EP Manufacturing Bhd.

(Company No.390116-T)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2002

Principal place of business
No. 8 & 10 Jalan Jurutera U1/23
Seksyen U1
Kawasan Perindustrian Hicom Glenmarie
40150 Shah Alam
Selangor Darul Ehsan

EP Manufacturing Bhd.
(Company No.390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2002

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2002.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net loss for the year	(21,857)	(870)
	=====	=====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 3.5% less tax totalling RM1,005,480 in respect of the year ended 31 December 2001 on 27 September 2002.

The final dividend recommended by the Directors in respect of the year ended 31 December 2002 is 3.5 % less tax totalling RM1,044,792.

Directors of the Company

Directors who served since the date of the last report are:

Hamidon bin Abdullah
Goh Chyin Tar
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin
Shaari bin Haron
Linden Hamidon Nee Fong
Hew Voon Foo

Company No. 390116-T

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2002	**Bought**	**Sold**	**At 31.12.2002**
Shareholdings in which Directors have direct interest				
Interest in EP Manufacturing Bhd.:				
Hamidon bin Abdullah	6,021,733	-	-	6,021,733
Linden Hamidon Nee Fong	1,226,967	-	-	1,226,967
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin in	50,000	-	-	50,000
Shaari bin Haron	10,000	10,000	-	20,000
Shareholdings in which Directors have deemed interest				
Hamidon bin Abdullah				
- deemed interest*	14,345,465	-	-	14,345,465
- deemed interest**	1,226,967	-	-	1,226,967
Linden Hamidon Nee Fong				
- deemed interest**	20,367,198	-	-	20,367,198

* Deemed interested by virtue of his substantial shareholding in EP Properties (M) Sdn Bhd, the registered owner of the shares in the Company.

** Deemed interest in each others' shareholdings by virtue of their spousal relationship.

None of the other Directors holding office at 31 December 2002 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except as disclosed below:

Hamidon bin Abdullah ("Hamidon") granted a put option to EP Manufacturing Bhd. ("EPMB") whereby EPMB can exercise the right to require Hamidon to purchase Fundwin Sdn Bhd's ("Fundwin"), a wholly owned subsidiary, Irredeemable Convertible Preference Share ("ICPS") and Ordinary Shares (collectively referred to as "Option Shares") from EPMB free from all liens, charges and other encumbrances based on an aggregate consideration to be calculated as follows ("Option Price"):

(i) RM8,490,000 together with interest at eight per centum (8%) per annum calculated from the date of subscription of the ICPS on 27 December 1997 until the date of the payment in full of the Option Price;

(ii) RM1,000 together with interest at eight per centum (8%) per annum calculated from 28 December 1999, being the date of the acquisition of the Ordinary Shares, until the date of the payment in full of the Option Price;

(iii) less any dividends that have been declared and paid by the said subsidiary to EPMB; and

(iv) Hamidon shall also be entitled to a contingent consideration based on 3.8% of the turnover of Fundwin for each of the five (5) financial years ending 31 December 2004 ("Contingent Consideration"). However, the Contingent Consideration is only payable by the Company to Hamidon in a particular financial year if Fundwin achieves an audited profit after taxation of not less than RM5,000,000 for that particular financial year. In the event Fundwin does not achieve the required profit for any applicable financial years, Hamidon's entitlement to the Contingent Consideration for that financial year shall lapse.

EPMB may put to Hamidon to acquire the Option Shares at the Option Price in the event the audited profit after taxation of the subsidiary as certified by the subsidiary's auditors is less than RM5,000,000 for each of the three (3) financial years ending 31 December 2002. The put option is exercisable by EPMB at any time during a period of three (3) months commencing from the date of receipt by EPMB of the auditors' certificate for the said subsidiary for that applicable financial year.

Upon exercise of the put option, Hamidon will be required to purchase or cause to be purchased from EPMB at the Option Price, the Option Shares free from all liens, charges and other encumbrances and with all rights attaching thereto within seven (7) days from the date of the exercise of the put option.

The acquisition of the Options Shares and the put option thereof were approved by the shareholders on 28 June 2000. At the date of this report, the Board of Directors has not exercised the put option. The Board of Directors has decided to extend the put option for an additional two years and are in the process of finalising the supplementary agreement with Hamidon.

Issue of shares and debentures

During the financial year, the Company issued 1,560,000 ordinary shares of RM1.00 each via a private placement at par for cash for working capital purpose.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

At an Extraordinary General Meeting held in June 2002, the Company's shareholders approved the establishment of an employees' share option scheme ("ESOS") of not more than 10% of the issued share capital of the Company or 4,146,000 new ordinary shares, whichever is the higher, to eligible Directors and employees of the Group. At the date of this report, no options have been granted to any person pursuant to the ESOS.

The salient features of the scheme are as follows:

i) Eligible employees are those who have been confirmed in writing as employees of the Group at the date of the offer and have attained the age of eighteen years.

ii) The option is personal to the grantee and is non-assignable.

iii) The option price shall be determined by the weighted average market quotation of the Company's ordinary shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the respective dates of the offer with an allowance for a discount of not more than ten percent (10%) at the Option Committee's discretion or at the par value of the ordinary shares of the Company, whichever is higher.

iv) The options granted may be exercised at any time within a period of 5 years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.

v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Event subsequent to the balance sheet date

The shareholders of the Company had approved the following proposals at the Extraordinary General Meeting of the Company in February 2003. The proposals have also been approved by the Securities Commission.

a) The proposed acquisition of:

   (i) 79.5% equity interest in the issued and paid-up share capital of PEPS-JV (M) Sdn Bhd ("PEPS-JV") from Mutual Concept Sdn Bhd ("Mutual Concept"), a company where the controlling shareholder and a Director of the Company, Hamidon bin Abdullah has an interest, for a purchase consideration of up to RM105,000,000 to be satisfied by a combination of cash payment of RM10,500,000 and the issuance of up to 189,000,000 Irredeemable Convertible Unsecured Preference Shares of RM0.10 each in EP Manufacturing Bhd. ("EPMB ICUPS") at an issue price of RM0.50 per EPMB ICUPS; and

