

Quarterly report

Quarterly report on results for the fourth quarter ended 28th February 2005.
The figures have not been audited.

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER <u>28.02.2005</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>29.2.2004 (Audited)</u> RM'000
PROPERTY, PLANT AND EQUIPMENT	9,857	5,782
INTANGIBLE ASSETS		
Research & Development Cost Deferred	3,258	1,285
Intangible Assets- Intellectual Property	14,984	15,597
	18,242	16,882
CURRENT ASSETS		
Trade Receivables	5,696	1,853
Other Receivables	96	246
Cash and cash equivalents		
Deposits placed with licenced banks	7,698	16,261
Cash and bank balances	3,128	1,833
	16,618	20,193
CURRENT LIABILITIES		
Trade Payables	71	24
Other Payables	5	433
Hire purchase creditors	40	248
Term loan	-	155
	116	860
NET CURRENT ASSETS	16,502	19,333
	44,601	41,997
Financed by:		
Share capital		
Ordinary shares of RM0.10 each	20,000	20,000
Reserves		
Share Premium	14,462	14,462
Retained Profit	10,001	7,535
	44,463	41,997
NON CURRENT LIABILITY		
Hire purchase creditors	138	-
	44,601	41,997
Net tangible assets per share (RM)	0.1311	0.1256

The Condensed Consolidated 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 CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28-02-2005 RM '000	Preceding Yr Corresponding Quarter 29-02-2004 RM '000	Current Year To Date 28-02-2005 RM '000	Preceding Yr Corresponding Yr To Date 29-02-2004 RM '000
Revenue	2,522	2,170	10,304	8,431
Cost of services	(3,259) ⁽²⁾	(339)	(4,112)	(1,182)
Gross (loss) / profit	(737)	1,831	6,192	7,249
Other income	57	61	315	68
Administration expenses	345 ⁽¹⁾	(1,469)	(2,145)	(3,204)
Depreciation and amortisation	(475)	(269)	(1,870)	(1,394)
Operating (loss) / profit	(810)	154	2,492	2,719
Finance costs	(2)	(40)	(26)	(89)
(Loss) / profit before tax	(812)	114	2,466	2,630
Taxation	-	-	-	-
(Loss) / profit after tax	(812)	114	2,466	2,630
Minority interests	-	-	-	-
Net (loss) / profit for the period	(812)	114	2,466	2,630
Earnings per share (sen) :				
- basic (10 sen par value)	(0.41)	0.08	1.23 ⁽³⁾	1.79

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

Note:

(1) Some of the expenses under this item has been reclassified to cost of services and consequently, the amount shown under this heading is substantially lower than the previous year's corresponding quarter.

(2) Due to the adjustment mentioned in Note 1 above, there was a substantial increase in the cost of services for this quarter as compared to the previous year's corresponding quarter.

(3) The Earnings per share is lower than the previous corresponding quarter due to an increase in the number of shares from 140 million to 200 million following the public issue of 60 million shares pursuant to the listing.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 FEBRUARY 2005**

<u>Group</u>	<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 29 February 2004	20,000	14,462	7,535	41,997
Net profit for the period	-	-	2,466	2,466
As at 28 February 2005	20,000	14,462	10,001	44,463

<u>Company</u>	<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 1 March 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
As at 29 February 2004	20,000	14,462	7,535	41,997
Net profit for the period	-	-	2,596	2,596
As at 28 February 2005	20,000	14,462	10,131	44,593

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 CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2004 TO 28 FEBRUARY 2005

	1.03.2004 to 28.02.2005	1.03.2003 to 29.02.2004
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,466	2,630
Adjustments for:		
Amortization of development costs	131	20
Amortization of Intellectual Property	613	513
Depreciation	1,126	861
Interest expense	26	89
Operating profit before working capital changes	<u>4,362</u>	<u>4,113</u>
Changes in working capital:		
Trade and other receivables	(3,692)	2,371
Trade and other payables	(382)	(47)
Cash used in operations	<u>288</u>	<u>6,437</u>
Development cost paid	<u>(856)</u>	<u>(332)</u>
Net cash used in operating activities	<u>(568)</u>	<u>6,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,449)	(3,699)
Fixed deposits discharged as collateral	140	(20)
Net cash used in investing activities	<u>(6,309)</u>	<u>(3,719)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	16,280
Repayment of term loan and other borrowings	(427)	(160)
Hire purchase obtained	202	-
Interest paid	(26)	(89)
Net cash used in financing activities	<u>(251)</u>	<u>16,031</u>
Net decrease in cash and cash equivalents	(7,128)	18,417
Cash and cash equivalents at beginning of financial period	17,954	(463)
Cash and cash equivalents at end of financial period	<u>10,826</u>	<u>17,954</u>
Cash and cash equivalents comprise		
Cash and bank balances	3,128	1,833
Deposits	7,698	16,261
	<u>10,826</u>	<u>18,094</u>
Fixed deposit charged as collateral	-	(140)
	<u>10,826</u>	<u>17,954</u>

The Condensed Consolidated 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 (save as disclosed in Note B2 herein).

