

**Quarterly report**

Quarterly report on results for the third quarter ended 30th November 2005.  
The figures have not been audited.

**CONDENSED CONSOLIDATED BALANCE SHEET**

	AS AT END OF CURRENT QUARTER <u>30.11.2005</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>28.2.2005 (Audited)</u> RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	11,413	9,857
<b>INTANGIBLE ASSETS</b>	20,305	18,242
<b>CURRENT ASSETS</b>		
Trade Receivables	10,738	5,696
Other Receivables	441	96
Cash and cash equivalents	5,002	10,826
	<b>16,181</b>	<b>16,618</b>
<b>CURRENT LIABILITIES</b>		
Trade Payables	171	44
Other Payables	62	32
Hire purchase creditors	148	40
	<b>381</b>	<b>116</b>
<b>NET CURRENT ASSETS</b>	<b>15,800</b>	<b>16,502</b>
	<b>47,518</b>	<b>44,601</b>
<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	13,056	10,001
	<b>47,518</b>	<b>44,463</b>
<b>NON CURRENT LIABILITY</b>		
Hire purchase creditors	-	138
	<b>47,518</b>	<b>44,601</b>
<b>Net assets per share (RM)</b>	<b>0.2376</b>	<b>0.2223</b>

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 30-11-2005 RM '000	Preceding Yr Corresponding Quarter 30-11-2004 RM '000	Current Year To Date 30-11-2005 RM '000	Preceding Yr Corresponding Yr To Date 30-11-2004 RM '000
<b>Revenue</b>	<b>2,351</b>	2,511	<b>8,953</b>	7,782
Cost of services	(274)	(269)	(1,418)	(853)
<b>Gross profit</b>	<b>2,077</b>	2,242	<b>7,535</b>	6,929
Other income	29	69	113	258
Administration expenses	(795)	(669)	(2,997)	(2,490)
Depreciation and amortisation	(505)	(505)	(1,572)	(1,395)
<b>Operating profit</b>	<b>806</b>	1,137	<b>3,079</b>	3,302
Finance costs	(2)	(2)	(5)	(24)
Profit before tax	804	1,135	3,074	3,278
Taxation	(19)	-	(19)	-
Profit after tax	785	1,135	3,055	3,278
Minority interests	-	-	-	-
Net profit for the period	<b>785</b>	1,135	<b>3,055</b>	3,278
Total shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings per share (sen) :				
- basic (10 sen par value)	0.39	0.57	1.53	1.64
- fully diluted	0.35	NA	1.36	NA

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 30 NOVEMBER 2005**

<b>Group</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Distributable Retained profits RM'000</b>	<b>Total RM'000</b>
As at 1 March 2004	20,000	14,462	7,535	41,997
Net profit for the period	-	-	3,278	3,278
As at 30 November 2004	<u>20,000</u>	<u>14,462</u>	<u>10,813</u>	<u>45,275</u>
As at 1 March 2005	20,000	14,462	10,001	44,463
Net profit for the period	-	-	3,055	3,055
As at 31 November 2005	<u>20,000</u>	<u>14,462</u>	<u>13,056</u>	<u>47,518</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 30 NOVEMBER 2005**

	<b>1.03.2005 to 30.11.2005</b>	<b>1.03.2004 to 30.11.2004</b>
	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	3,055	3,278
Adjustments for:		
Amortization of development costs	262	164
Amortization of Intellectual Property	524	459
Depreciation	786	772
Interest expense	5	24
	4,632	4,697
Operating profit before working capital changes		
Changes in working capital:		
Trade and other receivables	(5,387)	(4,795)
Trade and other payables	157	(306)
	(598)	(404)
Cash used in operations		
Development cost paid	(1,343)	(1,610)
Net cash used in operating activities	(1,941)	(2,014)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,850)	(4,907)
Fixed deposits discharged as collateral	-	140
Net cash used in investing activities	(3,850)	(4,767)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loan and other borrowings	(31)	(416)
Hire Purchase Obtained	-	202
Interest paid	(2)	(24)
Net cash used in financing activities	(33)	(238)
<b>Net decrease in cash and cash equivalents</b>	(5,824)	(7,019)
<b>Cash and cash equivalents at beginning of financial period</b>	10,826	17,954
<b>Cash and cash equivalents at end of financial period</b>	5,002	10,935
<b>Cash and cash equivalents comprise</b>		
Cash and bank balances	5,002	1,294
Deposits	-	9,641
	5,002	10,935
Fixed deposit charged as collateral	-	-
	5,002	10,935

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 7 December 2004, the Company incorporated a wholly-owned subsidiary AsiaEP China Co., Ltd ("AsiaEP China"). 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.

On 18th November 2005, the Company announced the acquisition of the entire issued and paid-up share capital of AsiaEP Hong Kong Limited (AHKL) comprising of one (1) shares of par value HKD1.00 from Ng Wai Ling, a Hong Kong resident for a total consideration of HKD10,960. AHKL has been dormant since its incorporation on 7th October 2005 and its intended principal activities are advertising, electronic-commerce and electronic-business.

On 20th December 2005, the Company announced that the acquisition of AHKL had been completed on 15 December 2005.

### 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 30 NOVEMBER 2005

During the quarter under review, the Company registered revenue and gross profit of approximately RM2.351 million and RM2.077 million respectively. There was a slight decrease in the revenue and gross profits in the current quarter when compared to the previous quarter's revenue and gross profit of approximately RM3.053 million and RM2.703 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 RM0.785 million. There was a decrease in the profit when compared to the previous quarter's profit before tax of approximately RM1.170 million. This was mainly due to lower business activity of the industry generally.

### B3. CURRENT YEAR PROSPECTS

Through the Budget 2006, the Malaysian government aims to strengthen the Information Communication Technology (ICT) field and Malaysian ICT companies are encouraged to grow and penetrate into global markets.

In the light of the above and the expected growth of the ICT and ICT related industries both locally and globally, the Company is expected to benefit from this positive development.

Barring any unforeseen circumstances, 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 International 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 applied for the renewal of its tax free 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 operational 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 30 November 2005, apart from the note A11 mentioned above.

### B7. QUOTED AND MARKETABLE SECURITIES

The Company does not have quoted and marketable securities as at 30 November 2005.

### B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

The following events were announced:

- (i) 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").
- (ii) 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").
- (iii) 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 acquisition and investment in Cimtek Pte Ltd on 21 September 2005 and (b) the proposed acquisition of Conversant
- (iv) On 16 December 2005, the Company announced that the Proposed Right Issue up to 82,777,778 new warrants has been approved by Securities Commission on 14 December 2005.

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### B9. BORROWINGS

The Company does not have any borrowings as at 30 November 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**

		<b>Quarter ended</b>	
		<b><u>30.11.2005</u></b>	<b><u>31.08.2005</u></b>
<b>(a) Basic earnings per share</b>			
Net profit / (loss) for the period	(RM'000)	<b>785</b>	1,099
Weighted average number of ordinary shares for the purpose of basic earnings per share computation	('000)	<b>200,000</b>	200,000
Basic earnings / (loss) per share	(sen)	<b>0.39</b>	0.55
<b>(b) Diluted earnings per share</b>			
Net profit for the period	(RM'000)	<b>785</b>	
Weighted average number of ordinary shares for the purpose of basic Earnings per share	('000)	<b>200,000</b>	
ESOS Option	('000)	<b>25,230</b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	('000)	<b>225,230</b>	
Diluted earnings per share	(sen)	<b>0.35</b>	<b>NA</b>

**B13. PRE - ACQUISITION PROFIT**

There were no pre-acquisition profits or losses for the period ended 30 November 2005.

**B14. UTILISATION OF PROCEEDS**

As at 30 November 2005, the Company has utilised approximately 79.4% 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	4,167,848	99.2	32,152
Working Capital	5,200,000	5,200,000	100.0	-
Investment in foreign countries	5,000,000	1,223,935	24.5	3,776,065
R & D expenses	1,500,000	1,500,000	100.0	-
* Listing expenses	1,300,000	1,398,995	107.6	(98,995)
Repayment of borrowings	800,000	800,000	100.0	-
	<u>18,000,000</u>	<u>14,290,778</u>	79.4	<u>3,709,222</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: