

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 significant accounting policies adopted are consistent with those of the statutory financial statements for the financial year ended 31 December 2007 except for the adoption of the following new or revised Financial Reporting Standards (“FRS”). Amendments to FRSs and Interpretations effective for financial period beginning 1 January 2008.

Amendments to

FRS 107	Cash Flow Statements
FRS 111	Constructions Contracts
FRS 112	Income Taxes
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation.
FRS 134	Interim Financial Reporting
FRS 137	Provision Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

The group has not adopted FRS 139 Financial Instruments Recognition and measurements as its effective date has been deferred indefinitely.

The adoption of the new FRSs, Amendments to FRSs and Interpretations does not have significant financial Impact on the Group.

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, except as disclosed in Note 26.

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 (>mtelecomm™, >menterprise™ and >mlifestyle™) 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 (>mtelecomm™), Enterprise (including the public sector) (>menterprise™) and Individual Consumers (>mlifestyle™). 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	Preceding Year Quarter
	30-June-08 (RM`000)	30-June-07 (RM`000)
Airocom	125	26
Airoport	20	141
Airocom MComm	-	-
Consolidated Revenue	145	167

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter	Preceding Year Quarter
	30-June-08 (RM`000)	30-June-07 (RM`000)
Hardware & Software Solution		
- >mtelecomm™	-	26
- >menterprise™	125	-
- >mlifestyle™	20	141
Consolidated Revenue	145	167

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter	Preceding Year Quarter
	30-June-08 (RM`000)	30-June-07 (RM`000)
Malaysia	145	167
Overseas	-	-
Consolidated Revenue	145	167

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 30-June-08 (RM'000)	Preceding Year Quarter 30-June-07 (RM'000)
Airocom	(903)	(8,942)
Airoport	(13)	98
Airocom MComm	(1)	--
Consolidated Operating Loss	(917)	(8,844)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 30-June-08 (RM'000)	Preceding Year Quarter 30-June-07 (RM'000)
Hardware & Software Solution		
- > <i>m</i> telecomm™	-	(8,942)
- > <i>m</i> enterprise™	(904)	-
- > <i>m</i> lifestyle™	(13)	98
Consolidated Operating Loss	(917)	(8,844)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 30-June-08 (RM'000)	Preceding Year Quarter 30-June-07 (RM'000)
Malaysia	(917)	(8,844)
Overseas	-	-
Consolidated Operating Loss	(917)	(8,844)

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 2008 shows a revenue of RM144,653 with a net loss of RM982,362.

17. Commentary on Material Change in Profit Before Taxation

The Group’s loss before tax has reduced to RM982,362 compared to the preceding year’s corresponding quarter loss of RM8.89 million. The net loss for preceding year’s corresponding quarter was due to the provisions made on receivables and payables pertaining to overseas projects.

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 improved performance for the financial year ended 31 December 2008 with the potential sales of >menterprise™ projects which are expected to come onstream in fourth quarter.

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 was made in 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.

23. Status of Corporate Proposal and Utilisation of Proceeds

a) Status of Corporate Proposal Proposed and Not Completed

The Company has proposed to undertake the following proposals:-

- i) Proposed acquisition of Sale Shares, representing 100% equity interest in PSB (“the Vendor”) for a total purchase consideration of RM40.67 million;
- ii) Proposed exemption to the Vendors the obligation to extend a mandatory takeover offer for all the remaining shares not already owned by them in the Company after the Proposed Acquisition;
- iii) Proposed increase in the authorized share capital of the Company from RM25,000,000 comprising 250,000,000 to RM100,000,000 comprising 1,000,000,000 of the Company’s Shares;
- iv) Proposed amendmends to the Memorandum and Articles of Association of the Company, and
- v) Proposed establishment of an ESOS of up to ten percent (10%) of the issued and paid-up share capital of the Company for the eligible Directors and employees of the Company and the Group.

In conjunction with the above proposals, the Company had on 2 June 2008 entered into a conditional Share Sale Agreement with the Vendors. An announcement was made by OSK Investment Bank Berhad on behalf of the Board of Directors of Airocom on 2 June 2008 and the above proposals are still pending completion in the quarter under review.

Further announcement was made on 31 July 2008 to extend the period to submit the applications on the Proposals for approvals to the Securities Commission from 2 August 2008 to 2 September 2008.

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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 30 June, 2008 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	-	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	2,398	63	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	14,868	732	

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 30 June 2008 was as follows:

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short term borrowings	991	-	991
Long term borrowings	202	-	202
Total	1,193	-	1,193

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

- a) The announcement was made on 28 July 2008 with regards to a Winding-Up Petition which has been filed by Virtuallink Solutions (M) Sdn Bhd of which was served on 23 July 2008 and was received by Management on 25 July 2008.

Subsequently on 1 August 2008, the company announced that the Company has appointed Messrs Mah-Kamariyah & Philip Koh to file relevant Court actions and the Company also has taken steps to put monies to the appointed Solicitors to signify Company's capacity whilst contesting Virtuallink's claim.

On 12 August 2008, the Company has made an announcement that the Company through its solicitors has filed a Notice of Motion to strike out the Winding-Up Petition and the hearing of the striking out application is now fixed on 27 August 2008.

- b) In relation to 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. Loss Per Share (“LPS”)

Basic LPS

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 30 June 2008
Net Loss for the Quarter (RM’000)	982
Number of Shares (’000)	151,500
Basic Loss Per Share (sen)	0.65

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