

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, 2007.

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, 2007.

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, 2007 including the adoption of the following new/revised FRS effective for financial period beginning 1 January, 2006:

In prior year, the Group has early adopted FRS 117 : Leases for the financial period beginning 1st January, 2006.

On 1st January, 2007, the Group and the Company adopted the following revised FRS and amendment to FRS :

- a) FRS 124 : Related Party Disclosures
- b) Amendment to FRS 119₂₀₀₄ : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the revised FRS 124 and Amendment to FRS 119₂₀₀₄ give rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

The MASB has also issued FRS 6 : Exploration for and Evaluation of Mineral Resources which will be effective for annual periods beginning on or after 1st January, 2007. This FRS is, however, not applicable to the Group or the Company.

Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRS, amendment to FRS and interpretations were issued but not yet effective and have not been applied by Group and the Company :

FRS, Amendments to FRS and Interpretations	Effective for Financial Periods Beginning on or After
FRS 107 : Cash Flow Statements	1 July 2007
FRS 111 : Construction Contracts	1 July 2007
FRS 112 : Income Taxes	1 July 2007
FRS 118 : Revenue	1 July 2007

**AIROCOM TECHNOLOGY BERHAD (“AIROCOM” or “Company”)
(Company No. 498908-A) (Incorporated in Malaysia)
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FRS, Amendments to FRS and Interpretations (Cont'd)	Effective for Financial Periods Beginning on or After
FRS 120 : Accounting for Government Grant and Disclosure of Government Assistance	1 July 2007
FRS 134 : Interim Financial Reporting	1 July 2007
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139 : Financial Instruments : Recognition and Measurement	Deferred
Amendment to	1 July 2007
FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 : Members' Shares in Co-Operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5 : Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 : Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7 : Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007

The above new revised FRS, amendment to FRS and interpretations are not expected to have a significant impact on the financial statements of the Group and the Company upon their initial application.

3. Auditors' Reports

The auditors report on the latest financial statements for the financial year ended 2007 was not subject to any audit qualifications.

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 15 March 2008 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, 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 2007.

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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*telecommTM, >*m*enterpriseTM and >*m*lifestyleTM) 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*telecommTM), Enterprise (including the public sector) (>*m*enterpriseTM) and Individual Consumers (>*m*lifestyleTM). 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-08 (RM`000)	Preceding Year Quarter 31-March-07 (RM`000)
Airocom	125	30
Airoport	13	26
Airocom MComm	-	-
Consolidated Revenue	138	56

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter 31-March-08 (RM`000)	Preceding Year Quarter 31-March-07 (RM`000)
Hardware & Software Solution		
- > <i>m</i> telecomm TM		30
- > <i>m</i> enterprise TM	125	-
- > <i>m</i> lifestyle TM	13	26
Consolidated Revenue	138	56

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-March-08 (RM`000)	Preceding Year Quarter 31-March-07 (RM`000)
Malaysia	138	56
Overseas	-	-
Consolidated Revenue	138	56

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 31-March-08 (RM'000)	Preceding Year Quarter 31-March-07 (RM'000)
Airocom	(986)	(927)
Airoport	(12)	(23)
Airocom MComm		(1)
Consolidated Operating Loss	(998)	(951)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 31-March-08 (RM'000)	Preceding Year Quarter 31-March-07 (RM'000)
Hardware & Software Solution		
- > <i>m</i> telecomm™	-	(928)
- > <i>m</i> enterprise™	(986)	-
- > <i>m</i> lifestyle™	(12)	(23)
Consolidated Operating Loss	(998)	(951)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 31-March-08 (RM'000)	Preceding Year Quarter 31-March-07 (RM'000)
Malaysia	(998)	(951)
Overseas		-
Consolidated Operating Loss	(998)	(951)

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 31 March 2008 shows a revenue of RM138,354 and with a net loss approximately RM1.05 million.

17. Commentary on Material Change in Profit Before Taxation

The Group's loss before tax has increased to RM1.05 million compared to the preceding year's corresponding quarter loss of RM1.01 million due to unrealised sales from the >menterprise™ group for the quarter under review.

18. Current Year Prospects

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

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

In addition to the realignment of business focus and organizational restructuring, the Company is optimistic in seeing positive results for the financial year ended 31 December 2008 with the potential sales of >menterprise™ projects which are expected to come on stream in quarter two and three.

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 fourth quarter 2007 and full settlement on the property loan was made during second quarter 2008. The remaining of the proceed expected to be received by second quarter 2008.

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 March, 2008 are as follows:-

Purpose	Proposed Utilisation	* Revised Utilisation	Actual Utilisation	Balance Amount	Intended Timeframe for Utilisation
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
i. Marketing and Operational activities for >mlifestyle™	1,800	1,000	1,000	-	Sum has been fully utilised
ii. R&D Expenses and Equipment for GSM/ GPRS	1,600	1,600	931	669	To be utilised by 27 April 2009 [^]
iii. R&D Expenses and Equipment for 3G	1,500	-	-	-	Sum has been reallocated and fully utilised*
iv. R&D Personnel and Training Expenses	4,061	2,461	2,180	281	To be utilised by 27 April 2009 [^]
v. Loan Repayment – Existing Facility	1,184	1,184	1,184	-	Sum has been fully utilised
vi. Listing Expenses	1,800	1,800	1,800	-	Sum has been fully utilised
vii. Working Capital	3,655	7,555	7,555	-	Sum has been fully utilised
Total Proceeds	15,600	15,600	14,650	950	

Note:

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

[^] As approved vide the SC’s approval letter dated 20 May 2008.

24. Group Borrowings and Debt Securities

Group borrowings as at 31 March 2008 was as follows:

	Secured (RM`000)	Unsecured (RM`000)	Total (RM`000)
Short term borrowings	1,515	-	1,515
Long term borrowings	2,459	-	2,459
Total	3,974	-	3,974

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 March 2008
Net Loss for the Quarter (RM`000)	1,049
Number of Shares (`000)	151,500
Basic Loss Per Share (sen)	0.69