



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

**Quarterly report**

Quarterly report on results for the third quarter ended 30th November 2006.  
The figures have not been audited.

**CONDENSED CONSOLIDATED BALANCE SHEET**

|  | <b>AS AT END OF<br/>CURRENT QUARTER<br/>30.11.2006<br/>RM'000</b> | <b>AS AT PRECEDING<br/>FINANCIAL YEAR END<br/>28.2.2006 (Restated)<br/>RM'000</b> |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| <b>Non-Current Assets</b>                                  |   |   |
| Property, Plant and Equipment                              | 15,640  | 11,284  |
| Intangible Assets  | 25,941  | 21,760  |
|  | <b>41,581</b>   | <b>33,044</b>   |
| <b>Current Assets</b>                                      |   |   |
| Trade Receivables  | 7,465   | 8,601   |
| Other Receivables, Deposits and Prepayments                | 445   | 339   |
| Short Term Investment                                      | 540   | 1,646   |
| Cash and Bank Balances                                     | 2,084   | 4,639   |
|  | <b>10,534</b>   | <b>15,225</b>   |
| <b>TOTAL ASSETS</b>  | <b>52,115</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  | (51)  | (20)  |
| Other Reserve  | 170   | 58  |
| Retained Profit  | 16,071  | 12,997  |
|  | <b>51,255</b>   | <b>47,497</b>   |
| <b>Minority Interest</b>                                   | -   | -   |
| <b>Total Equity</b>  | <b>51,255</b>   | <b>47,497</b>   |
| <b>Non Current Liabilities</b>                             |   |   |
| Hire Purchase Liabilities                                  | 75  | 109   |
|  | <b>75</b>   | <b>109</b>  |
| <b>Current Liabilities</b>                                 |   |   |
| Trade Payables   | 440   | 24  |
| Other Payables and Accruals                                | 277   | 551   |
| Hire Purchase Liabilities                                  | 41  | 37  |
| Tax Payable  | 27  | 51  |
|  | <b>785</b>  | <b>663</b>  |
| <b>Total Liabilities</b>                                   | <b>860</b>  | <b>772</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        | <b>52,115</b>   | <b>48,269</b>   |
| <b>Net assets per share (RM)</b>                           | <b>0.2555</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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(Incorporated in Malaysia)

## Quarterly report

Quarterly report on results for the third quarter ended 30th November 2006.  
The figures have not been audited.

### CONDENSED CONSOLIDATED INCOME STATEMENT

|  | INDIVIDUAL QUARTER                            |   | CUMULATIVE QUARTER                            |  |
|--|---|---|---|--|
|  | Current Year Quarter<br>30-11-2006<br>RM '000 | Preceding Yr Corresponding Quarter<br>30-11-2005<br>RM '000 | Current Year To Date<br>30-11-2006<br>RM '000 | Preceding Yr Corresponding Yr To Date<br>30-11-2005<br>RM '000 |
| <b>Revenue</b>                         | <b>2,247</b>                                  | 2,351   | <b>7,815</b>                                  | 8,953  |
| Cost of services                       | (157)   | (274)   | (964)   | (1,418)  |
| <b>Gross profit</b>                    | <b>2,090</b>                                  | 2,077   | <b>6,851</b>                                  | 7,535  |
| Other income                           | 13  | 29  | 31  | 113  |
| Administration expenses                | (510)   | (795)   | (2,168)                                       | (2,997)  |
| Depreciation and amortisation          | (526)   | (505)   | (1,628)                                       | (1,572)  |
| <b>Profit from operations</b>          | <b>1,067</b>                                  | 806   | <b>3,086</b>                                  | 3,079  |
| Finance costs                          | (2)   | (2)   | (6)   | (5)  |
| Profit before tax                      | <b>1,065</b>                                  | 804   | <b>3,080</b>                                  | 3,074  |
| Taxation                               | (2)   | (19)  | (6)   | (19)   |
| Profit after tax                       | <b>1,063</b>                                  | 785   | <b>3,074</b>                                  | 3,055  |
| Minority interests                     | -   | -   | -   | -  |
| <b>Net profit for the period</b>       | <b>1,063</b>                                  | 785   | <b>3,074</b>                                  | 3,055  |
| Profit for the period attributable to: |   |   |   |  |
| Equity holders of the parent           | <b>1,063</b>                                  | 785   | <b>3,074</b>                                  | 3,055  |
| Minority Interest                      | -   | -   | -   | -  |
|  | <b>1,063</b>                                  | <b>785</b>  | <b>3,074</b>                                  | <b>3,055</b>   |
| Earnings per share (sen) :             |   |   |   |  |
| - basic                                | <b>0.53</b>                                   | 0.39  | <b>1.53</b>                                   | 1.53   |
| - diluted                              | <b>0.52</b>                                   | -   | <b>1.51</b>                                   | -  |

