Market Overview of the IN Prepaid Industry in Malaysia

The three-telecom service providers in Malaysia, namely Celcom (Malaysia) Berhad (Celcom), Maxis Communications Berhad (Maxis) and DiGi.com Berhad (Digi) have implemented IN-Prepaid solutions on their network. This is because the majority of their subscribers are pre-dominantly pre-paid and it only justifies for the service providers to spend additional capital expenditure on this segment.

A strong reason for the service providers to invest additional Capex in the IN prepaid segment is driven by the fact that it is relatively hard to segment the prepaid subscribers. By introducing IN prepaid platform in the network, service providers would be able to determine traffic and customer behavior, hence be able to profile customers accordingly. A direct impact of this would be the strategy taken to increase subscribers by introducing new marketing and sales approach.

The primary reason to implement IN prepaid would be for billing prepaid customers. Through this, service providers would be able to gauge the revenue generated from traffic in a realistic manner compared to the current settings where revenue forecast from prepaid users are more from the sales of prepaid calling cards and traffic revenue is a mere approximation.

All service providers in Malaysia had implemented IN Prepaid in 2002. The approach taken by the service providers is a one stop solution where vendors were directly involved in the implementation of the platform, where interconnection between the IN Prepaid platform with the existing switching nodes were made. The adoption of the platform basically means that service providers are ready to implement technologies that have a direct impact on the revenue generated on a long-term basis.

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Operations Systems Support ("OSS") Industry in Malaysia

Table 4 presents the competitive structure of the OSS/BSS market in Malaysia for the year 2005.

Table 4

OSS/BSS market: competitive structure (Malaysia), 2005

Number of Companies in the Market	15-20 (active international OSS/BSS ISVs and SIs)
Types of Competitors	International Independent Solution Vendors (ISVs) with direct sales strategy
	International System Integrators (SIs) with professional services team in Malaysia/Asia Pacific
	Smaller, local in-country ISVs and SIs
	Service Provider In-House Teams
	Network Equipment Manufacturers (NEMs)
Key End-User Groups	Service Providers and Enterprises
Competitive Factors	Success Stories and References
	Price
	Open Interface/Platform
	Features/Functionality of the Solution
	Implementation, Integration and Professional Services Capability

Source: Frost & Sullivan, 2005

The OSS/BSS ISVs and SIs (this includes in-country OSS/BSS companies in Malaysia) together accounted for less than 30 percent of the total OSS/BSS markets in Malaysia by revenue in 2005. The remaining of the market is accounted for by in-house teams of service providers. The market share of international and local ISVs and SIs will increase in the coming years as service providers in Malaysia deploy more commercial off-the-shelf (COTS) OSS software and decrease in-house development.

Competition among international ISVs and SIs is intense. The market controlled by this group of OSS companies is highly fragmented; there are 15-20 active international OSS companies in

Malaysia. Nevertheless, the revenue potential for these international OSS companies is high as in-house OSS development is steadily scaled down.

The market for the international ISVs operating in Malaysia is dominated by billing ISVs including Comptel Communications, Intec Telecom Systems, Amdocs, CSG Systems, Convergys and LHS Systems (LHS). ISVs from other OSS segments such as network management, service fulfillment and customer care are only a handful; some of the successful ones are Micromuse (fault management), Agilent Technologies (network management including fault and performance management) and Siebel (customer care). Billing systems represent a vital investment for service providers and therefore we find that it is the billing ISVs that dominate the international ISV market space rather than international ISVs from the other OSS/BSS market segments like network management, customer care and service fulfillment.

The market for the international SIs operating in Malaysia in the OSS/BSS space accounted for approximately 50-60 percent of the international OSS/BSS market in Malaysia in 2005 by revenue. Like the international ISVs, there is a number of international SIs in this market and therefore it is fragmented. Hewlett-Packard is perhaps the largest SI (in terms of market share and revenue) in the Malaysian OSS market.

LogicaCMG has implemented its Next Generation IP –based Messaging Solution to the leading Malaysian operator Maxis Communications Berhad in 2005. The implementation will offer Maxis subscribers high quality messaging service levels throughout the year, even during peak or festive seasons when volumes for delivery attempts can reach over 700 messages per second. Frost & Sullivan foresees the similar trend can be observed in other operators due to the fierce competition among operators to provide a reliable and high quality service in order to reduce subscribers' churn and to attract new subscribers. Besides that, LogicaCMG as the system integrator, together with Intec as the ISV implemented Bridge Mobile using Interconnect v7 billing and settlement in the same year. The system will facilitate a regional mobile infrastructure and a common service platform for pre-paid subscribers across the Asia-Pacific region. Maxis is part of the Bridge Mobile Alliances. LogicaCMG has also deployed Next Generation video streaming services in partnership with Nextreaming and Inphosoft, a leader in mobile content management and presentation technology and with office in Malaysia.

On the other hand, Telekom Malaysia has implemented Intec's Digiquant platform system as the billing and settlement solution for its global Voice over Internet Protocol (VoIP) clearinghouse in 2004. This will serve as a tool for the management and growth of Telekom Malaysia's VoIP business, in order to provide highest level of flexibility and time-to-market.

