

## **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 24 (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 Costs**

Development costs consist of :-

	<b>RM'000</b>
Ongoing Development	171
Completed Development	2,873
<b>Total</b>	<b><u>3,044</u></b>

**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 24(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 24(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 27.

**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 (>mtelecomm<sup>TM</sup>, >menterprise<sup>TM</sup> and >mlifestyle<sup>TM</sup>) 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<sup>TM</sup>), Enterprise (including the public sector) (>menterprise<sup>TM</sup>) and Individual Consumers (>mlifestyle<sup>TM</sup>). 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-December-08 (RM`000)	Preceding Year Quarter 31-December-07 (RM`000)
Airocom	876	655
Airoport	63	25
Airocom MComm	-	-
<b>Consolidated Revenue</b>	<b>939</b>	<b>680</b>

**Analysis of Revenue by Products and Services: -**

Financial Period Ended	Current Year Quarter 31-December-08 (RM`000)	Preceding Year Quarter 31-December-07 (RM`000)
Hardware & Software Solution		
- >mtelecomm <sup>TM</sup>	-	19
- >menterprise <sup>TM</sup>	876	636
- >mlifestyle <sup>TM</sup>	63	25
<b>Consolidated Revenue</b>	<b>939</b>	<b>680</b>

**Analysis of Revenue by Markets / Geographical Location: -**

Financial Period Ended	Current Year Quarter 31-December-08 (RM`000)	Preceding Year Quarter 31-December-07 (RM`000)
Malaysia	939	680
Overseas	-	-
<b>Consolidated Revenue</b>	<b>939</b>	<b>680</b>

***Analysis of Operating Loss by Corporation: -***

<b>Financial Period Ended</b>	<b>Current Year Quarter 31-December-08 (RM'000)</b>	<b>Preceding Year Quarter 31-December-07 (RM'000)</b>
Airocom	(1,512)	(3,536)
Airoport	42	(1,207)
Airocom MComm	-	-
<b>Consolidated Operating Loss</b>	<b>(1,470)</b>	<b>(4,743)</b>

***Analysis of Operating Loss by Products and Services: -***

<b>Financial Period Ended</b>	<b>Current Year Quarter 31-December-08 (RM'000)</b>	<b>Preceding Year Quarter 31-December-07 (RM'000)</b>
Hardware & Software Solution		
- > <i>m</i> telecomm™	-	(478)
- > <i>m</i> enterprise™	(1,512)	(3,058)
- > <i>m</i> lifestyle™	42	(1,207)
<b>Consolidated Operating Loss</b>	<b>(1,470)</b>	<b>(4,743)</b>

***Analysis of Operating Loss by Markets / Geographical Location: -***

<b>Financial Period Ended</b>	<b>Current Year Quarter 31-December-08 (RM'000)</b>	<b>Preceding Year Quarter 31-December-07 (RM'000)</b>
Malaysia	(1,470)	(4,743)
Overseas	-	-
<b>Consolidated Operating Loss</b>	<b>(1,470)</b>	<b>(4,743)</b>

**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.

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**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 fourth quarter ended 31 December 2008 shows a revenue of RM939,441 with a net loss of RM1.489 million. The revenue generated during the period mainly arose from the two projects in Pekan and Gambang on initial billings.

**18. Commentary on Material Change in Loss Before Taxation**

The Group’s loss before tax has decreased to RM1.489 million compared to the preceding year’s corresponding quarter loss of RM4.778 million due to exceptional provision on the overseas venture in the preceding quarter.

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 24, additional provisions on receivables and transfers of cost of R&D personnel to staff cost for sales customisation activities.

**19. Prospects for the Year 2009**

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 will be reflected in 2009 onwards.

The prospects for the year 2009 will also be enhanced by the Proposed Restructuring Scheme as mentioned in Note 24.

**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**

The Company had on 2 June 2008 entered into a conditional Share Sale Agreement with the Privasia Sdn Bhd. An announcement was made by OSK Investment Bank Berhad (“OSK”) on behalf of the Board of Directors of Airocom on that date.

Further announcements were made on 31 July 2008, 3 September 2008, 30 September 2008, 17 October 2008, 22 October 2008, 11 November 2008, 9 December 2008 and 26 December 2008 respectively in relation to the Proposals.

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

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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**”).

The Securities Commission (“SC”) had, vide its letter dated 16 January 2009 (which was received on 19 January 2009) approved the Proposed Restructuring Scheme, subject to terms and conditions as per announcement made on 19 January 2009.

On 17 February 2009, OSK announced that the Court Convened Meeting (“CCM”) and Extraordinary General Meeting (“EGM”) will be held at the Auditorium, Enterprise House 4, Technology Park Malaysia, Lebuhraya Puchong – Sg Besi, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 12 March 2009.

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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 31 December, 2008 are as follows:-

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>* Revised Utilisation</b>	<b>Actual Utilisation</b>	<b>Balance Amount</b>	<b>Intended Timeframe for Utilisation</b>
	<b>(RM`000)</b>	<b>(RM`000)</b>	<b>(RM`000)</b>	<b>(RM`000)</b>	
i. Marketing and Operational activities for > <i>m</i> lifestyle™	<b>1,800</b>	1,000	1,000	-	Sum has been fully utilised
ii. R&D Expenses and Equipment for GSM/ GPRS	<b>1,600</b>	1,000	1,000	-	Sum has been fully utilised
iii. R&D Expenses and Equipment for 3G	<b>1,500</b>	-	-	-	Sum has been reallocated and fully utilized
iv. R&D Personnel and Training Expenses	<b>4,061</b>	2,461	2,461	-	Sum has been fully utilised
v. Loan Repayment – Existing Facility	<b>1,184</b>	1,184	1,184	-	Sum has been fully utilised
vi. Listing Expenses	<b>1,800</b>	1,800	1,800	-	Sum has been fully utilised
vii. Working Capital	<b>3,655</b>	8,155	8,155	-	Sum has been fully utilised
<b>Total Proceeds</b>	<b>15,600</b>	<b>15,600</b>	<b>15,600</b>	-	

*Note:*

\* *As approved vide the SC’s approval letter dated 4 November 2008.*

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**25. Group Borrowings and Debt Securities**

Group borrowings as at 31 December 2008 was as follows:

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short term borrowings	1,399	-	1,399
Long term borrowings	162	-	162
<b>Total</b>	<b>1,561</b>	<b>-</b>	<b>1,561</b>

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**

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.

**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 31 December 2008
Net Loss for the Quarter (RM'000)	1,489
Number of Shares ('000)	151,500
Basic Loss Per Share (sen)	<b>0.98</b>