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

Subsequent to the current quarter, the following events were announced:

- (i) On 24th March 2005, the Company announced its proposed acquisition and subscription of up to approximately 80% in the issued and paid-up share capital of Cimtek Pte. Ltd for a total consideration of approximately RM20 million to be satisfied through a combination of new asiaEP Berhad ordinary shares of RM0.10 each and cash ("Proposed Cimtek Investment"). The Proposed Cimtek Investment also includes a conditional call option to acquire the remaining 20% of Cimtek Pte Ltd for a purchase consideration of approximately RM5 million.
- (ii) On 1st April 2005, the Company announced its proposed increase in the authorised share capital of the Company from RM25 million comprising 250 million ordinary shares of RM0.10 each to RM50 million comprising 500 million ordinary shares of RM0.10 each by the creation of an additional 250 million ordinary shares of RM0.10 each to primarily facilitate the Proposed Cimtek Investment.

A11. CHANGES IN COMPOSITION OF THE COMPANY

On 8th December 2004, the Company announced the incorporation of a new wholly-owned subsidiary AsiaEP China Co., Ltd ("AsiaEP China"). AsiaEP China received all relevant approvals, documents and its office is equipped for commencement of operations on 7 December 2004. AsiaEP China is currently dormant and its intended principal activities are computer software design, development, technology support, e-commerce homepage development and sales.

The incorporation of AsiaEP China does not have any material financial effect on the Company and is not subject to the approval of the shareholders of the Company nor any governmental authorities.

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 28 FEBRUARY 2005

During the quarter under review, the Company registered sales and gross loss of approximately RM2.522 million and RM737,000 respectively. Although there is a slight increase in sales for the current quarter when compared to the previous corresponding quarter's sales figure of approximately RM2.17 million, the current quarter incurred a gross loss mainly due to the reasons as explained in Note 1 and Note 2 of the Condensed Consolidated Income Statement on Page 2.

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

During the quarter under review, the Company decided to be more stringent in the treatment of its development expenditure incurred for the entire financial year. Due to the Company's more conservative approach to charge out some of its development expenditure, there were adjustments made in the fourth quarter resulting in a fourth quarter loss of approximately RM812,000 and resulting in the Company's cumulative total net profit registering at approximately RM2.5 million. The adjustment for the entire financial year was given effect to in the current quarter.

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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.

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 28 February 2005, apart from the note A11 mentioned above.

B7. QUOTED AND MARKETABLE SECURITIES

The Company does not have quoted and marketable securities as at 28 February 2005.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

The Company was listed on the MESDAQ Market of the MSEC 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.

The Proposed Cimtek Investment and the Company's proposed increase in authorised share capital as disclosed in the Note A10 herein is pending submission to the relevant authorities and shareholders' approval at an extraordinary general meeting to be convened.

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B9. BORROWINGS

The Company does not have any borrowings as at 28 February 2005, 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;

- (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.

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B12. EARNINGS PER SHARE

(a) Basic earnings per share	Quarter ended	
	<u>28.02.2005</u>	<u>30.11.2004</u>
Net profit for the period (RM'000)	(812)	1,135
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	200,000	200,000
Basic earnings per share (sen)	(0.41)	0.57
 (b) Diluted earnings per share	Not applicable	

B13. PRE - ACQUISITION PROFIT

There were no pre-acquisition profits or losses for the year ended 28 February 2005.

B14. UTILISATION OF PROCEEDS

As at 28 February 2005, the Company has utilised approximately 57.2% of the proceeds raised from its Initial Public Offering in January 2004.

<u>Nature of expenses</u>	Proposed Amt RM	Actual Utilisation		Unused Amt. RM
		RM	%	
Capital expenditure	4,200,000	3,763,794	89.6	436,206
Working Capital	5,200,000	2,909,086	55.9	2,290,914
Investment in foreign countries	5,000,000	-	-	5,000,000
R & D expenses	1,500,000	1,443,328	96.2	56,672
* Listing expenses	1,300,000	1,398,995	107.6	(98,995)
Repayment of borrowings	800,000	788,842	98.6	11,158
	<u>18,000,000</u>	<u>10,304,045</u>	57.2	<u>7,695,955</u>

* 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 for 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: 15 June 2005