
2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.1 OPENING AND CLOSING OF APPLICATION

The Application for the Public Issue will open at 10.00 a.m. on 26 December 2003 and will remain open until 5.00 p.m. on 5 January 2004 or for such period or periods as the Board and Kenanga at their absolute discretion may decide. Late applications will not be accepted.

2.2 IMPORTANT DATES

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below: -

Event	Tentative Date
Opening of Application for the Public Issue	26 December 2003
Closing of Application for the Public Issue	5 January 2004
Balloting Date	7 January 2004
Despatch of Notices of Allotment of the Public Issue Shares to successful applicants	15 January 2004
Listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	16 January 2004

These dates are tentative and subject to changes which may be necessary to facilitate implementation procedures. The Application List will close at the date stated above or such later date as the Board and Kenanga at their absolute discretion may decide.

Any changes to the application period will also affect the allotment and listing dates for the Public Issue and will be notified to the public via an advertisement in a widely circulated daily English newspaper and Bahasa Malaysia newspaper.

2.3 SHARE CAPITAL*Authorised:-*

250,000,000 ordinary shares of ASIAEP of RM0.10 each	<u>RM25,000,000</u>
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Issued and paid-up:-

140,000,000 ordinary shares of ASIAEP of RM0.10 each	RM14,000,000
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To be issued pursuant to the Public Issue:-

60,000,000 ordinary shares of ASIAEP of RM0.10 each	<u>RM6,000,000</u>
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Enlarged issued and paid-up share capital

200,000,000 ordinary shares of ASIAEP of RM0.10 each	<u>RM20,000,000</u>
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Issue Price	RM0.30
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There is only one (1) class of shares in the Company namely ordinary shares of ASIAEP. The Public Issue Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and fully paid-up ordinary shares of ASIAEP including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares of ASIAEP held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary shares of ASIAEP held.

2.4 PARTICULARS OF THE PUBLIC ISSUE

The Public Issue is an invitation by ASIAEP to the public to subscribe for the Public Issue Shares at an issue price of RM0.30 per share subject to the terms and conditions in this Prospectus.

The Public Issue Shares are made available for subscription to the following:-

	No of Public Issue Shares to be allocated
(i) Eligible employees, directors and business associates	4,000,000
(ii) General Public:	
(a) by way of private placement	47,500,000
(b) by way of call option (pursuant to the Option Agreements)	6,500,000
(c) by way of public offer	2,000,000
Total	60,000,000

There is only one (1) class of shares in the Company, being ordinary shares of RM0.10 each. The Public Issue Shares are expected to be allotted on 13 January 2004. The Public Issue Shares upon allotment shall rank *pari passu* in all respects with one another and all other existing issued and fully paid-up ordinary shares of ASIAEP including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the ordinary shares of ASIAEP. To meet the shareholding spread requirements, the final allocation to any single applicant shall not breach 5% or more of the enlarged issued and paid-up share capital of the Company upon Listing, regardless of the amount of Public Issue Shares applied for.

The Public Issue Shares in respect of Section 2.4(i) above are allocated to eligible employees, directors and business associates of ASIAEP. Based on the criteria, there are approximately 32 employees, directors and business associates who are eligible and are interested in taking up the reserved Public Issue Shares. All of the 4,000,000 Public Issue Shares to be allocated to eligible and interested employees, directors and business associates have been allocated based on their respective position, number of years of service and number of years of relationship with the Company.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

In the event that any of the Public Issue Shares under Section 2.4(i) above are not taken up by the eligible employees, directors and business associates of ASIAEP, such Public Issue Shares will be made available for application by investing public under Section 2.4(ii)(c) by way of the public offer.

As at 17 December 2003, being the last practicable date prior to the printing of the Prospectus, 100,000 Public Issue Shares were proposed to be allocated to Tan Sri Dato' Abdul Aziz Bin Abdul Rahman under 2.4(i) above.

In the event any of the Public Issue Shares under Section 2.4(ii)(b) above are not taken up by the holders of the call options, such Public Issue Shares may be transferred from the call option tranche and allocated by way of private placement.

In the event of an under-subscription of the public offer under section 2.4(ii)(c) above, such unsubscribed Public Issue Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

The minimum number of ordinary shares of ASIAEP to be subscribed for the purpose of the Public Issue is 60,000,000 ordinary shares being 100% of the ordinary shares available under the Public Issue.