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 third quarter ended 30th November 2006.  
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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 NOVEMBER 2006

| Group   | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Warrant<br>reserve<br>RM'000 | Translation<br>reserve<br>RM'000 | Other<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 | Total<br>equity<br>RM'000 |
|---|----------------------------|----------------------------|------------------------------|----------------------------------|----------------------------|-------------------------------|---------------------------|
| <b>9 months ended 30 November 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 at 1 March 2006 (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                         |                              |                                  | 190<br>(78)                |                               | 190<br>-                  |
| Translation loss                              |                            |                            |                              |                                  |                            |                               |                           |
|   |                            |                            |                              | (31)                             |                            |                               | (31)                      |
| Warrant Reserves                              |                            |                            |                              |                                  |                            |                               |                           |
| Proceeds                                      |                            |                            | 668                          |                                  |                            |                               | 668                       |
| Expenses                                      |                            |                            | (222)                        |                                  |                            |                               | (222)                     |
| Net profit for the period                     |                            |                            |                              |                                  |                            |                               |                           |
|   | -                          | -                          |                              |                                  |                            | 3,074                         | 3,074                     |
| As at 30 November 2006                        | <u>20,058</u>              | <u>14,561</u>              | <u>446</u>                   | <u>(51)</u>                      | <u>170</u>                 | <u>16,071</u>                 | <u>51,255</u>             |
| <b>9 months ended 30 November 2005</b>        |                            |                            |                              |                                  |                            |                               |                           |
| As at 1 March 2005                            | 20,000                     | 14,462                     | -                            | -                                | -                          | 10,001                        | 44,463                    |
| Net Profit for the period                     |                            |                            |                              |                                  |                            |                               |                           |
|   | -                          | -                          | -                            | -                                | -                          | 3,055                         | 3,055                     |
| As at 30 November 2005                        | <u>20,000</u>              | <u>14,462</u>              | <u>-</u>                     | <u>-</u>                         | <u>-</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 2006 and the accompanying explanatory notes attached to this report.

### Quarterly report

Quarterly report on results for the third quarter ended 30th November 2006.  
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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2006 TO 30 NOVEMBER 2006

