AIROCOM TECHNOLOGY BERHAD ("AIROCOM" or "Company")
(Company No. 498908-A) (Incorporated in Malaysia)
Notes on the Quarterly Report – 30 June 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 31 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 31 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 31 December, 2006 including the adoption of the following new/revised FRS effective for financial period beginning 1 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 31 December, 2006. These Subsidiaries have aggregated negative shareholders fund of RM1,369,572.

4. Seasonal or Cyclicality 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

Save for the provisions for the trade debtors of RM8.0 million and the reduction of trade receivables and trade payables amounting to RM15.8 million and RM11.7 million respectively during the quarter under review, there were no other items which affected assets, liabilities, equity, net income, or cash flows that are unusual by reason of their nature, size or incidence. These provisions were pertaining to the Vietnam project, as explained in **Item 17** below.

En Ahmad Radzi Yahaya has been redesignated as an Executive Director of the Company and appointed as Acting Chief Executive Officer of the Company while En Mohd Fauzi Bin Jamaudin, relinguishes his position as Chief Executive Officer and redesignated as Country Manager in charge of Indonesia Projects which took effect on 18 June 2007.

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 15 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 has 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 31 December 2006.

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 30-June-07 (RM'000)	Preceding Year Quarter 30-June-06 (RM'000)
Airocom	26	652
Airoport	141	29
Airocom MComm		-
Consolidated adjustments		(9)
Consolidated Revenue	167	672

14. Segmental Information (Cont'd)

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter 30-June-07 (RM'000)	Preceding Year Quarter 30-June-06 (RM'000)
Hardware & Software Solution		
- ***>m***telecomm^{TM}	26	-
- ***>m***enterprise^{TM}		643
- ***>m***lifestyle^{TM}	141	38
Consolidated adjustments		(9)
Consolidated Revenue	167	672

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 30-June-07 (RM'000)	Preceding Year Quarter 30-June-06 (RM'000)
Peninsular Malaysia	167	29
East Malaysia		-
Oversea		643
Consolidated Revenue	167	672

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 30-June-07 (RM'000)	Preceding Year Quarter 30-June-06 (RM'000)
Airocom	(8,942)	(869)
Airoport	98	(30)
Airocom MComm		-
Consolidated Operating Loss	(8,844)	(899)

14. Segmental Information (Cont’d)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 30-June-07 (RM’000)	Preceding Year Quarter 30-June-06 (RM’000)
Hardware & Software Solution		
- **>*m***telecomm™	(8,942)	-
- **>*m***enterprise™		(850)
- **>*m***lifestyle™	98	(49)
Consolidated Adjustments		
Consolidated Operating Loss	(8,844)	(899)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 30-June-07 (RM’000)	Preceding Year Quarter 30-June-06 (RM’000)
Peninsular Malaysia	(8,844)	(49)
East Malaysia		-
Oversea		(850)
Consolidated Adjustments		-
Consolidated Operating Loss	(8,844)	(899)

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 second quarter ended 30 June 2007 shows a revenue of RM166,750 with net loss of approximately RM8.9 million, mainly due to the provision for trade debtors of RM8.0 million.

The main contributors for the above revenue were mainly derived from **>*m***telecomm™ and **>*m***lifestyle™. The drop in revenue was due to the discontinuation of the download business in **>*m***lifestyle™, the non-materialisation of sales of larger projects under **>*m***telecomm™ during the quarter and suspension of the On-Line Information System – Pengawasan Tenaga Kerja Asing ("**OLIS – TKA**") billing until further clarification by the Indonesian Government. The higher operating expenses was a result of a one-time provision made by the Group on its receivables in respect of the Vietnam project.

The Company has taken action to dispose three (3) units of office space, Unit 2B-6-1, 2B-6-2 & 2B-6-3, Plaza Sentral Block 2B, Kuala Lumpur Sentral ("**Property**"), to improve the financial position of the Company. The proposed disposal is expected to be completed by January 2008. The utilisation of proceeds from the disposal is to settle the loan of the Property and the balance of the proceeds will be used as working capital of the company.

An announcement on the same will be made once the proposed disposal has reached a more mature stage.