   (ii) 30,000,000 Redeemable Convertible Secured Preference Shares of RM1.00 each in PEPS-JV ("PEPS-JV RCSPS") from Securita ABS ONE Berhad ("Securita"), a special purpose vehicle of Pengurusan Danaharta Nasional Berhad for a purchase consideration of RM30,000,000 to be satisfied through the issuance of 60,000,000 Redeemable Convertible Secured Preference Shares of RM0.10 each in EPMB ("EPMB RCSPS") at an issue price of RM0.50 per EPMB RCSPS.

b) The proposed rights issue of up to 21,945,000 new warrants in EPMB ("EPMB Warrants") on the basis of one (1) new EPMB Warrant for every two (2) ordinary shares of RM1.00 each in EPMB ("EPMB Shares") held at an issue price to be determined later.

c) The proposed renounceable offer for sale of up to 94,500,000 EPMB ICUPS by Mutual Concept to the shareholders of EPMB at a maximum offer price of RM0.50 per EPMB ICUPS, payable in full upon acceptance, on a basis and a date to be determined and announced later.

d) The proposed renounceable offer for sale of up to 60,000,000 EPMB RCSPS by Securita to the shareholders of EPMB at an offer price of RM0.50 per EPMB RCSPS, payable in full upon acceptance, on a basis and date to be determined and announced later.

e) The proposed increase in the authorised share capital of EPMB from RM95,000,000 comprising 95,000,000 EPMB shares to RM500,000,000 comprising 470,000,000 EPMB shares, 200,000,000 EPMB ICUPS AND 100,000,000 EPMB RCSPS.

f) The proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the proposed acquisition of PEPS-JV and the proposed capital increase.

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in Note 15 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 390116-T

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Hamidon bin Abdullah

…………………………………………………………
Goh Chyin Tar

Kuala Lumpur,

Date:

EP Manufacturing Bhd.
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Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 12 to 51, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Hamidon bin Abdullah

…………………………………………………………
Goh Chyin Tar

Kuala Lumpur,

Date:

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Too Kok Thai, the officer primarily responsible for the financial management of EP Manufacturing Bhd., do solemnly and sincerely declare that the financial statements set out on pages 12 to 51, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on …………………………………………..

……………………………….

Too Kok Thai

Before me:

Report of the auditors to the members of EP Manufacturing Bhd.

(Company No.390116-T)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 12 to 51. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

    i) the state of affairs of the Group and of the Company at 31 December 2002 and the results of their operations and cash flows for the year ended on that date; and

    ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Company No. 390116-T

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

The financial statements of the Group and of the Company for the year ended 31 December 2001 were audited by another firm of chartered accountants whose report dated 29 April 2002 expressed an unmodified opinion.

KPMG
Firm Number: AF 0758
Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang
Partner
Approval Number: 2012/11/04 (J)

Kuala Lumpur,

Date:

EP Manufacturing Bhd.
(Company No.390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Balance sheets at 31 December 2002

	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Property, plant and equipment	2	55,327	56,410	44,390	46,709
Investments in subsidiaries	3	-	-	32,458	33,848
Other investments	4	13	38	-	-
Intangible assets	5	9,987	19,821	-	-
		65,327	76,269	76,848	80,557
Current assets					
Inventories	6	13,445	17,423	-	-
Trade and other receivables	7	41,291	40,199	15,018	5,499
Tax recoverable		10	-	-	-
Cash and cash equivalents	8	7,362	11,191	2,929	1,030
		62,108	68,813	17,947	6,529
Current liabilities					
Trade and other payables	9	30,149	26,589	30,618	23,076
Borrowings	10	40,756	38,573	-	-
Taxation		1,534	851	561	184
Provision for warranties	11	918	1,270	-	-
		73,357	67,283	31,179	23,260
Net current (liabilities)/assets		(11,249)	1,530	(13,232)	(16,731)
		54,078	77,799	63,616	63,826

Company No. 390116-T

Balance sheets at 31 December 2002

(continued)

	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Financed by:					
Capital and reserves					
Share capital	12	41,460	39,900	41,460	39,900
Reserves	13	(1,732)	22,069	21,263	23,138
Shareholders' funds		39,728	61,969	62,723	63,038
Negative goodwill		7,710	7,710	-	-
Long term and deferred liabilities					
Borrowings	10	5,747	7,332	-	-
Deferred taxation	14	893	788	893	788
		6,640	8,120	893	788
		54,078	77,799	63,616	63,826

The financial statements were approved and authorised for issue by the Board of Directors on ________________.

The notes set out on pages 20 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.
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Income statements for the year ended 31 December 2002

	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Revenue – manufacturing		106,069	94,087	-	-
– services rendered		955	243	-	-
– dividend income (tax exempt)		-	-	14,500	-
– rental income		-	-	2,655	2,655
		107,024	94,330	17,155	2,655
Other operating income		2,424	529	-	-
Changes in inventories of manufactured inventories and work in progress		(1,874)	2,865	-	-
Raw material and consumables used		(73,390)	(64,906)	-	-
Staff costs		(15,694)	(16,507)	(126)	(53)
Depreciation and amortisation		(7,655)	(8,681)	(617)	(617)
Operating expenses		(28,306)	(16,355)	(16,672)	(2,298)
Operating loss	15	(17,471)	(8,725)	(260)	(313)
Interest expense	16	(2,890)	(3,057)	-	-
Interest income		267	1,116	33	3
Loss before taxation		(20,094)	(10,666)	(227)	(310)
Tax expense	17	(1,763)	(1,241)	(643)	(555)
Net loss for the year		(21,857)	(11,907)	(870)	(865)
Basic loss per ordinary share (sen)	18	(54.3)	(29.8)		
Dividends per ordinary share- net (sen)	19	2.52	2.52	2.52	2.52

The notes set out on pages 20 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

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Consolidated statement of changes in equity for the year ended 31 December 2002

