



(Company No: 253387 - W)  
(Incorporated in Malaysia)

### Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.  
The figures have not been audited.

### CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER <u>31.05.2006</u> RM'000	AS AT PRECEDING FINANCIAL YEAR END <u>28.2.2006 (Restated)</u> RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	14,623	11,284
Intangible Assets	22,723	21,760
	<b>37,346</b>	<b>33,044</b>
<b>Current Assets</b>		
Trade Receivables	7,926	8,601
Other Receivables	510	339
Cash and cash equivalents	3,796	6,285
	<b>12,232</b>	<b>15,225</b>
<b>TOTAL ASSETS</b>	<b>49,578</b>	<b>48,269</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital		
Ordinary shares of RM0.10 each	20,058	20,000
Reserves		
Share Premium	14,561	14,462
Translation Reserve	(67)	(20)
Other Reserve	47	58
Retained Profit	13,902	12,997
	<b>48,501</b>	<b>47,497</b>
<b>Minority Interest</b>	-	-
<b>Total Equity</b>	<b>48,501</b>	<b>47,497</b>
<b>Non Current Liabilities</b>		
Hire purchase creditors	96	109
	<b>96</b>	<b>109</b>
<b>Current Liabilities</b>		
Trade Payables	659	24
Other Payables	229	551
Hire purchase creditors	40	37
Tax Payable	53	51
	<b>981</b>	<b>663</b>
<b>Total Liabilities</b>	<b>1,077</b>	<b>772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49,578</b>	<b>48,269</b>
<b>Net assets per share (RM)</b>	<b>0.2418</b>	<b>0.2375</b>

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 28 February 2006 and the accompanying explanatory notes attached to this report.

### Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.

The figures have not been audited.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-05-2006 RM '000	Preceding Yr Corresponding Quarter 31-05-2005 RM '000	Current Year To Date 31-05-2006 RM '000	Preceding Yr Corresponding Yr To Date 31-05-2005 RM '000
<b>Revenue</b>	<b>2,838</b>	3,549	<b>2,838</b>	3,549
Cost of services	(457)	(794)	(457)	(794)
<b>Gross profit</b>	<b>2,381</b>	2,755	<b>2,381</b>	2,755
Other income	9	49	9	49
Administration expenses	(940)	(1,174)	(940)	(1,174)
Depreciation and amortisation	(541)	(529)	(541)	(529)
<b>Profit from operations</b>	<b>909</b>	1,101	<b>909</b>	1,101
Finance costs	(2)	(2)	(2)	(2)
Profit before tax	907	1,099	907	1,099
Taxation	(2)	-	(2)	-
Profit after tax	905	1,099	905	1,099
Minority interests	-	-	-	-
<b>Net profit for the period</b>	<b>905</b>	1,099	<b>905</b>	1,099
Profit for the period attributable to:				
Equity holders of the parent	905	1,099	905	1,099
Minority Interest	-	-	-	-
	<b>905</b>	<b>1,099</b>	<b>905</b>	<b>1,099</b>
Earnings per share (sen) :				
- basic	0.45	0.55	0.45	0.55
- diluted	0.45	-	0.45	-

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 28 February 2006 and the accompanying explanatory notes attached to this report.

**Quarterly report**

Quarterly report on results for the first quarter ended 31st May 2006.  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MAY 2006**

Group	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total equity RM'000
<b><u>3 months ended 31 May 2006</u></b>						
As previously stated						
As at 1 March 2006	20,000	14,462	(20)	-	13,055	47,497
Prior year adjustments						
-effects of adopting FRS 2						
Share based payment under ESOS				58	(58)	-
As restated	20,000	14,462	(20)	58	12,997	47,497
New issue of ordinary shares						
pursuant to ESOS	58	21				-
						79
Share based payment under ESOS						
ESOS exercised		78		67	(78)	67
						-
Translation loss						
			(47)			(47)
Net profit for the period						
	-	-			905	905
As at 31 May 2006	<u>20,058</u>	<u>14,561</u>	<u>(67)</u>	<u>47</u>	<u>13,902</u>	<u>48,501</u>
<b><u>3 months ended 31 May 2005</u></b>						
As at 1 March 2005	20,000	14,462	-	-	10,001	44,463
Net Profit for the period						
	-	-	-	-	1,099	1,099
As at 31 May 2005	<u>20,000</u>	<u>14,462</u>	<u>-</u>	<u>-</u>	<u>11,100</u>	<u>45,562</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 2006 and the accompanying explanatory notes attached to this report.

## Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.

