

Quarterly report

Quarterly report on results for the fourth quarter ended 29th February 2004.
The figures have not been audited.

CONDENSED BALANCE SHEET

	AS AT END OF CURRENT QUARTER <u>29.2.2004</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>28.2.2003</u> RM'000
PROPERTY, PLANT AND EQUIPMENT	5,782	3,262
INTANGIBLE ASSETS		
Research & Development Cost Deferred	1,285	655
Intangible Assets- Intellectual Property	15,597	16,110
	16,882	16,765
CURRENT ASSETS		
Trade Receivables	1,853	3,743
Other receivables	246	727
Cash and cash equivalents		
Deposits placed with licenced banks	16,261	120
Cash and bank balances	1,833	12
	20,193	4,602
CURRENT LIABILITIES		
Trade Payables	24	44
Other Payables	433	460
Hire purchase creditors	124	127
Bank overdraft	-	475
Term loan	33	33
	614	1,139
NET CURRENT ASSETS	19,579	3,463
	42,243	23,490
Financed by:		
Share capital		
Ordinary shares of RM0.10 each	20,000	14,000
Reserves		
Share Premium	14,462	4,182
Retained Profit	7,535	4,905
	41,997	23,087
NON CURRENT LIABILITIES		
Hire purchase creditors	124	248
Term loan	122	155
	42,243	23,490
Net tangible assets per share (RM)	0.1256	0.0452

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 28 February 2003.

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CONDENSED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding Yr	Current	Preceding Yr
	Yr Quarter	Corresponding	Yr To Date	Corresponding
	<u>29-02-2004</u>	<u>28-02-2003</u>	<u>29-02-2004</u>	<u>28-02-2003</u>
	RM '000	RM '000	RM '000	RM '000
Revenue	2,170	N/A	8,431	7,002
Cost of services	(339)	N/A	(1,182)	(931)
Gross profit	1,831	N/A	7,249	6,071
Other income	61	N/A	68	3
Administration expenses	(1,469)	N/A	(3,204)	(2,354)
Depreciation and amortisation	(269)	N/A	(1,394)	(1,201)
Operating profit	154	N/A	2,719	2,519
Finance costs	(40)	N/A	(89)	(86)
Profit/(loss) before tax	114	N/A	2,630	2,433
Taxation	-	N/A	-	-
Profit after tax	114	N/A	2,630	2,433
Minority interests	-	N/A	-	-
Net profit for the period	114	N/A	2,630	2,433
Earnings per share (sen) :				
- basic (10 sen par value)	0.08	N/A	1.79	2.31

The Condensed Income Statements should be read in conjunction with the audited financial statements for the financial year ended 28 February 2003.

asiaEP Berhad is in its first year of listing on the MESDAQ Market and as such, no corresponding figures for the quarter ended 28 February 2003 have been included.

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 29 FEBRUARY 2004

Group	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	Distributable Retained profits RM'000	<u>Total</u> RM'000
As at 28 February 2002	1,000	182	2,472	3,654
Issue of shares	500	-	-	500
Issue of shares pursuant to acquisition of Intellectual Property	6,395	10,105	-	16,500
Bonus issue	6,105	(6,105)	-	-
Profit for the year	-	-	2,433	2,433
As at 28 February 2003	14,000	4,182	4,905	23,087
Issue of shares	6,000	12,000		18,000
Listing expenses		(1,720)		(1,720)
Net profit for the period	-	-	2,630	2,630
As at 29 February 2004	20,000	14,462	7,535	41,997

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2003.

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CONDENSED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2003 TO 29 FEBRUARY 2004

	1.3.2003 to 29.02.2004
	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit for the year	2,630
Adjustments for:	
Amortization of development costs	20
Amortization of Intellectual Property	513
Depreciation	861
Interest payable	89
Operating profit before working capital changes	4,113
Changes in working capital:	
Trade and other receivables	2,371
Trade and other payables	(47)
Cash generated from operations	6,437
Development cost paid	(332)
Net cash from operating activities	6,105
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(3,699)
Pledged deposit with licensed banks	(20)
Net cash used in investing activities	(3,719)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	16,280
Repayment of term loan and other borrowings	(160)
Interest paid	(89)
Net cash used in financing activities	16,031
Net increase in cash and cash equivalents	18,417
Cash and cash equivalents at beginning of financial period	(463)
Cash and cash equivalents at end of financial period	17,954
Cash and cash equivalents comprise	
Cash and bank balances	1,833
Deposits	16,261
	18,094
Fixed deposits pledged as collateral	(140)
	17,954

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 28 February 2003.

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A1. BASIS OF PREPARATION

The interim unaudited financial statements have been prepared in compliance with MASB 25 to 29.

The accounting policies and methods of computation adopted by the Company in the interim financial statements are consistent with those adopted for the financial year ended 28 February 2003.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 28 February 2003 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Company's business operations are not affected by any significant seasonal or cyclical factors.

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. CHANGES IN ESTIMATES

There were no changes in estimates that had a material effect in the current quarter.

A6. ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares or resale of treasury shares for the current financial period to date.

A7. DIVIDENDS

No dividends were paid during the quarter under review.

A8. SEGMENTAL REPORTING

There is no segmental reporting for the Company's businesses as the Company is involved in a single business entity.

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The Company did not carry out any valuation on its property, plant and equipment.

A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

There were no material events since the end of this current quarter up to date of this announcement.