Group	Note	Share capital RM'000	*Non-distributable* Share premium RM'000	Exchange translation reserves RM'000	*Distributable* Retained profits/ (Accumu-lated losses) RM'000	Total RM'000
At 1 January 2001		39,900	15,618	(110)	18,506	73,914
Prior year adjustment	25	-	-	-	1,005	1,005
At 1 January 2001 – as restated		39,900	15,618	(110)	19,511	74,919
Net gains and losses not recognised in the income statement - Currency translation differences		-	-	(38)	-	(38)
Net loss for the year		-	-	-	(11,907)	(11,907)
Dividends - 2000 final	19	-	-	-	(1,005)	(1,005)
At 31 December 2001		39,900	15,618	(148)	6,599	61,969
Issue of shares		1,560	-	-	-	1,560
Net gains and losses not recognised in the income statement - Currency translation differences		-	-	(939)	-	(939)
Net loss for the year		-	-	-	(21,857)	(21,857)
Dividends - 2001 final	19	-	-	-	(1,005)	(1,005)
At 31 December 2002		41,460	15,618	(1,087)	(16,263)	39,728
		Note 12				

The notes set out on pages 20 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.
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Statement of changes in equity
for the year ended 31 December 2002

Company	**Note**	**Share capital RM'000**	***Non-distributable*** **Share premium RM'000**	***Distributable*** **Retained profits RM'000**	**Total RM'000**
At 1 January 2001		39,900	15,618	8,385	63,903
Prior year adjustment	25	-	-	1,005	1,005
At 1 January 2001 - as restated		39,900	15,618	9,390	64,908
Net loss for the year		-	-	(865)	(865)
Dividends - 2000 final	19	-	-	(1,005)	(1,005)
At 31 December 2001 - as restated		39,900	15,618	7,520	63,038
Issue of shares		1,560	-	-	1,560
Net loss for the year		-	-	(870)	(870)
Dividends - 2001 final	19	-	-	(1,005)	(1,005)
At 31 December 2002		41,460	15,618	5,645	62,723
		Note 12		Note 13	

The notes set out on pages 20 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.
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Cash flow statements for the year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Loss before taxation	(20,094)	(10,666)	(227)	(310)
Adjustments for:				
Allowance for diminution in value of other investments	25	-	-	-
Depreciation	4,405	5,752	617	617
Development costs - amortisation	3,250	2,929	-	-
- impairment losses	5,419	-	-	-
- written off	2,690	-	-	-
Dividend income	-	-	(14,500)	-
Loss/(Gain) on disposal of property, plant and equipment	105	(25)	-	-
Impairment losses on investment in a subsidiary	-	-	1,789	-
Interest expense	2,890	3,057	-	-
Interest income	(267)	(1,116)	(33)	(3)
Property, plant and equipment written off	1,104	-	1,702	-
Unrealised foreign exchange gain	(643)	-	-	-
Unrealised foreign exchange loss	81	-	-	-
Operating (loss)/profit before working capital changes	(1,035)	(69)	(10,652)	304
(Increase)/Decrease in working capital:				
Inventories	4,226	(3,334)	-	-
Trade and other receivables	(2,223)	5,138	(9,519)	1,231
Trade and other payables	3,433	6,101	7,542	1,571
Provision for warranties	(352)	1,015	-	-
Cash generated from/(used in) operations	4,049	8,851	(12,629)	3,106
Income taxes paid	(985)	(653)	(161)	(257)
Net cash generated from operating activities	3,064	8,198	12,790	2,849

Company No. 390116-T

Cash flow statements for the year ended 31 December 2002

(continued)

	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Cash flows from investing activities					
Dividends received		-	-	14,500	-
Intangible cost capitalised		(1,076)	-	-	-
Interest received		267	1,116	33	3
Increase in investment in subsidiaries		-	-	(399)	(842)
Release of/(Pledged) deposits with licensed banks		1,639	(1,890)	-	(1,000)
Proceeds from disposal of property, plant and equipment		601	390	-	-
Purchase of property, plant and equipment		(3,572)	(3,721)	-	-
Net cash (used in)/generated from investing activities		(2,141)	(4,105)	14,134	(1,839)
Cash flows from financing activities					
Dividends paid to shareholders of the company		(1,005)	(1,005)	(1,005)	(1,005)
Interest paid		(2,890)	(3,057)	-	-
Net (repayments of)/proceeds from borrowings		(3,821)	7,925	-	-
Payment of finance lease liabilities		(583)	(977)	-	-
Proceeds from issue of shares		1,560	-	1,560	-
Net cash (used in)/generated from financing activities		(6,739)	2,886	555	(1,005)
Net (decrease)/increase in cash and cash equivalents		(5,816)	6,979	1,899	5
Cash and cash equivalents at beginning of year	(i)	1,984	(4,966)	30	25
Foreign exchange differences on opening balances		116	(29)	-	-
Cash and cash equivalents at end of year	(i)	(3,716)	1,984	1,929	30

Company No. 390116-T

Cash flow statements for the year ended 31 December 2002
(continued)

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		**Company**	
	2002	**2001**	**2002**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits (excluding deposits pledged)	1,109	132	893	3
Cash and bank balances	3,427	6,594	1,036	27
Bank overdrafts	(8,252)	(4,742)	-	-
	(3,716)	1,984	1,929	30

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM5,064,000 (2001 – RM4,286,000), of which RM1,492,000 (2001 – RM565,000) were acquired by means of hire purchase.

The notes set out on pages 20 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

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and its subsidiaries

Notes to the financial statements

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

(i) MASB 19, Events After Balance Sheet Date whereby the comparative figures have been restated to reflect the impact of the non-recognition of dividends proposed after the balance sheet date;

(ii) MASB 20, Provisions, Contingent Liabilities and Contingent Assets and MASB 21, Business Combination which are applied retrospectively. Comparative figures have not been restated as there is no impact on the financial statements;

(iii) MASB 22, Segmental Reporting which has been applied retrospectively. The adoption resulted in changes in format of presentation of segmental information as set out in Note 20;

(iv) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented; and

(v) MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively. The adoption resulted in disclosure as set out in Note 24.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. Any difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Affiliated companies

Affiliated companies are companies in which certain Directors have interest or are also directors.

(d) Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the lease which is 90 years while buildings are depreciated on a straight line basis over 50 years. The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Renovation	15%
Equipment, furniture and fittings	8% - 33.3%
Plant and machineries	5% - 40%
Motor vehicles	16%

1. Summary of significant accounting policies (continued)

(e) Intangible asset

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost, less accumulated impairment losses if any.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition and is stated at cost.

