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 108	Accounting Policies, Changes in Estimates and Errors
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

The following is the list of new/revised FRS effective for financial period 15 June, 2007

FRS 107	Cash Flow Statement
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

3. Auditors' Reports

The auditors report on the latest financial statements for the financial year ended 2006 was not subject to any audit qualifications.

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

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")

Based on the valuation of IP as at 15 February 2007, there was no impairment to the IP value. Notwithstanding the above, the Company is in the midst of obtaining a revised valuation for the financial year ending 31 December 2007.

9. Debt and Equity Securities

There were no issuances of shares, cancellations or repayment of debt and equity securities, shares buy-backs, shares 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 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 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Airocom	655	2,026
Airoport	25	90
Airocom MComm		-
Consolidated adjustments		(42)
Consolidated Revenue	680	2,074

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Hardware & Software Solution		
- ***>m***telecomm™	19	41
- ***>m***enterprise™	636	1,942
- ***>m***lifestyle™	25	133
Consolidated adjustments		(42)
Consolidated Revenue	680	2,074

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Malaysia	680	174
Overseas		1,942
Consolidated adjustments		(42)
Consolidated Revenue	680	2,074

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Airocom	(3,520)	(587)
Airoport	(1,205)	(1)
Airocom MComm		-
Consolidated Operating Loss	(4,725)	(588)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Hardware & Software Solution		
- ***>m***telecomm™	(143)	6
- ***>m***enterprise™	(3,377)	(636)
- ***>m***lifestyle™	(1,205)	42
Consolidated Operating Loss	(4,725)	(588)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-Dec-07 (RM`000)	Preceding Year Quarter 31-Dec-06 (RM`000)
Malaysia	(4,725)	48
Overseas		(636)
Consolidated Operating Loss	(4,725)	(588)

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 fourth quarter ended 31 December 2007 shows a revenue of RM680,255 and after making provision for doubtful debts the Company showed a net loss approximately RM4.76 million.

The management has taken the view that it is necessary to make provisions in the year under review, to allow the company to start on a new footing in 2008.

17. Commentary on Material Change in Profit Before Taxation

The Group's loss before tax has increased to RM4.76 million compared to the preceding year's corresponding quarter loss of RM804,430 due to unrealised sales from the ***>m***enterprise™ group and provision for doubtful debts as well as work in progress for the current quarter under review.

18. Prospects for the Year 2008

The management will continue to take necessary measures to improve the performance of the Company, moving forward.

Besides the major organisational restructuring which has been undertaken by the management of the Company since the third quarter of 2007, the company is now repackaging its products and services and realigning its focus towards market driven strategies.

The management is in the process of negotiating a joint venture with a party to provide on a long term basis, services for Digital Reading/ Learning Platform ("**DRLP**") and the company will make the necessary announcement in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market ("**MMLR**"), where applicable.

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

The disposal of the KL Sentral property was completed in the quarter under review, and this has been reflected in the accounts. The surplus arising from the disposal has been reflected in the accounts as "Other Income". The proceeds from the disposal will be utilised to firstly settle the loan on the property, and the balance will be used for working capital as shown in note 24 below.

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 27 April 2006 and the details of the utilisation of proceeds up to 31 December, 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	927	673	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	1,962	499	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	7,555	-	To be utilised within 12 months from date of listing
Total Proceeds	***15,600***	**15,600**	**14,428**	**1,172**	

Note:

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

As at 31 December, 2007, Airocom had utilised RM14.4 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.

An application for the reallocation was submitted on 7 June 2007 to the 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 ("**Proposed Revision**").

Up to third quarter, the company has utilised approximately RM2.39 million inclusive additional of RM309,789 from the second quarter 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.

The remaining of RM1.7 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.

In addition to the above, and with reference to the SC's letter dated 4 July 2007:-

(i) The rationale for the Second Revision;

a. Marketing and Operational activities for ***>m***telecomm™

After the finalisation of the development of the full suite of AiroGate™ products at the start of the financial year ("**FY**") 2007, the Group is currently planning to concentrate its efforts on marketing the said products in Malaysia and overseas.

b. Working Capital

The additional working capital derived from the Proposed Revision will be utilised by the Group for intensified marketing of its ***>m***telecomm™ segment in which the AiroGate™ products are positioned.

(ii) The expected impact of the Second Revision on Airocom Group's R&D and marketing plans, and how this impact is anticipated to affect Airocom Group's future prospects; and

As mentioned above, by further concentrating its marketing efforts on its AiroGate™ suite of products, the Management of Airocom are of the opinion that the products can generate the revenues for ***>m***telecomm™ and this will further improve the income of the Group.

Further to the above, the Management of Airocom is also of the opinion that the Proposed Revision will have no adverse effect on the future plans of the Company and instead, will allow for the Company to expedite its future plans.

The Management of Airocom is of the opinion that the Proposed Revision will have no any adverse effect on the future plans of the Company.

(iii) A discussion and analysis on how the amounts allocated to working capital for overseas expansion, pursuant to the First Revision, have been utilised, including what benefits are anticipated from the same utilisation of proceeds for overseas expansion and when the benefits are expected to crystallise.

The First Revision involved a reallocation of RM2.3 million from the Marketing and Operational activities for ***>m***lifestyle™ and R&D Expenses and Equipment for 3G segments respectively, to Working Capital.

The initial plan for the First Revision was:

- to enable the Group to be able to expand further its wireless solutions in Vietnam providing wireless broadband and wireless broadcast solutions in addition to the wireless cellular solutions for its ***>m***telecomm™ segments of business; and

- finalise the supply, delivery, installation, testing, commissioning and maintenance of the hardware, systems software and related components of the OLIS–TKA system in Indonesia for the Departmen Tenaga Kerja dan Transmigrasi Republik Indonesia ("Depnaker"), as announced on 26 May 2006,

The Vietnamese project with SPT utilised RM126,452 from the First Revision, for marketing and consultancy charges.

The bulk of the reallocation from the First Revision was utilised for the Indonesian OLIS–TKA project, where a total of approximately RM2.0 million was incurred for the systems and equipment. The balance of which was used for marketing and support expenses. Based on the most recent update by Depnaker and as reported in quarter three, the launch date has been delayed to a tentative date in quarter two 2008. Currently we are considering to include a partner to undertake the business when launched.

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

24. Group Borrowings and Debt Securities

Group borrowings as at 31 December 2007 was as follows:

	Secured (RM`000)	Unsecured (RM`000)	Total (RM`000)
Short term borrowings	1,470	-	1,470
Long term borrowings	2,453	-	2,453
Total	**3,923**	**-**	**3,923**

Group borrowings are denominated 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 (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.

27. Dividend Payable

No dividend has been declared or paid during the current quarter.

28. Earnings Per Share ("EPS")

Basic EPS

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

	Individual Quarter Ended 31 December 2007
Net Loss for the Quarter (RM`000)	4,760
Number of Shares (`000)	151,500
Basic Loss Per Share (sen)	3.14