



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

Quarterly report

Quarterly report on results for the second quarter ended 31st August 2007.
The figures have not been audited.

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER 31.08.2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 28.2.2007 (Restated) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	27,906	19,692
Prepaid land lease payment	482	485
Intangible Assets	28,745	26,094
	57,133	46,271
Current Assets		
Trade Receivables	2,469	4,973
Other Receivables, Deposits and Prepayments	45	147
Short term investment	5,003	-
Cash and Bank Balances	4,773	5,318
	12,290	10,438
TOTAL ASSETS	69,423	56,709
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital		
Ordinary shares of RM0.10 each	24,531	21,707
Reserves		
Share Premium	20,459	15,917
Warrant Reserve	318	446
Translation Reserve	(106)	(112)
Other Reserve	-	210
Retained Profits	23,244	18,162
	68,446	56,330
Minority Interest	-	-
Total Equity	68,446	56,330
Non Current Liabilities		
Hire Purchase Liabilities	47	67
	47	67
Current Liabilities		
Trade Payables	249	24
Other Payables and Accruals	642	247
Hire Purchase Liabilities	39	39
Tax Payable	-	2
	930	312
Total Liabilities	977	379
TOTAL EQUITY AND LIABILITIES	69,423	56,709
Net assets per share (RM)	0.2790	0.2595

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 28 February 2007 and the accompanying explanatory notes attached to this report.

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CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-08-2007 RM '000	Preceding Yr Corresponding Quarter 31-08-2006 RM '000	Current Year To Date 31-08-2007 RM '000	Preceding Yr Corresponding Yr To Date 31-08-2006 RM '000
Revenue	4,432	2,730	8,643	5,568
Cost of services	(428)	(350)	(971)	(807)
Gross profit	4,004	2,380	7,672	4,761
Other income	5	10	6	18
Administration expenses	(782)	(701)	(1,538)	(1,640)
Depreciation and amortisation	(529)	(578)	(1,052)	(1,119)
Profit from operations	2,698	1,111	5,088	2,020
Finance costs	(1)	(2)	(3)	(4)
Profit before tax	2,697	1,109	5,085	2,016
Taxation	(2)	(2)	(3)	(4)
Profit after tax	2,695	1,107	5,082	2,012
Minority interests	-	-	-	-
Net profit for the period/year	2,695	1,107	5,082	2,012
Profit for the period attributable to:				
Equity holders of the parent	2,695	1,107	5,082	2,012
Minority Interest	-	-	-	-
	2,695	1,107	5,082	2,012
Earnings per share (sen) :				
- basic	1.21	0.55	2.28	1.01
- diluted	1.06	0.55	2.00	0.99

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 28 February 2007 and the accompanying explanatory notes attached to this report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 AUGUST 2007

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
6 months ended 31 August 2007							
As previously stated							
As at 1 March 2007	21,707	15,917	446	(112)	210	18,162	56,330
<u>Issue of ordinary shares:</u>							
Warrant conversion	1,914	3,956	(128)	-	-	-	5,742
ESOS	910	319	-	-	-	-	1,229
Reversal of ESOS Reserve	-	267	-	-	(267)	-	-
ESOS expenses	-	-	-	-	57	-	57
Foreign currency translation difference	-	-	-	6	-	-	6
Net profit for the period	-	-	-	-	-	5,082	5,082
As at 31 August 2007	24,531	20,459	318	(106)	-	23,244	68,446
6 months ended 31 August 2006							
As at 1 March 2006	20,000	14,462	-	(20)	-	13,055	47,497
Prior year adjustments -effects of adopting FRS 2	-	-	-	-	58	(58)	-
Share based payment under ESOS 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	20,058	14,561	446	(41)	110	15,009	50,143

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2007 and the accompanying explanatory notes attached to this report.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 MARCH 2007 TO 31 AUGUST 2007