Goodwill/negative goodwill are not amortised.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and manufacturing processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over 5 years.

(f) Finance leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

1. Summary of significant accounting policies (continued)

(g) Investments

Investments in quoted and unquoted shares, held as long term investments, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investment in subsidiaries is stated at cost in the Company, less impairment loss where applicable.

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(i) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

Provision for warranties

A provision for warranties is recognised when the underlying products are sold. It is based on historical warranty data and a weighting of all possible outcomes against the associated probabilities.

(j) Liabilities

Borrowings and trade and other payables are stated at cost.

(k) Inventories

Raw materials, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with first in first out basis being the main basis for cost. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

1. Summary of significant accounting policies (continued)

(m) Impairment

The carrying amount of the Group's assets, other than inventories (refer Note 1(k)) and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

1. Summary of significant accounting policies (continued)

(o) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange difference arising on translation are recognised directly in equity.

The closing rates used in translation of foreign currency monetary assets and liabilities are as follows:

	2002 RM	**2001 RM**
1 AUD	2.149	1.939
1 GBP	6.092	5.516
100 JPY	3.202	3.084
1 USD	3.800	3.800

(p) Revenue

i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

1. Summary of significant accounting policies (continued)

(p) Revenue (continued)

ii) Services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to survey of works performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iv) Rental income

Rental income is recognised in the income statement as it accrues.

v) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(q) Expenses

i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

ii) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

2. Property, plant and equipment

Group	**Freehold land RM'000**	**Long term leasehold land RM'000**	**Buildings and renovation RM'000**	**Equipment, furniture and fittings RM'000**	**Plant and machineries RM'000**	**Motor vehicles RM'000**	**Total RM'000**
Cost							
At 1 January 2002	15,214	4,452	29,796	10,100	43,153	2,443	105,158
Additions	-	-	110	1,381	2,962	611	5,064
Disposals	-	-	-	(479)	(256)	(268)	(1,003)
Write off	-	-	-	(167)	(1,668)	-	(1,835)
Exchange differences	-	-	-	46	32	-	78
At 31 December 2002	15,214	4,452	29,906	10,881	44,223	2,786	107,462
Accumulated depreciation							
At 1 January 2002	-	247	3,824	6,223	36,640	1,814	48,748
Charge for the year	-	50	694	1,197	2,176	288	4,405
Disposals	-	-	-	(85)	(18)	(194)	(297)
Write off	-	-	-	(50)	(681)	-	(731)
Exchange differences	-	-	-	7	3	-	10
At 31 December 2002	-	297	4,518	7,292	38,120	1,908	52,135
Net book value							
At 31 December 2002	15,214	4,155	25,388	3,589	6,103	878	55,327
At 31 December 2001	15,214	4,205	25,972	3,877	6,513	629	56,410
For the year ended 31 December 2001 Depreciation charge	-	49	686	1,009	3,697	311	5,752

2. Property, plant and equipment (continued)

Company ***Cost***	**Freehold land RM'000**	**Long term leasehold land RM'000**	**Buildings RM'000**	**Total RM'000**
At 1 January 2002	16,916	4,452	28,371	49,739
Write off	(1,702)	-	-	(1,702)
31 December 2002	15,214	4,452	28,371	48,037
Accumulated depreciation				
At 1 January 2002	-	247	2,783	3,030
Charge for the year	-	50	567	617
At 31 December 2002	-	297	3,350	3,647
Net book value				
At 31 December 2002	15,214	4,155	25,021	44,390
At 31 December 2001	16,916	4,205	25,588	46,709
For the year ended 31 December 2001 Depreciation charge	-	50	567	617

Included in the Group's property, plant and equipment are certain assets acquired under hire purchase with net book value of RM1,492,000 (2001 – RM565,000).

Included in the Group's and Company's freehold land, long term leasehold land and buildings is RM39,000,000 (2001 – RM39,000,000) pledged for banking facilities granted to the Group (see Note 10).

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3. Investments in subsidiaries

	Company 2002 RM'000	Company 2001 RM'000
Unquoted shares, at cost	34,247	33,848
Less: Impairment losses	(1,789)	-
	32,458	33,848

The subsidiary companies are:-

Name of subsidiary	Country of incorporation	Effective equity interest 2002	Effective equity interest 2001	Principal activities
EP Polymers (M) Sdn Bhd	Malaysia	100%	100%	Manufacturing of engineering plastic products.
EP Moulds & Dies (M) Sdn Bhd	Malaysia	100%	100%	Manufacturing of moulds and dies.
Wiracash Holdings Sdn Bhd	Malaysia	100%	100%	Assembling of lamp and switches.
Fundwin Sdn Bhd	Malaysia	100%	100%	Manufacture, assembly and sales of bicycles and bicycle components and trading of automotive parts.
EPMB (Australia) Pte Ltd *	Australia	100%	100%	Engineering design, development and modelling.
EPMB (UK) Limited *	United Kingdom	100%	100%	Assembling and marketing of bicycles.
EP-X Bicycles North America, Inc *	United States of America	100%	100%	Assembling and marketing of bicycles.

* Subsidiary company not audited by KPMG.

3. Investments in subsidiaries (continued)

Included in the investment in subsidiaries of the Company is RM1000 and RM8,490,000 (2001 – RM1000 and RM8,490,000) representing the purchase cost of 1000 Ordinary Shares and a Irredeemable Convertible Preference Share ("ICPS") invested in a subsidiary, Fundwin Sdn Bhd ("Fundwin"). The ICPS was initially issued as a Redeemable Preference Share but was converted into ICPS during the year. The vendor, who is also a director of the Company, Hamidon bin Abdullah ("Hamidon") shall be entitled to a contingent consideration based on 3.8% of the turnover of Fundwin for each of the five (5) financial years ending 31 December 2004 ("Contingent Consideration"). However, the Contingent Consideration is only payable by the Company to Hamidon in a particular financial year if Fundwin achieves an audited profit after taxation of not less than RM5,000,000 for that particular financial year. In the event Fundwin does not achieve the required profit for any applicable financial years, Hamidon's entitlement to the Contingent Consideration for that financial year shall lapse.

