

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 Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

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 (cont'd)

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 ("FYE") 31 December 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 Cash Flows

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

On 3 January 2007, AB announced an additional 4,000,000 new ordinary shares of RM0.10 each arising from the placement exercise (as announced on 20 October 2006) ("Private Placement") will be granted listing and quotation with effect from 9.00 a.m., Thursday, 4 January 2007.

The share had been allocated on 26th December 2006 and had been listed on MESDAQ Market of Bursa Securities on 4th January 2007.

Save for as disclosed above, 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 December 2006 are tabulated below:

Geographical segments	Malaysia	Singapore	China	Brunei	Thailand	Total
	RM	RM	RM	RM	RM	RM
Revenue	1,561,206	1,033,210	33,228	146,028	70	2,773,742
Profit/(Loss) Before Taxation	333,330	(128,568)	(157,120)	4,096	(61,231)	(9,493)

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 3 January 2007, AB announced additional 4,000,000 new ordinary shares of RM0.10 each arising from the aforesaid Private Placement will be granted listing and quotation with effect from 9.00 a.m., Thursday, 4 January 2007.
- (b) On 12 January 2007, AB announced that the acquisition by Techtron Integrated Systems (S) Pte Ltd, a wholly-owned subsidiary of AB, of an office unit with an estimated floor area of 112 square metres in a building known as Redhill Forum in Singapore has been completed.
- (c) On 16 February 2007, AB announced that the public shareholding spread of AB according to the Record of Depositors as at 14 February 2007 is 41.66% and the number of public shareholders who hold not less than 100 shares of RM0.10 each in AB was 388. As such, AB does not comply with the requirement of the public shareholding spread as required by Rule 8.15(1) of the MMLR. Nonetheless, pursuant to the Bursa Malaysia Securities Berhad's letter dated 8 May 2006, all listed issuer shall ensure their shareholding spread comply with the minimum requirements under rule 8.15(1) of the MMLR by 2 July 2007. AB shall make further announcements as and when there are material developments in relation to the aforesaid matter.

11. Changes in the Composition of the Group

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

On 9 February 2007, AB announced the incorporation of Medilink (Thailand) Co., Ltd as a 33% owned associate company of AB via Asdion Digital Advance System Sdn Bhd, a wholly owned subsidiary of AB. MTH is set up as a vehicle for the provision of information and communications technology in the healthcare industry.

12. Contingent Assets or Liabilities

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

13. Capital Commitments

Save as disclosed below, the Group has no material capital commitments in respect of property, plant and equipment as at 31 December 2006.

Techtron Integrated Systems (S) Pte Ltd (“TIS”), a wholly-owned subsidiary of AB, had on 8 November 2006, agreed to the terms of and entered into a Sale and Purchase Agreement with Wintech Redhill Pte Ltd, the developer of an industrial unit with an estimated floor area of 163 square metres in a building known as “The Alexcier” in Singapore for a cash consideration of 330,000 Singapore Dollars (“SGD”) (equivalent to approximately RM816,782 based on an exchange rate of RM2.336 to SGD1.00).

PART B - Explanatory Notes Pursuant to Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Securities for the MESDAQ Market

14. Review of Performance

For the FYE 2006, the Group recorded revenue of approximately RM13.675 million compared to the revenue of approximately RM8.825 million achieved for the FYE 2005, representing an increase of approximately 54.96%. The increase of the revenue in 2006 is due to the implementation of several ICT infrastructure project.

The Group recorded a profit before taxation (“PBT”) of RM160,041 for the FYE 2006, representing a decrease of 61.68% as compared to the FYE 2005 of RM417,639. The lower PBT was largely due to higher operating expenses incurred during the year in line with the Group’s overseas expansion plan. However, the Group recorded a PBT and after minority interest of RM510,000 as compared to RM438,000 achieved in the previous year which is in line with the increase in revenue.

The Group recorded a profit attributable to equity holders of the Company of RM465,758 for the FYE 2006, representing a increase of 43.95% as compared to the FYE 2005 of RM323,560. The Group recorded a profit attributable to equity holders of the Company of RM465,758 as compared to RM323,560 achieved in the previous year. The increase in the profit attributable to equity holders of the Company is in line with the increase in revenue.

