

**AIROCOM TECHNOLOGY BERHAD (“AIROCOM” or “the Company”)
(Company No. 498908-A) (Incorporated in Malaysia)
Notes on the Quarterly Report – 31st March, 2007**

EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of Preparation

This interim unaudited financial report has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market and Financial Reporting Standard (FRS) 134 and should be read in conjunction with the Company’s Financial Statements for the Year Ended 31st December, 2006.

The accounting policies and methods of computation adopted by the Company and the Group (Airocom and its subsidiaries, Airoport. Com Sdn. Bhd. (“Airoport”) and Airocom Mobile Communications Sdn. Bhd. (“Airocom MComm”)) in the interim financial statements are consistent with those adopted for the financial year ended 31st December, 2006.

2. Accounting Policies

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited Financial Statements for the Year Ended 31st December, 2006 including the adoption of the following new/revised FRS effective for financial period beginning 1st January, 2006:

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 107	Cash Flow Statement
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 112	Income Taxes
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

3. Auditors’ Reports

Without qualifying their opinion, the auditors’ report on the Financial Statements of the Subsidiaries, drew attention to the appropriateness of preparing the Financial Statements on the going concern basis as at 31st December, 2006. These Subsidiaries have aggregated negative shareholders fund of RM1,369,572.

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4. Seasonal or Cyclicity of Interim Operations

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

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

There were no items or events that arose during the quarter under review, which affected assets, liabilities, equity, net income, or cash flows that are unusual by reason of their nature, size or incidence.

6. Changes in Estimates

The Company did not estimate any amount in the previous report, therefore, there were no changes in the nature and amount of estimates reported that have a material effect in the quarter under review.

7. Revaluation of Property, Plant and Equipment

The Group did not revalue any of its Property, Plant and Equipment.

8. Valuation of Intellectual Properties (IP)

The valuation of IP as at 15th February, 2007 has not impaired the IP value.

9. Debt and Equity Securities

There were no issuances of shares, 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 quarter under review.

10. Dividends Paid

There was no dividend paid by the Company during the quarter under review.

11. Subsequent Material Events

There were no material events subsequent to the end of current quarter under review that have not been reflected in the financial statements for the current quarter.

12. Change in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

13. 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 31st December, 2006.

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14. Segmental Information

Segmental information is prepared in respect of the Group’s segmental analysis of Revenue and Operating Profit by Corporation (Airocom and Subsidiaries), Products and Services (M-telecomm, M-enterprise and M-lifestyle) and also by Markets/Geographical location.

Airocom and the Group provides a multitude of wireless solutions designed for three (3) categories of customers, namely Service Providers (M-telecomm), Enterprise (including the public sector) (M-enterprise) and Individual Consumers (M-lifestyle). Each solution is tailor-made to satisfy and meet customer requirements without compromising on functionalities and capabilities.

Segmental Analysis of Revenue and Operating Profit

Analysis of Revenue by Corporations: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM’000)	Preceding Year Quarter 31-March-06 (RM’000)
Airocom	30	146
Airoport	26	55
Airocom MComm	-	-
Consolidated adjustments	-	(24)
Consolidated Revenue	56	177

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM’000)	Preceding Year Quarter 31-March-06 (RM’000)
Hardware & Software Solution		
- M-telecomm	30	122
- M-enterprise	-	-
- M-lifestyle	26	55
Consolidated adjustments	-	-
Consolidated Revenue	56	177

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14. Segmental Information (Cont..)

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM'000)	Preceding Year Quarter 31-March-06 (RM'000)
Peninsular Malaysia	56	177
East Malaysia	-	-
Oversea	-	-
Consolidated Revenue	56	177

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM'000)	Preceding Year Quarter 31-March-06 (RM'000)
Airocom	(925)	(635)
Airoport	(23)	(41)
Airocom MComm	(1)	(1)
Consolidated Operating Loss	(949)	(677)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM'000)	Preceding Year Quarter 31-March-06 (RM'000)
Hardware & Software Solution		
- M-telecomm	(926)	(656)
- M-enterprise	-	-
- M-lifestyle	(23)	(21)
Consolidated Adjustments		
Consolidated Operating Loss	(949)	(677)

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14. Segmental Information (Cont..)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-March-07 (RM'000)	Preceding Year Quarter 31-March-06 (RM'000)
Peninsular Malaysia	(949)	(677)
East Malaysia	-	-
Oversea	-	-
Consolidated Adjustments	-	-
Consolidated Operating Loss	(949)	(677)

15. Capital Commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current quarter under review.

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

16. Performance Review

The Group’s unaudited results for the first quarter ended 31st March 2007 shows a revenue of RM55,897 with net loss of RM1,013,179. The failure to sell our core products has resulted in this dismal performance of sales

The main contributors for the above revenue were mainly from *m-telecom*TM and *m-lifestyle*TM. The Management, on the advice of the Directors, has decided to defer the quarterly billing to PT. Ochabawez for the OLIS-TKA project in Indonesia whilst waiting for the Parliament to endorse the project. The billing for the OLIS-TKA project will be resumed once the project is endorsed and launched, and is expected to take place in the current financial year 2007

During the quarter, in early January 2007, SPT had officially invited the Company to submit a proposal for the Wireless Broadband project on its own. The Company had submitted the official proposal to SPT on 31 January 2007. Following this Airocom is holding discussions with SPT regarding the details for the implementation of the Wireless Broadband project in Vietnam.