There is also a put option granted by Hamidon whereby the Company is given the right but not the obligation to put to Hamidon to acquire the ICPS. Details of the put option are as follows:

Hamidon granted a put option to EP Manufacturing Bhd. ("EPMB") whereby EPMB can exercise the right to require Hamidon to purchase the subsidiary's ICPS and Ordinary Shares (collectively referred to as "Option Shares") from EPMB free from all liens, charges and other encumbrances based on an aggregate consideration to be calculated as follows ("Option Price"):

(i) RM8,490,000 together with interest at eight per centum (8%) per annum calculated from the date of subscription of the ICPS on 27 December 1997 until the date of the payment in full of the Option Price;

(ii) RM1,000 together with interest at eight per centum (8%) per annum calculated from 28 December 1999, being the date of the acquisition of the Ordinary Shares, until the date of the payment in full of the Option Price; and

(iii) less any dividends that have been declared and paid by the said subsidiary to EPMB.

EPMB may put to Hamidon to acquire the Option Shares at the Option Price in the event the audited profit after taxation of the subsidiary as certified by the subsidiary's auditors is less than RM5,000,000 for each of the three (3) financial years ending 31 December 2002. The put option is exercisable by EPMB at any time during a period of three (3) months commencing from the date of receipt by EPMB of the auditors' certificate for the said subsidiary for that applicable financial year. Upon exercise of the put option, Hamidon will be required to purchase or cause to be purchased from EPMB at the Option Price, the Option Shares free from all liens, charges and other encumbrances and with all rights attaching thereto within seven (7) days from the date of the exercise of the put option.

The acquisition of the Option Shares and the put option thereof were approved by the shareholders on 28 June 2000. At the date of this report, the Board of Directors has not exercised the put option. The Board of Directors has decided to extend the put option for an additional two years and are in the process of finalising the supplementary agreement with Hamidon.

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4. Other investments

	Group 2002 RM'000	Group 2001 RM'000
Shares quoted in Malaysia, at cost	38	38
Less: Allowance for diminution in value	(25)	-
	13	38
Market value of quoted shares in corporations	13	14

The quoted shares have been charged to secure banking facilities granted to the Group (see Note 10).

5. Intangible assets

	Group Goodwill RM'000	Group Development costs RM'000	Group Total RM'000
Cost			
At 1 January 2002	8,588	14,474	23,062
Additions	-	1,076	1,076
Write off	-	(4,326)	(4,326)
Exchange differences	-	545	545
At 31 December 2002	8,588	11,769	20,357
Amortisation and impairment losses			
Accumulated amortisation	-	3,241	3,241
Accumulated impairment losses	-	-	-
At 1 January 2002	-	3,241	3,241
Amortisation charge for the year	-	3,250	3,250
Write off	-	(1,636)	(1,636)
Exchange differences	-	96	96
Impairment losses for the year	-	5,419	5,419
Accumulated amortisation	-	4,951	4,951
Accumulated impairment losses	-	5,419	5,419
At 31 December 2002	-	10,370	10,370

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5. Intangible assets (continued)

	<--------------Group-------------->		
		Development	
	Goodwill	costs	Total
Net book value	RM'000	RM'000	RM'000
At 31 December 2002	8,588	1,399	9,987
	=====	=====	=====
At 31 December 2001	8,588	11,233	19,821
	=====	=====	=====
For the year ended 31 December 2001			
Amortisation charge	-	2,929	2,929
Impairment losses	-	-	-
	=====	=====	=====

6. Inventories

	Group	
	2002	2001
	RM'000	RM'000
At cost		
Raw materials	8,295	10,886
Work-in-progress	2,543	3,570
Manufactured inventories	2,041	2,967
	12,879	17,423
	---------	--------
At net realisable value		
Raw materials	258	-
Work-in-progress	308	-
	566	-
	---------	--------
Total	13,445	17,423
	=====	=====

7. Trade and other receivables

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Trade receivables	21,843	16,022	-	-
Less: Allowance for doubtful debts	(2,378)	(93)	-	-
	19,465	15,929	-	-
Subsidiaries	-	-	3,394	2,117
Affiliated companies	5,999	21,244	602	3,335
Other receivables, deposits and prepayments	15,827	3,026	11,022	47
	41,291	40,199	15,018	5,499
	=====	=====	=====	=====

7. Trade and other receivables (continued)

The amount due from subsidiaries and affiliated companies are unsecured, interest free and have no fixed terms of repayment.

Included in other receivables, deposits and prepayments of the Group and of the Company is RM10,500,000 (2001 – Nil) paid for the acquisition of PEPS-JV (M) Sdn Bhd (see Note 26).

8. Cash and cash equivalents

	Group		Company	
	2002	**2001**	**2002**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks	3,935	4,597	1,893	1,003
Cash and bank balances	3,427	6,594	1,036	27
	7,362	11,191	2,929	1,030

Included in the Group's and Company's deposits placed with licensed banks are RM2,826,000 (2001 – RM4,465,000) and RM1,000,000 (2001 – RM1,000,000) respectively, pledged for certain banking facilities (see Note 10).

9. Trade and other payables

	Group		Company	
	2002	**2001**	**2002**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	14,064	11,773	-	-
Other payables and accrued expenses	9,068	6,725	464	182
Subsidiaries	-	-	30,082	22,894
Affiliated companies	6,697	7,771	72	-
Amount owing to Directors	320	320	-	-
	30,149	26,589	30,618	23,076

The amounts due to subsidiaries, affiliated companies and Directors are unsecured, interest free and have no fixed terms of repayment.

10. Borrowings

		Group 2002 RM'000	Group 2001 RM'000
Current			
Term loans	- secured	2,636	2,770
	- unsecured	1,617	3,267
Overdrafts	- secured	6,848	4,243
	- unsecured	1,404	499
Bankers' acceptances	- secured	27,770	27,472
Hire purchase liabilities		481	322
		40,756	38,573
Non-current			
Term loans	- secured	4,854	7,189
Hire purchase liabilities		893	143
		5,747	7,332

Terms and debt repayment schedule

The term loans bear interest from 5.0% to 8.4% (2001 - 5.0% to 8.8%) per annum. The overdrafts bear interest from 7.9% to 8.9% (2001 - 7.9% to 8.9%). Bankers' acceptances and hire purchase bear interest varying between 3.5% and 7.6% (2001 - 3.3% and 7.9%) and fixed interest rates varying between 3.6% to 7.0% (2001 - 3.6% and 7.0%), respectively.