In summary, international and local OSS/BSS ISVs and SIs currently control less than 30 percent of the OSS/BSS market in Malaysia. But the addressable market for these ISVs and SIs (including local players like Airocom) is expanding as in-house development is scaled down in favor of commercial off-the-shelf (COTS) OSS/BSS software. However, in-country OSS/BSS companies in

Malaysia can also grow along with the international players by developing solutions in niche OSS segments (for example, Electronic Bill Presentation & Payment, Configuration Management etc.) and providing professional services to international SIs and ISVs as sub-contractors.

Nevertheless, with the advent of Wireless LAN and broadband communications industry, many smaller service providers are mushrooming. Over time, these service providers would require a near complete OSS/BSS platform and solutions to manage their network and customer demands. Budget allocation of the smaller service providers would be much smaller compared to the bigger players. Hence, the plausible strategy that is recommended for Airocom to develop a bigger market share would be to approach the relevant smaller service providers.

Airocom is an up and coming innovative player that is gaining ground in the Malaysian OSS/BSS services market. It is currently the only local player with a wide portfolio of OSS/BSS focus products. A key-differentiating factor is that virtually all its products are developed in-house to suit the market trends of the industry with the expertise to work on almost all other platforms as well, as being a SI. This will eventually place Airocom in the control position of its own products without the reliance of other vendors and system integrators. Airocom business strategy would be to explore overseas opportunities, on top of its operations in Malaysia. Its regional expansion plan includes Vietnam, Bangladesh, Indonesia, India and China. The other strategy that is to be taken by Airocom would be to adopt a channel partner strategy and capture more of the smaller Telco's as the local telecoms market liberalizes. This would eventually bring in new revenue streams and markets to the company.

Airocom's business expansion to Vietnam is one of the most notable revenue generators. In 2005, Airocom has been working with an internet service provider in Vietnam by providing the client infrastructures and end-to-end service integration. Airocom plans to be an end-to-end regional wireless communication solutions provider. It is banking on a resilient product range, mainly for various short messaging service (SMS) applications to make a strong impact overseas, particularly in neighboring ASEAN countries. It will take full advantage of the current ASEAN Free Trade Area arrangement and focus on ASEAN in its overseas forays. Governments in ASEAN are still issuing new licenses to cellular network operators, providing huge opportunity for solutions providers like Airocom. Overseas operations would account for the bulk of Airocom's revenue in the next two to three years.

Figure 2 presents the market shares by revenues of the OSS/BSS market in Malaysia for the year 2005.

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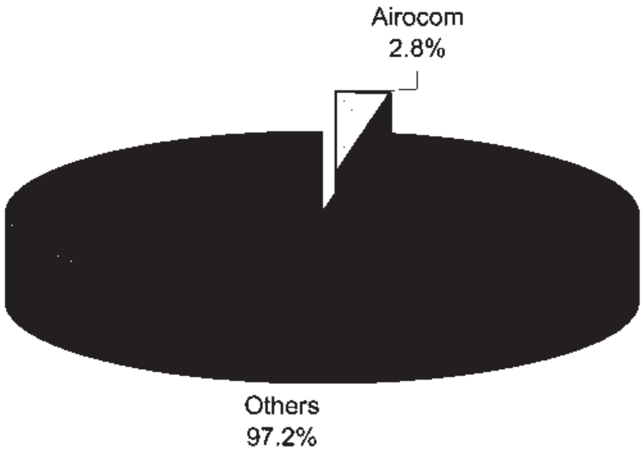
Figure 2

OSS/BSS market: market shares by revenues (Malaysia), 2005

OSS/BSS Market: Market Share in 2005



Source: Frost & Sullivan, 2005

The revenue for OSS/BSS platforms in 2005 for Malaysia is approximately RM434.6 million. Over the forecast period, the total industry revenue is expected to increase to RM1106.9 million with a Cumulative Annual Growth Rate (CAGR) of 10 percent. In the initial stages of investments, service providers are concentrating on billing and network management. However, from year 2008/2009 onwards till the end of the forecast period, the shift would be towards customer care and service fulfillment, which is expected to form 34 percent of the total industry revenue.

Incumbent service providers in Malaysia primarily Telekom Malaysia has huge investments in in-house built systems but is slowly in the midst of phasing out and replacing with new ones from outsourced vendors. This will in turn rake in more revenue for vendors and system integrators. The general trend amongst the service providers is to spend in areas, which has significant impact on their operations; primarily network management and billing platforms.

As the market matures towards higher end data services with the advent of General Packet Radio Service (GPRS) and Enhanced Data Rate for GSM Evolution (EDGE), mobile service providers are in the midst of upgrading their OSS/BSS platform to cater towards this curve. The changes basically took place within 2002 and 2004.

On top of that, Celcom (M) Berhad (Celcom) and Maxis Communications Berhad (Maxis) have just rolled out 3G services in 1H 2005. Two more 3G licenses are up for grabs, and are expected to intensify competition and accelerate subscriber migration to the next generation network. In the planning stage, it is further expected that the investment in these space would increase. The general perception is that the ROI on OSS/BSS will have to be justified by the service uptake of higher end data solutions, as these expansions would lead to higher cost in Capex.

