

**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 is unaudited and has been prepared in compliance with FRS 134 “Interim Financial Reporting” 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 31 December (“FYE”) 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 31 December 2005 are tabulated below:

Geographical segments	Malaysia RM	Singapore RM	China RM	Thailand RM	Total RM
Revenue	1,324,134	1,399,551	-	302,460	3,026,145
Profit/(Loss) Before Taxation	116,314	53,555	(93,567)	(55,474)	20,828

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

Save as disclosed below, there were no material events subsequent to the end of the current quarter under review:

- (a) On 9 January 2006, AB announced the incorporation of Asdion Digital Instruments Pte Ltd (“ADI”), a 60% owned subsidiary of AB via Techtron Integrated Systems (S) Pte Ltd (“TIS”), a wholly-owned subsidiary of AB.
- (b) On 11 January 2006, AB announced that TIS had on 11 January 2006, agreed to the terms of and entered into a Sale and Purchase Agreement (“SPA”) with the developer of the unit, NS Realty Pte Ltd, for the acquisition of an office unit with an estimated floor area of 112 square meters in a building known as Redhill Forum in Singapore for a cash consideration of SGD\$347,328 (equivalent to RM803,891 based on an exchange rate of RM2.3145 to SGD\$1).
- (c) On 12 January 2006, Hwang-DBS Securities Berhad (“Hwang-DBS”) on behalf of the Board of Directors of AB announced that the Company has appointed Hwang-DBS as the Sponsor of AB for a further term of one (1) year from 13 January 2006 to 12 January 2007.
- (d) On 16 January 2006, AB announced that TIS had acquired 60,0000 ordinary shares of Brunei Dollar (“B\$”) 1.00 each in Asdion (B) Sdn Bhd (*formerly known as Kurniawan Abadi Technologies Sdn Bhd*), representing 60% of its issued and paid-up share capital for a cash consideration of B\$60,000 (equivalent to RM139,380 based on an exchange rate of RM2.3230 to B\$1).
- (e) On 24 January 2006, AB announced the incorporation of MediLink Information Technologies (Beijing) Ltd. Co. (“MIT”), a 51% owned subsidiary of AB via Asdion Digital Advance System Sdn Bhd, a wholly-owned subsidiary of AB.
- (f) On 23 February 2006, AB announced the incorporation of Asdion Exim (Shanghai) Co. Ltd as a wholly-owned subsidiary of AB via Asdion Software Pte Ltd, a 95% owned subsidiary of AB.

**10. Changes in the Composition of the Group**

Save as disclosed in note 9, 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 31 December 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 FYE 2005, the Group recorded revenue of approximately RM8.973 million compared to the revenue of approximately RM5.270 million achieved for the FYE 2004, representing an increase of approximately 70.27%. The increase in the revenue was mainly due to the increase in revenue for the implementation of the information and communications technology (“ICT”) equipment, application software and consultation services.

The Group recorded a profit before taxation (“PBT”) and profit after taxation and minority interests (“PAT”) of RM384,173 and RM317,233 for the FYE 2005, representing a decrease of 63.41% and 63.25% respectively compared to the Group’s PBT and PAT for the FYE 2004. The lower PBT and PAT are largely due to higher operating expenses incurred during the year in line with the Group’s expansion plan.

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

The Group recorded revenue of approximately RM3.026 million in the fourth quarter as compared to the Group’s revenue of approximately RM2.129 million achieved in the third quarter mainly due to the increase in revenue for the implementation of the ICT equipment.

In addition, the Group recorded a PBT and PAT of RM20,828 and RM58,159 respectively in the fourth quarter as compared to the Group’s PBT and PAT of RM150,108 and RM104,780 achieved in the third quarter. The decrease in the PBT and PAT for the current quarter is mainly due to the lower profit margin for the ICT equipment where most of the projects are at the infrastructure building stage with lower margin.

## 15. Prospects for Current Financial Year

In view of the competitive market conditions in the ICT industry, the Directors of AB anticipate that the business outlook of the Group for the FYE 2006 to be challenging. However, barring any unforeseen circumstances, the performance of the Group will remain profitable for the FYE 2006.

## 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:

	<b>Current Quarter 3 months ended 31 December 2005 RM</b>	<b>Cumulative Quarters 12 months ended 31 December 2005 RM</b>
Current taxation	(16,166)	80,680

The effective tax rate of the Group for the FYE 2005 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 31 December 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 save for the corporate proposal disclosed in note 9(b).

### (b) Status of Utilisation of Proceeds

As at 31 December 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:

<b>Purpose of Proceeds</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Amount Utilised RM'000</b>	<b>Balance RM'000</b>
(i) Capital expenditure	1,200	1,200	-
(ii) Research and development expenditure	2,200	767	1,433
(iii) Working capital	2,747	2,747	-
(iv) Listing expenses	1,200	1,200	-
<b>Total</b>	<b>7,347</b>	<b>5,914</b>	<b>1,433</b>

## 21. Borrowings

The total borrowings of the Group as at 31 December 2005 (all of which are denominated in Singapore Dollars) are as follows:

<b>Outstanding borrowings</b>	<b>SGDS'000</b>	<b>RM'000*</b>
Long term borrowings (Payable after 12 months) - Secured	236	536
Short term borrowings (Payable within 12 months) - Secured	269	611
Total	<b>505</b>	<b>1,147</b>

\* Based on exchange rate of RM2.2714 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 28 February 2006 (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 FYE 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.

	<b>Current Quarter 3 months ended 31 December 2005</b>	<b>Cumulative Quarter 12 months ended 31 December 2005</b>
Profit attributable to the shareholders (RM)	58,159	317,233
Weighted average number of shares	40,000,000	39,835,616
Basic earnings per share (sen)	0.15	0.80

**b) Diluted**

Not applicable.