	1.03.2007 to	1.03.2006 to
	31.08.2007	31.08.2006
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,085	2,016
Adjustments for:		
Amortisation of development costs	174	174
Amortisation of Intellectual Property	424	386
Amortisation of prepaid land lease payments	2	-
Currency realignment	6	(21)
Depreciation	454	559
Interest expense	3	4
Interest income	(6)	(18)
Loss on disposal of furnitures & fittings	-	3
Share based payment under ESOS	57	130
Operating profit before working capital changes	<u>6,199</u>	<u>3,233</u>
Changes in working capital:		
Trade and other receivables	2,606	1,819
Trade and other payables	620	602
Cash generated from operations	<u>9,425</u>	<u>5,654</u>
Development cost paid	(799)	(1,919)
Tax paid	(3)	-
Net cash generated from operating activities	<u>8,623</u>	<u>3,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6	18
Proceeds from disposal of furniture & fittings	-	1
Purchase of property, plant and equipment	(11,119)	(6,193)
Net cash used in investing activities	<u>(11,113)</u>	<u>(6,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3)	(4)
Proceeds from conversion of warrant to shares	5,742	-
Proceeds from issuance of warrants	-	446
Proceeds from issuance of shares	1,229	78
Repayment of hire purchase liabilities	(20)	(20)
Net cash generated from financing activities	<u>6,948</u>	<u>500</u>
Net increase/(decrease) in cash and cash equivalents	4,458	(1,939)
Cash and cash equivalents at beginning of financial period	5,318	6,285
Cash and cash equivalents at end of financial period	<u>9,776</u>	<u>4,346</u>
Cash and cash equivalents comprise		
Short term investment	5,003	1,001
Cash and bank balances	4,773	3,345
	<u>9,776</u>	<u>4,346</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited statements for the financial year ended 28 February 2007 and the accompanying explanatory notes attached to this report.

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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 the MESDAQ Market and should be read in conjunction with the audited statutory financial statements presented for the financial year ended 28 February 2007.

The interim financial statements have been prepared under the historical cost convention and 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 2007, except for the adoption of the following new and revised FRS which are effective for the financial period beginning on or after 1 October 2006:

FRS 117: Leases
FRS 124: Related Party Disclosures

FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 are discussed below:

FRS 117 Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 March 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 March 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed below, certain comparative amounts as at 28 February 2007 have been restated.

Comparative Figures

The following comparative figures of the Consolidated Balance Sheet as at 28 February 2007 have been restated for the effects of adopting the above changes in accounting policies :-

	As previously reported	Reclassification arising from adoption of FRS 117	As restated
Prepaid land lease payments	-	485	485
Property, plant and equipment	20,177	(485)	19,692

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 28 February 2007 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.

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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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date ended 31 August 2007 except the following:

a) The issuance of 19,142,000 new ordinary shares pursuant to the exercise of asiaEP warrants at the exercise price of RM0.30 per asiaEP Share.

b) The issuance of 9,102,314 new ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at exercise price of RM0.135 per ordinary share.

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

There were no material events subsequent to the end of the current quarter.

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 2007.

A13. CAPITAL COMMITMENTS

There were no capital commitments in the interim financial statements as at 31 August 2007.



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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. REVIEW OF RESULTS FOR THE QUARTER ENDED 31 AUGUST 2007

The Group recorded a consolidated profit after taxation of approximately RM2.695 million on the back of revenue of approximately RM4.432 million for the current quarter ended 31 August 2007, whilst during the corresponding period of the preceding year ended 31 August 2006, the Group achieved a consolidated profit after taxation of approximately RM1.107 million and revenue of approximately RM2.730 million. Profit after tax for the current quarter ended 31 August 2007 improved by approximately 143.45% year to year whilst revenue for the current quarter ended 31 August 2007 increased by approximately 62.34% year to year.

The significant improvement of the Group's profitability as compared to the corresponding period of the preceding financial year end is due to an improvement of PBT margin. PBT margin of the Group for the current quarter ended 31 August 2007 of approximately 60.81% improved by approximately 20.26 percentage points from approximately 40.55% the previous corresponding period ended 31 August 2006. The improvement in PBT margin is mainly due to asiaEP's implementation of a new on-line business model since the second financial quarter of the FYE 28 February 2007 which offers new services of on-line e-commerce solutions as opposed 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.

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

The Group recorded a consolidated revenue of approximately RM4.432 million for the 2nd quarter ended 31 August 2007, representing an increase of approximately 5.25% from the consolidated revenue recorded in the immediate preceding 1st quarter ended 31 May 2007 of approximately RM4.211 million. In line with improvement in revenue, the Group's PBT of approximately RM2.697 million rose by 12.94% as compared to the PBT recorded in the previous quarter ended 31 May 2007 of approximately RM2.388 million.

The improvement in the revenue and profitability of the Group during the current quarter ended 31 August 2007 from the previous quarter is mainly attributable to further expansion of customer base of its new on-line business solutions, as elaborated in Note B1.