A11. CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in composition of the Company for the current quarter.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities other than those disclosed in the section on Borrowings and Material Litigation.

ADDITIONAL INFORMATION REQUIRED BY THE MSEB'S LISTING REQUIREMENTS

B1. REVIEW OF THE RESULTS FOR THE QUARTER ENDED 29 FEBRUARY 2004

During the quarter under review, the Company registered sales and gross profit of approximately RM2.2 million and RM1.9 million respectively. The previous quarter, the Company also generated sales and gross profit of approximately the same amount.

**B2. MATERIAL CHANGE IN PROFIT BEFORE TAX
IN COMPARISON TO THE PREVIOUS QUARTER**

During the quarter under review, the Company registered a profit before tax of approximately RM143,000 when compared to the previous quarter of approximately RM1 million. This decline in profit before tax is mainly attributable to an increase in advertising and promotional costs, additional cost incurred for staff training and development, and additional provision for doubtful debts.

B3. CURRENT YEAR PROSPECTS

In the light of the growth of the IT and IT related industries both locally and globally, the Company is expected to benefit from this positive development. As such, the Directors anticipate that the Company will achieve better performance for the current financial year as compared to the financial year that just ended.

B4. PROFIT FORECAST

Not applicable.

B5. TAXATION

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. On 28 July 2003, the Company had obtained approval for a further extension of 5 years to its tax-free status for the Company. As such, the Company's income is not subject to any tax during the quarter.

B6. PROFITS OR LOSSES ON DISPOSAL OF UNQUOTED INVESTMENT/EQUITIES

The Company does not have any equity investment as at 29 February 2004.

B7. QUOTED AND MARKETABLE SECURITIES

The Company does not have quoted and marketable securities as at 29 February 2004.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

The Company was listed on the MESDAQ Market of the MSEB on 16 January 2004. There were no corporate proposals announced but not completed as at the date of this announcement.

B9. BORROWINGS

The Company's borrowings as at 29 February 2004 are as follows:

	Short term	Long term	Total
	(Denominated in RM'000)		
Hire purchase payables	124	124	248
Term loans	33	122	155
	157	246	403
	157	246	403

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.

These borrowings were fully repaid/settled subsequent to the financial year ended 29 February 2004.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There are no financial instruments with off balance sheet risks as at the date of this report.

B11. MATERIAL LITIGATION

Other than those mentioned below, the Directors do not know of any other proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the position or business of the Company.

- (i) Kuala Lumpur High Court Suit No. D5-22-1910-00
Parties: asiaEP Sdn. Bhd. v A-Zone (M) Sdn. Bhd and Lee Keong Sek

The case is presently at the stage of proceeding to Pre-Trial Case Management. The solicitors representing the Company are of the view that the suit may take 2 to 5 years to reach trial.

- (ii) High Court Suit No D3-26-31-2001
Petitioner : Lee Chin Sin
Respondents : Asia Electronic Publication (Johor) Sdn. Bhd. & 4 others (Tan Boon Nunt, Lee Suet Hong, Ee Yok Seng and Tan Soong Ling)

The Company has been joined as the 6th Respondent in the Petition. The Company has directed its solicitors to appeal against this to the Court of Appeal and the solicitors are in the midst of preparing the necessary papers in relation thereto.

To mitigate any effect of this lawsuit to the Company, the Directors of asiaEP, 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. The letter was submitted to the KLSE on 12 November 2003. On the other hand, the solicitors are of the opinion the Petitioner will have an uphill task in persuading the Court to allow its claims.

- (iii) Kuala Lumpur High Court Suit No D6-22-1516-2003
Parties : Lee Chin Sin ("the Plaintiff") v asiaEP Berhad (the "Company"), Tan Boon Nunt and Lee Suet Hong

To mitigate any effect of this lawsuit to the Company, the Directors of asiaEP, 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. The letter was submitted to the KLSE on 12 November 2003.

B12. EARNINGS PER SHARE

		Quarter ended	
		<u>29.02.2004</u>	<u>30.11.2003</u>
(a) Basic earnings per share			
Net profit for the period	(RM'000)	114	1,020
Weighted average number of ordinary shares for the purpose of basic earnings per share	('000)	147,213	140,000
Basic earnings per share	(sen)	0.08	0.73
(b) Diluted earnings per share		Not applicable	

B13. PRE - ACQUISITION PROFIT

There were no pre-acquisition profits or losses for the period ended 29 February 2004.

B14. UTILISATION OF PROCEEDS

As at 28 February 2004, the Company has utilised approximately 13% of the proceeds raised from its Initial Public Offering in January 2004.

<u>Nature of expenses</u>	Proposed Amt	Actual Utilisation		Unused Amt.
	RM	RM	%	RM
Capital expenditure	4,200,000	163,464	3.9	4,036,536
Working Capital	5,200,000	254,043	4.9	4,945,957
Investment in foreign countries	5,000,000	-	-	5,000,000
R & D expenses	1,500,000	16,300	1.1	1,483,700
Listing expenses	1,300,000	1,398,995	107.6	(98,995)
Repayment of borrowings	800,000	431,408	53.9	368,592
	<u>18,000,000</u>	<u>2,264,210</u>	12.6	<u>15,735,790</u>

BY ORDER OF THE BOARD

DIRECTOR
Kuala Lumpur
Dated: 26 April 2004