The Public Issue Shares under Section 2.4 (i) and 2.4 (ii)(c) above will be underwritten by the Managing Underwriter in compliance with the KLSE Listing Requirements for the MESDAQ Market. The Placement Agents have received irrevocable undertakings from selected investors to take up the Public Issue Shares under paragraph (ii)(a) and (b) above.

2.5 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of ASIAEP onto the MESDAQ Market;
- (ii) To provide ASIAEP with access to the capital market to raise funds for future expansion and growth;
- (iii) To provide an opportunity for Malaysian investors and institutions, business associates and the public to participate in the continuing growth of the Company; and
- (iv) To enhance the stature of the Company in marketing its products and services and to maintain its existing and attract new skilled IT professionals.

2.6 PRICING OF THE PUBLIC ISSUE

The Issue Price of RM0.30 per ordinary shares of ASIAEP was determined and agreed upon by the Company and Kenanga as Adviser and Managing Underwriter, after taking into account, inter-alia, the following:-

- (i) The Company's financial and operating history and conditions as described in Sections 4 and 6 of this Prospectus;
- (ii) The industry overview, future plans and strategies and outlook of the Company as described in Sections 5 and 7 of this Prospectus; and
- (iii) The Company's proforma audited NTA per share after Public Issue of 11.59 sen per share.

The pricing of the Public Issue Shares is not related to the valuation of the System as disclosed in Section 12 of this Prospectus.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.7 PROCEEDS OF THE PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds amounting to RM18,000,000 will accrue entirely to the Company and is intended to be utilised as follows:-

	RM	Expected time frame for utilisation
Capital investment	4,200,000	24 months
Working capital	5,200,000	18 months
Investment in foreign countries:		
- Singapore, India and Thailand	3,000,000	24 months
- Indonesia and Philippines	2,000,000	24 months
R&D expenses	1,500,000	24 months
Estimated listing expenses	1,300,000	6 months
Repayment of borrowings	800,000	6 months
	<u>18,000,000</u>	

Capital investment

The Company intends to acquire fixed assets such as land & building, computer hardware, office equipment, renovations and furniture fittings. The breakdown of the capital investment is as follows:-

	RM
Shop office/land & building	1,300,000
Fixtures and renovations	350,000
Office equipment	250,000
Computer hardware & licenses	2,300,000
TOTAL	<u>4,200,000</u>

Working capital

The Company proposes to allocate RM5.2 million to meet its working capital requirements that will improve the Company's liquidity and fund operating expenses. The breakdown of the working capital is as follows:-

	RM
Sales & administrative cost	1,950,000
Advertising & promotion	1,950,000
Computer hardware and software maintenance	1,300,000
TOTAL	<u>5,200,000</u>

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**Investment in foreign countries**

The breakdown of the proposed investments in foreign countries is as follows:-

FYE	February 2003 RM	February 2004 RM	February 2005 RM	Total RM
Singapore, India & Thailand				
Capital investment	-	250,000	500,000	
Working capital	-	750,000	1,500,000	
		1,000,000	2,000,000	3,000,000
Indonesia & Philippines				
Capital investment	-	60,000	600,000	
Working capital	-	440,000	900,000	
		500,000	1,500,000	2,000,000
				<u>5,000,000</u>

Notes:-

- (i) *In the event that ASIAEP is successful in its test marketing in the respective countries but no suitable joint venture partners are identified immediately, the Company has proposed to defer the utilisation of the listing proceeds for investment in foreign countries until suitable joint venture partners are identified or until the test marketing indicates that foreign ventures would be successful without the joint venture partners; and*
- (ii) *In the event that ASIAEP is unsuccessful in its test marketing in the respective countries, the Company has proposed to re-allocate the listing proceeds to invest in incubator / start-up companies involved in technology related activities.*

R&D expenses

The key thrust of the IT industry lies in the strength of R&D activities, which consequently generates value added products to existing and potential customers. As R&D has been of paramount importance to ASIAEP's competitiveness and business viability, an allocation of RM1.5 million has been set aside from the listing proceeds to enhance its R&D capabilities for the creation of new products and upgrading of the existing products. The allocation of RM1.5 million would be utilised to meet the R&D expenses such as salaries for R&D staff, acquisition of computer hardware and maintenance costs such as hosting fees, lease line, software licences, hardware maintenance and other peripherals.

The investment in R&D would form the core of the Company's future expansion plans, as the Company is focusing on developing new applications and software for key industries in Malaysia such as the manufacturing, trading and distribution and transportation and logistics industries.