|   | <b>1.03.2006 to<br/>30.11.2006</b> | <b>1.03.2005 to<br/>30.11.2005</b> |
|---|------------------------------------|------------------------------------|
|   | RM '000                            | RM '000                            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                                    |                                    |
| Profit before tax   | 3,080                              | 3,055                              |
| Adjustments for:  |                                    |                                    |
| Amortisation of development costs                                 | 261                                | 262                                |
| Amortisation of Intellectual Property                             | 578                                | 524                                |
| Depreciation  | 789                                | 786                                |
| Interest income   | (31)                               | (113)                              |
| Interest expense  | 6                                  | 5                                  |
| Loss on disposal of furnitures & fittings                         | 3                                  | -                                  |
| Currency realignment  | (31)                               | -                                  |
| Share based payment under ESOS                                    | 190                                | -                                  |
| Operating profit before working capital changes                   | <u>4,845</u>                       | <u>4,519</u>                       |
| Changes in working capital:                                       |                                    |                                    |
| Trade and other receivables                                       | 1,030                              | (5,387)                            |
| Trade and other payables  | <u>142</u>                         | <u>157</u>                         |
| Cash used in operations   | 6,017                              | (711)                              |
| Tax paid  | (31)                               | -                                  |
| Development cost paid   | <u>(2,517)</u>                     | <u>(1,343)</u>                     |
| Net cash generated from / (used in) operating activities          | <u>3,469</u>                       | <u>(2,054)</u>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                                    |                                    |
| Purchase of property, plant and equipment                         | (7,650)                            | (3,850)                            |
| Proceeds from disposal of furniture & fittings                    | 1                                  | -                                  |
| Interest received   | 31                                 | 113                                |
| Net cash used in investing activities                             | <u>(7,618)</u>                     | <u>(3,737)</u>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |                                    |                                    |
| Repayment of term loan and other borrowings                       | (30)                               | (28)                               |
| Proceeds from issuance of shares                                  | 78                                 | -                                  |
| Proceeds from issuance of warrants                                | 446                                | -                                  |
| Interest paid   | (6)                                | (5)                                |
| Net cash generated from/ (used in) financing activities           | <u>488</u>                         | <u>(33)</u>                        |
| <b>Net decrease in cash and cash equivalents</b>                  | <b>(3,661)</b>                     | <b>(5,824)</b>                     |
| <b>Cash and cash equivalents at beginning of financial period</b> | <b>6,285</b>                       | <b>10,826</b>                      |
| <b>Cash and cash equivalents at end of financial period</b>       | <b><u>2,624</u></b>                | <b><u>5,002</u></b>                |
| <b>Cash and cash equivalents comprise</b>                         |                                    |                                    |
| Short term investment   | 540                                | 3,781                              |
| Cash and bank balances  | <u>2,084</u>                       | <u>1,221</u>                       |
|   | <u>2,624</u>                       | <u>5,002</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 third quarter ended 30th November 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: -

|   | <b>As at<br/>1/3/2006<br/>RM'000</b> |             | <b>3 months ended</b> |                   | <b>9 months ended</b> |                   |
|---|--------------------------------------|-------------|-----------------------|-------------------|-----------------------|-------------------|
|   |                                      |             | <b>30/11/2006</b>     | <b>30/11/2005</b> | <b>30/11/2006</b>     | <b>30/11/2005</b> |
|   |                                      |             | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>         | <b>RM'000</b>     |
| Decrease in retained earnings   | <u>(58)</u>                          |             |                       |                   |                       |                   |
| Increase in equity compensation reserve<br>(included within other reserves) | <u>(58)</u>                          |             |                       |                   |                       |                   |
| Decrease in profit for the period   |                                      | <u>(60)</u> | -                     |                   | <u>(190)</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**

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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 results.

**A6. MOVEMENTS IN DEBT/ EQUITY SECURITIES**

|  | INDIVIDUAL QUARTER                                   |  | CUMULATIVE QUARTER                                   |   |
|--|--|--|--|---|
|  | Current Year To Date<br><u>30-11-2006</u><br>RM '000 | Preceding Yr Corresponding Quarter<br><u>30-11-2005</u><br>RM '000 | Current Year To Date<br><u>30-11-2006</u><br>RM '000 | Preceding Yr Corresponding Yr To Date<br><u>30-11-2005</u><br>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 the development of e-marketplace for enterprises and are predominantly in Malaysia as its foreign subsidiaries have not commenced operations.

**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 below and in Note A11 and B8, there were no other material events subsequent to the end of the current quarter:-

- (a) An additional 508,254 new ordinary shares of RM0.10 each issued pursuant to asiaEP's employees' share option scheme was allotted and granted listing and quotation on 4 January 2007 and 17 January 2007 respectively.
- (b) Defined Search Sdn Bhd, a wholly-owned subsidiary of the Company, was granted MSC-Status and Pioneer Status under Section 4A of the Promotion of Investments (Amendment) Act, 1997, by Multimedia Development Corporation Sdn Bhd ("MDeC") vide MDeC's letter dated 17 January 2007, which was accepted by Defined Search Sdn Bhd on 18 January 2007.
- (c) On 18 January 2007, Koh Jee Kuan had tendered his resignation as Non-Independent and Non-Executive Director of the Company.

