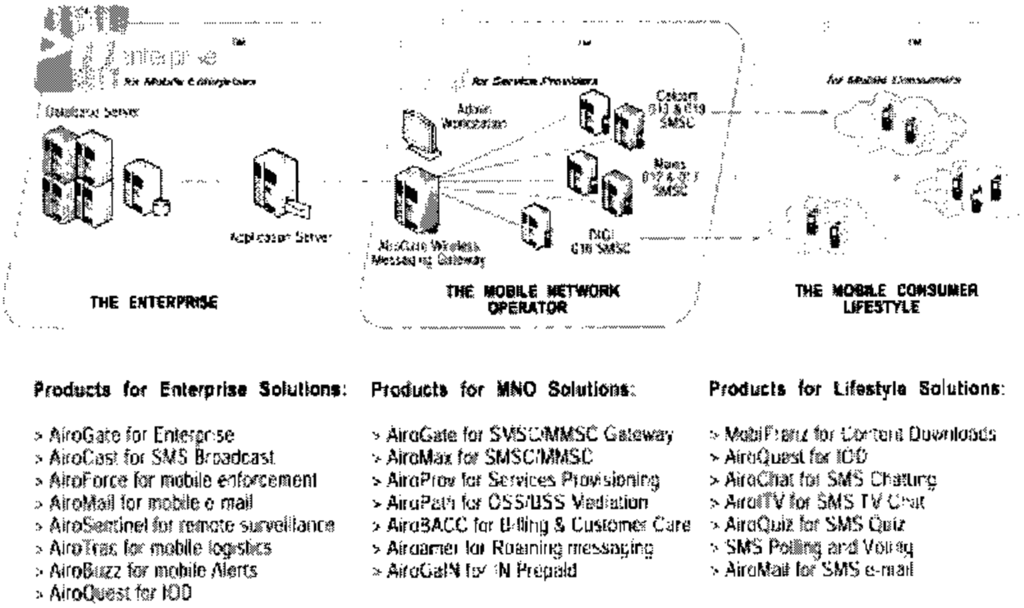


Figure 4.1: Airocom Solutions Overview

	PRODUCT CATEGORY		
	>menterprise™ *(Solutions for Mobile Enterprise)*	**>m**telecomm™ *(Solutions for Mobile Service Providers)*	**>m**lifestyle™ *(Solutions for Mobile Consumers)*
RODUCT LINE	Mobile Logistics	Wireless Messaging	Information On Demand
	Mobile Enforcement	Wireless Broadband Solutions	Content Download
	Mobile Messaging	Wireless Broadcast Solutions	Interactive Media
	Mobile Reservation	Prepaid Platforms	Games, Contest and Quizzes
	Mobile Alerts	Operations Support Systems	Mobile Chat
		Billing and Customer Care	Polling and Voting
		Customization & Integration	Mobile email

Figure 4.2: The Airocom Product Mix

Airocom products and services are divided into three (3) product categories under its brand name. The products are: -

(i) Airocom **>m**telecomm™

>mtelecomm™ is developed for the Mobile Service Providers, such as Telekom, Maxis and DiGi. **>m**telecomm™ provides solution that is targeted to the communication service providers such as mobile service providers, ISPs and Telcos. Some of the solutions are as follows: -