

**Quarterly report**

Quarterly report on results for the second quarter ended 31st August 2004.  
The figures have not been audited.

**CONDENSED BALANCE SHEET**

	AS AT END OF CURRENT QUARTER <u>31.8.2004</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>29.2.2004 (Audited)</u> RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	8,994	5,782
<b>INTANGIBLE ASSETS</b>		
Research & Development Cost Deferred	2,623	1,285
Intangible Assets- Intellectual Property	15,290	15,597
	17,913	16,882
<b>CURRENT ASSETS</b>		
Trade Receivables	4,945	1,853
Other Receivables	442	246
Cash and cash equivalents		
Deposits placed with licenced banks	11,572	16,261
Cash and bank balances	756	1,833
	17,715	20,193
<b>CURRENT LIABILITIES</b>		
Trade Payables	273	24
Other Payables	11	433
Hire purchase creditors	61	248
Term loan	-	155
	345	860
<b>NET CURRENT ASSETS</b>	17,370	19,333
	44,277	41,997
<b>Financed by:</b>		
Share capital		
Ordinary shares of RM0.10 each	20,000	20,000
Reserves		
Share Premium	14,462	14,462
Retained Profit	9,677	7,535
	44,139	41,997
<b>NON CURRENT LIABILITY</b>		
Hire purchase creditors	138	-
	44,277	41,997
<b>Net tangible assets per share (RM)</b>	0.1311	0.1256

The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 29 February 2004.

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### CONDENSED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-08-2004 RM '000	Preceding Yr Corresponding Quarter 31-08-2003 RM '000	Current Year To Date 31-08-2004 RM '000	Preceding Yr Corresponding Yr To Date 31-08-2003 RM '000
<b>Revenue</b>	<b>2,599</b>	N/A	<b>5,271</b>	N/A
Cost of services	(259)	N/A	(584)	N/A
<b>Gross profit</b>	<b>2,340</b>	N/A	<b>4,687</b>	N/A
Other income	119	N/A	189	N/A
Administration expenses	(927)	N/A	(1,822)	N/A
Depreciation and amortisation	(445)	N/A	(890)	N/A
<b>Operating profit</b>	<b>1,087</b>	N/A	<b>2,164</b>	N/A
Finance costs	(4)	N/A	(22)	N/A
Profit before tax	1,083	N/A	2,142	N/A
Taxation	-	N/A	-	N/A
Profit after tax	1,083	N/A	2,142	N/A
Minority interests	-	N/A	-	N/A
Net profit for the period	<b>1,083</b>	N/A	<b>2,142</b>	N/A
Earnings per share (sen) :				
- basic (10 sen par value)	<b>0.54</b>	N/A	<b>1.07</b>	N/A

The Condensed Income Statements should be read in conjunction with the audited financial statements for the financial year ended 29 February 2004.

asiaEP Berhad is in its first year of listing on the MESDAQ Market and as such, no corresponding figures for the quarter ended 31 August 2003 have been included.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 AUGUST 2004**

Group	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Distributable Retained profits</u> RM'000	<u>Total</u> RM'000
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 financial year	-	-	2,630	2,630
<b>As at 29 February 2004</b>	<b>20,000</b>	<b>14,462</b>	<b>7,535</b>	<b>41,997</b>
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>2,142</b>	<b>2,142</b>
<b>As at 31 August 2004</b>	<b>20,000</b>	<b>14,462</b>	<b>9,677</b>	<b>44,139</b>

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2004.

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**CONDENSED CASH FLOW STATEMENT  
FOR THE PERIOD FROM 1 MARCH 2004 TO 31 AUGUST 2004**

	<b>1.3.2004 to 31.08.2004</b>
	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit for the period	2,142
Adjustments for:	
Amortization of development costs	110
Amortization of Intellectual Property	306
Depreciation	474
Interest expense	22
	3,054
Operating profit before working capital changes	3,054
Changes in working capital:	
Trade and other receivables	(3,288)
Trade and other payables	(173)
	(407)
Cash used in operations	(407)
Development cost paid	(1,110)
Net cash used in operating activities	(1,517)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property, plant and equipment	(4,025)
Fixed deposits discharged as collateral	140
Net cash used in investing activities	(3,885)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of term loan and other borrowings	(404)
Hire purchase obtained	202
Interest paid	(22)
Net cash used in financing activities	(224)
<b>Net decrease in cash and cash equivalents</b>	(5,626)
<b>Cash and cash equivalents at beginning of financial period</b>	17,954
<b>Cash and cash equivalents at end of financial period</b>	12,328
<b>Cash and cash equivalents comprise</b>	
Cash and bank balances	756
Deposits	11,572
	12,328

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 29 February 2004.