Estimated listing expenses

The breakdown of the estimated listing expenses is as follows:-

	RM
Estimated professional fees	610,000
Advertisement	40,000
Printing of Prospectus	80,000

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Underwriting / Placement commission	300,000
KLSE's perusal fee and initial listing fee	40,000
Issuing House	50,000
Brokerage	70,000
Promotional expenses	60,000
Contingencies	50,000
	1,300,000

Repayment of borrowings

The breakdown of the repayment of borrowings is as follows:-

		RM
Repayment of borrowings	Overdraft	300,000
	Term loan	200,000
	Hire purchase	300,000
		800,000

Financial Impact from the Utilisation of Proceeds

The financial impact and benefits from the proceeds of the Public Issue include, inter-alia, the following:-

- a. Enhancement of the existing products, development and launching of more products to expand the earnings of the Company;
- b. Expansion of the Company's presence to overseas markets such as Singapore, Indonesia, Thailand, India and Philippines; and
- c. The reduction of bank borrowings would allow the Company to enjoy interest savings.

(a) and (b) above are expected to enhance the earnings of the Company in the future. In addition, the Public Issue will raise RM5.2 million for working capital which is expected to improve the liquidity and cash flow position of the Company.

2.8 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSION**(i) BROKERAGE FEE**

Brokerage fee relating to the Public Issue Shares will be paid by the Company at the rate of 1.0% of the Issue Price of RM0.30 per Issue Share in respect of successful applications which bear the stamps of Kenanga, a member company of the KLSE or the Issuing House.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(ii) UNDERWRITING COMMISSION

Kenanga has agreed to underwrite Public Issue Shares which will be made available for application to eligible employees, directors and business associates and under the public offer. Underwriting commission is payable by the Company at the rate of 2.0% of the Issue Price of RM0.30 per share.

(iii) PLACEMENT COMMISSION

Kenanga, and the Placement Agents will arrange for the placement of up to 47,500,000 of the Public Issue Shares at a rate of 2.0% of the Issue Price of RM0.30 per share.

Kenanga and the Placement Agents have received irrevocable undertakings from selected investors with regards to the Public Issue Shares under placement.

2.9 SALIENT PROVISIONS OF THE UNDERWRITING AGREEMENT

An extract of the salient provisions of the Underwriting Agreement are as follows :-

(Note : Unless otherwise stated all definitions should bear the same meanings as prescribed in the Underwriting Agreement)

- (i) The Underwriter, may at any time be entitled to terminate its obligations under the Underwriting Agreement by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated below on or before the Closing Date if the success of the Public Issue is, in the reasonable opinion of the Underwriter, seriously jeopardised by:-
 - (a) any Government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters affects or will affect the business and/or financial position of the Company; or
 - (b) any change or any development involving a prospective change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters prejudice the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
 - (c) any material breach of the warranties and undertakings referred to in the Underwriting Agreement or withholding of information of a material nature from the Underwriter the occurrence or effect of which would in the reasonable opinion of the Underwriter prejudice the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealing on the secondary market); or
 - (d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of the Underwriter has or is likely to have an adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (e) any acts of Government, acts of war, or acts of God which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting; or
- (f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market due to exceptional financial circumstances or otherwise; or
- (g) the Company has withheld any information from the Underwriter, or any statement given or representation made to the Underwriter are inaccurate or untrue which would have or can reasonably be expected to have, a material and adverse effect on the business, operations or prospect of the Company or the success of the offering of the Underwritten Shares pursuant to the Public Issue.

On delivery of such a notice by the Managing Underwriter to the Company and confirmation of such a notice by facsimile or by hand, the Underwriting Agreement shall be terminated and the obligations of the Underwriter under the Underwriting Agreement shall be released and discharged from their respective obligations under the Underwriting Agreement.

If any of the obligations of the Underwriter under the Underwriting Agreement shall cease under (i) above, no party shall have any claim against any other party thereto for compensation, costs, damages, or otherwise, save that the Company shall pay to the Underwriter, the costs and expenses referred to in the Underwriting Agreement which have been incurred prior to or in connection with such rescission.