The long term loans are repayable in equal monthly instalments over periods ranging from 1 year to 4 years.

Security

Term loans, overdrafts and banker's acceptances of certain subsidiary companies are secured by way of:

a) fixed and floating charges over the subsidiary companies' present and future assets;
b) pledge of fixed deposits (see Note 8);
c) pledge of quoted shares (see Note 4);
d) jointly and severally guaranteed by certain Directors of the subsidiaries and holding company;
e) corporate guarantees issued by the Company; and
f) charge on the Group's properties (see Note 2).

10. Borrowings (continued)

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2002 RM'000	Interest 2002 RM'000	Principal 2002 RM'000	Payments 2001 RM'000	Interest 2001 RM'000	Principal 2001 RM'000
Group						
Less than one year	581	(100)	481	494	(172)	322
Between one and five years	1,061	(168)	893	190	(47)	143
	1,642	(268)	1,374	684	(219)	465

11. Provision for warranties

	Group 2002 RM'000	Group 2001 RM'000
At 1 January	1,270	255
Provision made during the year	878	2,084
Provision used during the year	(1,230)	(1,069)
At 31 December	918	1,270

The provision for warranties relates to automotive parts sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expect to incur the liability over the next year.

12. Share capital

	Group and Company 2002 RM'000	Group and Company 2001 RM'000
Ordinary shares of RM1.00 each:		
Authorised	95,000	95,000
Issued and fully paid		
At 1 January	39,900	39,900
Issued during the year	1,560	-
At 31 December	41,460	39,900

13. Reserves

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Reserves consist of:				
Share premium	15,618	15,618	15,618	15,618
Exchange translation reserve	(1,087)	(148)	-	-
(Accumulated losses)/Retained profits	(16,263)	6,599	5,645	7,520
	(1,732)	22,069	21,263	23,138

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its retained profits at 31 December 2002 if paid out as dividends.

14. Deferred taxation

	Group and Company 2002 RM'000	Group and Company 2001 RM'000
At 1 January		
Transferred from income statement	788	643
(Note 17)	105	145
At 31 December	893	788

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15. Operating loss

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Operating loss is arrived at after crediting:				
Dividend income from subsidiary	-	-	14,500	-
Gain on disposal of property, plant and equipment	-	25	-	-
Gain on foreign exchange – realised	1,641	465	-	-
Gain on foreign exchange – unrealised	643	-	-	-
	=====	=====	=====	=====
and after charging:				
Allowance for diminution in value of other investments	25	-	-	-
Allowance for doubtful debts	2,285	93	-	-
Auditors' remuneration				
- current year	186	130	35	15
- underprovision in prior year	-	5	-	1
Bad debts written off – subsidiary	-	-	12,500	-
– others	307	1,821	-	1,817
Company's Directors				
Remuneration	574	564	-	-
Fees	87	83	57	53
Depreciation	4,405	5,752	617	617
Development cost – amortisation	3,250	2,929	-	-
– impairment losses	5,419	-	-	-
– written off	2,690	-	-	-
Impairment losses on investment in a subsidiary	-	-	1,789	-
Inventories written down	2,476	-	-	-
Loss on disposal on property, plant and equipment	105	-	-	-
Loss on foreign exchange – realised	614	281	-	-
Loss on foreign exchange – unrealised	81	-	-	-
Property, plant and equipment written off	1,104	-	1,702	-
Provision for warranties	878	2,084	-	-
Rental – premises	260	877	-	-
– machinery and equipment	400	55	-	-
	=====	=====	=====	=====

The estimated monetary value of Directors' benefits-in-kind is RM50,000 (2001 - RM96,000).

The number of employees of the Group and of the Company at the end of the year was 629 (2001 - 596) and 7 (2001 - 5) respectively.

16. Interest expense

	Group 2002 RM'000	Group 2001 RM'000
Bank overdraft	451	514
Bankers' acceptance and trust receipt	1,320	939
Hire purchase	209	227
Term loans	861	1,294
Others	49	83
	2,890	3,057

17. Tax expense

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Current tax expense				
Malaysian - current	1,580	881	460	410
- prior year	78	215	78	-
	1,658	1,096	538	410
Deferred tax expense				
Malaysian - current (Note 14)	105	145	105	145
	1,763	1,241	643	555

There is a tax charge though there is a loss before taxation as certain expenses are not deductible for tax purposes. Additionally, for the Group, the tax charge relates to tax on profits of certain subsidiaries which cannot be set-off against losses of other subsidiaries for tax purposes as group relief is not available.

Subject to agreement by the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:

	2002 RM'000	2001 RM'000
Unutilised tax losses	7,768	4,652
Other timing differences	3,652	2,616

18. Loss per ordinary share - Group

Basic loss per share

The calculation of basic loss per share is based on the net loss for the year of RM21,857,000 (2001 – net loss of RM11,907,000) and the weighted average number of ordinary shares outstanding during the year of 40,276,000 (2001 – 39,900,000).

Weighted average number of ordinary shares

	2002 RM'000	2001 RM'000
Issued ordinary shares at beginning of the year	39,900	39,900
Effect of shares issued in October 2002	376	-
Weighted average number of ordinary shares	40,276	39,900

19. Dividends

	Group and Company	
	2002 RM'000	2001 RM'000
Ordinary		
Final paid:		
3.5% per share less tax (2001 – 3.5% per share less tax) in respect of financial year ended 31 December 2001 (2001 – 31 December 2000)	1,005	1,005

The proposed final dividend for the financial year ended 31 December 2002 amounting to RM1,044,792 has not been accounted for in the financial statements.

20. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

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20. Segmental information (continued)

Business segments

The Group comprises the following main business segments:

Automotive	The manufacture, assembly and sale of automotive parts.
Composite	The manufacture, assembly and sale of EP-X carbon composite bicycles and bicycles components.

