

**asiaEP Berhad (“asiaEP” or “the Company”)
Research Report
31 August 2005**

Financial Highlights

	Financial year ended 28/29 February					6 months ended 31 August 2005 RM'000
	2001 Audited RM'000	2002 Audited RM'000	2003 Audited RM'000	2004 Audited RM'000	2005 Unaudited RM'000	
Turnover	4,247	5,248	7,002	8,431	10,304	6,602
Profit before Tax (“PBT”)	959	1,483	2,433	2,630	2,466	2,269
Profit after Tax (“PAT”)	959	1,483	2,433	2,630	2,466	2,269

Turnover and PAT

For the 6-month period ended 31 August 2005, the Company achieved a turnover and PAT of approximately RM6.602 million and RM2.269 million respectively. The turnover and PAT recorded for the 6 months ended 31 August 2005 are approximately 25.3% and 5.9% higher than the turnover and PAT recorded for the same period in the preceding year respectively.

Utilization of Proceeds

Purpose	Proposed Utilisation RM	Actual Utilisation		Unutilised amount RM
		RM	%	
Capital expenditure	4,200,000	3,763,794	89.61%	436,206
Working Capital	5,200,000	4,876,369	93.78%	323,631
Investment in foreign countries	5,000,000	514,000	10.28%	4,486,000
R&D expenses	1,500,000	1,443,328	96.22%	56,672
Listing expenses	1,300,000	1,398,995	107.62%	(98,995)
Repayment of borrowings	800,000	788,842	98.61%	11,158
TOTAL	18,000,000	12,785,328	71.03	5,214,672

As at 28 February 2005, the Company had utilized approximately 71.03% of the proceeds raised from its Initial Public Offering ("**IPO**") in January 2004.

The actual total listing expenses was at approximately RM1.72 million where the Company utilized only approximately RM1.399 million out of the listing proceeds to pay for the listing expenses. The balance of the listing expenses were settled through the use of internally generated funds.

On 8 December 2004, the Company announced the incorporation of a new wholly-owned subsidiary, AsiaEP China Co., Ltd. The amount utilized for investment in foreign countries of RM514,000 is in respect of the incorporation expenses of AsiaEP China Co., Ltd.

The IPO proceeds were received by the Company in late January 2004 and the Company expects to fully utilize the said proceeds by 2006.

Future Prospects

There is no change in the principal activity of the Company since the date of the last research report, being the provision of a comprehensive range of Internet and advertising related services. The prospect of the Company is dependent on the growth of the Information and Communication Technology ("ICT") industry.

Through Budget 2006, the Government aims to strengthen the ICT field via the development of the outsourcing and shared services sectors. Among the proposals that received strong industry reactions was the establishment of an ICT Development Institute as well as the proposal that pioneer status of 50% income tax exemption for five years or investment tax allowance of 50% be given to Multimedia Development Corporation ("MDC") endorsed companies operating outside the cybercities.

Through Budget 2006, the Government also encourage Malaysian ICT companies to grow and penetrate global markets. MDC will work together with Permodalan Nasional Berhad (PNB) and Khazanah to identify and match leading MSC status companies with suitable Government Linked Companies ("GLCs") to test their products. These GLCs will become reference sites to showcase the products of MSC-status companies when marketing to prospective customers globally.

On 7 October 2005, the Company announced its proposed acquisition of the entire issued and paid-up capital of Conversant Solutions Pte Ltd for a total consideration of RM9.9 million ("Proposed Acquisition"). The Directors are of the view that the Proposed Acquisition is a complementary acquisition as Conversant Solutions Pte Ltd is involved in a similar business as AsiaEP, with similar customer profile, namely small-medium enterprises, which will provide a wider and immediate customer base for AsiaEP in Singapore. Furthermore, the Proposed Acquisition will also provide AsiaEP with an opportunity to expand its reach into a new foreign market as well as widen its service offerings from eMarketplace to also include portal based hosted messaging, online storage, calendaring, email anti-virus and anti-spam. These portal based solutions coupled together with AsiaEP's existing products provide a larger scope for AsiaEP to be a leading online service provider.

The Company had also on 23 August 2005 and 10 October 2004 announced the renounceable rights issue of up to 82,777,778 new warrants on the basis of one (1) warrant for every three (3) existing ordinary shares of RM0.10 each in AsiaEP held on an entitlement date to be determined later. The proceeds to be received in the future through the exercise of Warrants will be utilised for future working capital and/or future business expansion of the asiaEP Group.