Table 5 presents the market forecast by revenues of the OSS/BSS market in Malaysia from 2005 to 2015.

Table 5

OSS/BSS market: market forecast by revenues (Malaysia), 2005-2015

Year	Revenues (RM million)	Growth Rate (%)
2005	434.6	-
2006	460.0	5.8
2007	500.0	8.7
2008	553.7	10.7
2009	612.4	10.6
2010	676.1	10.4
2011	746.8	10.5
2012	826.7	10.7
2013	910.2	10.1
2014	1005.8	10.5
2015	1106.9	10.1

Compounded Annual Growth Rate (CAGR) 2005-2015: 10%

Source: Frost & Sullivan, 2005

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Mobile Content Industry in Malaysia

Table 6 presents the competitive structure of the mobile content market in Malaysia for the year 2005.

Table 6

Mobile content market: competitive structure (Malaysia), 2005	
Number of Companies in the Market	Over 150 companies
Types of Competitors	Highly competitive
Distribution Structure	Indirect
Tiers of Competition	Two
	Tier 1: 30-40 content providers who work closely with Mobile Network Service Provider
	Tier 2: Small scale content providers focusing mainly on ring tones and logo download services
Key End-User Groups	Service Providers and Enterprises
Competitive Factors	Brand
	Price
	Design
	Feature/Functionality
	Service

Source: Frost & Sullivan, 2005

The market is dominated by players providing content in the information and entertainment segment like that of ring tones, pictures, screensavers, wall papers downloads. Major competitors in the industry include AKN Messaging Technologies Berhad (AKN), UnrealMind Interactive Berhad, Langkah Teknologi Sdn. Bhd., MNC Consulting Sdn Bhd and mTouche Technology Berhad (mTouche). Most of the content providers have long established partnership agreements with mobile network service providers, thus reflecting a dominant position in the industry. With an estimated 150 content providers are present in the industry coupled with a highly fragmented market with revenue streams divided amongst the many content providers, indicates a need for the market to move to differentiate their offerings. The approach taken by the mobile network service providers are basically to partner with as many content providers as possible in the short to medium term. With so many content providers offering similar services, by the end of the forecast period, consolidation is expected to take place in such a way that content providers with better value proposition and differentiated offerings will be able to survive while the less competitive ones are expected to exit from the scene. Several players have faced the issue of lawsuits with regards to the copyrighted media contents. This will likely be the biggest hindrance to the growth in mobile content market in the next two years.

A look at Airocom's competitors will basically reflect the general strategy taken by most content providers in Malaysia. AKN, which is perceived to be the market leader, is generally poised to maintain its market share and leadership position due to its strong branding and suite of products and services. AKN has taken the initiative to offer various services to its clients such as Portal Solution, IMP, M@ds and Business Solution.

Another player that is taking a similar approach is UnrealMind Interactive Berhad through its brand names, Shabox™, Chabomzie™ and 9nine™. The company started its operation in late 2001 by offering SMS games and Java enabled games and polyphonic ring tomes. Within 2 years, the company has secured numerous large customers locally and overseas such as Celcom, DiGi, Maxis, PT Telekomunikasi Selular (Telkomsel), PT. Satelit Palapa Indonesia (Satelindo), PT Indonesian Satellite Corporation Tbk. (Indosat), PT Excelcomindo Pratama (Excelcomindo), Vietnam Posts & Telecommunications Corp (Vinaphone) and DST Communications Sdn. Bhd. (DSTCOM). Unrealmind's rapid growth was largely driven by large capital support by Malaysia Venture Capital Management Bhd (Mavcap) and the low content development cost, which makes up to 90.0 percent of the products offered by the company. Although the company is relatively young in the mobile infotainment industry, it is expected to continue to maintain a strong market presence given its rigorous expansion in the Asia region, its research and development initiatives and its strong brand name in the mobile infotainment industry.

Similar to AKN and Unrealmind, MNC Group has an established portal under the brand name Go!Mail™. Other product highlights from MNC Group include Moblife™, Go!SMS™, Go!ITV™, Go!CPA™ and Go!ContentSuite™. Through its alliance with NuSuara, it launched Asia's first mobile ring tone download service using speech recognition technologies in December 2003. Unlike most the content players who focus mainly on content development, MNC Group is combining its strong enabling platform development with compelling content, in which provide competitive edge to the company in the mobile content industry. It has also formed partnership with Hotlink Maxis through Maxis Developer Program and recently expanded its operation to Singapore. Due to its rapid expansion in business, the company established MNC Wireless in 2003, to focus on R&D, content development and sourcing activities in the mobile content space.