Geographical segments

The automotive and composite segments operate in two other principal geographical areas apart from Malaysia, namely North America and United Kingdom. Australia is currently undertaking the research and development activities for the automotive industry.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Automotive		**Composite**		**Consolidated**	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Business segments						
Revenue from external customers	101,818	91,810	5,206	2,520	107,024	94,330
Segment result	7,376	4,692	(26,046)	(12,390)	(18,670)	(7,698)
Unallocated expenses					(1,424)	(2,968)
Loss before taxation					(20,094)	(10,666)
Tax expense					(1,763)	(1,241)
Net loss for the year					(21,857)	(11,907)

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20. Segmental information (continued)

	Automotive		Composite		Consolidated	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Segment assets	118,997	104,484	8,438	40,598	127,435	145,082
Segment liabilities	74,276	72,257	5,721	3,146	79,997	75,403
Capital expenditure	4,452	2,802	612	1,484	5,064	4,286
Depreciation and amortisation	4,446	5,736	3,209	2,945	7,655	8,681
Non-cash expenses other than depreciation and amortisation	3,242	3,905	12,047	93	15,289	3,998

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20. Segmental information (continued)

	Malaysia		United Kingdom		North America		Australia		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Geographical segments										
Revenue from external customers by location of customers	104,631	92,336	-	827	2,393	1,167	-	-	107,024	94,330
Segment assets by location of assets	122,985	128,245	1,415	10,869	1,692	4,223	1,343	1,745	127,435	145,082
Capital expenditure by location of assets	5,049	3,710	-	323	-	153	15	100	5,064	4,286

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21. Contingent liabilities

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Secured				
Guarantees extended to customs pending import duties exemption	-	76	-	-
Unsecured				
Contingencies relating to claims from a factoring company	-	165	-	-
Guarantees and contingencies relating to borrowings of subsidiaries	-	-	54,921	54,867
	-	241	54,921	54,867

Litigation

Group

A claim of approximately RM490,000 was made against a subsidiary company following the termination of transport services provided by a third party. The Directors are of the opinion that there is no merit to the claim made by the claimant as they contend that sufficient notice had been given to the claimant. The Directors do not expect any material losses to arise and therefore no provision is made in the financial statements.

22. Commitments

	Group	
	2002	2001
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
Contracted but not provided for in the financial statements	473	1,485
Investments in subsidiaries		
Authorised and contracted for (see Note 26)	124,500	-

23. Related parties

Controlling related party relationships are as follows:-

i) Its subsidiaries as disclosed in note 3.

ii) The companies in which the controlling shareholders and Directors of the Group, Hamidon bin Abdullah and/or Linden Hamidon Nee Fong, have interest.

iii) The companies in which a Director of the Company, Goh Chyin Tar, has interest.

Significant transactions and balances with related parties are as follows:

	Group		**Company**	
	2002	**2001**	**2002**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions				
With companies in which Hamidon bin Abdullah, a controlling shareholder and a Director, has interests:				
EP Properties (M) Sdn Bhd				
Rental payable	(254)	(254)	-	-
Pesaka Nuri (M) Sdn Bhd				
Purchases	(2,396)	(1,757)	-	-
Sales	-	12	-	-
PEPS-JV (M) Sdn Bhd				
Purchases	(1,334)	-	-	-
Felio Group (M) Sdn Bhd				
Sales	7,976	-	-	-
PN Engineering Sdn Bhd				
Purchases	(202)	(110)	-	-
Sales	-	7	-	-
RB Fields Sdn Bhd				
Sales	6	36	-	-
Archibus Sdn Bhd				
Sales	-	116	-	-
Rental receivable	-	60	-	-

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23. Related parties (continued)

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Transactions (continue)				
With companies in which Goh Chyin Tar, a Director, has interests:				
KL Innovation Design Centre Sdn Bhd				
Purchases	(1,524)	-	-	-
With companies in which Hamidon bin Abdullah and Goh Chyin Tar, both Directors, have interests:				
Earntrade Industries Sdn Bhd				
Sales	270	487	-	-
Purchases	(6,738)	(6,777)	-	-
KB Teknik Sdn Bhd				
Sales	1,468	683	-	-
Purchases	(8,591)	(9,228)	-	-
Intro Frontier Sdn Bhd				
Sales	137	11	-	-
Purchases	(119)	(32)	-	-
Subsidiaries				
Rental income receivable	-	-	2,655	2,655

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Balances in respect of non-trade transactions				
With companies in which Hamidon bin Abdullah, a controlling shareholder and a Director, has interests:				
Mutual Concept Sdn Bhd				
Amount due from in respect of:-				
Payment on behalf	101	101	-	-

23. Related parties (continued)

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Balances in respect of non-trade transactions (continued)				
Circle Ring Network Sdn Bhd				
Amount due to in respect of:-				
Payment on behalf	(64)	(64)	-	-

24. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the business. The Board of Directors consider and evaluate risk management periodically.

Credit risk

Management has a credit procedure in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit risk of the Group refers principally to the risk that customers may default on their obligations to repay the amounts owing to the Group. At balance sheet date, approximately 70% of the trade receivables of the Group is concentrated on two customers, Perusahaan Otomobil Nasional Berhad and Perodua Manufacturing Sdn Bhd. The Group has no other significant concentration of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company are exposed to interest rate risk on fixed deposits and interest bearing financial liabilities. The Group and the Company do not transact in any interest rate swaps.

Foreign currency risk

The Group incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are US Dollars, Pound Sterling and Japanese Yen. The Group and the Company do not transact in any derivative instruments.

