

AIROCOM TECHNOLOGY BERHAD (“AIROCOM” or “THE COMPANY”)
(Company No. 498908-A)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2005**

PART A – EXPLANATORY NOTE PURSUANT TO FRS 134

1. Basis of Preparation

This is the first report being drawn up by the Company and the Group (collectively Airocom and its subsidiaries, Airoport. Com Sdn Bhd (“Airoport”) and Airocom Mobile Communications Sdn Bhd (“Airocom MComm”)) and the Company will/targeted to be listed on the MESDAQ Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) tentatively on 27 April 2006, and therefore there is no comparative figure presented.

The accounting policies and presentation adopted for this financial report are consistent with those adopted for the most recent audited annual financial statements for the financial year ended 31 December 2005.

2. Qualification of Audit Reports

The audited financial statements of the Company and its subsidiary for the preceding financial years/periods were reported without any qualification.

3. Seasonal or cyclicity of interim operations

Presently, the Group focuses its range of products and services to customers/end-users principally engaged in providing wireless and communication solutions and services specializing in development and provision of messaging technology and/or mobile content. As such, the Group performance will inevitably depend heavily on the cellular services uptake, growth rate of subscriber and the needs to streamline and managing information. These factors are heavily dependent upon innovative cellular service packages, industrial consolidation of network and the evolution SMS based content to GPRS/EDGE services.

4. Unusual Items Due to Their Nature, Size or Incidence

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the current financial year ended 31 December 2005.

5. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current financial year ended 31 December 2005.

6. Revaluation of Property, Plant and Equipment

There were no valuation on the property, plant and equipment have been brought forward from the financial statements for the financial period ended 31 October 2005.

7. Debt and Equity Securities

There were no issuances, cancellations or repayment of debt and equity securities, shares buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial year ended 31 December 2005.

8. Dividends Paid

There was no dividend paid by the Company during the current financial year ended 31 December 2005.

9. Subsequent Material Events

Except for the following and those fully explained in Note 21, there were no material events since the end of the current financial period to the date of this announcement that have not been reflected in the financial statements.

10. Change in the Composition of the Group

There were no changes in the composition of the Group during the current financial year ended 31 December 2005.

11. Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities and contingent assets since the last annual balance sheet date as at 31 December 2005.

12. Segmental Information

Segmental information is prepared as the Group is principally engaged in the provision of mobile content, mobile application and operations and business support (OSS/BSS). The Group has no operations outside Malaysia.

Analysis of Revenue by Corporations:

Financial Year Ended	31 December 2005 (RM'000)
Airocom	20,667
Airoport	759
Airocom Mcomm	-
Consolidate adjustments	(320)
Consolidated revenue	<u>21,106</u>

Analysis of Revenue by Products and Services:

Financial Year Ended	31 December 2005 (RM'000)
- M-telecomm	17,097
- M-enterprise	3,250
- M-lifestyle	1,079
Consolidate adjustments	(320)
Consolidated revenue	<u>21,106</u>

12. Segmental Information (Cont..)

Analysis of Revenue by Markets / Geographical Location:

Financial Year Ended	<u>31 December 2005</u> (RM'000)
Peninsular Malaysia	21,426
East Malaysia	-
Oversea	-
Consolidate adjustments	<u>(320)</u>
Consolidated revenue	<u>21,106</u>

Analysis of Operating Profits by Corporations:

Financial Year Ended	<u>31 December 2005</u> (RM'000)
Airocom	6,036
Airoport	(470)
Airocom Mcomm	(2)
Consolidate adjustments	-
Consolidated operating profit	<u>5,564</u>

Analysis of Operating Profits by Products and Services:

Financial Year Ended	<u>31 December 2005</u> (RM'000)
- M-telecomm	6,087
- M-enterprise	(370)
- M-lifestyle	(153)
Consolidate adjustments	-
Consolidated operating profit	<u>5,564</u>

12. Segmental Information (Cont..)

**Analysis of Operating Profits by Markets /
Geographical Location:**

Financial Year Ended	<u>31 December 2005</u> (RM'000)
Peninsular Malaysia	5,564
East Malaysia	-
Oversea	-
Consolidate adjustments	-
Consolidated operating profit	<u><u>5,564</u></u>

13. Capital Commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the financial statements as at 31 December 2005.

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Part B - Explanatory Notes Pursuant to Appendix 7A of the Listing Requirements of Bursa Securities for the MESDAQ Market

14. Performance Review

The sales of the Group for the current financial year ended 31 December 2005 were RM21,106,135 (2004: RM10,787,186). The Group’s profit before taxation for the current financial year ended 31 December 2005 were RM5,495,333 (2004: RM3,268,099). The Company is expected to be listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 27 April 2006.

The sales and profit before taxation for the current financial period year 31 December 2005 were higher as the year was filled with the influx of new contract and customers from the >mtelecomm™ segment (ie: MCC for 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).

15. Commentary on Material Change in Profit before Taxation

No comparative figure is presented as this is the first report being drawn up by the Company and the Group, and the Company expected to be listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 27 April 2006.

16. Commentary on the Prospects

The Directors are of the opinion that the overall performance of the Group will improve for the financial year ending 31 December 2006 in line with the growth in demand of wireless and communication solutions, intensive marketing and sales, introduction of new feature or products, entry into new geographic markets and several sound key strategic moves.

Based on the above, barring any unforeseen circumstances, the Group is expected to achieve positive growth in revenue and profit before taxation in the current financial year.

17. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in any public document and hence this is not applicable.

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18. Tax Expense

There are no taxation for the year due to Pioneer Status granted to Airocom under the Promotion of Investments (Amendment) Act, 1997. Under Pioneer Status incentive granted to Airocom, 100% of the Airocom’s statutory income from pioneer activities is exempted from income tax for a period of five (5) years, commencing from 4 January 2001. The Pioneer Status may be extended for another five (5) years upon expiry and the application for the extension has been effected.

19. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments or properties during the current quarter and current financial year ended 31 December 2005.

20. Purchase and Disposal of Quoted and marketable securities

There was no purchase or disposal of quoted and marketable securities during the current financial year ended 31 December 2005.

21. Status of Corporate Proposal and Utilisation of Proceeds

1. Status of Corporate Proposal Proposed and Not Complete

Save as disclosed below, there are no other corporate proposals announced but not completed as at the date of this announcement:-

(i) Proposed Listing

On 3 April 2006, Airocom issued a prospectus for the public issue of 26,000,000 shares of RM0.10 each in the Company at an issue price of RM0.60 each in conjunction with its listing exercise. The entire enlarged issued and paid up share capital of the Company, comprising 151,500,000 ordinary shares of RM0.10 each expected to be listed and quoted on the MESDAQ Market of Bursa Securities on 27 April 2006.

21. Status of Corporate Proposal and Utilisation of Proceeds (Cont’d)

2. Utilisation of Proceeds

After the proposed listing and quotation in MESDAQ Market of Bursa Securities, the gross proceeds of RM15.60 million expected to be received will be utilised in the following manner:

Purpose	Amount RM’000	Time Frame for Utilisation of Proceeds*		
		From the date of Proposed Listing		
		Immediate RM’000	Within 12 Months RM’000	Within 24 Months RM’000
i. Marketing and Operational activities for > <i>m</i> lifestyle™	1,800	-	1,800	-
ii. R&D Expenses and Equipment for GSM/ GPRS	1,600	-	-	1,600
iii. R&D Expenses and Equipment for 3G	1,500	-	-	1,500
iv. R&D Personnel and Training Expenses	4,061	-	-	4,061
v. Loan Repayment – Existing Facility	1,184	1,184	-	-
vi. Listing Expenses	1,800	1,800	-	-
vii. Working Capital	3,655	-	3,655	-
Total proceeds	15,600	2,984	5,455	7,161

* – As set out in Airocom’s Prospectus dated 3 April 2006

22. Group Borrowings and Debt Securities

Group borrowings as at 31 December 2005 were as follows:

	RM ‘000
Short term (Due within 12 months)	
Secured	1,277
Long term (Due after 12 months)	
Secured	2,261
TOTAL	3,538

All Group borrowings are in Ringgit Malaysia.

23. Off Balance Sheet Financial Instruments

As at the date of this announcement, the Group has no off balance sheet financial instrument of any kind.

24. Changes in Material Litigation Since the Last Annual Balance Sheet Date

As at the date of this announcement, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group.

25. Dividend Payable

The Group did not recommend or declare any dividend during the current financial year ended 31 December 2005.

26. Earnings Per Share (“EPS”)

(i) Basic EPS

	Current Year
	31 December 2005
Net Profit for the Year (RM'000)	5,495
Weighted Average number of Shares in Issue ('000)	75,000
Basis EPS (sen)	7.33

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