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### A11. CHANGES IN COMPOSITION OF THE GROUP

On 30 November 2006, the Company established a wholly-owned subsidiary, asiaEP eMarketplace Sdn Bhd, whose principal activities are to provide e-commerce solutions and emarketplace platform for both local and international enterprises. asiaEP eMarketplace Sdn Bhd was set up with an authorised and issued share capital of 100,000 and 2 ordinary shares of RM1.00 each.

On 4 December 2006, the Company established a wholly-owned subsidiary, Defined Search Sdn Bhd, whose principal activity is to provide internet search engine services. Defined Search Sdn Bhd was set up with an authorised and issued share capital of 100,000 and 2 ordinary shares of RM1.00 each.

On 6 December 2006, the Company established a wholly-owned subsidiary, ExportMate Sdn Bhd, whose principal activity is to provide on-line marketing solutions for exporter to penetrate global trading markets. ExportMate Sdn Bhd was set up with an authorised and issued share capital of 100,000 and 2 ordinary shares of RM1.00 each.

As at the date of this report, these subsidiaries have not commenced operations.

In addition to the above, the Company had on 30 January 2007 announced that the solicitors of asiaEP (on behalf of asiaEP) had on 30 January 2007 issued a notice of termination in relation to the acquisition of the entire issued and paid-up share capital of Conversant Solutions Pte Ltd ("**Conversant**") and shall institute legal proceedings against the vendor of Conversant, Mr Cheong Kong Wai (the "**Vendor**") for breach of contract committed. Due to the unresolved status of the aforementioned and for prudent accounting treatment, the financial results of Conversant has not been consolidated into the financial results of the Company for the quarter ended 30 November 2006 pending the resolution of the termination of the share sale agreement, notwithstanding that the acquisition has been completed upon the transfer of the entire issued and paid-up share capital of Conversant to asiaEP.

### 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 30 November 2006.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

### B1. REVIEW OF RESULTS FOR THE QUARTER ENDED 30 NOVEMBER 2006

The Group recorded a consolidated profit after taxation of RM3.074 million on the back of revenue of RM7.815 million for the current financial year-to-date ended 30 November 2006, whilst during the corresponding period of the preceding year ended 30 November 2005, the Group achieved a consolidated profit after taxation of RM3.055 million and revenue of RM8.953 million. Profit after tax for the current financial year-to-date ended 30 November 2006 improved by 0.62% when compared to the previous financial year-to-date ended 30 November 2005 whilst revenue for the current financial year-to-date ended 30 November 2006 had decreased by 12.71% when compared to the previous financial year-to-date ended 30 November 2005.

However, gross profit margin of the Group for the current financial-year-to-date 30 November 2006 of 87.66% improved by 3.50 percentage points from 84.16% in the previous financial-year-to-date 30 November 2005. Similarly, profit before taxation margin of the Group for the current financial-year-to-date 30 November 2006 of 39.41% improved by 5.08 percentage points from 34.33% in the previous financial-year-to-date 30 November 2005. This is mainly due to asiaEP adopting a new on-line business model in the second quarter of the financial year ending 28 February 2007 which offers new services of on-line e-commerce solutions compared to its previous offer of basic e-commerce solutions to enterprises both locally and internationally. These solutions have very low cost of service and administrative expenses thus enhancing the Group's profit before tax despite the decrease in revenue.

The decrease in revenue during the current financial year-to-date ended 30 November 2006 from 30 November 2005 were mainly attributable to cheaper alternative online e-commerce services offered by asiaEP, thus resulting in existing customers shifting to its new online solutions.

