

Quarterly report

Quarterly report on results for the first quarter ended 31st August 2005.
The figures have not been audited.

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER <u>31.08.2005</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>28.2.2005 (Audited)</u> RM'000
PROPERTY, PLANT AND EQUIPMENT	11,798	9,857
INTANGIBLE ASSETS	19,324	18,242
CURRENT ASSETS		
Trade Receivables	8,894	5,696
Other Receivables	158	96
Cash and cash equivalents	6,875	10,826
	<u>15,927</u>	<u>16,618</u>
CURRENT LIABILITIES		
Trade Payables	151	44
Other Payables	6	32
Hire purchase creditors	160	40
	<u>317</u>	<u>116</u>
NET CURRENT ASSETS	<u>15,610</u>	<u>16,502</u>
	<u>46,732</u>	<u>44,601</u>
Financed by:		
Share capital		
Ordinary shares of RM0.10 each	20,000	20,000
Reserves		
Share Premium	14,462	14,462
Retained Profit	12,270	10,001
	<u>46,732</u>	<u>44,463</u>
NON CURRENT LIABILITY		
Hire purchase creditors	-	138
	<u>46,732</u>	<u>44,601</u>
Net tangible assets per share (RM)	0.1370	0.1311

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 28 February 2005.

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CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-08-2005 RM '000	Preceding Yr Corresponding Quarter 31-08-2004 RM '000	Current Year To Date 31-08-2005 RM '000	Preceding Yr Corresponding Yr To Date 31-08-2004 RM '000
Revenue	3,053	2,599	6,602	5,271
Cost of services	(350)	(259)	(1,144)	(584)
Gross profit	2,703	2,340	5,458	4,687
Other income	34	119	83	189
Administration expenses	(1,027)	(927)	(2,201)	(1,822)
Depreciation and amortisation	(538)	(445)	(1,067)	(890)
Operating profit	1,172	1,087	2,273	2,164
Finance costs	(2)	(4)	(4)	(22)
Profit before tax	1,170	1,083	2,269	2,142
Taxation	-	-	-	-
Profit after tax	1,170	1,083	2,269	2,142
Minority interests	-	-	-	-
Net profit for the period	1,170	1,083	2,269	2,142
Earnings per share (sen) :				
- basic (10 sen par value)	0.59	0.54	1.13	1.07

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 28 February 2005.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2005**

Group	Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
As at 1 March 2004	20,000	14,462	7,535	41,997
Net profit for the period	-	-	2,142	2,142
As at 31 August 2004	<u>20,000</u>	<u>14,462</u>	<u>9,677</u>	<u>44,139</u>
As at 1 March 2005	20,000	14,462	10,001	44,463
Net profit for the period	-	-	2,269	2,269
As at 31 August 2005	<u>20,000</u>	<u>14,462</u>	<u>12,270</u>	<u>46,732</u>

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2005.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2005 TO 31 AUGUST 2005

	1.03.2005 to 31.08.2005	1.03.2004 to 31.08.2004
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,269	2,142
Adjustments for:		
Amortization of development costs	174	110
Amortization of Intellectual Property	350	306
Depreciation	543	474
Interest expense	4	22
Operating profit before working capital changes	<u>3,340</u>	<u>3,054</u>
Changes in working capital:		
Trade and other receivables	(3,260)	(3,288)
Trade and other payables	81	(173)
Cash used in operations	<u>161</u>	<u>(407)</u>
Development cost paid	<u>(643)</u>	<u>(1,110)</u>
Net cash used in operating activities	<u>(482)</u>	<u>(1,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,446)	(4,025)
Fixed deposits discharged as collateral	-	140
Net cash used in investing activities	<u>(3,446)</u>	<u>(3,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan and other borrowings	(19)	(404)
Interest paid	(4)	180
Net cash used in financing activities	<u>(23)</u>	<u>(224)</u>
Net decrease in cash and cash equivalents	(3,951)	(5,626)
Cash and cash equivalents at beginning of financial period	10,826	17,954
Cash and cash equivalents at end of financial period	<u>6,875</u>	<u>12,328</u>
Cash and cash equivalents comprise		
Cash and bank balances	6,875	756
Deposits	-	11,572
	<u>6,875</u>	<u>12,328</u>
Fixed deposit charged as collateral	-	-
	<u>6,875</u>	<u>12,328</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 28 February 2005.