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

For the current quarter ended 31 December 2006, the Group recorded revenue of approximately RM2.774 million, representing a decrease of approximately 8.34% as compared to the revenue of approximately RM3.026 million achieved in the preceding year's corresponding quarter. The decrease of revenue was mainly due to the completion of major ICT infrastructure based projects which had been taken into the account in the 3rd quarter 2006 and the majority of AB's projects in the 4th quarter 2006 are on services and applications as compared to installation of ICT infrastructure in the preceding year's corresponding quarter.

The Group recorded a loss before taxation ("LBT") of RM9,493 compared to PBT of RM20,828 in the corresponding quarter in the preceding year. This is mainly due to the higher operating expenses. However, the Group registered PBT and after minority interest of RM117,239 representing an increase of 453.93% as compared to RM21,165. The Group recorded a profit attributable to equity holders of the Company of RM85,411 compared to a profit attributable to equity holders of the Company of RM58,159 in the preceding year's corresponding quarter. The increase in the profits is attributable to higher margins for projects billed in the fourth quarter of 2006.

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:

	Individual Quarter		Cumulative Quarters	
	Current Quarter 31.12.2006	Preceding Year Corresponding Quarter 31.12.2005	Current Period To Date 31.12.2006	Preceding Year Corresponding Period 31.12.2005
	RM	RM	RM	RM
Current taxation	31,828	(16,166)	44,472	114,110

The effective tax rate of the Group for the FYE 2006 is higher than the statutory tax rate as most of the taxation charge is on the business income from the subsidiaries that are not entitled to tax exemption as opposed to AB. As AB is conferred with the Multimedia Super

Corridor status, 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 was 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 December 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.

(b) Status of Utilisation of Proceeds

(i) Public Issue and Rights Issue

As at 31 December 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	1,543	657*
(iii) Working capital	2,747	2,747	-
(iv) Listing expenses	1,200	1,200	-
Total	7,347	6,690	657

* As stated in the Prospectus dated 23 December 2004 for the listing of the Company on Bursa Malaysia Securities Berhad, the RM2.2 million proceeds allocated for research and development expenditure is expected to be utilized by financial year ending 31 December 2006. On 26 December 2006, AB submitted an application to the Securities Commission ("SC") for the proposed extension of time of one (1) year,

from 1 January 2007 to 31 December 2007. The proposed extension of time is still pending SC's approval.

(ii) Placement Issue

As at 31 December 2006, the gross proceeds of RM2,400,000 arising from the placement were utilised as follows:

Purpose of Proceeds		Proposed	Actual Amount	Balance
		Utilisation	Utilised	
		RM'000	RM'000	RM'000
(i)	Working capital	2,290	0	2,290
(ii)	Placement Expenses	110	81	29
Total		2,400	81	2,319

The proceeds allocated for working capital is expected to be utilized by financial year ending 31 December 2007.

22. Borrowings

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

Outstanding borrowings	At 31/12/2006	At 31/12/2005
	RM'000	RM'000
Long term borrowings (Payable after 12 months) – Secured	5,948	536
Short term borrowings (Payable within 12 months) – Secured	1,831	611
Total	7,779	1,147

The borrowings of RM7.779 million as at 31 December 2006 include borrowings denominated in foreign currency as follows:

	SGD'000	RM'000 Equivalent*
Singapore Dollars	292	672

* Based on an exchange rate of RM2.3028 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 February 2007 (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 December 2006 (31 December 2006: 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 31/12/2006	Preceding Year Corresponding Quarter 31/12/2005	Current Year To Date 31/12/2006	Preceding Year Corresponding Period 31/12/2005
Profit attributable to the shareholders (RM)	85,411	58,159	465,758	323,560
Weighted average number of shares	40,217,391	40,000,000	40,054,795	39,835,616
Basic earnings per share (sen)	0.21	0.15	1.16	0.81

b) Diluted

Not applicable.