

13 DIRECTORS' REPORT
(Prepared for the inclusion in this Prospectus)



253387 - W



Registered Office:
18& 20, Jalan TK 2/1C
Taman Kinrara Sekysen 2
47100 Puchong
Selangor

The Shareholders of AsiaEP Berhad

Date: **17 DEC 2003**

Dear Sir/ Madam

On behalf of the Board of Directors of AsiaEP Berhad ("ASIAEP"), I report after due enquiry that during the period from 30 June 2003 (being the date to which the last audited accounts of AsiaEP has been made) to

17 DEC 2003 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus) :-

- (i) the business of the Company, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Company which have adversely affected the trading or the value of the assets of the Company;
- (iii) the current assets of the Company appear in the books at value, which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company;
- (v) since the last audited financial statements of the Company, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors of ASIAEP are aware of; and
- (vi) save as disclosed in the Accountants' Report and proforma balance sheets in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of the Company.

Yours faithfully
For and on behalf of the Board of Directors
AsiaEP Berhad


Tan Boon Nunt
Managing Director

14 ACCOUNTANTS' REPORT



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
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The Board of Directors
ASIAEP Berhad
18 & 20, Jalan TK2/1C
Taman Kinrara Seksyen 2
47100 Puchong
Selangor Darul Ehsan

Our ref A5/HLLS/CBH/LEE

17 December 2003

Dear Sirs

**ASIAEP Berhad (“ASIAEP” or “the Company”)
Accountants’ Report**

1 Introduction

This report has been prepared by KPMG, an approved Company auditor, for inclusion in the Prospectus of ASIAEP Berhad to be dated 26 December 2003 in connection with:-

- (ii) the public issue/private placement of 60,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share to the general public, eligible directors, suppliers and employees of the Company; and
- (iii) listing and quotation for the entire issued and paid-up share capital of ASIAEP on the Malaysian Exchange of Securities Dealing Automated Quotation (“MESDAQ”) Market of the Kuala Lumpur Stock Exchange (“KLSE”).

2 General Information

2.1 Background

The Company was incorporated in Malaysia on 7 December 1992 under the name of Direct Marvel Sdn Bhd as a private limited company under the Companies Act, 1965. It changed its name to Asia Electronic Publication Sdn Bhd (hereinafter referred as “AEPSB”) on 3 October 1996, and later to asiaEP.com Sdn Bhd on 11 August 2000. Subsequently, on 3 July 2002, the Company changed its name to ASIAEP Sdn Bhd. On 16 September 2002, the Company was converted to a public limited company and assumed its present name.

The Company obtained its Multimedia Super Corridor (“MSC”) Status on 4 March 1998.



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



14 ACCOUNTANTS' REPORT (Cont'd)



2.2 Principal activities

AEPSB commenced its operations on 1 March 1998 and was principally engaged in providing internet media through aggregated information content, communication services and other related services. During the financial year ended 28 February 2000, ASIAEP changed its principal activities to providing e-commerce solutions and developing an e-market place for both local and international enterprises.

2.3 Changes in share capital

The movements in the Company's authorised share capital since the date of incorporation are as follows: -

Date of creation	No of shares created of RM1.00 each	No of ordinary shares of RM1.00 each	Par value RM	Total RM
07.12.92	25,000	25,000	1.00	25,000
10.10.98	475,000	500,000	1.00	500,000
14.12.98	500,000	1,000,000	1.00	1,000,000
15.04.02	24,000,000	25,000,000	1.00	25,000,000
05.09.02		Subdivision of existing ordinary shares from par value of RM1.00 to RM0.10 each	0.10	25,000,000

The movements in ASIAEP's issued and paid up share capital since its incorporation are as follows:-

Date of Allotment	No of ordinary shares of RM1.00 each	Par value RM	Consideration	Total RM
07.12.92	2	1.00	Subscribers' shares	2
10.10.98	499,998	1.00	} Cash	500,000
14.12.98	200,000	1.00		700,000
26.04.00	292,400	1.00		992,400
28.04.00	7,600	1.00		1,000,000
10.05.02	500,000	1.00		1,500,000
02.09.02	6,395,349	1.00	Acquisition of IP	7,895,349

14 ACCOUNTANTS' REPORT (Cont'd)

Date of Allotment	No of ordinary shares of RM1.00 each	Par value RM	Consideration	Total RM
02.09.02	6,104,651	1.00	Bonus issue	14,000,000
05.09.02		0.10	Subdivision of existing ordinary shares from par value of RM1.00 to RM0.10 each	14,000,000

2.4 Financial statements and auditors

The financial year end of the Company is 28 February.

