

EP Manufacturing Bhd.

(Company No.390116-T)

(Incorporated in Malaysia)

and its subsidiaries

**Financial statements for the year
ended 31 December 2003**

Domiciled in Malaysia
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 2003

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

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 has been no significant change in the nature of these activities during the financial year except for the acquisition of a subsidiary whose principal activity is the manufacturing of automotive modular components.

Results

	Group RM'000	Company RM'000
Net profit for the year	11,758 =====	674 =====

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 RM1,044,792 in respect of the year ended 31 December 2002 on 23 September 2003.

The final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 3.5% less tax totalling RM2,403,954.

Directors of the Company

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

Hamidon bin Abdullah

Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin

Shaari bin Haron

Linden Hamidon Nee Fong

Hew Voon Foo

Ng Chin Yoong (appointed on 12.1.2004)

Goh Chyin Tar (resigned on 12.1.2004)

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 or shares to be issued arising from the exercise of EPMB ICUPS and EPMB RCSPS/warrants			
	At 1.1.2003/ Issued	Bought/ Converted	Sold/ Converted	At 31.12.2003
Shareholdings in which Directors have direct interest				
Interest in EP Manufacturing Bhd.:				
Ordinary shares				
Hamidon bin Abdullah	6,021,733	2,800,000	(1,774,600)	7,047,133
Linden Hamidon Nee Fong	1,226,967	-	(1,190,000)	36,967
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin	50,000	-	-	50,000
Shaari bin Haron	20,000	-	-	20,000
Shareholdings in which Directors have deemed interest				
Hamidon bin Abdullah				
- deemed interest*	14,345,465	16,540,000	(16,480,465)	14,405,000
- deemed interest**	1,226,967	-	(1,190,000)	36,967
Linden Hamidon Nee Fong				
- deemed interest**	20,367,198	19,340,000	(18,255,065)	21,452,133
Irredeemable Convertible				
Unsecured Preference Shares ("EPMB ICUPS")				
Hamidon bin Abdullah				
- deemed interest**	-	73,934	-	73,934
- deemed interest***	-	53,356,866	(29,190,000)	24,166,866
Linden Hamidon Nee Fong				
- direct interest	-	73,934	-	73,934
- deemed interest**	-	53,356,866	(29,190,000)	24,166,866
Redeemable Convertible				
Secured Preference Shares ("EPMB RCSPS")				
Hamidon bin Abdullah				
- deemed interest**	-	18,484	-	18,484
Linden Hamidon Nee Fong				
- direct interest	-	18,484	-	18,484

**Number of ordinary shares of RM1 each or shares
to be issued arising from the exercise of
EPMB ICUPS and EPMB RCSPS/warrants**

	At			
	1.1.2003/ Issued	Bought/ Converted	Sold/ Converted	At 31.12.2003
Warrants				
Hamidon bin Abdullah				
- direct interest	-	10,000,000	(5,021,000)	4,979,000
- deemed interest**	-	18,484	-	18,484
Linden Hamidon Nee Fong				
- direct interest	-	18,484	-	18,484
- deemed interest**	-	10,000,000	(5,021,000)	4,979,000
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin	-	25,000	-	25,000
Shaari bin Haron	-	10,000	-	10,000

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

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

*** Deemed interested by virtue of his substantial shareholding in Mutual Concept Sdn. Bhd..

By virtue of their interests in the shares of the Company, Hamidon bin Abdullah, Linden Hamidon Nee Fong, Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin and Shaari bin Haron also deemed interested in the shares of the subsidiaries during the financial year to the extent that EP Manufacturing Bhd. has an interest.

None of the other Directors holding office at 31 December 2003 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 24 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. Hamidon has waived his entitlement for the Contingent Consideration for the financial year ended 31 December 2003.

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. The Board of Directors and Hamidon have mutually agreed to extend the put option for an additional two years since the previous financial year. At the date of this report, the Board of Directors has not exercised the put option.

Issue of shares and debentures

During the financial year, the Company issued 136,500,000 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 60,000,000 Redeemable Convertible Secured Preference Shares of RM0.10 each in EP Manufacturing Bhd. (“EPMB RCSPS”) at an issue price of RM0.50 per EPMB RCSPS, to finance the acquisition of a subsidiary. The registered holders of the EPMB ICUPS and EPMB RCSPS have the option at any time from issue date on 23 June 2003 till 22 June 2008 to convert the EPMB ICUPS and EPMB RCSPS into new ordinary shares in the Company (“EPMB Share”) by tendering Two (2) EPMB ICUPS or Two (2) EPMB RCSPS for One (1) EPMB Share of RM1.00 each.

55,699,400 EPMB ICUPS of RM 0.10 each and 52,170,033 EPMB RCSPS of RM0.10 each were converted into 27,849,700 and 26,085,017 ordinary shares during the financial year.

There were no other changes in the issued and paid up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of warrants (as disclosed below), EPMB ICUPS and EPMB RCSPS.