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### **A1. BASIS OF PREPARATION**

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 29 February 2004.

### **A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 29 February 2004 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 and/or declared 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 activity.

### **A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

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

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### **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 the composition of the Company for the current quarter including business combination, acquisition or disposal of subsidiaries, restructuring and discontinuing operations.

### **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 LISTING REQUIREMENTS**

### **B1. REVIEW OF THE RESULTS FOR THE QUARTER ENDED 31 AUGUST 2004**

During the quarter under review, the Company registered sales and gross profit of approximately RM2.6 million and RM2.3 million respectively. There were no significant differences from the sales and gross profits of the previous quarter ended 31 May 2004.

### **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 RM1.1 million when compared to the previous quarter of approximately RM1.1 million. As such, there was no significant difference from the profit before tax of the previous quarter ended 31 May 2004.

### **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 that of the previous financial year.

### **B4. PROFIT FORECAST**

Not applicable.

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### 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 31 August 2004.

### B7. QUOTED AND MARKETABLE SECURITIES

The Company does not have quoted and marketable securities as at 31 August 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. A corporate proposal was announced on 11 May 2004 with regards to the PROPOSED ESTABLISHMENT OF AN EMPLOYEE SHARE OPTION SCHEME ("PROPOSED ESOS"). On 14 June 2004, the Company announced that Bursa Malaysia Securities Berhad, had approved the Proposed ESOS. The Company had on 23 August 2004 passed a resolution at an Extraordinary General Meeting held on the same day to approve the proposed ESOS. The proposed ESOS was fully implemented on 27 August 2004.

### B9. BORROWINGS

The Company does not have any borrowings as at 31 August 2004, apart from the disclosed amount of hire purchase creditors.

### 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

Save for the following, asiaEP is not engaged in any material litigation, claim or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of asiaEP and the Directors do not have any knowledge of any proceedings, pending or threatened, against asiaEP or of any facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of asiaEP;

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**B11. MATERIAL LITIGATION (Cont'd)**

- (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 Originating petition 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**

		<b>Quarter ended</b>	
		<b><u>31.08.2004</u></b>	<b><u>31.05.2004</u></b>
<b>(a) Basic earnings per share</b>			
Net profit for the period	(RM'000)	1,083	1,059
Weighted average number of ordinary shares for the purpose of basic earnings per share	('000)	200,000	200,000
Basic earnings per share	(sen)	0.54	0.53
<b>(b) Diluted earnings per share</b>		Not applicable	



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**B13. PRE - ACQUISITION PROFIT**

There were no pre-acquisition profits or losses for the period ended 31 August 2004.

**B14. UTILISATION OF PROCEEDS**

As at 31 August 2004, the Company has utilised approximately 43.1% of the proceeds raised from its Initial Public Offering in January 2004.

<u>Nature of expenses</u>	Proposed Amt	Actual Utilisation		Unused Amt.
	<b>RM</b>	<b>RM</b>	<b>%</b>	<b>RM</b>
Capital expenditure	4,200,000	2,903,794	69.1	1,296,206
Working Capital	5,200,000	1,435,008	27.6	3,764,992
Investment in foreign countries	5,000,000	-	-	5,000,000
R & D expenses	1,500,000	1,239,630	82.6	260,370
* Listing expenses	1,300,000	1,398,995	107.6	(98,995)
Repayment of borrowings	800,000	788,842	98.6	11,158
	18,000,000	7,766,269	43.1	10,233,731

\* Note: The actual total listing expenses was at approximately RM1.72 million where, the Company utilised only RM1,398,995 out of the listing proceeds to pay the listing expenses. The balance of the listing expenses were settled through the use of internally generated funds.

**BY ORDER OF THE BOARD**

DIRECTOR  
Kuala Lumpur  
Dated: 7 October 2004