17. Commentary on Material Change in Profit before Taxation

The Group's loss before tax has increased to RM8.9 million compared from the preceding year corresponding quarter of RM908,575 due to a provision made on receivables pertaining to our Vietnam project.

The amount of trade receivables and trade payables relating to the Vietnam project reduced by RM15.8 million and RM11.7 million respectively. We were supporting Mekong Communication Corporation Sdn Bhd ("**MCC**") who had a Joint Venture ("**JV**") agreement with Saigon Post and Telecommunications Services Corporation. ("**SPT**") and when MCC's contract expired, we were directed by MCC to establish direct contact with SPT. Nevertheless, we felt that there was a need for provision on the amount of debt.

However, as Vietnam is a good market for telecommunications and wireless, the Company will continue to perform more research and intelligence work and re-enter into the market as a full-fledge solutions provider. The Vietnam market has good future since they are very "service oriented," and with them in the World Trade Organisation ("**WTO**") will definitely open more opportunities with the right technology partner to serve and provide to all telcos.

We have restructured the senior management of the company to improve the performance of the group and an acting Chief Executive Officer has been appointed to lead the management.

The Company has initiated various revenue generating projects for the purpose of turning around the company. One of the means to generate additional revenue stream is to refocus aggressively on channeling the Company's products and services into the needs of the Malaysian markets.

18. Prospects for the Year 2007

Following the recent situation of the company, it has taken a measure to improve the management of the company by appointing a Director to lead the management. Some managers have left the company and we will be appointing new managers to improve the performance of the company. New tenders and projects have been identified to improve the performance of the company.

In addition to the above measures the company is also reviewing other measures to increase viability and profitability of the company. This includes joint ventures and projects strategic for the company. This will be informed to our shareholders when we have made a concrete decision and proposal.

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 4 January 2001. The MSC status along with the Pioneer Status have been renewed and approved by relevant authorities for another five (5) years to 28 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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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 27 April 2006 and the details of the utilization of proceeds up to 30 June, 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 ***>m***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	837	763	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	2,461	1,246	1,215	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	7,555	6,155	1,400	To be utilised within 12 months from date of listing
Total Proceeds	**15,600**	**15,600**	**12,222**	**3,378**	

Note:

* As approved vide the Securities Commission ("SC") letter dated 4 July 2007

As at 30 June, 2007, Airocom had utilised RM12.2 million out of a total RM15.6 million proceeds raised from the listing, comprising of 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.

During the quarter, an application for the reallocation was submitted on 7 June 2007 to the Securities Commission ("**SC**") and on 4 July 2007, the Company received the SC's approval to reallocate RM1.6 million which was originally allocated for R&D Personnel and Training expenses to working capital.

Up to second quarter, the company utilised approximately RM2.0 million of the IPO proceeds for the development of products mainly solutions engines, to serve the three (3) market segments mainly the telecommunications, enterprise and the lifestyle segments.

With the remaining of RM2.0 million after the second revision reserved for R&D from the proceeds, the strategy is to focus on developing applications around the already developed solutions engines, so as to broaden the offerings and enhance commercial value of the products developed.

The reallocation of the R&D proceeds to working capital will not curtail the R&D activities but will allow the profits realised for the investment to be channeled back to the R&D activities.

Save as disclosed above, there was no variation recorded during the quarter.

23. Group Borrowings and Debt Securities

Group borrowings as at 30 June 2007 was as follows:

	Secured (RM`000)	**Unsecured (RM`000)**	**Total (RM`000)**
Short term borrowings	1,782	-	1,782
Long term borrowings	2,772	-	2,772
Total	**4,554**	**-**	**4,554**

Group borrowings are in Ringgit Malaysia.

24. Off Balance Sheet Financial Instruments

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

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25. 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 (M) Berhad ("**Celcom**") the Company's Solicitors have filed our defense and counter claim against Celcom based on Third Party proceedings. Celcom has also 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.

26. Dividend Payable

No dividend has been declared or paid during the current quarter

27. 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 30 June 2007
Net Loss for the Quarter (RM`000)	(8,891)
Number of Shares (`000)	151,500
Basis Earning Per Share (sen)	(5.87)

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