The financial statement of the Company for the financial period from the date of incorporation to 28 February 2002 were audited by another firm of accountants. KPMG acted as the auditors of ASIAEP for the year ended 28 February 2003.

The auditors' reports on the financial statements of the Company for the financial years covered in this Report were not subject to any qualifications.

During the financial year ended 28 February 2000, the Company adopted the Malaysian Accounting Standards Board ("MASB") Standards which replaced the corresponding International Accounting Standards ("IAS") and Malaysian Accounting Standards ("MAS") issued by the Councils of the Malaysian Institute of Accountants ("MIA") and Malaysian Association of Certified Public Accountants ("MACPA").

Following the adoption of the MASB Standards, there have been no material changes to the accounting policies of the Company.

2.5 Dividends

The Company has not paid or declared any dividends since its incorporation.

14 ACCOUNTANTS' REPORT (Cont'd)



3 Summarised Income Statements

We set out below the summarised audited results of ASIAEP for the five (5) financial years ended from 28 February 1999 to 28 February 2003 and for the 4-month period ended 30 June 2003:-

	←-----Year ended 28 February----->					Period ended
	1999	2000	2001	2002	2003	30 June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,974	2,245	4,247	5,248	7,002	1,872
Cost of services	(1,130)	(1,203)	(1,665)	(1,932)	(931)	(273)
Gross profit	844	1,042	2,582	3,316	6,071	1,599
Other income	-	-	-	10	3	2
	844	1,042	2,582	3,326	6,074	1,601
Depreciation	(59)	(80)	(234)	(295)	(811)	(330)
Directors' remuneration	(296)	(281)	(320)	(327)	(414)	(138)
Other operating expenses	(568)	(562)	(1,054)	(1,193)	(2,330)	(859)
(Loss)/Profit from operation	(79)	119	974	1,511	2,519	274
Finance expenses	(2)	(8)	(15)	(28)	(86)	(35)
(Loss)/Profit before taxation	(81)	111	959	1,483	2,433	239
Tax expense	-	-	-	-	-	-
(Loss)/Profit after taxation	(81)	111	959	1,483	2,433	239
Number of ordinary shares in issue	700	700	1,000	1,000	140,000	140,000
Weighted average number of ordinary shares in issue	467	700	950	1,000	77,667	140,000
Net (loss)/earnings per weighted number of shares (RM)	(0.17)	0.16	1.00	1.48	0.03	0.002



3.1 Notes to summarised income statements

- (a) The Company was granted pioneer status by the Ministry of Trade and Industry under the Promotion of Investment Act, 1986 for a period of five years commencing 1 March 1998. Furthermore, the Company was granted the MSC Status, which entitles the Company to have tax incentives for five years, with effect from 4 March 1998. Upon expiration in March 2003, the Company has renewed its status for another five years. As such, the Company's income was not subjected to any tax during the financial years ended 28 February 1999 to 2003.
- (b) There were no extraordinary and exceptional items for all the years under review.
- (c) The par value of the ordinary shares for the years ended 28 February 1999 to 2002 is RM1.00 each. On 5 September 2002, the Company sub-divided the ordinary shares from its par value of RM1.00 each to RM0.10 each.
- (d) The net earnings per share has been calculated based on profit after tax divided by the weighted average number of shares in issue in the respective years/period.

14 ACCOUNTANTS' REPORT (Cont'd)



4 Summarised Balance Sheets

The summarised audited balance sheets of ASIAEP at the end of each financial year from 28 February 1999 to 28 February 2003 and as at 30 June 2003 are set out below:

