

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 9 Part K 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 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 30 June 2006 are tabulated below:

Geographical segments	Malaysia	Singapore	China	Brunei	Thailand	Total
	RM	RM	RM	RM	RM	RM
Revenue	2,680,202	1,272,456	-	-	205	3,952,863
Profit/(Loss) Before Taxation	294,636	14,464	(165,288)	(2,754)	(60,924)	80,134

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 10 August 2006, the Company executed a facility agreement with Malaysia Debt Ventures Berhad ("MDV") ("MDV Facility Agreement") whereby MDV agreed to grant and make available and/or continue to grant and make available a revolving project loan of up to RM3,000,000 subject to the terms and conditions stated in the MDV Facility Agreement.
- (b) On 17 August 2006, the Company executed a facility agreement with RHB Bank Berhad ("RHB") ("RHB Facility Agreement") whereby RHB agreed to make and/or continue to make available a term loan amounting to RM2,677,000 subject to the terms and conditions stated in the RHB Facility Agreement.

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.

- (a) On 25 April 2006, AB announced the incorporation of Asdion Media Sdn Bhd as a wholly-owned subsidiary of the Company via Asdion Project Synergy Sdn Bhd, a wholly-owned subsidiary of AB.
- (b) On 29 May 2006, AB announced that MediLink Information Technologies (Beijing) Co. Ltd, a 51% owned subsidiary of Asdion Digital Advance System Sdn Bhd which in turn is a wholly-owned subsidiary of AB, had on 29 May 2006 entered into a Memorandum of Understanding with Shanghai Unionpay Merchant Services Co. Ltd to form a strategic alliance for the development of an electronic health card network which involves deployment, support and maintenance of Electronic Data Capture terminals within the healthcare sector in China.

12. Contingent Assets or Liabilities

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

13. Capital Commitments

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 ("Proposed Acquisition").

On 23 June 2006, the shareholders of AB had, at an Extraordinary General Meeting, approved the Proposed Acquisition.

PART B - Explanatory Notes Pursuant to Chapter 9, Part K of the Listing Requirements of Bursa Securities for the MESDAQ Market

14. Review of Performance

For the quarter ended 30 June 2006, the Group recorded revenue of approximately RM3.953 million, representing an increase of approximately 96.67% as compared to the revenue of approximately RM2.010 million achieved in the preceeding year's corresponding quarter. The increase of revenue was due to the increased revenue for implementation of the information and communications technology ("ICT") equipment.

However, the Group recorded a lower profit before taxation ("PBT") of RM80,134 compared to RM138,599 in the corresponding quarter in the preceding year mainly due to higher cost of sales and operating expenses. However, the Group registered a profit after taxation and minority interests ("PAT") of RM150,050 compared to a PAT of RM102,088 in the preceeding year's corresponding quarter due to losses attributable to minority interest.

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

The Group recorded revenue of approximately RM3.953 million in the current quarter as compared to the Group's revenue of approximately RM2.566 million achieved in the previous quarter, representing an increase of approximately 54.05%. This is due to the increase in revenue for the sale of ICT equipment.

In addition, the Group recorded a PBT and PAT of RM80,134 and RM150,050 respectively in the current quarter as compared to the Group's PBT and PAT of RM63,914 and RM90,674 achieved in the previous quarter.

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

16. Prospects for Current Financial Year

Despite the competitive market conditions in the ICT industry, the Directors of AB remain confident that the performance of the Group for the remaining quarter of the FYE 31 December 2006 will remain profitable, barring unforeseen circumstances.

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 30 .06 2006	Preceding Year Corresponding Quarter 30.06.2005	Current Period To Date 30 .06 2006	Preceding Year Corresponding Period 30.06.2005
	RM	RM	RM	RM
Current taxation	3,038	32,982	8,499	56,409

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 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 30 June 2006.

21. Status of Corporate Proposals and Utilisation of Proceeds

(a) Status of Corporate Proposals

Save as disclosed below and in Note 13, there were no corporate proposals announced but not completed as at the date of this report.

On 11 January 2006, Techtron Integrated Systems (S) Pte Ltd, a wholly-owned subsidiary of AB, entered into a sale and purchase agreement with NS Realty Pte Ltd for the acquisition of an office unit with an estimated floor area of 112 square metres for a cash consideration of Singapore Dollar 347, 328.

(b) Status of Utilisation of Proceeds

As at 30 June 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	1,102	1,098*
(iii) Working capital	2,747	2,747	-
(iv) Listing expenses	1,200	1,200	-
Total	7,347	6,249	1,098

* *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*

22. Borrowings

The total borrowings of the Group as at 30 June 2006 are as follows:

Outstanding borrowings	At 30/06/2006 RM'000	At 31/12/2005 RM'000
Long term borrowings (Payable after 12 months) – Secured	3,656	536
Short term borrowings (Payable within 12 months) – Secured	1,557	611
Total	5,213	1,147

The borrowings of RM5.213 million as at 30 June 2006 include borrowings denominated in foreign currency as follows:

	SGD'000	RM'000 Equivalent*
Singapore Dollars	873	1,983

* *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 30 August 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 30 June 2006 (30 June 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 30/6/2006	Preceding Year Corresponding Quarter 30/6/2005	Current Year To Date 30/6/2006	Preceding Year Corresponding Period 30/6/2005
Profit attributable to the shareholders (RM)	150,050	102,088	240,724	154,294
Weighted average number of shares	40,000,000	40,000,000	40,000,000	39,668,508
Basic earnings per share (sen)	0.38	0.26	0.60	0.39

b) Diluted

Not applicable.