

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

During the financial period, the Group adopted the revised FRSs and interpretations to FRS issued by MASB that are relevant and effective for the financial period beginning on 1 January 2008. The revised FRS that are relevant to the Group are as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 134	Interim Financial Reporting
FRS 137	Provision Contingent Liabilities and Contingent Assets

The adoption of the revised FRSs, Amendments to FRSs and Interpretations do 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 except as disclosed in Note 23 (a).

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. Development Cost

Development costs consist of :-

	RM'000
Ongoing Development	161
Completed Development	3,112
Total	<u>3,273</u>

10. 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 except as disclosed in Note 23(a).

11. Dividends Paid

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

12. 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 except as disclosed in Note 23(a).

13. Change in the Composition of the Group

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

14. 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.

15. 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 (>mtelecommTM, >menterpriseTM and >mlifestyleTM) 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 (>mtelecommTM), Enterprise (including the public sector) (>menterpriseTM) and Individual Consumers (>mlifestyleTM). 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-September-08 (RM`000)	Preceding Year Quarter 30-September-07 (RM`000)
Airocom	16	64
Airoport	11	43
Airocom MComm	-	-
Consolidated Revenue	27	107

Analysis of Revenue by Products and Services: -

Financial Period Ended	Current Year Quarter 30-September-08 (RM`000)	Preceding Year Quarter 30-September-07 (RM`000)
Hardware & Software Solution		
- >mtelecomm TM	-	19
- >menterprise TM	16	45
- >mlifestyle TM	11	43
Consolidated Revenue	27	107

Analysis of Revenue by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 30-September-08 (RM`000)	Preceding Year Quarter 30-September-07 (RM`000)
Malaysia	27	107
Overseas	-	-
Consolidated Revenue	27	107

Analysis of Operating Loss by Corporation: -

Financial Period Ended	Current Year Quarter 30-September-08 (RM'000)	Preceding Year Quarter 30-September-07 (RM'000)
Airocom	(2,184)	(836)
Airoport	(17)	3
Airocom MComm		--
Consolidated Operating Loss	(2,201)	(833)

Analysis of Operating Loss by Products and Services: -

Financial Period Ended	Current Year Quarter 30-September-08 (RM'000)	Preceding Year Quarter 30-September-07 (RM'000)
Hardware & Software Solution		
- > <i>m</i> telecomm™	-	(275)
- > <i>m</i> enterprise™	(2,184)	(561)
- > <i>m</i> lifestyle™	(17)	3
Consolidated Operating Loss	(2,201)	(833)

Analysis of Operating Loss by Markets / Geographical Location: -

Financial Period Ended	Current Year Quarter 30-September-08 (RM'000)	Preceding Year Quarter 30-September-07 (RM'000)
Malaysia	(2,201)	(833)
Overseas	-	-
Consolidated Operating Loss	(2,201)	(833)

16. 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.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

**EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF
BURSA SECURITIES FOR THE MESDAQ MARKET**

17. Performance Review

The Group’s unaudited results for the third quarter ended 30 September 2008 shows a revenue of RM26,981 with a net loss of RM2.283 million.

18. Commentary on Material Change in Loss Before Taxation

The Group’s loss before tax has increased to RM2.283 million compared to the preceding year’s corresponding quarter loss of RM877,862 due to the delays of sales of larger projects as most of the projects currently undertaken by the Group are only expected to materialise during the fourth quarter of 2008 and in 2009.

In the quarter, costs of operating expenses also increased due to charges for professional fees for the acquisition of Privasia Sdn Bhd as detailed in Note 23, additional provisions on receivables and transfers of cost of R&D personnel to working capital for sales customisation activities.

19. Current Year Prospects

The management of Airocom will continue to improve the performance of the company, and ever since the major internal reorganization in the third quarter of 2007, the company has managed to re-strategise the business direction and optimise available resources.

In third quarter 2008 onwards, the company has secured and book orders especially from requirements in the education industry, of which most of the billings on work done can be realised in 2009 onwards.

20. Profit Forecast

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

21. 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.

The Company has paid income tax on the rental income. There were no other tax paid other than the above.

22. Sale of Unquoted Investments and/or Properties

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

23. 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.

24. Status of Corporate Proposals and Utilisation of Proceeds

a) Status of Corporate Proposals Proposed and Not Completed

On 2 June 2008, The Company announced that they proposed to undertake the following proposals:-

- i) Proposed acquisition of Sale Shares, representing 100% equity interest in Privasia Sdn Bhd (“**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 amendments 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. (“**Proposed ESOS**”)

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 (“**OSK**”) on behalf of the Board of Directors of Airocom on 2 June 2008.

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 (“**SC**”) from 2 August 2008 to 2 September 2008.

On 3 September 2008, OSK announced that Airocom and PSB had on 2 September 2008 mutually agreed to extend the period to submit the applications on the Proposals for approvals of the SC and other regulatory authorities by another three (3) months from 2 December 2008 to 2 March 2009.

On 26 September 2008, Airocom and the vendors of PSB have mutually agreed to vary the terms and conditions of the Share Sale Agreement dated 2 June 2008 and have, on the same date entered into a Novation Cum Supplemental Agreement to formalise the mutually agreed variations and together with a newly incorporated company, Privasia Technology Sdn Bhd (“**PTSB**”)(formerly known as *Infominat Sdn Bhd*) to implement a groupwide restructuring scheme.