	←-----As at 28 February-----→					As at
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	30 June 2003 RM'000
Property, plant and equipment	466	724	897	977	3,262	4,117
Intangible assets	-	213	106	280	16,765	16,854
Current assets						
Work in progress	-	-	468	412	-	-
Trade and other receivables	583	883	2,240	4,472	4,470	2,967
Cash and bank balances	84	71	178	119	132	423
	667	954	2,886	5,003	4,602	3,390
Current liabilities						
Trade and other payables	490	1,004	1,556	1,735	504	519
Hire purchase creditors	16	63	51	78	127	127
Term Loan	-	-	-	28	33	35
Bank Overdraft	-	-	-	472	475	-
	506	1,067	1,607	2,313	1,139	681
Net current assets/(liabilities)	161	(113)	1,279	2,690	3,463	2,709
	627	824	2,282	3,947	23,490	23,680
Financed by:						
Capital and reserves						
Share capital	700	700	1,000	1,000	14,000	14,000
Share premium	-	-	182	182	4,182	4,182
(Accumulated loss) / retained profits	(81)	29	989	2,472	4,905	5,144
Shareholders' funds	619	729	2,171	3,654	23,087	23,326
Long term liability						
Hire purchase creditors	8	95	111	156	248	212
Term loan	-	-	-	137	155	142
	627	824	2,282	3,947	23,490	23,680
NTA per share (RM)	0.88	0.74	2.07	3.37	0.05	0.05

14 ACCOUNTANTS' REPORT (Cont'd)



Note:

- a) Net tangible assets (NTA) per share is calculated based on NTA over the number of shares in issue at the year end.
- b) Trade receivables and retained profits at 28 February 2003 have not been adjusted for additional write-downs for doubtful debts of trade receivables aged more than 6 months which remains outstanding as at 30 June 2003, amounting to RM165,000 (in response to KLSE's conditions on approval of Listing Proposals as stated in the letter dated 2 July 2003). The trade receivables and retained profits at 30 June 2003 have been adjusted for this amount.



5 Proforma Statement of Assets and Liabilities

The following is a statement of assets and liabilities of ASIAEP which has been prepared for illustrative purposes only based on the audited financial statements as at 30 June 2003. The statement of assets and liabilities has been prepared before the public issue and private placement of shares. The statement of assets and liabilities should be read in conjunction with the notes thereon.

	Note	RM'000
Property, plant and equipment	5.1.2	4,117
Intangible assets	5.1.3	16,854
Current assets		
Trade and other receivables	5.1.4	2,967
Cash and cash equivalents	5.1.5	423
		3,390
Current liabilities		
Trade and other payables	5.1.6	519
Hire purchase creditors	5.1.7	127
Borrowings	5.1.8	35
		681
Net current assets		2,709
		<u>23,680</u>
Financed by:-		
Share capital	5.1.9	14,000
Share premium		4,182
Reserves		5,144
Shareholders' funds		<u>23,326</u>
Long term liabilities		
Hire purchase creditors	5.1.7	212
Term loan	5.1.8	142
		<u>23,680</u>
Net tangible assets per share (RM)		<u>0.05</u>



5.1 Notes to the proforma statement of assets and liabilities

5.1.1 Significant accounting policies

The following accounting policies are adopted by the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior period adjustment are therefore not presented; and
- (ii) MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively.
- (iii) MASB 25, Income Taxes which has been applied retrospectively.

(a) Basis of accounting

The financial statements of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable values.

Depreciation

Leasehold land are amortised in equal instalments over the year of the respective leases which range from ninety to ninety-nine years while buildings are depreciated on a straight-line basis over the lease period.

The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Furniture and fittings	10%
Office equipment	10%
Computer equipment	20%
Motor vehicles	20%
Renovation	20%

(c) Intangible assets

i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure

14 ACCOUNTANTS' REPORT (Cont'd)



capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over 5 years.

ii) Intellectual Property

The Intellectual Property consists of the exclusive rights of an online platform system, including the Intellectual Property trademarks, copyright, source programmes and associated documentation. This expenditure is capitalised as it is able to generate future economic benefits to the Company.

The Intellectual Property is amortised and recognised as an expense based on the forecasted income stream so as to reflect the pattern in which the asset's economics benefits are consumed by the Company over fifteen years.

(d) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposit.

(f) Impairment

The carrying amount of the Company's assets, other than financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(g) Liabilities

Borrowings and trade and other payables are stated at cost.



(h) Hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised at the value equivalent to the principal sum of total hire purchase rental payable. The interest element of the rental obligations is charged to the income statement over the periods of the hire purchase and accounted for on a sum-of-digits method.