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

The Group's profit before taxation of RM1.065 million remains consistent with the preceding quarter's profit before taxation of RM1.109 million, showing a slight decrease of 3.97%.

The slight decrease in profit before taxation during the current quarter ended 30 November 2006 was mainly attributable to the decrease in revenue by approximately 17.69% when compared to the previous quarter's revenue of approximately RM2.73 million.

Despite the decrease in revenue during the current quarter, asiaEP's gross profit margin of approximately 93.01% improved by approximately 5.83 percentage points when compared to the gross profit margin of its previous quarter of 87.18%. Similarly, the profit before tax margin of asiaEP improved by 6.78 percentage points from 40.62% in the preceding quarter to 47.40% in the current quarter.

The improvement in gross profit margin and profit before tax margin during the current quarter under review are mainly due to asiaEP adopting a new on-line business model in the second quarter of the financial year ending 28 February 2007 which offer new services of on-line e-commerce solutions. These solutions have very low cost of service and administration expenses thus enhancing the Group's profit before tax despite the decrease in revenue.

### B3. CURRENT YEAR PROSPECTS

For the nine months period ended 30 November 2006, asiaEP's profit after taxation has exceeded its audited profit after taxation of approximately RM3.05 million for the financial year ended 28 February 2006.

Going forward, the Group will continue its efforts in carrying out its key business activities, namely, provision of ebusiness solutions and eMarketplace platform application for both local and international enterprises and to further enhance the reach of the Group's sales network.

With the implementation of the Ninth Malaysian Plan as well as the Malaysian Third Industrial Master Plan, the Board of Directors of asiaEP ("**Board**") are of the opinion that the outlook of the Information and Communication Technology industry is expected to be favourable and encouraging to asiaEP Group's business.

Premised on the above and barring any unforeseen circumstances, the Board expects the financial performance of the Group to be satisfactory for financial year ending 28 February 2007.

### 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.

### 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.



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### 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 ("**asiaEP Shares**"), representing up to approximately 10% of the issued and paid-up share capital of asiaEP Bhd ("**Proposed Private Placement**").

On 1 November 2006 and 2 November 2006, the Company announced that the Proposed Private Placement has been approved by Securities Commission and Foreign Investment Committee respectively on 31 October 2006.

On 10 November 2006, the Company announced that Bursa Malaysia had, vide its letter dated 8 November 2006, given its approval-in-principle for the listing and quotation.

On 28 December 2006, the Company announced that the issue price for the first tranche placement of 10,000,000 new ordinary shares of RM0.10 each ("**Placement Shares**") at RM0.21 per Placement Share.

As at the date of this report, the Company had placed out 10,000,000 placement shares out of 20,000,000 asiaEP Shares. The 10,000,000 placement shares were allotted on 8 January 2007 and granted listing and quotation on 19 January 2007.

#### **Proposed Acquisition of Conversant**

On 21 September 2006, the Company announced that the Proposed Acquisition of Conversant was duly completed. Following the aforesaid announcement, the Board of Directors of asiaEP had resolved on 26 January 2007 to terminate the sale of shares agreement dated 7 October 2005 between asiaEP and the Vendor ("**SSA**") by way of notice and to institute legal proceedings against the Vendor. On 30 January 2007, the Company announced that the solicitors of asiaEP (on behalf of asiaEP) had on 30 January 2007 issued a notice of termination of SSA in relation to the acquisition of the entire issued and paid-up share capital of Conversant and shall institute legal proceedings against the Vendor for breach of contract.

#### **Proposed Share Buy-Back of up to 10% of asiaEP's ordinary share capital**

On 24 January 2007, the Company announced that the Company proposes to seek shareholders' approval at an extraordinary general meeting ("**EGM**") to be convened for the proposed share buy-back from the open market of up to 10% of the Company's issued and paid-up ordinary share capital at any point in time through Bursa Malaysia.

### B9. BORROWING AND DEBT SECURITIES

The Company does not have any borrowings and debt securities as at 30 November 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.

### Quarterly report

Quarterly report on results for the third quarter ended 30th November 2006.  
The figures have not been audited.