Langkah Teknologi Sdn. Bhd., aside from government projects, is actively involved in offering mobile entertainment services. The company is involved in SMS interactive services besides providing logo, picture, information and picture download services. Amongst other, such services include the launch of myXmobile portal that offers mobile users new services in mobile applications, entertainment and Information on Demand, JPJ Blacklist Enquiry via SMS, MyPic, MyLogo, Info Solat and Info Weather. The company also sells *SMS Alert for Network Monitoring System* to its enterprise customers.

mTouche Technology Bhd (mTouche) is another content provider which develops mobile messaging technologies. mTouche's solutions are platform technologies and product applications. The platform technologies support mTouche SMS Platform, mTouche MMS Platform and mTouche 3G Platform. Its product applications include mTouche TV platform, mTouche radio platform, mTouche press platform and the mTouche content provisioning platform. Four TV stations in Malaysia and Singapore are using its TV platform while 16 radio stations in Malaysia and Singapore are using its radio platform. mTouche has gained much traction in the Malaysia market and is listed in MESDAQ in 2005.

Airocom has entered into the mobile content industry in 2003. A relatively new player in the segment, Airocom has managed to capture a market share of 2.1 percent in 2005. The primary distinction between Airocom and its competitors is that most of its content is in-house developed for the local content market with very few overseas partners. This will augur well for the company in the long run as mobile content revenue success primarily relies on the domestic uptake of services.

The industry is highly fragmented with many early adopters having established a presence a year before Airocom. A significant proportion of Airocom's mobile content revenue is derived from messaging solutions with enterprise customers. Apart from developing content, Airocom is positioning itself as a content aggregator. Its major content aggregator partners include Windotcom Sdn. Bhd and Trihaiza Sdn. Bhd. Also, Airocom has been looking at alternative mobile contents solutions apart from the media contents download such as ringtones, wallpapers and video. This is due to the many legal proceedings arises due to the copyright issue that the industry faces. Recently, Airocom has developed an SMS service called AiroGate Lite for vehicle maintenance management. The technology basically entailed the installation of a chip, which is designed to interact with a car's electronic system and send out an SMS alert to the owner as well as the car service centre, after sensing even a minor defect in the car. Airocom is expected to tie up with some prominent car and accessories manufacturers this year. This could be the major revenue contribution in the coming two years at the least.

Figure 3 presents the market shares by revenues of the mobile content market in Malaysia for the year 2005.

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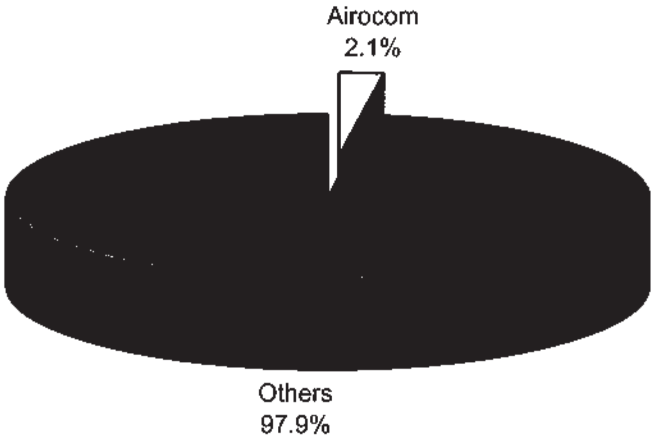
Figure 3

Mobile content market: market shares by revenues (Malaysia), 2005

Mobile Content Market: Market Share in 2005



Source: Frost & Sullivan, 2005

Mobile content (Mobile content player's revenue) is very much a thriving industry, despite being in its infancy. Its market size is estimated at RM185.2 million in 2005 and is anticipated to grow at a CAGR of 17 percent between 2005 and 2015, to reach a revenue size of RM 867.7 million at the end of the forecast period. Frost & Sullivan expects mobile content revenue to slow down in the near term given the issue pertaining to several lawsuits related to copyrighted media content faced by some players. Besides that, Frost & Sullivan believes that the profit sharing scheme will maintain at 70:30 or 50:50 in the short term, but shifting gradually towards the content providers by 2006 or 2007, whereby they are expected to reap a higher profit margin by moving towards the direct billing model and also higher value content. Frost & Sullivan expects the revenue sharing scheme to remain status quo for some time but evolve positively as the industry becomes more developed. Once the mobile data market reaches maturity, third party mobile content would serve as the main revenue source for most mobile operators, and content providers will be able to exert some pressure on mobile operators to revise the revenue sharing scheme. Such a scenario is already occurring in mature mobile data markets in Asia Pacific such as Japan and Korea, whereby content provider's share of revenue can go beyond 90 percent.

On the whole the mobile data and content industry still comprises largely operator-generated data – like that of peer-to-peer and premium SMS services. Third party mobile content is picking up with presence and promotion activities more apparent in 2005. Currently the third party mobile content is dominated by information and entertainment type content comprising mainly the ring tones, screensavers, wallpapers, pictures and icon downloads. Revenue generated is very much correlated to advertising expenditure. Going forward, increasing competition is expected to trigger higher expenditure on advertising and this in turn will also stimulate increased demand by consumers thereby contributing to rapid revenue growth in the industry.

By the end of the forecast period, it is anticipated that more varied applications and higher value applications will have the propensity to drive industry growth as feature rich handsets move towards mass-market penetration. Majority of the mobile content players will also endeavor to move away from the revenue sharing model.

Table 7 presents the market forecast by revenues of the mobile content market in Malaysia from 2005 to 2010.

Table 7

Mobile content market: market forecast by revenues (Malaysia), 2005-2010

Year	Revenues (RM million)	Growth Rate (%)
2005	185.2	-
2006	200.0	8.0
2007	230.0	15.0
2008	276.5	20.2
2009	340.0	23.0
2010	406.2	19.5
2011	487.1	19.9
2012	587.3	20.6
2013	676.3	15.2
2014	783.2	15.8
2015	867.7	10.8

Compounded Annual Growth Rate (CAGR) 2005-2015: 17%

Source: Frost & Sullivan, 2005

IN Prepaid Industry in Malaysia

Table 8 presents the competitive structure of the IN prepaid market in Malaysia for the year 2005.

Table 8

IN prepaid market: competitive structure (Malaysia), 2005

Number of Companies in the Market	3
Types of Competitors	Tier 1: Direct approach to service providers.
Distribution Structure	Direct
Tiers of Competition	One
Key End-User Groups	Domestic consumers/Business users
Competitive Factors	Brand
	Feature/Functionality
	Price
	Service

Source: Frost & Sullivan, 2005

The local IN prepaid market is new in its service offerings with much room for growth with the introduction of new products and services in prepaid segment. Airocom is a new and small player in the market. It has developed its IN prepaid platform for both mobile and fixed line networks. The primary target customers would be the mobile service providers as the implementation of the platform is much less complicated, and the solution offered by Airocom is a complete package. Airocom has placed itself in a position where the implementation of the platform is by far much cheaper compared to its competitors. This will be an added advantage to Airocom, as mobile service providers would be in a position to add value to its products with new service offerings.

Major competitors in the market include Alcatel Network Systems Sdn Bhd, Siemens (Malaysia) Sdn Bhd (Siemens) and LogicaCMG. The recommended approach for Airocom to have a market share in the segment would be to either work with existing vendors in developing new additional features or carrying their own products.

Celcom invested RM20 million in IN prepaid in 2000 for a capacity of 994,500 subscribers. Celcom paid the highest price in terms of cost per subscriber. Maxis and DiGi who invested 2-3 years later reaped the benefits of falling price of technology and equipment. Maxis implemented in 2002 followed by Digi in 2003. In view of the fact that all three-service providers implemented IN prepaid in three different years, these years are not in direct comparison with each other. From 2004 onwards, based on the growth and potential of prepaid subscribers as well as increasing propensity to demand higher value data services from this segment, Frost & Sullivan finds that service providers will continue to make investments to enhance its prepaid service offerings as well as to increase the capacity of existing IN Prepaid platforms to accommodate robust growth in prepaid users as well as traffic.

Between the years 2005-2015, Frost & Sullivan expects all three service providers to invest an average of RM21 million to RM34 million each year. The additional investment through the forecast period will depend on the number of prepaid subscribers service providers expect to be added to their respective networks. Migration of prepaid premium users as a result of higher data contents offering and higher spending capacity will result in lower spending of IN Prepaid in year 2008.

Table 9 presents the market forecast by revenues of the IN prepaid market in Malaysia from 2005 to 2015.

Table 9

IN prepaid market: market forecast by revenues (Malaysia), 2005-2015

Year	Investment (RM million)	Growth Rate (%)
2005	21.1	-
2006	22.9	8.5
2007	23.5	2.6
2008	23.4	-0.4
2009	25.8	10.2
2010	27.1	5.2
2011	28.5	4.9
2012	29.8	4.7
2013	31.1	4.5
2014	32.5	4.3
2015	33.8	4.1

Compounded Annual Growth Rate (CAGR) 2005-2015: 5%

Source: Frost & Sullivan, 2005

Prospects & Conclusion

The Malaysian cellular industry is in the near mature stage, it is expected to saturate in 2007 or 2008. At the end of 2005, the total market penetration is expected to be 65.2 percent. Mobile service providers have already started to look at alternative revenue streams by introducing data services to its subscribers in a progressive manner. This is to cushion off the decline in ARPU from pure voice based services.

With the advent of data services and applications, mobile service providers would have to naturally upgrade its network to cater for the additional value added services. This is where the importance on OSS/BSS and IN Prepaid comes into the picture. The provisioning of enhanced data services would generally mean improved billing mechanisms, customer relationship management and service fulfillment. The argument would be to complement the new services with proper customer relationship, as it will basically decide the success of such services.

The participation of many content providers in this space would generally increase competition and hence service and quality of content. Within the medium term, market will consolidate, and is expected to retain the content providers with a host of applications that is envisioned to be of most appealing to subscribers.

Malaysia's telecom industry is poised for growth and the very success of the content providers and solution providers would generally depend on the general industry perception, whilst the service providers are increasing their market share by offering services to differentiate itself with its competitors.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and / or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,

Teyew Sin Siew

Frost & Sullivan (M) Sdn. Bhd.

12. DIRECTOR'S REPORT

(Prepared for inclusion in the Prospectus)

airocom™
get unwired

WIRELESS AND TELECOM TECHNOLOGIES

Date: 27 March 2006

The Shareholders of
AIROCOM TECHNOLOGY BERHAD ("AIROCOM" OR "COMPANY")
Level 4, Wisma Rozali
No. 4 Persiaran Sukan, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 31 October 2005 (being the date to which the last audited accounts of the Company and its subsidiaries ("the Group") has been made) up to date hereof (being a date not earlier than 14 days before the issuance of this Prospectus), that: -

(a) the business of the Group has, in opinion of the Directors, been satisfactorily maintained;

(b) in opinion of the Directors, no circumstances have arisen since to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiaries;

(e) in the opinion of the Directors, they are not aware of since the last audited accounts of the Group where, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and

(f) save as disclosed in the Proforma Consolidated Balance Sheets in Section 8.6 and the Accountants' Report in Section 9 of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully,
For and on behalf of the Board of Directors
AIROCOM TECHNOLOGY BERHAD

Ahmad Radzi Bin Yahaya
Deputy Chairman

MSC-Status Company

AIROCOM TECHNOLOGY BERHAD (498908-A)

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57000 Kuala Lumpur, Malaysia
Tel : +603 8996 2559 Fax : +603 8996 2557

13. SUMMARY OF BUSINESS PLAN

The following is a summary of the 5-year Business Plan prepared by Airocom for the purpose of inclusion in this Prospectus.

13.1 BACKGROUND OF THE GROUP

The Group's core business is to develop and provide total wireless and communication solutions to service providers, enterprises and mobile phone users, which includes the provision of: -

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

13.2 GROWTH OBJECTIVES AND STRATEGIES

Airocom's growth strategies are focused on product development, and market expansion that are congruent and complement with the Company's goals and objectives as mentioned in Section 4.7 of the Prospectus. Airocom's long-term goal is to establish itself as the leading and dominant wireless solution provider, providing infrastructure platform to support telecom operators' OSS/BSS value-added messaging platform, gateway solutions, and wireless content applications. The Group's immediate goal is to develop significant new products and services as tabled in Sections 4.2.8 and 4.2.11(v) of the Prospectus.

13.3 HUMAN RESOURCE POLICY

Airocom recognizes that its future growth of the Group will depend on its ability and continued efforts of its experienced management team. Strong management, operations and technical resources are vital to a successfully managed organization to ensure its long-term future growth. In this regard, every effort has been made by the Group to attract, recruit and retain its workforce within the organization including providing competitive remuneration packages and career development.

Moving forward, the Group would continue to recruit and retain the right candidate in expanding its workforce. Emphasis would also be placed in setting clear career-progression path, job expectations and developing the right skills for all levels of employees.

13.4 CONCLUSION

The Directors of Airocom believe that the Group has potential for growth in its existing businesses and operations based on its strength. The Group intends to achieve its objective by expanding its market share in Malaysia and regionally. The Group will continue to seek expansion in existing business and/or other business opportunities both locally and abroad. The Group remains focused in its future plans and believes that it is equipped and ready to meet the challenges ahead.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

14.1 SHARE CAPITAL

(i) No shares will be allocated or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.

(ii) Save as disclosed in Sections 1.8, 2.5 and 4.1.3 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of the Company and its subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date thereof.

(iii) Save as disclosed in Section 2.5 and 4.1.3 of this Prospectus, no capital of the Company or its subsidiary companies has been issued or is proposed to be issued for cash within the two (2) years preceding the date of this Prospectus.

(iv) Save for the Public Issue Shares reserved and Bonus Shares II for the eligible employees of the Group as disclosed in Section 2.5 and Section 4.1.3 of this Prospectus, no person or Director or employee of the Group has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company or its subsidiaries.

(v) Save for the Public Issue Shares reserved and Bonus Shares II for the eligible employees of the Group as disclosed in Section 2.5 and Section 4.1.3 of this Prospectus, there is currently no other scheme for or involving the Directors or employees of the Company or its subsidiaries.

(vi) As at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, the Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

14.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association, which have been approved by the Bursa Securities: -

TRANSFER AND TRANSMISSION OF SECURITIES

Article 24

The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Central Depository shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such securities.

Article 24A

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the transfer of all other shares of the Company not so deposited with the Central Depository (not being Deposited Securities) shall be in the manner provided in the Act (including the applicable sections of Table "A" in the Fourth Schedule to the Act) to the extent that the same is not inconsistent with these Articles.

Article 25

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole, thirty (30) days in any year. Eighteen (18) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose or purposes for which the Register is being closed.

Article 26

Subject to the provisions of these Articles, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

REMUNERATION OF DIRECTORS

Article 90

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine (or failing agreement, equally). PROVIDED ALWAYS that: -

(a) fee payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(b) salaries payable to Directors who hold an executive office in the Company may not include a commission on or percentage of turnover.

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

(d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 91

(1) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.