B3. CURRENT YEAR PROSPECTS

Going forward, the Group's new on-line business models and B2B ITAH Business Search Engine are expected to contribute positively to the performance and profitability of the asiaEP Group. Despite the success and positive contribution of the Group's online business models, the Group is determined to chart consistent growth for the coming years by establishing a solid foundation in the provision of ebusiness solutions and eMarketplace platform application for both local and international enterprises and by further enhancing the reach of the Group's sales network.

The Company had on 28 August 2007, entered into an agreement with ExpressAsia Artificial Intelligence R&D Sdn Bhd ("EA") that grants the Company the non-exclusive right to market and promote Web Enabled Business Systems™, a web based supply chain management solution owned by EA.

Barring any unforeseen circumstances, the Group is well-positioned to continue to achieve positive growth this year and the Board expects the financial performance of the Group to be promising for financial year ending 28 February 2008.

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 up to March 2008 to its tax-free status for the Company.

Notwithstanding the Company's MSC Status, on 18 January 2007, Defined Search Sdn Bhd ("DSSB"), a wholly owned subsidiary of the Company was granted MSC Status. Due to the above, DSSB would be able to enjoy tax free status that is renewable up to January 2017.

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.



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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 ("**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.

The SC had on 25 April 2007 approved the Company's application for an extension of time up to 31 October 2007 to place out the remaining 10,000,000 asiaEP Shares.

Proposed Acquisition of General Perfect Sdn Bhd

On 23 July 2007, the Company announced its proposed acquisition of 800,000 ordinary share of RM1 each in General Perfect Sdn Bhd ("GP") representing 80% equity interest therein for a total cash consideration of RM23.2 million from its registered owners, Mr. Liang Chee Wah and Mr. Liang Chee Hoo ("**Proposed Acquisition of GP**").

On 24 September 2007, the Company announced that on 22 September 2007 the Company and the Vendors had mutually agreed to extend the time for execution of the Acquisition Agreement for another sixty (60) days from 22 September 2007 or such other date to be mutually agreed upon in writing by the parties.

B9. BORROWING AND DEBT SECURITIES

The Company does not have any borrowings and debt securities as at 31 August 2007, 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.



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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) & asiaEP Berhad

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.

The matter has been amicably settled out of court. A Notice of Discontinuance of the suit against the Company, with no liberty to file afresh and with no order as to costs, has been filed by the Plaintiff's solicitors on 12 July 2007.

Consequently, the Notice of Appeal filed by the Petitioner (to appeal against the decision of the learned Judge in allowing the 1st Respondent's application inter alia for an order that the Petitioner surrenders all documents and accounting and other records and assets belonging to the 1st Respondent) and the Notice of Appeal filed by the Company (to appeal against the decision of the learned Judge in allowing the Petitioner's application to join the Company as the 6th Respondent) are also withdrawn without liberty to file afresh and with no order as to costs.

- (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.

The matter has been amicably settled out of court. A Notice of Discontinuance of the suit against the Company, with no liberty to file afresh and with no order as to costs, has been filed by the Plaintiff's solicitors on 12 July 2007.

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B12. EARNINGS PER SHARE

(a) **Basic earnings per share**

		Quarter ended	
		<u>31.08.2007</u>	<u>31.05.2007</u>
Net profit / (loss) for the period	(RM'000)	2,695	2,387
Weighted average number of ordinary shares for the purpose of basic earnings per share computation	('000)	217,074	217,074
New shares issue pursuant to Warrant exercise		3,513	142
New shares issue pursuant to ESOS		2,603	1,140
New shares issued pursuant to private placement		-	-
		<u>223,190</u>	<u>218,356</u>
Basic earnings / (loss) per share	(sen)	1.21	1.09

(b) **Diluted earnings per share**

		Quarter ended	
		<u>31.08.2007</u>	<u>31.05.2007</u>
Net profit for the period	(RM'000)	2,695	2,387
Weighted average number of ordinary shares for the purpose of basic earnings per share computation	('000)	223,190	218,356
Add: Adjustment for share options	('000)	-	13,662
Adjustment for warrants		<u>31,093</u>	<u>41,927</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	('000)	<u>254,283</u>	273,945
Diluted earnings per share	(sen)	1.06	0.87

B13. UTILISATION OF PROCEEDS

As at 31 August 2007, the Company has fully utilised the proceeds raised from all its fund raising activities.

BY ORDER OF THE BOARD OF DIRECTORS OF ASIAEP

Lee Suet Hong
Director
Selangor
Dated: 29 October 2007