

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 Chapter 7 Part VI 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 2005.

2. Changes in Accounting Policies

The accounting policies adopted by the Company and its subsidiaries (“Group”) in this interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of all FRS mentioned above does not have significant financial impact on the Group except for FRS 3: Business Combinations and FRS 101: Presentation of Financial Statements. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are disclosed below:

a. FRS 3: Business Combinations

FRS 3 requires that, after assessment, any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in income statements. FRS 3 prohibits the recognition of negative goodwill in the balance sheet. Previously, the Group has reflected the negative goodwill as reserves on consolidation under equity. In accordance with the transition provision of FRS 3, the Group has applied the new accounting policy prospectively from 1 January 2006.

Therefore, the change has had no impact on amounts reported for 2005 or prior periods.

2. Changes in Accounting Policies (con't)

The carrying amount of reserve on consolidation as at 1 January 2006 has been derecognised with an adjustment of RM1,155,602 to the opening retained earnings at 1 January 2006.

b. FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit and loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3. Auditors' Report

There were no audit qualifications on the audited financial statements for the financial year ended 31 December ("FYE") 2005.

4. Seasonal or Cyclical Factors

The operations of the Group have not been affected materially by any seasonal/cyclical factors during the current quarter under review.

5. 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.

6. 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.

7. Dividends Paid

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

8. 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.

9. Segmental Information

The segmental analysis of the revenue and profit for the current quarter ended 31 March 2006 are tabulated below:

Geographical segments	Malaysia	Singapore	China	Brunei	Thailand	Total
	RM	RM	RM	RM	RM	RM
Revenue	2,030,791	412,211	0	0	123,334	2,566,336
Profit/(Loss) Before Taxation	207,794	15,107	(144,501)	(2,934)	(11,552)	63,914

10. 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 13 April 2006, the Company entered into a sale and purchase agreement with Advance Medical System (M) Sdn Bhd for the proposed acquisition of freehold land held under H.S. (D) 85943, P.T. No. 23983 in the Mukim of Sungai Buluh, District of Petaling and State of Selangor measuring approximately 13,288 square feet together with a four storey detached building erected thereon for a cash consideration of RM3,570,000.

The proposed acquisition is conditional upon approvals being obtained from the shareholders of the Company at an Extraordinary General Meeting to be convened and any other relevant authorities. Barring any unforeseen circumstances, the proposed acquisition is expected to be completed in the second half of 2006.

- (b) On 25 April 2006, AB announced the incorporation of Asdion Media Sdn Bhd, as a wholly-owned subsidiary of AB via Asdion Project Synergy Sdn Bhd, a wholly-owned subsidiary of AB.

11. Changes in the Composition of the Group

Save as disclosed in note 10, there were no changes in the composition of the Group during the current quarter under review.

12. Contingent Assets or Liabilities

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

13. Capital Commitments

As at 31 March 2006, 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

14. Review of Performance

For the quarter ended 31 March 2006, the Group recorded revenue of approximately RM2.566 million, representing an increase of approximately 42% as compared to the revenue of approximately RM1.808 million achieved in the preceeding year's corresponding quarter. The higher revenue was mainly due to the increase in revenue for the implementation of the information and communications technology ("ICT") equipment.

However, the Group recorded a lower profit before taxation ("PBT") of RM63,914 compared to RM74,631 in the corresponding quarter in the preceding year mainly due to higher operating expenses which is mitigated to certain extent by the higher revenue and higher average gross margin. As a result, the Group registered a profit after taxation and minority interests ("PAT") of RM90,674.

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

The Group recorded revenue of approximately RM2.566 million in the current quarter as compared to the Group's revenue of approximately RM3.026 million achieved in the previous quarter, representing a decrease of approximately 15%. This is mainly due to the decrease in revenue for the sale of application software and consultation services.

In addition, the Group recorded a PBT and PAT of RM63,914 and RM90,674 respectively in the current quarter as compared to the Group's PBT and PAT of RM20,828 and RM58,159 achieved in the previous quarter.

The increase in the PBT and PAT for the current quarter is mainly due to higher margin compared to the previous quarter.

16. 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.

17. Profit Forecast and Profit Guarantee

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

18. Taxation

Taxation comprises:

	Current Quarter 31 .03 2006 RM	Current Quarter 31.03.2005 RM	Cumulative Quarters 31 .03 2006 RM	Cumulative Quarters 31.03.2005 RM
Current taxation	5,461	23,427	5,461	23,427

The effective tax rate of the Group for the FYE 2006 is lower than the statutory tax rate as 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.

19. 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.

20. 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 March 2006.

21. 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 as disclosed in Note 10 (a) and the following:

On 11 January 2006, AB announced that Techtron Integrated Systems (S) Pte Ltd, agreed to the terms of and entered into a Sale and Purchase Agreement 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 metres 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). Barring any unforeseen circumstances, the acquisition is expected to be completed by the first quarter of 2007; and

(b) Status of Utilisation of Proceeds

As at 31 March 2006, 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	886	1,314
(iii) Working capital	2,747	2,747	-
(iv) Listing expenses	1,200	1,200	-
Total	7,347	6,033	1,314

22. Borrowings

The total borrowings of the Group as at 31 March 2006 are as follows:

Outstanding borrowings	At 31/03/2006 RM'000	At 31/12/2005 RM'000
Long term borrowings (Payable after 12 months) – Secured	2,131	536
Short term borrowings (Payable within 12 months) – Secured	1,173	611
Total	3,304	1,147

The borrowings of RM3,304 million as at 31 March 2006 include borrowings denominated in foreign currency as follows:

	SGD'000	RM'000 Equivalent*
Singapore Dollars	877	1,991

* Based on an exchange rate of RM2.2714 for every SGD1

23. 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.

24. Material Litigation

As at 28 May 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.

25. Dividend

No interim dividend has been declared or paid for the current quarter ended 31 March 2006 (31 March 2005: Nil).

26. 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.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2006	Preceding Year Corresponding Quarter 31/3/2005	Current Year To Date 31/3/2006	Preceding Year Corresponding Period 31/3/2005
Profit attributable to the shareholders (RM)	90,674	52,206	90,674	52,206
Weighted average number of shares	40,000,000	39,333,333	40,000,000	39,333,333
Basic earnings per share (sen)	0.23	0.13	0.23	0.13

b) Diluted

Not applicable.