Pursuant thereto, the Airocom Group will undertake the following proposals:-

- (i) Proposed private placement of up to 15,150,000 new ordinary shares of RM0.10 each in Airocom (“**Placement Shares**”), representing up to ten percent (10%) of

- the issued and paid-up share capital of Airocom, to investors to be identified ("**Proposed Private Placement**");
- (ii) Proposed restructuring scheme of the Airocom Group via a newly incorporated company, PTSB, and involving the following inter-conditional transactions:-
- (a) Proposed increase in the authorised share capital of PTSB from RM100,000 comprising 1,000,000 ordinary share of RM0.10 each in PTSB ("**PTSB Share(s)**") to RM100,000,000 comprising 1,000,000,000 PTSB Shares ("**Proposed Increase in Authorised Share Capital**");
- (b) Proposed amendments to the Memorandum and Articles of Association of PTSB ("**Proposed Amendments**");
- (c) Proposed acquisition of 12,000,000 ordinary shares of RM1.00 each in PSB ("**Sale Shares**") by PTSB representing 100% equity interest in PSB for a total purchase consideration of RM40.67 million to be satisfied through the issuance of 406,700,000 new PTSB Shares ("**Proposed Acquisition**");
- (d) Proposed share swap on the basis of one (1) ordinary share of RM0.10 each in Airocom with one (1) PTSB Share ("**Proposed Share Swap**");
- (e) Proposed transfer of the listing status of Airocom on the MESDAQ Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") to PTSB ("**Proposed Transfer of Listing Status**");
- (f) Proposed exemption to the Vendors from obligation to extend a mandatory take-over offer for all remaining ordinary shares not already held by them in PTSB pursuant to Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 ("**Code**") ("**Proposed Exemption**"); and
- (iii) Proposed establishment of an employee share option scheme ("**ESOS**") of up to ten percent (10%) of the issued and paid-up share capital of the PTSB for the eligible employees of PTSB and its subsidiaries ("**PTSB Group**") ("**Proposed ESOS**").

On 30 September 2008, OSK announced that the application to the SC and SC (on behalf of the Foreign Investment Committee) on the Proposals have been submitted on 29 September 2008.

On 17 October 2008, OSK announced that the SC had, vide its letter dated 16 October 2008 informed, amongst others, that the application for the Proposed Exemption would only be considered by the SC after the following conditions have been met.

The Vendors fulfilling the following requirements under PN 2.9.1:-

- (i) Obtaining approval from the independent holders of voting shares of Airocom, on a poll in a general meeting in which the interested parties are to abstain from voting. The result of the poll has to be confirmed by an independent auditor;
- (ii) Providing competent independent advice regarding the proposed exemption to the shareholders of Airocom. The appointment of the independent adviser and the independent adviser's circular to the shareholders are to be first approved and consented by the SC; and
- (iii) Submitting declarations by the Vendors (to be furnished after the general meeting) addressed to the SC, attesting that they have not purchased shares in Airocom subsequent to the discussion in relation to the proposals (the date of

discussion is to be stated in the declarations) until the date of the declaration and undertake not to acquire any Airocom shares until the granting of the proposed exemption by the SC (if so decided).

On 22 October 2008, OSK announced that the SC had, vide its letter dated 20 October 2008 (which was received on 22 October 2008) approved the Private Placement, subject to the following terms and conditions:-

Terms

- Private placement of up to 15,150,000 new ordinary shares of RM0.10 each (“Placement Shares”), representing up to 10% of the issued and paid-up share capital of Airocom; and
- Listing of and quotation for the new Placement Shares to be issued pursuant to the Proposed Private Placement on the MESDAQ Market of Bursa Malaysia Securities Berhad.

Conditions

- Airocom/ OSK to fully comply with the approval conditions as per paragraph 5.07 of the Guidelines on the Offering of Equity and Equity-linked Securities for the MESDAQ Market (“MESDAQ Equity Guidelines”) and all relevant requirements of the MESDAQ Equity Guidelines; and
- Airocom/ OSK to inform the SC upon completion of the Proposed Private placement.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

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 September, 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 >m 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	936	^^664	To be utilised by 27 April 2009^
iii. R&D Expenses and Equipment for 3G	1,500	-	-	-	Sum has been reallocated and fully utilized
iv. R&D Personnel and Training Expenses	4,061	2,461	2,461	-	Sum has been fully utilised
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	7,833	^^(278)	Sum has been fully utilised
Total Proceeds	15,600	15,600	15,214	386	

Notes:

* *As approved vide the SC's approval letter dated 4 July 2007.*

^ *As approved vide the SC's approval letter dated 20 May 2008.*

^^ *The Company applied for the re-deployment of IPO proceeds from R&D Expenses and Equipment for GSM/ GPRS amounting RM600k for working capital purposes and SC approved the variation on 4 November 2008*

25. Group Borrowings and Debt Securities

Group borrowings as at 30 September 2008 was as follows:

	Secured (RM`000)	Unsecured (RM`000)	Total (RM`000)
Short term borrowings	1,329	-	1,329
Long term borrowings	202	-	202
Total	1,531	-	1,531

Group borrowings are denominated in Ringgit Malaysia.

26. Off Balance Sheet Financial Instruments

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

27. 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.

And on the hearing date on 27 August 2008, the Honourable High Court has struck out the Petition with no order as to costs.

- 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 defence and their defence to the counter claim. There were no further proceedings/actions taken by Celcom on the said Third Party action.

28. Dividend Payable

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

**AIROCOM TECHNOLOGY BERHAD (“AIROCOM” or “Company”)
(Company No. 498908-A) (Incorporated in Malaysia)
Notes on the Quarterly Report – 30 September 2008**

29. 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 September 2008
Net Loss for the Quarter (RM’000)	2,283
Number of Shares (’000)	151,500
Basic Loss Per Share (sen)	1.51

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]