During the quarter, the Company discussed and planned with Siar Niaga Sdn Bhd the development and implementation activities of the Warung Telekom Franchise Programme. The Company had also started with the setting up activities for the Warung Telekom franchise outlets by interviewing potential franchise outlet operators and identified a few sites where the Warung Telekom franchise outlets are to be located.

In relation to the selling of handphones to Vietnam the Company extended the MOU that it signed with CSL Manufacturing Sdn Bhd from 31 December 2006 to 31 March 2007. However, after conducting further due diligence of the business model, and evaluation of the products, the MOU which lapsed on 31 March 2007 has not been extended because the Company had deemed the project not to be commercially viable at present.

17. Commentary on Material Change in Profit before Taxation

The Group’s loss before tax increased to RM1,013,179 compared from the preceding year corresponding quarter of RM705,680.

Other Income from the Company consists of profit from interest income, gain on disposal from two (2) units of company motor vehicles and also rental from properties in Plaza Sentral Phase 2.

18. Prospects for the Year 2007

After the delays in the projects that the Company had participated or initiated in FY2006, the Company is hopeful of a better performance in the financial year 2007 if we are able to be back on track. The Management are working hard to expedite the implementation of these projects and some progress has been made.

The Company is continuously working on the OLIS-TKA and Warung Telekom projects for them to generate revenue for the Company from the financial year FY2007 onwards. .

In addition to the Warung Telekom Franchise Programme in Malaysia, the OLIS-TKA project in Indonesia and the Wireless Broadband project proposal to SPT, the Company is actively pursuing new business opportunities in Malaysia, Indonesia and Vietnam. The Company has also submitted proposals for some new projects in Saudi Arabia and Cambodia.

The Strategic Implementation Committee is very concern of the Company’s failure to achieve sales and is looking into ways to increase sales for the year.

19. Profit Forecast

The Group did not issue any profit forecast or profit guarantee in any public document.

20. Tax Expense

There were no taxation for the year due to Multimedia Super Corridor (“MSC”) status and Pioneer Status granted to Airocom under the Promotion of Investments (Amendment) Act, 1997. As such, Airocom enjoys tax incentive of 100% exemption of its taxable statutory income from pioneer activities for a period of five (5) years, commencing from 4th January, 2001. The MSC status along with the Pioneer Status have been renewed and approved by relevant authorities for another five (5) years to 28th December 2010.

21. Sale of Unquoted Investments and/or Properties

There was no disposal of investment or properties during the financial period under review.

22. Purchase and Disposal of Quoted and Marketable Securities

There was no purchase or disposal of quoted and marketable securities during the current financial period under review.

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23. Status of Corporate Proposal and Utilisation of Proceeds

a) Status of Corporate Proposal Proposed and Not Completed

There were no other corporate proposals announced but not completed as at the date of this announcement.

b) Utilisation of Proceeds

The Company raised RM15.6 million during its Initial Public Offering exercise on 27th April, 2006 and the details of the utilization of proceeds up to 31st March, 2007 are as follows:-

Purpose	Proposed Utilisation (RM'000)	Revised Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Amount (RM'000)	Intended Timeframe for Utilisation
i. Marketing and Operational activities for > <i>m</i> lifestyle™	1,800	1,000	1,000	-	To be utilised within 12 months from date of listing
ii. R&D Expenses and Equipment for GSM/GPRS	1,600	1,600	711	889	To be utilised within 24 months from date of listing
iii. R&D Expenses and Equipment for 3G	1,500	-	-	-	To be utilised within 24 months from date of listing
iv. R&D Personnel and Training Expenses	4,061	4,061	980	3,081	To be utilised within 24 months from date of listing
v. Loan Repayment – Existing Facility	1,184	1,184	1,184	-	-
vi. Listing Expenses	1,800	1,800	1,800	-	-
vii. Working Capital	3,655	5,955	5,955	-	To be utilised within 12 months from date of listing
Total Proceeds	15,600	15,600	11,630	3,970	

As at 31st March 2007, Airocom had utilised RM11.6 million out of a total RM15.6 million proceeds raised from the listing, comprising funds allocated for marketing and operational activities for >*m*lifestyle, research and development (“R&D”) expenses and equipment for GSM/GPRS/3G, R & D personnel and training expenses, loan repayment, listing expenses and working capital.

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24. Group Borrowings and Debt Securities

Group borrowings as at 31st March, 2007 was as follows:

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short term borrowings	1,661,611	-	1,661,611
Long term borrowings	2,771,860	-	2,771,860
Total	4,433,471	-	4,433,471

Group borrowings are in Ringgit Malaysia.

25. Off Balance Sheet Financial Instruments

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

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

As at the date of this announcement, save as disclosed below, there are no material litigation either as plaintiff or defendant and the Directors are not aware of any proceedings pending or threatened against the group.

Further to the Third Party claim against Airocom by Celcom the Company's Solicitors have filed our defense and counter claim against Celcom based on Third Party proceedings. Celcom has filed their reply to the defense and their defense to the counter claim. No further proceeding/action taken by Celcom on the said Third Party action.

27. Dividend Payable

No dividend has been declared or paid during the current quarter

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28. Earnings Per Share (“EPS”)

Basic EPS

The basic earning per share is calculated by dividing the Group’s net profit attributable to shareholders by the number of ordinary shares of RM0.10 each in issue during the period.

	Individual Quarter Ended 31st March, 2007
Net Loss for the Quarter (RM’000)	(1,013)
Number of Shares (‘000)	151,500
Basis Earning Per Share (sen)	(0.67)

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 17th May, 2007.