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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 28 February 2005.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 28 February 2005 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

Save as disclosed herein, 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

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. The principal activities of AsiaEP China are computer software design, development, technology support, e-commerce homepage development and sales. To date, the subsidiary has not commenced commercial 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 2005

During the quarter under review, the Company registered sales and gross profit of approximately RM3.1 million and RM2.7 million respectively. There is a slight decrease in the sales and gross profits in the current quarter when compared to the previous quarter's sales and gross profit of approximately RM3.5 million and RM2.8 million respectively.

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 RM1.2 million. There was a slight improvement in performance when compared to the previous quarter's profit before tax of approximately RM1.1 million.

B3. CURRENT YEAR PROSPECTS

In the light of the growth of the InformationTechnology ("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 had 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 2005, apart from the note A11 mentioned above.

B7. QUOTED AND MARKETABLE SECURITIES

The Company does not have quoted and marketable securities as at 31 August 2005.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

The following events were announced:

- (i) On 24 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. The submission to the Securities Commission in relation to the Proposed Cimtek Investment was expected to be made within two (2) months from 22 July 2005. It was announced on 22 September 2005 that the parties to the Subscription Agreement and Acquisition Agreement had on 20 September 2005 and 21 September 2005 terminated the Subscription Agreement and Acquisition Agreement respectively.
- (ii) On 23 August 2005, the Company announced that it intends to undertake a renounceable rights issue of up to 103,202,312 new warrants on the basis of one (1) warrants for every three (3) existing ordinary shares of RM0.10 each in asiaEP held on an entitlement date to be determined later ("Proposed Right Issue").
- (iii) On 7 October 2005, the Company announced its proposed acquisition of the entire issued and paid up capital of Conversant Solutions Pte Ltd from its registered owner, Mr. Cheong Kong Wai for a total consideration of RM9.9 million to be satisfied through a combination of new asiaEP Berhad ordinary shares of RM0.10 each and cash ("Proposed Acquisition of Conversant").
- (iv) On 10 October 2005, the Company announced that the maximum number of warrants to be issued pursuant to the Proposed Right Issue has been revised to 82,777,778 following (a) termination of the Proposed Cimtek Investment and (b) the Proposed Acquisition of Conversant.

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B9. BORROWINGS

The Company does not have any borrowings as at 31 August 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

AsiaEP has filed a suit against A-Zone Sdn Bhd and Lee Keong Sek (collectively referred to as the "Defendants") for infringement of copyright and passing off in relation to AsiaEP's business. An interim injunction has been obtained by AsiaEP restraining the Defendants from further infringement. The Defendants have filed their defense and counter claim.

The case is presently at the stage of proceeding to Pre-Trial Case Management. The solicitors representing AsiaEP 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 Petitioner made a claim against the Directors of AsiaEP for alleged breach of duties as Directors and oppressive and/or prejudicial conduct. AsiaEP has filed its defense 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 AsiaEP should the Petitioner be successful in its claim against AsiaEP.

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

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- (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

The Plaintiff made a claim against AsiaEP 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.

AsiaEP has filed its defence, 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 AsiaEP.

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

B12. EARNINGS PER SHARE

(a) Basic earnings per share	Quarter ended	
	31.08.2005	31.05.2005
Net profit / (loss) for the period (RM'000)	1,170	1,099
Weighted average number of ordinary shares for the purpose of basic earnings per share computation ('000)	200,000	200,000
Basic earnings / (loss) per share (sen)	0.59	0.55
(b) Diluted earnings per share	Not applicable	

B13. PRE - ACQUISITION PROFIT

There were no pre-acquisition profits or losses for the period ended 31 August 2005.

B14. UTILISATION OF PROCEEDS

As at 31 August 2005, the Company has utilised approximately 71% of the proceeds raised from its Initial Public Offering in January 2004.

Nature of expenses	Proposed Amt	Actual Utilisation		Unused Amt.
	RM	RM	%	RM
Capital expenditure	4,200,000	3,763,794	89.6	436,206
Working Capital	5,200,000	4,876,369	93.8	323,631
Investment in foreign countries	5,000,000	514,000	10.3	4,486,000
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>12,785,328</u>	71.0	<u>5,214,672</u>

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* 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: