

ASDION BERHAD (Company No: 590812-D) (“Asdion” 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 is prepared in accordance with FRS 134 “Interim Financial Reporting” issued by the Malaysia Accounting Standard Board and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market and should be read in conjunction with Asdion and its subsidiary and associated companies’ (“Group”) audited consolidated financial statements for the financial year ended 31 December 2006. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the annual audited consolidated financial statements for the financial year ended 31 December 2006.

2. Auditors’ Report

The preceding annual audited consolidated financial statements for the financial year ended 31 December 2006 were not subjected to any qualification.

3. 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.

4. 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.

5. Issuances and Repayments of Debt and Equity Securities

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

6. Dividends Paid

There were no dividends paid and/or proposed 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 2007 are tabulated below:

Geographical segments	Malaysia	Singapore	China	Brunei	Thailand	Total
	RM	RM	RM	RM	RM	RM
Revenue	1,442,396	690,079	99,345	20,829	-	2,252,649
Profit/(Loss) Before Taxation	120,625	57,401	(124,783)	(14,311)	-	38,932

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 3 January 2008, Asdion announced that the Company had on 3 January 2008 notified Bursa Securities that pursuant to Rule 8.15(1) of the Listing Requirements of Bursa Securities for the MESDAQ Market ("MMLR"), the number of public shareholders of Asdion holding not less than 100 shares each in Asdion was below the minimum number of 1,000 public shareholders. However, the Company has complied with the minimum public spread of 25%.

The number of public shareholders of Asdion based on the Record of Depositors as at 31 December 2007 was 982 and the public shareholding spread was 41.65%.

Pursuant to Rule 8.15(3) of the MMLR, Asdion had, on even date, applied to Bursa Securities for an extension of time of three (3) months from 3 January 2008 to 2 April 2008 to rectify its public spread requirement.

- (b) On 5 February 2008, Asdion announced that the Company proposes to undertake a proposed increase in the authorised share capital of Asdion from RM5,000,000 comprising 50,000,000 ordinary shares of RM0.10 each in Asdion ("Asdion Shares") to RM10,000,000 comprising 100,000,000 Asdion Shares. ("Proposed Increase in Authorised Share Capital").

The Proposed Increase in Authorised Share Capital is to accommodate the increase in the issued and paid-up share capital of the Company pursuant to the proposed rights

issue which was announced on 1 November 2007 (“Proposed Rights Issue”) and any new Asdion Shares to be issued by Asdion arising from the exercise of Warrants pursuant to the Proposed Rights Issue.

The Proposed Increase in Authorised Share Capital is conditional upon approvals being obtained from the following:

- (i) the shareholders of Asdion, at an extraordinary general meeting to be convened; and
- (ii) any other relevant authorities/parties (if applicable).

The Proposed Increase in Authorised Share Capital is inter-conditional upon the Proposed Rights Issue.

10. Material Changes in Estimates

There were no materials changes in the nature and amount of estimates reported in the prior financial period that will have a material effect in the current quarter under review.

11. Changes in the Composition of the Group

Save as disclosed below, there were changes in the composition of the Group subsequent to the end of the current quarter under review:

On 19 February 2008, the Board of Directors of Asdion, announced that the Company via its 90% owned subsidiary, Asdion Digital Advance System Sdn. Bhd., had on 19 February 2008 entered into a subscription agreement with Mr. Shia Kok Fat (“Mr. Shia”) and Medilink-Global (Asia) Pte. Ltd. (“MGA”) to subscribe for 215,000 new ordinary shares in MGA representing approximately 35% of the resultant issued and paid-up share capital of MGA for a total consideration of Singapore Dollars (“SGD”) 215,000 (equivalent to approximately RM491,275 based on the exchange rate of SGD1.00 : RM2.285 as at 14 February 2008) (“Proposed Subscription”). Prior to the Proposed Subscription, MGA is a company wholly owned by Mr. Shia.

12. Contingent Assets or Liabilities

There were no material contingent assets or liabilities during the current quarter under review.

13. Capital Commitments

The Group has no material capital commitments during the current quarter under review.

14. Related Party Transaction

The Group has not entered into any related party transaction during the current quarter under review.

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

15. Review of Performance

For the fourth quarter ended 31 December 2007, the Group recorded a revenue of approximately RM2.25 million, representing a decrease of approximately 23.19% as compared to the revenue of approximately RM2.93 million achieved in the preceding year corresponding quarter. The lower revenue was due to by the lower sales generated in the information and communications technology (“ICT”) infrastructure equipment segment.

The Group recorded a profit before taxation (“PBT”) of RM38,932 for the current quarter compared to the PBT of RM2,207 registered in the preceding year corresponding quarter. The increase in the PBT was attributed to lower operating expenses incurred for the current quarter.

The Group registered a revenue of approximately RM10.42 million for the financial year ended 31 December 2007, representing a 24.70% reduction over the previous year of approximately RM13.83 million. The decrease in revenue was due to the lower sales generated in the ICT infrastructure equipment segment.

The Group recorded a lower PBT of RM124,528 compared to RM171,741 registered in the preceding year corresponding period ended 31 December 2006. The decrease was largely attributed to the following:

- (a) lower sales recorded in the ICT infrastructure equipment segment of the Group;
- (b) higher finance cost incurred due to the acquisition of fixed assets such as properties and machinery and
- (c) share of loss of overseas associated company.

The profit after taxation and minority interests (“PATMI”) of the Group was RM319,858 as compared to RM440,939 registered in the preceding year corresponding period.

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

For the current quarter ended 31 December 2007, the Group recorded a revenue of approximately RM2.25 million, representing a decrease of approximately 20.25% as compared to the revenue of approximately RM2.82 million achieved in the immediate preceding quarter ended 30 September 2007. The lower revenue was largely contributed by the lower sales of the systems and service on the Software Alliance Marketing Segment.

Notwithstanding the above, the Group recorded a higher PBT of RM38,932 compared to RM32,503 registered in the immediate preceding quarter. The increase in the PBT was partly due to the Group no longer register the loss attributed to the overseas associated companies.

The Group registered a PATMI of RM17,813 as compared to RM90,855 achieved in the immediate preceding quarter ended 30 September 2007. The decrease in the PATMI is attributed to the recognition of the taxation which is under provided in the previous quarter in the current quarter and also lower recognition of minority interest if compare with the immediate preceding quarter.

17. Prospects for the Current Financial Year

The Board of Directors of Asdion anticipate that the finance performance of the Group for the financial year ending 31 December 2008 should at least maintain despite the challenging environment face by the Group going forward. The Group will continue to focus on its core business segments and will continue the development of its overseas markets in close collaboration with business partners.

18. Profit Forecast and Profit Guarantee

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

19. Taxation

Taxation comprises:

	Individual Quarter		Cumulative Quarters	
	Current Quarter 31.12.2007	Preceding Year Corresponding Quarter 31.12.2006	Current Period To Date 31.12.2007	Preceding Year Corresponding Period 31.12.2006
	RM	RM	RM	RM
Current taxation	37,191	42,917	47,869	55,561

The effective tax rate of the Group for the current quarter and current period to-date are 95.53% and 38.44% respectively which are higher than the statutory tax rate of 27% as most of the taxation charge is on the business income from the subsidiaries that are not entitled to the tax exemption.

20. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no purchases or disposals of unquoted investments and/or properties for the current quarter under review.

21. Purchase or Disposal of Quoted Securities

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

22. Status of Corporate Proposals and Utilisation of Proceeds

Save as disclosed in Notes 9, there were no corporate proposals announced but not completed as at the date of this report.

23. Borrowings

The total borrowings of the Group as at 31 December 2007 are as follows:

	Current RM'000	Non-Current RM'000	Total RM'000
Secured	1,618	8,385	10,003
Unsecured	-	-	-
Total	1,618	8,385	10,003

The borrowings of approximately RM10 million as at 31 December 2007 include borrowings denominated in foreign currency as follows:

	SGD'000	RM'000 Equivalent*
Singapore Dollars	878	2,013

Note:

* Based on an exchange rate of RM2.2938 for every one (1) Singapore Dollar.

24. 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.

25. Material Litigation

As at 29 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 Group, and the Directors of the Company are not aware 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 Group.

26. Dividend

No interim dividend has been declared or paid for the current quarter under review.

27. Earnings Per Share (“EPS”)

The basic EPS for the current quarter and current period to date are computed as follows:

a) Basic

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

	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Period To	Corresponding
	31/12/2007	Quarter	Date	Period
		31/12/2006	31/12/2007	31/12/2006
Profit attributable to the shareholders (RM)	17,813	60,592	319859	440,939
Weighted average number of shares	44,000,000	40,260,870	44,000,000	40,065,753
Basic EPS (sen)	0.04	0.15	0.73	1.10

b) Diluted

Not applicable.