- (ii) The obligations of the Underwriter shall further be conditional upon:-
 - (a) KLSE having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued and paid-up share capital of the Company and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) market days (or such other days as KLSE may permit) after KLSE has received all the necessary supporting documents and the receipt of confirmation from MCD that all securities accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
 - (b) the registration of the Prospectus with the SC in accordance with the requirements of the Securities Commission Act 1993 (as amended), together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
 - (c) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act 1993 (as amended) and the Companies Act, 1965 together with copies of all documents required by the Companies Act, 1965 and the issue by the ROC of the relevant certificate of lodgement of the Prospectus or any like document, if any;

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (d) the issuance of the Prospectus within three (3) months from the date of the Underwriting Agreement or such extended period as the parties may mutually agree in writing;
- (e) in the reasonable opinion of the Underwriter, there not having been on or prior to the Closing Date any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Company from that set out in the Prospectus which is material in the context of the Public Issue or offering of the Issue Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material, any of the warranties and representations as though given or made on such date;
- (f) all the necessary approvals and consents required in relation to the Public Issue including but not limited to the approvals of the SC, the KLSE, the shareholders of the Company and any other relevant authorities having been obtained and are in full force and effect and not having been revoked or suspended;
- (g) the issue, offering and subscription of the Issue Shares not being prohibited by any statute, rule, regulation, order, directive or guideline (whether or not having the force of law) promulgated or issued by any relevant authorities; and
- (h) the placement to be completed and the call options to be exercised.

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing on or before the Closing Date, in the event that any of the conditions stated therein is not satisfied on or before the Closing Date or the approval in principle of the KLSE for the listing of and quotation for all the issued and paid-up share capital on the MESDAQ Market is withdrawn or not procured; and upon such termination, the liabilities of the Company and the Underwriters concerned shall become null and void and none of the parties shall have any claim against each other for compensation, costs, expenses or otherwise save that each party shall return any moneys paid in advance to the other under the Underwriting Agreement within seventy-two (72) hours of the receipt of such notice, provided that the Company shall remain liable for the payment of the cost and expenses referred to in the Underwriting Agreement.

- (iii) The Closing Date means the date on which the application list for the subscription of the Issue Shares will be closed.

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3 RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE PUBLIC ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE COMPANY IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES.

(i) No prior market for the Company's shares

Prior to the Public Issue, there was no public market for the ordinary shares of ASIAEP. There can be no assurance that an active market can develop for the ordinary shares of ASIAEP upon its listing on the MESDAQ Market or if developed, that such a market can be sustained. The Issue Price of RM0.30 per Issue Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the Company's R&D capability and technology, the management of the Company and prevailing economic and market conditions. There can be no assurance that the Issue Price will correspond to the price at which ordinary shares of ASIAEP will trade on the MESDAQ Market upon or subsequent to its listing.

(ii) Forward looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believe", "intends", "plans", "expects", "forecast", and similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Company's financial and business performance.

(iii) Limited operating history

ASIAEP began its business operation in March 1998. As the Company has a limited operating history, its prospects must be assessed in the light of the risks and difficulties normally encountered by any new company with a limited operating history.

The Directors believe that notwithstanding the limited operating history of the Company, ASIAEP has been able to prove that it has a viable business and this is evidenced by the following audited turnover and PAT/(loss) after tax record of the Company:-

	Financial Year Ended					4 month period ended 30 June 2003
	1999	2000	2001	2002	2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,974	2,245	4,247	5,248	7,002	1,872
Profit/(Loss) After Taxation	(81)	111	959	1,483	2,433	239

3 RISK FACTORS (Cont'd)

(iv) Impairment Loss

On 16 August 2002, the Company entered into the Deed Of Assignment with Dr Tan Boon Nunt for the acquisition of the System. An impairment loss on the value of the System would arise if the carrying amount of the System exceeds the recoverable amount. Therefore, an impairment loss would arise, amongst others, when the technology and/or features that support the System becomes outdated or obsolete.

There is no guarantee that an impairment loss would not arise due to technology changes over time and any impairment arising from the change in technology or any other relevant factors could potentially have an adverse financial impact on the Company.

However, in order to mitigate some of the current risks of technological obsolescence and hence the risk of impairment loss arising from the technology and/or features that support the System becoming outdated or obsolete, a substantial amount of management and financial resources will be devoted to enhance the System with new features and products that are based on the latest technologies and that are capable of adapting to future technologies. In this regard, the success of the Company is dependent on the ability of the System to offer services that keep pace with the continuing changes in technology and emerging client needs and preferences.

Furthermore, in order to minimise the impact on the financial position of the Company should an impairment loss be recognised, ASIAEP together with the auditors of the Company will annually review the value of the System to ensure that the carrying amount is fairly reflected. Accordingly, any impairment loss that may have arisen would be recognised and reflected in the income statement of the Company within the same financial year in which such impairment loss if any, occurs.

(v) Political, economic and legislative considerations

Development in political and economic conditions in Malaysia and other countries where the Company is currently operating or where the Company may undertake projects or market its products in the future could materially affect the financial prospects of the Company. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

(vi) Dependence on Government Support

The Company's increase in sales from the financial year ended 28 Feb 2001 was partly due to ICT grants by the Government to SMEs in creating awareness of ICT usage. There can be no guarantee that the ICT grants will continue, and in the event that the ICT grants are discontinued, the Company's business and operating profits could be materially and adversely affected as the Company's key customers are the SMEs.

Nonetheless, it would be unlikely that the Government would not provide any support to the industry with other grants or incentives. For example, Malaysia Debt Ventures Berhad (formerly known as MAVCAP Debt Ventures Berhad) manages a RM1.6 billion ICT Fund that offer the first-ever scheme in Asia for project debt financing focused on high value added ICT and high-growth sectors (*Source: www.pikom.org.my*). The RM1.6 billion ICT Fund was officially launched on 30 August 2002 (*Source: www.debtventures.com*). However, the Company has also taken various initiatives to broaden their customer base and product range through expansion to overseas markets and the introduction of more value added products for niche markets respectively, thus reducing its reliance on SMEs.

3 RISK FACTORS (Cont'd)

(vii) Control of certain substantial shareholders

The Company will be controlled by four main shareholders, namely TASB, Dr Tan Boon Nunt, Lee Suet Hong and Koh Jee Kuan who will collectively control approximately 59.54% of the Company's issued and paid-up share capital after the Public Issue. TASB is an investment holding company which is controlled by Dr Tan Boon Nunt, Lee Suet Hong and Koh Jee Kuan. As a result, these substantial shareholders will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the substantial shareholders of the Company, such substantial shareholders would be required to abstain from voting. In addition, ASIAEP has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

(viii) Dependence on key personnel

The Company's success depends on the Company's ability to hire, train and retain qualified and competent IT personnel. The Company's success also depends on the continued employment of the Company's executive directors, senior management team and key technical personnel. Whilst the Company has made efforts to nurture and maintain a good relationship with its senior management team and key technical personnel, there can be no assurance that the loss of any of the key employees can be avoided. The Company intends to mitigate this by continuing to hire personnel as and when necessary to accommodate any increase in the size of the Company's operations. In addition, the Directors believe that offering a competitive salary package; training and conducive working environment should mitigate this risk further. Recognising the importance of its human resource, efforts have also been taken to groom younger members of the senior management team to ensure smooth transition in the management team.

On 16 August 2002, Dr. Tan assigned the intellectual property rights of the System to the Company for a purchase consideration of RM16,500,000 satisfied by the issuance of 6,395,349 ordinary shares of RM1.00 issued at an issue price of RM2.58 per share in the Company. As the creator of the System, Dr Tan Boon Nunt still contributes significantly towards its enhancement.

To reduce the dependence on Dr Tan Boon Nunt, the Research & Development department of ASIAEP is headed by Mr. Koh Jee Kuan while the development of new products are the joint responsibility of the Directors of the Company i.e. Dr. Tan Boon Nunt, Ms. Lee Suet Hong, Mr. Koh Jee Kuan and Mr Song Mun Wai. Therefore in the event of the departure of Dr. Tan Boon Nunt, the development of new products would continue to be carried out by the remaining Directors.

(ix) Human resource constraints

Due to the vast expansion in the IT industry in recent years, Malaysia may face a shortage of IT workers in the near future. Although the Company has not encountered any shortage of local skilled workers, there is no assurance that the Company will be excluded from such problem in the future as the skilled staff may leave for other organisations. This is compounded by the fact that the recruitment process for skilled workers can be costly and time-consuming.

If the need arises, the Company does not foresee any difficulty in recruiting knowledge workers especially foreign workers due to the flexible working arrangement given to MSC status companies by the MDC and the Government in hiring knowledge workers.

(x) Barriers to entry and Competition

The IT industry has a large number of participants and is subject to rapid change and intense competition. It is generally characterised by low barriers of entry as new entrants from the country and overseas could easily establish operations locally.

3 RISK FACTORS (Cont'd)

Nevertheless, the Company believes that it is able to compete against its competitors in eMarketplaces due to its competitive strengths:-

- (a) it has a strong customer relationship with its clients as the Company's sales and marketing team has similar cultural background as local SME owners;
- (b) it is one of the early movers in providing eCommerce in Malaysia and has developed an understanding of the manufacturing sector which forms a large portion of its clientele;
- (c) it has a capable and experienced management team; and
- (d) its MSC status accords it certain privileges such as employment of foreign skilled labour and pioneer status for tax incentives.