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24. Financial instruments (continued)

The following table shows information about the enterprise's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	2002				2001			
Group	**Effective interest rate %**	**Total RM'000**	**Within 1 year RM'000**	**1-5 years RM'000**	**Effective interest rate %**	**Total RM'000**	**Within 1 year RM'000**	**1-5 years RM'000**
Financial assets								
Deposits with licensed banks	3.2%	3,935	3,935	-	3.2%	4,597	4,597	-
Financial liabilities								
Secured term loans	8.4%	7,490	7,490	-	8.7%	9,959	9,959	-
Unsecured term loans	7.9%	1,617	1,617	-	8.4%	3,267	3,267	-
Secured overdrafts	8.9%	6,848	6,848	-	8.4%	4,243	4,243	-
Unsecured overdrafts	9.1%	1,404	1,404	-	9.1%	499	499	-
Secured bankers' acceptances	3.5%	27,770	27,770	-	3.3%	27,472	27,472	-

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24. Financial instruments (continued)

Company	2002 Effective interest rate %	2002 Total RM'000	2002 Within 1 year RM'000	2001 Effective interest rate %	2001 Total RM'000	2001 Within 1 year RM'000
Financial assets						
Deposits with licensed banks	3.2%	1,893	1,893	3.2%	1,003	1,003

Fair values

Recognised financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The carrying amount of the term loans at balance sheet date approximate its fair value as this loans are variable rate term loans.

The aggregate fair values of other financial assets carried on the balance sheet as at 31 December are represented in the following table.

Group	2002 Carrying amount RM'000	2002 Fair value RM'000	2001 Carrying amount RM'000	2001 Fair value RM'000
Financial assets				
Quoted shares – long term	13	13	38	14

The fair value of quoted securities is their quoted bid price at the balance sheet date.

25. Prior year adjustment

A prior year adjustment has been made to retained profits brought forward as at 1 January 2001. This is in respect of the adoption of MASB 19: Events After the Balance Sheet Date, where dividends proposed or declared subsequent to the financial year are only deducted in the financial year in which they are paid.

26. Event subsequent to the balance sheet date

The shareholders of the Company had approved the following proposals at the Extraordinary General Meeting of the Company in February 2003. The proposals have been approved by the Securities Commission.

a) The proposed acquisition of:

   (i) 79.5% equity interest in the issued and paid-up share capital of PEPS-JV (M) Sdn Bhd ("PEPS-JV") from Mutual Concept Sdn Bhd ("Mutual Concept"), a company where the controlling shareholder and a Director of the Company, Hamidon bin Abdullah has an interest, for a purchase consideration of up to RM105,000,000 to be satisfied by a combination of cash payment of RM10,500,000 and the issuance of up to 189,000,000 Irredeemable Convertible Unsecured Preference Shares of RM0.10 each in EP Manufacturing Bhd. ("EPMB ICUPS") at an issue price of RM0.50 per EPMB ICUPS; and

   (ii) 30,000,000 Redeemable Convertible Secured Preference Shares of RM1.00 each in PEPS-JV ("PEPS-JV RCSPS") from Securita ABS ONE Bhd. ("Securita"), a special purpose vehicle of Pengurusan Danaharta Nasional Bhd. for a purchase consideration of RM30,000,000 to be satisfied through the issuance of 60,000,000 Redeemable Convertible Secured Preference Shares of RM0.10 each in EPMB ("EPMB RCSPS") at an issue price of RM0.50 per EPMB RCSPS.

b) The proposed rights issue of up to 21,945,000 new warrants in EPMB ("EPMB Warrants") on the basis of one (1) new EPMB Warrant for every two (2) ordinary shares of RM1.00 each in EPMB ("EPMB Shares") held at an issue price to be determined later.

c) The proposed renounceable offer for sale of up to 94,500,000 EPMB ICUPS by Mutual Concept to the shareholders of EPMB at a maximum offer price of RM0.50 per EPMB ICUPS, payable in full upon acceptance, on a basis and a date to be determined and announced later.

d) The proposed renounceable offer for sale of up to 60,000,000 EPMB RCSPS by Securita to the shareholders of EPMB at an offer price of RM0.50 per EPMB RCSPS, payable in full upon acceptance, on a basis and date to be determined and announced later.

26. Event subsequent to the balance sheet date (continued)

e) The proposed increase in the authorised share capital of EPMB from RM95,000,000 comprising 95,000,000 EPMB shares to RM500,000,000 comprising 470,000,000 EPMB shares, 200,000,000 EPMB ICUPS AND 100,000,000 EPMB RCSPS.

f) The proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the proposed acquisition of PEPS-JV and the proposed capital increase.

27. Comparative figures

(i) The following comparatives have been restated to conform with current year's presentation.

	Group		Company	
	As restated RM'000	**As previously stated RM'000**	**As restated RM'000**	**As previously stated RM'000**
Balance Sheets				
Goodwill	-	98	-	-
Investment – at cost	-	8,528	-	8,490
Research and development	-	11,233	-	-
Other investment	38	-	-	-
Intangible assets	19,821	-	-	-
Investment in subsidiaries	-	-	8,490	-
	=====	=====	=====	=====
Other creditors and accruals	6,725	7,995	182	2,349
Provision for warranties	1,270	-	-	-
Amount due to subsidiaries	-	-	22,894	20,727
	=====	=====	=====	=====
Proposed dividend	-	1,005	-	1,005
Reserves	22,069	28,774	23,138	22,133
Negative goodwill	7,710	-	-	-
	=====	=====	=====	=====
Income statements				
Other operating expenses	(16,355)	(16,071)	-	-
Finance cost	-	(3,341)	-	-
Interest expenses	(3,057)	-	-	-
Other operating income	529	1,645	-	3
Interest income	1,116	-	3	-
	=====	=====	=====	=====

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27. Comparative figures (continued)

Cash flow statements

The cash flow statements for the Group and the Company were changed from direct method to indirect method and accordingly, comparative information has been restated. In addition, certain captions in the cash flow statements have been reclassified to reflect the nature of the transactions.

(ii) The following comparatives have been restated to reflect the treatment of proposed dividends in accordance with MASB 19 on Events After Balance Sheet Date.

	Group		**Company**	
	As restated RM'000	**As previously stated RM'000**	**As restated RM'000**	**As previously stated RM'000**
Balance Sheets				
Proposed dividend	-	1,005	-	1,005
Retained profits	19,511	18,506	9,390	8,385
	=====	=====	=====	=====
Statements of Changes in Equity				
Retained profits at 1 January 2001	19,511	18,506	9,390	8,385
Retained profits at 31 December 2001	6,599	5,594	7,520	6,515
Dividends	-	(1,005)	-	(1,005)
Dividends				
- 2000 final	(1,005)	-	(1,005)	-
- 2001 final	(1,005)	-	(1,005)	-
	=====	=====	=====	=====