The figures have not been audited.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2006 TO 31 MAY 2006

	<b>1.03.2006 to 31.05.2006</b>	<b>1.03.2005 to 31.05.2005</b>
	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	907	1,099
Adjustments for:		
Amortisation of development costs	87	87
Amortisation of Intellectual Property	175	175
Depreciation	279	267
Interest income	(9)	(49)
Interest expense	2	2
Currency realignment	(47)	-
Share based payment under ESOS	67	-
	<hr/>	<hr/>
Operating profit before working capital changes	1,461	1,581
Changes in working capital:		
Trade and other receivables	504	(1,289)
Trade and other payables	313	341
	<hr/>	<hr/>
Cash used in operations	2,278	633
Development cost paid	(470)	(318)
	<hr/>	<hr/>
Net cash generated from operating activities	1,808	315
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,373)	(1,960)
Interest received	9	49
	<hr/>	<hr/>
Net cash used in investing activities	(4,364)	(1,911)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loan and other borrowings	(10)	(11)
Proceeds from issuance of shares	79	-
Interest paid	(2)	(2)
	<hr/>	<hr/>
Net cash generated from/ (used in) financing activities	67	(13)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(2,489)	(1,609)
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of financial period</b>	6,285	10,826
<b>Cash and cash equivalents at end of financial period</b>	<u>3,796</u>	<u>9,217</u>
<b>Cash and cash equivalents comprise</b>		
Cash and bank balances	2,801	9,217
Deposits	995	-
	<hr/>	<hr/>
	<u>3,796</u>	<u>9,217</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited statements for the financial year ended 28 February 2006 and the accompanying explanatory notes attached to this report.

## Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.  
The figures have not been audited.

### A1. BASIS OF PREPARATION

The quarterly report has been prepared in accordance with the reporting requirements as set out in Financial Reporting Standards ("FRS") No 134 - " Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements for MESDAQ Market and should be read in conjunction with the audited statutory financial statements presented for the financial year ended 28 February 2006.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 28 February 2006, except for the adoption of the following new and revised Financial Reporting Standards ("FRS") which are effective for financial period beginning 1 January 2006:

FRS 2: Share-based Payment  
FRS 3: Business Combinations  
FRS 101: Presentation of Financial Statements  
FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 110: Events after the Balance Sheet Date  
FRS 116: Property, Plant and Equipment  
FRS 121: The Effects of Changes in Foreign Exchange Rates  
FRS 127: Consolidated and Separate Financial Statements  
FRS 132: Financial Instruments: Disclosure and Presentation  
FRS 133: Earning per Share  
FRS 136: Impairment of Assets  
FRS 138: Intangible Assets

The adoption of FRS 3, 101, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not have a significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRS are as follows:

#### FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company has an Employee Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expenses was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expenses relating to share option is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a trinomial model. At every balance sheet date, the Group revised its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The financial impact to the Group arising from this change in accounting policy is as follows: -

	As at	
	1/3/2006	
	RM'000	
Decrease in retained earnings	<u>(58)</u>	
Increase in equity compensation reserve (included within other reserves)	<u>58</u>	
	3 months ended	
	31/5/2006	31/5/2005
	RM'000	RM'000
Decrease in profit for the period	<u>(67)</u>	-

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

The auditors' report on the financial statements for the year ended 28 February 2006 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.

## Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.

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### 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. MOVEMENTS IN DEBT/ EQUITY SECURITIES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year To Date 31-05-2006 RM '000	Preceding Yr Corresponding Quarter 31-05-2005 RM '000	Current Year To Date 31-05-2006 RM '000	Preceding Yr Corresponding Yr To Date 31-05-2005 RM '000
Issuance of 584,171 new ordinary share of RM0.10 each for cash pursuant to the ESOS at an exercise price of RM0.135 each	58	-	58	-

Other than disclosed above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

### 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 that is e-marketplace and are predominantly in Malaysia as the foreign subsidiaries have not been commenced operation.

### 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

Save as disclosed herein, there were no material events since the end of this current quarter up to the date of this announcement.

### A11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group in the quarter under review.

### A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities other than those disclosed in Note B11. There were no contingent assets since the last annual balance sheet as at 28 February 2006.

### A13. CAPITAL COMMITMENTS

There were no capital commitments in the interim financial statements as at 31 May 2006.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

### B1. REVIEW OF THE RESULTS FOR THE QUARTER ENDED 31 MAY 2006

During the quarter under review, the Company registered revenue and gross profit of approximately RM2.838 million and RM2.381 million respectively. There was an improvement by 58.11% and 70.68% in the revenue and gross profits in the current quarter when compared to the previous quarter's revenue and gross profit of approximately RM1.795 million and RM1.395 million respectively. This was mainly due to higher business activities of the industry in general compared with previous quarter. In addition, revenue and gross profit decreased by 20.03% and 13.57% respectively from revenue and gross profit in the previous year corresponding quarter of approximately RM3.549 million and RM2.755 million respectively.

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### 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 RM0.907 million. There was an increase in the profit before tax by 3528% when compared to the previous quarter's profit before tax of approximately RM0.025 million. This was mainly due to higher business activities in general compared with previous quarter.

### B3. CURRENT YEAR PROSPECTS

The Board expects the financial performance of the Group to be satisfactory for financial year ended 28 February 2007.

The completion of Proposed Acquisition of Conversant Solutions Pte Ltd is also expected to contribute positively to the Group's performance.

### B4. PROFIT FORECAST

Not applicable as no profit forecast or profit guarantee was published.

### B5. TAXATION

Tax for the current period is in respect of interest income. There is no tax charged on business income as the Company is a MSC Status company, which entitles the Company to have tax incentives for five (5) 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 (5) years. On 28 July 2003, the Company had obtained approval for a further extension of five (5) years to its tax-free status for the Company. 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 (5) years commencing 1 March 1998.

### B6. PROFITS OR LOSSES ON DISPOSAL OF UNQUOTED INVESTMENT/PROPERTIES

There were no purchase or disposal of unquoted investment and or properties for the current quarter under review and current financial year-to-date.

### B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchase / disposal of quoted securities during the current quarter under review and current financial year-to-date.

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

The following events were announced:

#### (i) Proposed Acquisition of Conversant Solutions Pte Ltd

On 7 October 2005, the Company announced its proposed acquisition of the entire issued and paid up capital of Conversant Solutions Pte Ltd ("Conversant") 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 ("asiaEP Shares") and cash ("Proposed Acquisition of Conversant").

On 23 March 2006, the Company announced that the Proposed Acquisition of Conversant has been approved by Securities Commission on 22 March 2006.

On 2 May 2006, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 28 April 2006 given its approval-in-principle for the listing and quotation of up to 18,333,334 new asiaEP Shares arising from the Proposed Acquisition of Conversant.

On 23 May 2006, the Company has obtained shareholders' approval for the Proposed Acquisition of Conversant and is in the process of completion to date.

#### (ii) The renounceable rights issue up to 82,777,778 new warrants at an issue price of RM0.01 per warrant on the basis of 1 warrant for every 3 existing ordinary shares of RM0.10 each held in asiaEP at 5.00pm on 9 May 2006

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 ("Rights Issue").

On 10 October 2005, the Company announced that the maximum number of warrants to be issued pursuant to the Rights Issue has been revised to 82,777,778 following (a) the termination of the proposed acquisition and investment in Cimtek Pte Ltd on 21 September 2005 and (b) the Proposed Acquisition of Conversant.

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On 16 December 2005, the Company announced that the Rights Issue up to 82,777,778 new warrants has been approved by Securities Commission on 14 December 2005.

On 16 February 2006, the Company obtained shareholders' approval for the Rights Issue of up to 82,777,778 new warrants.

On 19 April 2006, the Company announced the book closure date in which shareholders whose name appear in the Record of Depositors of asiaEP at 5.00pm on 9 May 2006 will be entitled to Rights Issue.

The warrants were over-subscribe by 294.86%. On 4 July 2006, 66,861,390 Warrants were admitted to the Official List of the Bursa Securities.

### B9. BORROWINGS AND DEBT SECURITIES

The Company does not have any borrowings and debt securities as at 31 May 2006, apart from the disclosed amount of hire purchase creditors.

### B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments 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.

- (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, Dr. 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.



## Quarterly report

Quarterly report on results for the first quarter ended 31st May 2006.

The figures have not been audited.

### B12. EARNINGS PER SHARE

(a) Basic earnings per share		Quarter ended	
		31.05.2006	28.02.2006
Net profit / (loss) for the period	(RM'000)	905	25
Weighted average number of ordinary shares for the purpose of basic earnings per share computation	('000)	200,000	200,000
New shares issue on 4/5/2006 pursuant to ESOS		45	
		<u>200,045</u>	<u>200,000</u>
Basic earnings / (loss) per share	(sen)	0.45	0.01
<b>(b) Diluted earnings per share</b>			
Net profit for the period	(RM'000)	905	25
Weighted average number of ordinary shares for the purpose of basic Earnings per share	('000)	200,045	200,000
Add: adjustment for ESOS Option	('000)	1,733	425
Weighted average number of ordinary shares for the purpose of diluted earnings per share	('000)	<u>201,778</u>	<u>200,425</u>
Diluted earnings per share	(sen)	0.45	0.01

### B13. UTILISATION OF PROCEEDS

As at 31 May 2006, the Company has utilised approximately 91.7% of the proceeds raised from its Initial Public Offering in January 2004.

Nature of expenses	Proposed	Actual Utilisation		Unused	
	Amount	RM	%	Amount	
Capital expenditure	4,200,000	4,200,000	100.0	-	0.0
Working Capital	5,200,000	5,200,000	100.0	-	0.0
(N1) Investment in foreign countries	5,000,000	3,400,019	68.0	1,599,981	32.0
R & D expenses	1,500,000	1,500,000	100.0	-	0.0
(N2) Listing expenses	1,300,000	1,398,995	107.6	(98,995)	7.6
Repayment of borrowings	800,000	800,000	100.0	-	0.0
	<u>18,000,000</u>	<u>16,499,014</u>	91.7	<u>1,500,986</u>	8.3

#### Notes

(N1) Securities Commission vide its letter dated 20 January 2006, approved the Company's application for extension of time up to nine (9) months from 15 January 2006 to 15 October 2006 to completely utilise the listing proceeds allocated for investment in foreign countries amounting to approximately RM1.8 million at 11 January 2006.

(N2) The actual total listing expenses was at approximately RM1.72 million where, the Company utilised only RM1.40 million 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

Lee Suet Hong  
Director  
Selangor  
Dated: 29 July 2006