(i) Income Tax

Tax on the profit or loss for the period/year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(j) Work in progress

Work in progress is stated at cost and consists of all direct costs and direct overheads incurred for work done.

(k) Revenue

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(l) Financing costs

All interest and other costs incurred in connection with borrowing are expensed as incurred.

14 ACCOUNTANTS' REPORT (Cont'd)



5.1.2 Property, plant and equipment

<i>Cost</i>	Leasehold land and buildings RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Opening balance	247	3,156	222	242	493	458	4,818
Additions	-	1,171	-	14	-	-	1,185
Closing balance	247	4,327	222	256	493	458	6,003
<i>Accumulated depreciation</i>							
Opening balance	2	981	84	56	247	186	1,556
Charge for the year	1	260	7	9	22	31	330
Closing balance	3	1,241	91	65	269	217	1,886
<i>Net book value</i>							
At 30 June 2003	244	3,086	131	191	224	241	4,117

The cost and carrying value of land is not segregated from buildings as the required records are not available.

Included in property, plant and equipment of the Company are motor vehicles and office equipment acquired under hire purchase with a net book value of RM276,000 (28.2.2003 – RM307,000)

Depreciation charge of certain computer equipment, amounting to Nil (28.2.2003 – Rm128,000) has been capitalised as development costs.

14 ACCOUNTANTS' REPORT (Cont'd)



5.1.3 Intangible assets

<i>Cost</i>	Development costs RM'000	Intellectual Property RM'000	Total RM'000
Opening balance	655	16,500	17,155
Additions	260	-	260
Closing balance	915	16,500	17,415
<i>Amortisation</i>			
Opening balance	-	390	390
Amortisation charge for the year	-	171	171
Closing balance	-	561	561
<i>Net book value</i>			
At 30 June 2003	915	15,939	16,854

On 16 August 2002, the Company acquired the exclusive rights to an online platform system, herein known as Intellectual Property ("IP") from one of the Directors. The IP constitutes a trademark, copyrights, source programmes and associated documentation. The purchase consideration of the IP is RM16.5 million, which was satisfied by the issuance of 6,395,349 new ordinary shares of RM1.00 each at an issue price of RM2.58 each.

The IP has an estimated economic life of fifteen years and would be amortised and recognised as an expense based on the forecasted revenue stream so as to reflect the pattern in which the asset's economic benefits are consumed by the Company.

5.1.4 Trade and other receivables

	RM'000
Trade receivables	2,226
Other receivables, deposits and prepayments	741
	2,967

Included in other receivables, deposits and prepayment is work in progress amounting to RM211,000 (28.2.2003 – RM211,000).

14 ACCOUNTANTS' REPORT (Cont'd)

**5.1.5 Cash and cash equivalents**

	RM'000
Fixed deposits placed with a licensed bank	120
Cash and bank balances	303

	423
	=====

Fixed deposits of RM120,000 (28.2.2003 – RM120,000) is pledged for a term loan facility granted to the Company.

5.1.6 Trade and other payables

	RM'000
Trade payables	27
Other payables and accrued expenses	492

	519
	=====

5.1.7 Hire purchase creditors

	RM'000
Amount outstanding	402
Less: Interest-in-suspense	(63)

	339
	=====
Amount due within twelve months	127
Amount due after twelve months	
- between 1 and 2 years	128
- between 2 and 5 years	84

	212

	339
	=====

5.1.8 Borrowings

	RM'000
Current	
- Bank overdraft	-
- Term loans	35

	35
	=====
Non-current	
- Term loans	142
	=====

14 ACCOUNTANTS' REPORT (Cont'd)

The bank overdraft is subject to interest at 1% above bank's base lending rate ("BLR") (30.6.2003 – 1% above BLR) per annum.

The details of term loans obtained by the Company are as follows:

Principal amount	Interest rate	Repayment terms
RM165,000	7.45%	The loan is repayable over sixty monthly instalments commencing September 2001.
RM54,000	8.25%	The loan is repayable over one hundred and twenty monthly instalments commencing 30 June 2003.

The Company's borrowings are secured by way of fixed charges over the Company's assets and building, and jointly and severally guaranteed by the Directors of the Company. The bank overdraft and one of the term loans are secured by a fixed deposit placed with the issuing bank and a 100% guarantee by Credit Guarantee Corporation Malaysia Berhad under Direct Access Guarantee Scheme.

