

### Quarterly report

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

### CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER <u>31.08.2006</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	15,321	11,284
Intangible Assets	24,714	21,760
	<b>40,035</b>	<b>33,044</b>
<b>Current Assets</b>		
Trade Receivables	6,723	8,601
Other Receivables, deposits and prepayments	398	339
Short term investment	1,001	1,646
Cash and bank balances	3,345	4,639
	<b>11,467</b>	<b>15,225</b>
<b>TOTAL ASSETS</b>	<b>51,502</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
Warrant Reserve	446	
Translation Reserve	(41)	(20)
Other Reserve	110	58
Retained Profit	15,009	12,997
	<b>50,143</b>	<b>47,497</b>
<b>Minority Interest</b>	-	-
<b>Total Equity</b>	<b>50,143</b>	<b>47,497</b>
<b>Non Current Liabilities</b>		
Hire purchase liabilities	86	109
	<b>86</b>	<b>109</b>
<b>Current Liabilities</b>		
Trade Payables	917	24
Other Payables and accruals	260	551
Hire purchase liabilities	41	37
Tax Payable	55	51
	<b>1,273</b>	<b>663</b>
<b>Total Liabilities</b>	<b>1,359</b>	<b>772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,502</b>	<b>48,269</b>
<b>Net assets per share (RM)</b>	<b>0.2500</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.

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### CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-08-2006 RM '000	Preceding Yr Corresponding Quarter 31-08-2005 RM '000	Current Year To Date 31-08-2006 RM '000	Preceding Yr To Date 31-08-2005 RM '000
<b>Revenue</b>	<b>2,730</b>	3,053	<b>5,568</b>	6,602
Cost of services	(350)	(350)	(807)	(1,144)
<b>Gross profit</b>	<b>2,380</b>	2,703	<b>4,761</b>	5,458
Other income	10	34	18	83
Administration expenses	(701)	(1,027)	(1,640)	(2,201)
Depreciation and amortisation	(578)	(538)	(1,119)	(1,067)
<b>Profit from operations</b>	<b>1,111</b>	1,172	<b>2,020</b>	2,273
Finance costs	(2)	(2)	(4)	(4)
Profit before tax	1,109	1,170	2,016	2,269
Taxation	(2)	-	(4)	-
Profit after tax	1,107	1,170	2,012	2,269
Minority interests	-	-	-	-
Net profit for the period	<b>1,107</b>	1,170	<b>2,012</b>	2,269
Profit for the period attributable to:				
Equity holders of the parent	1,107	1,170	2,012	2,269
Minority Interest	-	-	-	-
	<b>1,107</b>	<b>1,170</b>	<b>2,012</b>	<b>2,269</b>
Earnings per share (sen) :				
- basic	0.55	0.59	1.01	1.13
- diluted	0.55	-	0.99	-

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.

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2006

Group	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total equity RM'000
<b>6 months ended 31 August 2006</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			130 (78)		130 -
Translation loss				(21)			(21)
Warrant Reserves							
Proceeds			668				668
Expenses			(222)				(222)
Net profit for the period	-	-				2,012	2,012
As at 31 August 2006	<u>20,058</u>	<u>14,561</u>	<u>446</u>	<u>(41)</u>	<u>110</u>	<u>15,009</u>	<u>50,143</u>
<b>6 months ended 31 August 2005</b>							
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>-</u>	<u>-</u>	<u>-</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 2006 and the accompanying explanatory notes attached to this report.

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

	<b>1.03.2006 to 31.08.2006</b>	<b>1.03.2005 to 31.08.2005</b>
	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,016	2,269
Adjustments for:		
Amortisation of development costs	174	174
Amortisation of Intellectual Property	386	350
Depreciation	559	543
Interest income	(18)	(83)
Interest expense	4	4
Loss on disposal of furnitures & fittings	3	-
Currency realignment	(21)	-
Share based payment under ESOS	130	-
	<hr/>	<hr/>
Operating profit before working capital changes	3,233	3,257
Changes in working capital:		
Trade and other receivables	1,819	(3,260)
Trade and other payables	602	81
	<hr/>	<hr/>
Cash used in operations	5,654	78
Development cost paid	(1,919)	(643)
	<hr/>	<hr/>
Net cash generated from operating activities	3,735	(565)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,193)	(3,446)
Proceeds from disposal of furniture & fittings	1	-
Interest received	18	83
	<hr/>	<hr/>
Net cash used in investing activities	(6,174)	(3,363)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loan and other borrowings	(20)	(19)
Proceeds from issuance of shares	78	-
Proceeds from issuance of warrants	446	-
Interest paid	(4)	(4)
	<hr/>	<hr/>
Net cash generated from/ (used in) financing activities	500	(23)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(1,939)	(3,951)
	<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>4,346</u>	<u>6,875</u>
	<hr/>	<hr/>
<b>Cash and cash equivalents comprise</b>		
Short term investment	1,001	5,761
Cash and bank balances	3,345	1,114
	<hr/>	<hr/>
	<u>4,346</u>	<u>6,875</u>
	<hr/>	<hr/>

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 second quarter ended 31st August 2006.

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### 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	(58)	
Increase in equity compensation reserve (included within other reserves)	(58)	
	6 months ended	
	31/8/2006	31/8/2005
	RM'000	RM'000
Decrease in profit for the period	(130)	-

### 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.

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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	Preceding Yr Corresponding Quarter	Current Year To Date	Preceding Yr Corresponding Yr To Date
<u>31-08-2006</u>	<u>31-08-2005</u>	<u>31-08-2006</u>	<u>31-08-2005</u>
RM '000	RM '000	RM '000	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 August 2006.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

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

During the quarter under review, the Company registered revenue and gross profit of approximately RM2.730 million and RM2.380 million respectively. There was a slight decrease of approximately 3.81% and 0.04% in the revenue and gross profits in the current quarter when compared to the previous quarter's revenue and gross profit of approximately RM2.838 million and RM2.381 million respectively. Although there was a slight decrease in revenue and gross profit compared to the previous quarter, profit before tax improved by approximately 22.27% at approximately RM1.109 million compared to previous quarter's profit before tax of approximately RM0.907 million.

Gross profit margin and profit before tax margin for the financial year to date 31 August 2006 of approximately 85.50% and 36.21% respectively improved by approximately 2.83 percentage points and 1.84 percentage points respectively compared to gross profit margin and profit before tax margin for the corresponding period of the previous year 31 August 2005 of approximately 82.67% and 34.37% 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 RM1.109 million. There was an increase in the profit before tax by 22.27% when compared to the previous quarter's profit before tax of approximately RM0.907 million. This was mainly due to reduction in advertising and promotion cost by approximately RM0.291 million.

### B3. CURRENT YEAR PROSPECTS

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

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this report.

#### *Proposed Private Placement*

On 6 October 2006, the Company announced that it proposes to undertake a private placement exercise of up to 20,000,000 new ordinary shares of RM0.10 each, representing up to approximately 10% of the issued and paid-up share capital of asiaEP Bhd.

### B9. BORROWINGS AND DEBT SECURITIES

The Company does not have any borrowings and debt securities as at 31 August 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.

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- (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.

## B12. EARNINGS PER SHARE

(a) Basic earnings per share		Quarter ended	
		31.08.2006	31.05.2006
Net profit / (loss) for the period	(RM'000)	1,107	905
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		192	45
		<u>200,192</u>	<u>200,045</u>
Basic earnings / (loss) per share	(sen)	0.55	0.45
(b) Diluted earnings per share			
Net profit for the period	(RM'000)	1,107	905
Weighted average number of ordinary shares for the purpose of basic earnings per share computation	('000)	200,192	200,045
Add: adjustment for ESOS Option	('000)	2,890	1,733
Weighted average number of ordinary shares for the purpose of diluted earnings per share	('000)	<u>203,082</u>	<u>201,778</u>
Diluted earnings per share	(sen)	0.55	0.45



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### B13. UTILISATION OF PROCEEDS

- (a) As at 31 August 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	
	RM			RM	%
Capital expenditure	4,200,000	4,200,000	100.0	-	0.0
Working Capital	5,200,000	5,200,000	100.0	-	0.0
(N2) 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
(N1) 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>	<u>91.7</u>	<u>1,500,986</u>	<u>8.3</u>

Notes:-

(N1) The actual total listing expenses was at approximately RM1.72 million, which were funded from a combination of proceeds from the listing and internally generated funds.

(N2) As at 31 August 2006, the Company has utilised approximately RM3.40 million of the proceeds under "Investment in foreign countries" to part finance its acquisition of Conversant. The remaining cash consideration amount to be settled with respect to the acquisition of Conversant of approximately RM1.55 million will be funded by a combination of internally generated funds and part utilization of the proceeds earmarked for investment in foreign countries. The acquisition of Conversant was completed on 21 September 2006.

- (b) Proceeds from the renounceable rights issue of 66,861,390 warrants at an issue price of RM0.01 per warrant ("Rights Issue")

As at 31st August 2006, 94.67% of the proceeds received by the Company from the Rights Issue were utilised.

As disclosed in the Abridged Prospectus dated 16 May 2006, the proceeds raised of approximately RM668,636 were utilised as follows:

	Proposed	Actual Utilisation		Unused	
	Amount	RM	%	Amount	
	RM			RM	%
Working capital	468,636	410,222	87.54%	58,414	12.46%
N1 Defrayment of expenses incidental to the Right Issue	200,000	222,765	111.38%	(22,765)	-11.38%
Total	<u>668,636</u>	<u>632,987</u>	<u>94.67%</u>	<u>35,649</u>	<u>5.33%</u>

Note:

N1 As the actual expenses were higher than the budgeted amount, the deficit was funded out of the portion allocated for working capital of asiaEP Group.

### BY ORDER OF THE BOARD

Lee Suet Hong

Director

Selangor

Dated: 31 October 2006