(2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board of Directors provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

VOTING AND BORROWING POWERS OF DIRECTORS

Article 93

The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by these Articles required to be exercised by the Company in general meeting, subject nevertheless, to any of these Articles, to the provisions of the Act, and to such resolutions, not being inconsistent with these Articles or the provisions of the Act as may be prescribed by the Company in general meeting but no resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made.

Article 94

The Directors shall not without the prior approval of the Company in general meeting: -

(a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's main undertaking or property;

(b) exercise any power of the Company to issue shares unless otherwise permitted under the Act;

(c) subject to Sections 132E and 132F of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any non-cash assets of the requisite value.

Article 95

(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related corporation as may be thought fit.

(2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 96

The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in general meeting.

CHANGES IN SHARE CAPITAL AND VARIATION OF CLASS RIGHTS

Article 3

Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors subject to any ordinary resolution of the Company, may determine.

Article 4

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions: -

(a) no shares shall be issued at a discount except in compliance with the provisions of Section 59 of the Act;

(b) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles and in the resolution creating the same;

(c) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members of the Company in general meetings;

(d) every issue of shares or options to employees and/or Directors of the Company shall be approved by the Members in general meeting and no Director shall participate in such issues of shares unless: -

    (i) the Members in general meeting have approved of the specific allotment to be made to such Director; and

    (ii) he holds office in the Company in an executive capacity PROVIDED ALWAYS that a Director not holding office in an executive capacity may so participate in any issue of shares pursuant to a public issue or public offer or special issue, such participation to be approved by the relevant authorities.

Article 5

Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited accounts and attending general meetings of the Company. Preference shareholders must be entitled to a return of capital in preference to holding of ordinary shares when the Company is wound up. Preference shareholders shall also have the rights to vote at any meeting convened: -

(a) where any resolution or proposal is to be submitted to the meeting:

(i) for the purpose of reducing the share capital of the Company, disposing of the whole of the property, business or undertaking of the Company or winding up of the Company; or
(ii) which affects rights attached to the preference shares;

(b) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months; or

(c) during the winding up of the Company.

The rights attaching to shares of a class other than ordinary shares shall be expressly set out in these Articles.

Article 6

Notwithstanding Article 7 hereof, the repayment of preference share capital other than redeemable preference shares, or any alteration of preference shareholder's rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 7

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy, one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall with such adaptations as are necessary, apply.

Article 46

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

Article 50

The Company may by ordinary resolution: -

(a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares of any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; and

(d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 51

Subject to and in accordance with the provisions of the Act and such other relevant law, regulation or guideline for the time being in force, the Company is allowed and shall have power, to the fullest extent permitted, to purchase any of its own shares and other securities and thereafter, the Directors may resolve and shall have the fullest power to deal with such purchased shares or other securities in accordance with the provisions of the Act and such other relevant law, regulation or guideline.

Article 52

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorization, and consent required by law.

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION *(Cont'd)*

14.3 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(i) The substantial shareholders of Airocom and their respective direct interests based on the Register of Substantial Shareholders of Airocom as at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, and their respective indirect interests before and after the Issues are as follows: -

Substantial Shareholders	No. of Ordinary Shares Held Before the Issues				No. of Ordinary Shares Held After the Issues			
	Direct ('000)	%	Indirect ('000)	%	Direct ('000)	%	Indirect ('000)	%
Novapro	46,460	61.95	-	-	69,690	46.00	-	-
Eminent Access	18,692	24.92	-	-	28,038	18.51	-	-
Solnaxis	4,798	6.40	-	-	7,197	4.75	-	-
Datuk Ali Abdul Kadir	5,050	6.73	-	-	7,575	5.00	-	-
Ahmad Radzi Bin Yahaya	-	-	@46,460	61.95	-	-	@69,690	46.00
Khalid Bin Zakaria	-	-	@46,460	61.95	-	-	@69,690	46.00
Hamzah Bin Ismail			#18,692	24.92			#28,038	18.51
Mohd Fauzi Bin Jamaudin	-	-	#18,692	24.92	-	-	#28,038	18.51
Hashim Bin Ishak	-	-	#18,692	24.92	-	-	#28,038	18.51
Lelawati Binti Samsodin	-	-	#18,692	24.92	-	-	#28,038	18.51
Taufiq Rosidi Bin Abu Samah	-	-	^ 4,798	6.40	-	-	^7,197	4.75
Hamidah Binti Hussin	-	-	^ 4,798	6.40	-	-	^7,197	4.75
Rozmei Bin Rahmat	-	-	^ 4,798	6.40	-	-	^7,197	4.75

Notes: -

@ Deemed interest by virtue of their substantial interests in Novapro.

Deemed interest by virtue of their substantial interests in Eminent Access. As highlighted in Section 5.10, the transfer of shares from the previous five (5) shareholders namely Zainal Aman Bin Shaari, Badrul Fikli Bin Alwi, Mohd Reduan Bin Haji Zain, Kamaruszaman Bin Jufri and Sabri Bin Md Sab to the current promoters of Airocom, namely Mohd Fauzi Bin Jamaudin, Hamzah Bin Ismail, Hashim Bin Ishak and Lelawati Binti Samsodin was effected on 10 March 2006.

^ Deemed interest by virtue of their substantial interests in Solnaxis.

* Their respective shareholdings for the pink form share application and Bonus Shares II pursuant to the Issues.

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(ii) The Directors of Airocom and their respective direct interests based on the Register of Directors' Shareholdings as at 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, and their respective indirect interests before and after the Public Issue are as follows: -

Directors	No. of Ordinary Shares Held Before the Issues				No. of Ordinary Shares Held After the Issues			
	Direct ('000)	%	Indirect ('000)	%	Direct ('000)	%	Indirect ('000)	%
Datuk Ali Abdul Kadir	5,050	6.73	-	-	7,575	5.00	-	-
Ahmad Radzi Bin Yahaya	-	-	@46,460	61.95	-	-	@69,690	46.00
Khalid Bin Zakaria	-	-	@46,460	61.95	-	-	@69,690	46.00
Hamzah Bin Ismail	-	-	#18,692	24.92	-	-	#28,038	18.51
Ir Mohd Salleh@ Mohamed Ali Bin Yusoff	-	-	-	-	^ 300	0.20	-	-
Dato' Azman Bin Mahmood	-	-	-	-	^ 300	0.20	-	-
Khairil Anuar Bin Abdullah	-	-	-	-	^ 300	0.20	-	-

Notes: -

@ Deemed interest by virtue of their substantial interest in Novapro.
# Deemed interest by virtue of their substantial interest in Eminent Access.
^ Their entitlement for the pink form share allocation and Bonus Shares II pursuant to the Issues.

(iii) Save as disclosed below and in Sections 2.5 and 4.1.3, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by the Company or its subsidiaries within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company or its subsidiaries or in connection with the issue or sale of any capital of the Company or any of its subsidiaries and no Directors, proposed Directors, promoters or experts is or are entitled to receive any such payment.

In the financial years ended 31 December 2002 and 2003, Novapro provided management services (i.e. in respect of finance, accounts, business development and corporate services) to Airocom for total management fee of RM120,000 and RM477,590 respectively. Effective from 2004, Airocom has ceased to source the aforesaid services from Novapro as the Company has expanded its corporate service division.

(iv) Other than salary and employment related benefits as disclosed in Section 5.3.3 of this Prospectus, no amount or benefit has been paid or given within the two (2) years immediately preceding 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus, nor is it intended to be so paid or given, to any Directors.

Save and except for the dividends payable to the Promoters as shareholders of the Company, the remuneration payable to the Promoters and Directors of the Company and the amount payable to Novapro as detailed in Section 5.3.3 (all of which is disclosed in this Prospectus), no other amounts or benefits are paid or intended to be paid or given to any promoter within two (2) years preceding the date of this Prospectus.

(v) Save as disclosed in Section 7.6 of this Prospectus, none of the other Directors and/or substantial shareholders of Airocom has interest in any subsisting contract or arrangement, which is significant to the business of the Company or the Group taken as a whole.

(vi) Save as disclosed in Sections 3(s), 5.2 and 5.3 of this Prospectus, the substantial shareholders and Directors are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over the Company and its subsidiaries.

14.4 MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by Airocom and its subsidiaries within two (2) years preceding 28 February 2006, being the latest practicable date prior to the issuance of this Prospectus: -

(a) the Deed of Assignment dated 16 March 2004 between Zainal Aman Bin Shaari and the Company for the assignment of the intellectual property rights relating to AiroGate™ Messaging Gateway to the Company for a total consideration of RM3,750,000 settled via the issuance of 3.75 million new ordinary shares of RM1.00 each in Airocom to Zainal Aman Bin Shaari.

(b) the Tenancy Agreement dated 8 April 2004 between Timor Marine Sdn Bhd and the Company in respect of the rental of its registered office for a period of two (2) years commencing from 1 March 2004 to 28 February 2006. The rental amount is RM16,000 per month.

(c) the Sale and Purchase Agreement dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No.2B-6-1, Storey No. 6, Block 2B, Plaza Sentral Phase 2 measuring 1,861 square feet for the purchase price of RM833,728.

(d) the Sale and Purchase Agreement dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No. 2B-6-2, Storey No. 6, Block 2B, Plaza Sentral Phase 2 measuring 3,240 square feet for the purchase price of RM1,451,520.

(e) the Sale and Purchase Agreement dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No. 2B-6-3, Storey No. 6, Block 2B, Plaza Sentral Phase 2 measuring 2,108 square feet for the purchase price of RM944,384.

(f) the Deed of Mutual Covenants dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No.2B-6-1, Storey No. 6, Block 2B, Plaza Sentral Phase 2.

(g) the Deed of Mutual Covenants dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No. 2B-6-2, Storey No. 6, Block 2B, Plaza Sentral Phase 2.

(h) the Deed of Mutual Covenants dated 14 April 2004 between Kuala Lumpur Sentral Sdn Bhd and the Company in respect of the Company's acquisition of an office parcel identified as No. 2B-6-3, Storey No. 6, Block 2B, Plaza Sentral Phase 2.