- (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

|      |   | Quarter ended     |                   |
|------|---|-------------------|-------------------|
|      |   | <u>30.11.2006</u> | <u>31.08.2006</u> |
| (a)  | <b>Basic earnings per share</b>   |                   |                   |
|      | Net profit / (loss) for the period (RM'000)   | 1,063             | 1,107             |
|      | 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   | <u>338</u>        | <u>192</u>        |
|      |   | <b>200,338</b>    | <b>200,192</b>    |
|      | Basic earnings / (loss) per share (sen)   | 0.53              | 0.55              |
| (b)  | <b>Diluted earnings per share</b>   |                   |                   |
|      | Net profit for the period (RM'000)  | 1,063             | 1,107             |
|      | Weighted average number of ordinary shares for the purpose of basic earnings per share computation ('000) | 200,338           | 200,045           |
| Add: | adjustment for ESOS Option ('000)   | <u>3,753</u>      | <u>1,733</u>      |
|      | Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)           | <u>204,091</u>    | <u>201,778</u>    |
|      | Diluted earnings per share (sen)  | 0.52              | 0.55              |

### Quarterly report

Quarterly report on results for the third quarter ended 30th November 2006.  
The figures have not been audited.

#### B13. UTILISATION OF PROCEEDS

- (a) As at 30 November 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           | Intended time frame |                    |
|--------------------------------------|-------------------|--------------------|-------|------------------|---------------------|--------------------|
|                                      | Amount            | RM                 | %     | Amount           | RM                  | %                  |
| Capital expenditure                  | 4,200,000         | 4,200,000          | 100.0 | -                | -                   | 0.00%              |
| Working Capital                      | 5,200,000         | 5,200,000          | 100.0 | -                | -                   | 0.00%              |
| (N1) Investment in foreign countries | 5,000,000         | 3,400,019          | 68.0  | 1,599,981        | 32.00%              | By 15 October 2006 |
| R & D expenses                       | 1,500,000         | 1,500,000          | 100.0 | -                | -                   | 0.00%              |
| (N2) Listing expenses                | 1,300,000         | 1,398,995          | 107.6 | (98,995)         | -7.62%              |                    |
| Repayment of borrowings              | 800,000           | 800,000            | 100.0 | -                | -                   | 0.00%              |
|                                      | <u>18,000,000</u> | <u>16,499,014</u>  | 91.7  | <u>1,500,986</u> | <u>8.34%</u>        |                    |

Notes

- (N1) *The Securities Commission ("SC") had vide its letter dated 20 January 2006, approved the Company's application for extension of time up to 15 October 2006 to completely utilise the listing proceeds allocated for investment in foreign countries.*

*The intended utilisation of the remaining unused proceeds was initially earmarked for part settlement of the acquisition of Conversant. However, on 30 January 2007, the Company had announced that asiaEP's solicitors (Messrs Kadir, Andri & Partners ("Kadir Andri")) had on the same date issued a notice of termination of the SSA and Kadir Andri, on behalf of asiaEP, shall institute legal proceedings against the Vendor for breach of contract.*

*Hence the Company will endeavour to seek the approval of the SC for a further extension of time to complete the utilisation of the unused proceeds for its other investment in foreign countries.*

- (N2) *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.*

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

All the proceeds raised amounting to RM668,614 by the Company from the Rights Issue have been fully utilised as at the end of the 3rd quarter of the financial year ending 28 February 2007.

- (c) Proceeds from the private placement of first tranche 10,000,000 placement shares issued at RM0.21 per asiaEP Share allotted on 8 January 2007.

| Purpose         | Amount raised (RM'000) | Amount utilised (RM'000) | Balance (RM'000) |
|-----------------|------------------------|--------------------------|------------------|
| Working capital | 2,100                  | 44                       | 2,056            |

#### BY ORDER OF THE BOARD OF DIRECTORS OF ASIAEP

Lee Suet Hong

Director

Selangor

Dated: 31 January 2006