5.1.9 Share capital

	RM'000
Authorised:	
Ordinary shares of RM0.10 each (2002 – RM1.00 each)	25,000 =====
Issued and fully paid:	
Ordinary shares of RM0.10 each (2002 – RM1.00 each)	14,000 =====

5.1.10 Contingent liabilities

The Company has contingent liabilities in respect of the following:-

- a) The Company has commenced legal action against an IT company for infringement of copyright and passing off in relation to the Company's business. An interim injunction has been obtained by the Company restraining the defendant from further infringement. The defendant has filed its defense and counter claim. The proceedings are pending in Court. The solicitors are of the opinion that the defendant would not succeed in its counter claim and no provision has been made in the accounts.
- b) A claim was made against the Company for alleged breach of undertaking to issue shares of the Company to the Plaintiff, amounting to 15% of its entire paid up capital as at January 1999 based on the par value of RM1.00 per share.

The Company has filed its defense, subsequently the claim by the Plaintiff was struck off, and the Plaintiff has filed an application to reinstate the claim. In any event, the solicitors are of the opinion that there will be no adverse effect on the financial position of the Company.

14 ACCOUNTANTS' REPORT (Cont'd)

The Directors of the Company, Tan Boon Nunt and Lee Suet Hong have provided a letter of indemnity to the Company to indemnify the Company against all claims, losses, damages, costs, fees and expenses arising in the event the Petitioner is successful against the Company.

- c) A claim was made against the Directors of the Company for alleged breach of duties as Directors and oppressive and/or prejudicial conduct. The Company has filed its defence and the proceedings are pending in Court.

The solicitors are of the opinion that although the Petitioner will have an uphill task in proving its case, there may be some financial effect on the Company should the Petitioner be successful in its claim against the Company.

The Directors of the Company, Tan Boon Nunt and Lee Suet Hong have provided a letter of indemnity to the Company to indemnify the Company against all claims, losses, damages, costs, fees and expenses arising in the event the Petitioner is successful against the Company.

6 Proforma Net Tangible Assets Cover Per Share

Based on the proforma statement of assets and liabilities of ASIAEP as at 30 June 2003, and after adjusting for additional write downs for doubtful debts of trade receivables, public issue and estimated cost of the listing exercise, the proforma net tangible assets cover per share is calculated as follows:-

	RM'000
Net tangible assets as at 30 June 2003	6,472
Add : Proceeds from the Public Issue	18,000
Less : Estimated cost of listing	(1,300)
Adjusted balance at 30 June 2003	<u>23,172</u>
	'000
Number of ordinary shares of RM0.10 each in issue as per proforma statement of assets and liabilities as at 30 June 2003	140,000
Add : Public Issue	60,000
	<u>200,000</u>
Proforma net tangible assets per ordinary share (RM)	<u>0.12</u>

14 ACCOUNTANTS' REPORT (Cont'd)



7 Proforma Cash Flow Statement

The proforma cash flow statement of ASIAEP is based on the audited financial statements for the period ended 30 June 2003 and is provided for illustrative purposes only.

	RM'000
Cash flow from operating activities	
Profit for the period	239
Adjustment for:	
Amortisation of Intellectual Property	171
Depreciation	330
Interest expense	35
Operating profit before working capital changes	<u>775</u>
Changes in working capital	
Trade and other receivables	1,503
Trade and other payables	15
Cash generated from operations	<u>2,293</u>
Development cost paid	(260)
Net cash generated from operating activities	<u>2,033</u>
Cash flow from investing activities	
Purchase of property, plant and equipment	(1,185)
Net cash used in investing activities	<u>(1,185)</u>
Cash flows from financing activities	
Proceeds from issuance of shares	-
Proceeds from term loan and other borrowings	-
Repayment of term loan and other borrowings	(47)
Interest paid	(35)
Net cash used in financing activities	<u>(82)</u>
Net increase in cash and cash equivalents	766
Cash and cash equivalents at beginning of period	(463)
Cash and cash equivalents at end of period	<u><u>303</u></u>

14 ACCOUNTANTS' REPORT (Cont'd)



	RM'000
Cash and cash equivalents comprise:-	
Cash and bank balances	303
Fixed deposits placed with a licensed bank	120
Bank overdrafts	-
	<hr/>
	423
Fixed deposits pledged to a licensed bank	(120)
	<hr/>
	<u>303</u>

8 Subsequent event

There were no significant events subsequent to 30 June 2003 up to the date of this Report.

