

ASDION BERHAD (Company No: 590812-D) (“AB” or “Company”)

NOTES TO INTERIM FINANCIAL REPORT

PART A – Explanatory Notes Pursuant to Financial Reporting Standard 134 (“FRS 134”)

1. Basis of preparation

The interim financial report are unaudited and have been prepared in compliance with FRS 134 “Interim Financial Reporting” (formerly known as MASB 26) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

The accounting principles and bases used are consistent with those previously adopted in the preparation of the audited financial statements for the year ended 31 December 2004.

2. Auditors’ Report

There were no audit qualifications on the audited financial statements for the financial year ended (“FYE”) 31 December 2004.

3. Seasonal or Cyclical Factors

The operations of the Company and its subsidiaries (“Group”) have not been affected materially by any seasonal/cyclical factors during the current quarter under review.

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cashflow

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

5. Issuances and Repayments of Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

6. Dividends Paid

There were no dividends paid during the current quarter under review.

7. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The Group did not carry out any valuation on the property, plant and equipment during the current quarter under review.

8. Segmental Information

The segmental analysis of the revenue and profit for the current quarter ended 30 September 2005 are tabulated below:

Geographical segments	Malaysia RM	Singapore RM	China RM	Thailand RM	Total RM
Revenue	1,136,875	443,142	-	548,634	2,128,651
Profit/(Loss) Before Taxation	109,799	78,236	(67,371)	29,444	150,108

9. Material Events Subsequent To The End of The Interim Period

There were no material events subsequent to the end of the current quarter under review.

10. Changes in the Composition of the Group

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

11. Contingent Assets Or Liabilities

There were no material contingent assets or liabilities as at the date of this report.

12. Capital Commitments

As at 30 September 2005, the Group has no material capital commitments in respect of property, plant and equipment.

PART B - Explanatory Notes Pursuant to Appendix 7A of the Listing Requirements of Bursa Securities for the MESDAQ Market

13. Review of Performance

For the financial period ended 30 September 2005, the Group recorded revenue of approximately RM5.947 million, a profit before taxation (“PBT”) of RM363,345 and profit after taxation and minority interests (“PAT”) of RM259,074, which are mainly attributable to the following:

- (i) sale of application software and consultation services; and
- (ii) implementation of the information and communications technology (“ICT”) equipment, application software and consultation services.

The Group recorded revenue of approximately RM5.947 million for the nine (9) months ended 30 September 2005 as compared to the Group’s revenue of approximately RM3.338 million achieved in the corresponding period in the preceding financial year, representing an increase of approximately 78.2%. The increase in the revenue was mainly due to the increase in revenue for the implementation of the ICT equipment, application software and consultation services.

The Group recorded a PBT and PAT of RM363,345 and RM259,074 respectively in the current financial period, representing a decrease of 24.20% and 35.51% respectively compared to the Group’s PBT and PAT for the corresponding period in the preceding financial year.

The lower PBT and PAT in the current financial period is largely due to higher operating expenses which is mainly attributable to an increase in the following in line with the Group’s expansion plan:

- i) advertising, marketing and promotion expenses in respect of the Group’s products and services; and
- ii) payroll expenses due to an increase in the number of employees.

14. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

The Group recorded revenue of approximately RM2.129 million for the current quarter as compared to the Group’s revenue of approximately RM2.010 million achieved in the preceding quarter, representing an increase of approximately 5.9%. In addition, the Group recorded a PBT and PAT of RM150,108 and RM104,780 respectively in the current quarter representing an increase of 8.3% and 2.6% respectively compared to the preceding quarter. The increase in the revenue, PBT and PAT was mainly due to the increase in revenue for the implementation of the ICT equipment for the current quarter.

15. Prospects for Current Financial Year

Despite the competitive market conditions in the ICT industry experienced by the Group, the Directors of AB anticipate that the performance for the remaining quarter of the FYE 31 December 2005 will improve with the ongoing efforts of the Group to reduce its operating expenses in line with the Group's expansion plan.

16. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast nor profit guarantee during the current financial period to date.

17. Taxation

Taxation comprises:

	Current Quarter 3 months ended 30 September 2005 RM	Cumulative Quarter 9 months ended 30 September 2005 RM
Current taxation	40,437	96,846

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the following:

- (i) there is no taxation charge on the business income of the Company as it was accorded the Multimedia Super Corridor Status and it enjoys tax exemption from its pioneer status, which exempts its income from taxation for a period of five (5) years commencing from 4 March 2004; and
- (ii) profits derived from AB's subsidiaries situated in Singapore were subject to the statutory tax rate of 20%.

18. Sale of Investments and/or Properties

There were no sale of investments and/or properties for the current quarter and the financial period-to-date.

19. Quoted Securities

There were no purchases and disposals of quoted securities by the Group for the current quarter under review.

There were no investments in quoted securities as at 30 September 2005.

20. Status of Corporate Proposals and Utilisation of Proceeds

(a) Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

(b) Status of Utilisation of Proceeds

As at 30 September 2005, the gross proceeds of RM6,000,000 arising from the public issue and the gross proceeds of RM1,347,000 from the rights issue totaling RM7,347,000 were utilised as follows:

Purpose of Proceeds	Proposed Utilisation RM'000	Actual Amount Utilised RM'000	Balance RM'000
(i) Capital expenditure	1,200	1,200	-
(ii) Research and development expenditure	2,200	502	1,698
(iii) Working capital	2,747	2,747	-
(iv) Listing expenses	1,200	1,200	-
Total	7,347	5,649	1,698

21. Borrowings

The total borrowings of the Group as at 30 September 2005 (all of which are denominated in Singapore Dollars) are as follows:

Outstanding borrowings	SGD\$'000	RM'000*
Long term borrowings (Payable after 12 months) - Secured		
Interest bearing	252	567
Short term borrowings (Payable within 12 months) - Secured		
Interest bearing	222	500
Total	474	1,067

* Based on exchange rate of RM2.25 for every SGD\$1

22. Off Balance Sheet Financial Instruments

The Group has not entered into any financial instruments with off balance sheet risk as at the date of this report.

23. Material Litigation

As at 21 November 2005 (being the latest practicable date not earlier than seven (7) days from the date of issue of this financial result), neither the Company nor its subsidiaries is engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries, and the Directors of the Company do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiaries.

24. Dividend

No interim dividend has been declared or paid for the financial period ended 30 September 2005.

25. Earnings Per Share (“EPS”)

The basic EPS for the quarter and cumulative period to date are computed as follow:

a) Basic

Basic EPS is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares in issue during the period.

	Current Quarter 3 months ended 30 September 2005	Cumulative Quarter 9 months ended 30 September 2005
Profit attributable to the shareholders (RM)	104,780	259,074
Weighted average number of shares	40,000,000	39,780,220
Basic earnings per share (sen)	0.26	0.65

b) Diluted

Not applicable.