By listing on the MESDAQ Market, the Company would be able to tap into the capital market for additional funds to compete against its larger competitors.

(xi) Technology

The IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. Hence, the Company would need to keep abreast with the latest technologies in order to compete successfully with its competitors. The Company will be subject to the risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:-

- (a) failure to keep abreast with changing technological standards and requirements;
- (b) failure to anticipate and adapt to developing market trends and requirements;
- (c) failure to develop commercially viable software packages and services; and
- (d) inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

As such, the Company's R&D team constantly keeps abreast with new technologies and market trends.

(xii) Expansion to foreign markets and future acquisitions and its related risk thereon

The Company has intentions to expand its operation to Singapore, Thailand, Indonesia, India, the Philippines and other foreign markets. In addition, ASIAEP also intends to incubate and acquire businesses, products and technologies that the Company believes will be in the interest of its shareholders. However, there can be no assurance that the Company will be able to successfully identify, negotiate or integrate such acquisition or expansion with its current business and to benefit from such acquisition or expansion.

Furthermore, such future expansion could expose the Company to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect the Company's business, financial condition and operating results. However, from the Company's brick and mortar philosophy, prudence and careful planning have always been exercised by the directors to ensure that there would not be an over expansion.

3 RISK FACTORS (Cont'd)

(xiii) Dependence on continued and increased adoption of the Internet as a means for commerce

ASIAEP's growth is dependent on the continued and increased acceptance and use of the Internet as a means for commerce. The widespread acceptance and adoption of the Internet for conducting business is likely only if the Internet can reliably provide businesses with greater efficiencies and improvements. If eCommerce does not continue to grow, or grows slower than expected, the Company's growth would likewise be affected. Factors which may adversely affect the growth of eCommerce includes but is not limited to the following:-

- Actual or perceived lack of security of information and payment systems;
- Lack of easy access to the Internet and ease of use;
- Congestion of Internet traffic or other usage delays due to inadequate bandwidth;
- Inconsistent quality of service; and
- Failure of companies to meet their customers' expectation in delivering goods as described on the Internet.

However, IDC's July 2003 report indicates that a strong growth in the revenue of eMarketplaces in Malaysia, with revenues expecting to reach RM6.8 billion in 2006, from RM98.2 million in 2002 as illustrated in Section 5.3 of this Prospectus.

(xiv) Market Uncertainties

ASIAEP's shares will be listed on the MESDAQ Market of the KLSE. The performance of shares generally traded on the KLSE is affected by external factors such as the performance of regional and world exchanges and the inflow and outflow of foreign funds. Sentiments may also be affected by internal factors such as the Malaysian economic and political conditions, and overall market conditions as well as the growth potential of various sectors of the economy. These factors may contribute towards the general volatility of share prices on the KLSE.

(xv) Management of future growth

The Company is currently experiencing a period of growth and has projected in its business development plan rapid expansion and further growth. The Company's ability to manage its growth will depend on its ability to improve its operational, financial and other internal systems and to train, recruit, motivate and manage its employees. If the Company is unable to achieve the anticipated performance levels, its business and financial performance may be adversely affected.

(xvi) MSC Status

ASIAEP was granted MSC status on 4 March 1998 by MDC and the grantees enjoys financial and non-financial incentives. ASIAEP had on 28 July 2003 obtained approval from the MDC for a further extension of five (5) years to its tax-free status for the Company. As such, ASIAEP will continue to enjoy tax-free benefits on its income derived from MSC-related activities up to March 2008.

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to revoke any company's MSC status at any time. As such, there can be no assurance that the Company will continue to retain its MSC and pioneer status or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives, all of which could materially and adversely affect the Company's business, operating results and financial condition. There can be no assurance that the MSC incentives will not be changed or modified in anyway in the future.

3 RISK FACTORS (Cont'd)

(xvii) Protection of Intellectual Property Rights

On 16 August 2002, the Company entered into the Deed of Assignment with Dr Tan Boon Nunt to purchase the ASIAEP Online Platform System. However, existing patent, copyright, trademark and trade secrets laws afford only limited protection. As such, there can be no assurance that the Company will be able to protect its property rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Company's business, operating results and financial conditions.

(xviii) Dependence on asiaEP.com

Currently, the revenue stream of the Company is substantially derived either directly or indirectly via its portal asiaEP.com. Any disruption to asiaEP.com such as security breaches by hackers or interruptions in leased lines may have adverse effects on the Company's business, operating results and financial conditions.

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