9 Audited financial statements

No audited financial statements of ASIAEP have been made up in respect of any period subsequent to 30 June 2003.

Yours faithfully,

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/05(J)

15 **PROFORMA BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON**



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The Board of Directors
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Taman Kinrara Seksyen 2
47100 Puchong
Selangor Darul Ehsan

Our ref A5/HLLS/CBH/LEE

17 December 2003

Dear Sirs

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEET OF ASIAEP BHD

We have reviewed the presentation of the Proforma Balance Sheet of ASIAEP Bhd ("ASIAEP" or "Company") for which the Directors are solely responsible, as at 30 June 2003, together with the notes set out in Appendix I, which have been prepared for the purpose of inclusion in the Prospectus of the Company in connection with the following: -

- i. Public issue/private placement of 60,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share to the general public, eligible directors, suppliers and employees of the Company.
- ii. Listing of and quotation for the entire issued and paid up share capital of ASIAEP comprising 200,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

In our opinion,

- the Proforma Balance Sheet as set out in Appendix I which has been prepared for illustrative purposes only, has been properly prepared on a basis of preparation stated;
- such basis is consistent with the accounting policies normally adopted by the Company and the accompanying notes as set out in Appendix I
- all adjustments are appropriate for the purpose of the proforma balance sheet

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/05(J)



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss entity.



15 PROFORMA BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**ASIAEP BHD**
**PROFORMA BALANCE SHEET
AS AT 30 JUNE 2003**

	<i>Note</i>	<i>Audited as at 30 June 2003 RM'000</i>	<i>Proforma after Stage 1 RM'000</i>
Property, plant and equipment		4,117	4,117
Intangible assets		16,854	16,854
Current assets			
Trade and other receivables		2,967	2,967
Fixed deposit		120	120
Cash and bank balances	4	303	17,003
		3,390	20,090
Current liabilities			
Trade and other payables		519	519
Hire purchase creditors		127	127
Term loan		35	35
		681	681
Net current assets		2,709	19,409
		23,680	40,380
Financed by:-			
Share capital	5	14,000	20,000
Share premium	6	4,182	14,882
Reserves		5,144	5,144
Shareholders' funds		23,326	40,026
Long term liabilities			
Hire purchase creditors		212	212
Term loan		142	142
		23,680	40,380
Net tangible assets per share (RM)		0.05	0.12

15 PROFORMA BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)


ASIAEP BHD
**NOTES TO THE PROFORMA BALANCE SHEET
AS AT 30 JUNE 2003**

1. The Proforma Balance Sheet of the Company has been prepared based on the audited financial statements of ASIAEP Bhd as at 30 June 2003.
2. The Proforma Balance Sheet of the Company has been prepared using accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements.
3. The Proforma Balance Sheet are for illustrative purposes only and incorporates the following transactions as though they were effected on 30 June 2003:-

Stage 1

- Public issue of 60,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share.
- The gross proceeds from the public issue amounting to RM18 million will be received by December 2003.
- Estimated listing expenses amounting to RM1,300,000 will be set off against the share premium account.

4. Movement in cash and bank balances: -	<i>RM'000</i>
Audited balance at 30 June 2003	303
Proceeds from proposed public issue of 60,000,000 new ordinary shares of RM0.10 each at the issue price of RM0.30 per share	18,000
Less: Listing expenses	(1,300)
Balance after Stage 1	17,003
5. Movement in share capital: -	<i>RM'000</i>
Audited balance at 30 June 2003	14,000
Proposed public issue of 60,000,000 ordinary shares of RM0.10 each at the issue price of RM0.30 per share	6,000
Balance after Stage 1	20,000

15 **PROFORMA BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER
THEREON (Cont'd)**



6.	Movement in share premium: -	<i>RM'000</i>
	Audited balance at 30 June 2003	4,182
	Proposed public issue of 60,000,000 ordinary shares of RM0.10 each at the issue price of RM0.30 per share	12,000
	Less: Listing expenses	(1,300)
	Balance after Stage 1	<u>14,882</u>