20,730,000 warrants were issued for cash of RM0.20 each during the year. The warrants are in registered form and constituted by a Deed Poll and entitle the registered holder to subscribe for one (1) new ordinary share of RM1.00 in the Company at a price of RM1.00 per ordinary share for every warrant held at any time during the five-year subscription period expiring on 3 September 2008. At the end of the year, 20,730,000 warrants remained unexercised.

At the end of the year, 80,800,600 EPMB ICUPS and 7,829,967 EPMB RCSPS remained unexercised.

The EPMB ICUPS, EPMB RCSPS and warrants holders are not entitled to participate in any share issue of any other company.

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 at the date of offer, 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 Malaysia Securities Exchange Berhad for the five market 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.
- vi) 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.

Other statutory information

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 financial statements of the Group and of the Company 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 for the acquisition of a subsidiary during the year as disclosed in Note 26, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 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.

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

.....
Ng Chin Yoong

Kuala Lumpur,

Date: 15 April 2004

EP Manufacturing Bhd.

(Company No.390116-T)

(Incorporated in Malaysia)

and its subsidiaries**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 58 are 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 the state of affairs of the Group and of the Company at 31 December 2003 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

.....
Ng Chin Yoong

Kuala Lumpur,

Date: 15 April 2004

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, Shahrizam Bin A. Shukor, 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 58 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 15 April 2004.

.....
Shahrizam Bin A. Shukor

Before me:

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

(Company No.390116-T)
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We have audited the financial statements set out on pages 12 to 58. 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 2003 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.

KPMG

Firm Number: AF 0758

Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang

Partner

Approval Number: 2012/11/04 (J)

Kuala Lumpur,

Date: 15 April 2004

EP Manufacturing Bhd.

(Company No.390116-T)

(Incorporated in Malaysia)

and its subsidiaries

Balance sheets as at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment	2	159,916	55,327	43,858	44,390
Investments in subsidiaries	3	-	-	141,208	32,458
Other investments	4	13	13	-	-
Intangible assets	5	62,833	9,987	-	-
Deferred tax assets	15	4,365	-	-	-
		227,127	65,327	185,066	76,848
Current assets					
Inventories	6	13,178	13,445	-	-
Trade and other receivables	7	70,897	41,291	6,037	15,018
Tax recoverable		57	10	-	-
Cash and cash equivalents	8	10,667	7,362	1,328	2,929
		94,799	62,108	7,365	17,947
Current liabilities					
Trade and other payables	9	59,899	30,149	27,675	30,618
Borrowings	10	49,406	40,756	-	-
Taxation		1,072	1,534	509	561
Provision for warranties	11	482	918	-	-
		110,859	73,357	28,184	31,179
Net current liabilities		(16,060)	(11,249)	(20,819)	(13,232)
		211,067	54,078	164,247	63,616

Balance sheets as at 31 December 2003

(continued)

	Note	Group		Company	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
Financed by:					
Capital and reserves					
Share capital	12	103,051	41,460	103,051	41,460
Reserves	13	39,732	(1,732)	54,115	21,263
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds		142,783	39,728	157,166	62,723
Negative goodwill		7,710	7,710	-	-
Minority shareholders' interests	14	8,909	-	-	-
Long term and deferred liabilities					
Borrowings	10	50,617	5,747	6,033	-
Deferred tax liabilities	15	1,048	893	1,048	893
		51,665	6,640	7,081	893
		<hr/>	<hr/>	<hr/>	<hr/>
		211,067	54,078	164,247	63,616
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2004.

The notes set out on pages 21 to 58 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

(Company No.390116-T)

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and its subsidiaries

Income statements for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue – manufacturing		223,749	106,069	-	-
– services rendered		1,573	955	-	-
– dividend income (tax exempt)		-	-	-	14,500
– rental income		-	-	2,655	2,655
		<u>225,322</u>	<u>107,024</u>	<u>2,655</u>	<u>17,155</u>
Other operating income		4,453	2,424	-	-
Changes in inventories of manufactured inventories and work in progress		(1,852)	(1,874)	-	-
Raw material and consumables used		(124,000)	(73,390)	-	-
Staff costs		(28,693)	(15,694)	(180)	(126)
Depreciation and amortisation		(11,153)	(7,655)	(617)	(617)
Operating expenses		<u>(33,946)</u>	<u>(28,306)</u>	<u>(879)</u>	<u>(16,672)</u>
Operating profit/(loss)	16	<u>30,131</u>	<u>(17,471)</u>	<u>979</u>	<u>(260)</u>
Interest expense	17	(5,664)	(2,890)	-	-
Interest income		131	267	34	33
		<u>24,598</u>	<u>(20,094)</u>	<u>1,013</u>	<u>(227)</u>
Profit/(Loss) before taxation		<u>24,598</u>	<u>(20,094)</u>	<u>1,013</u>	<u>(227)</u>
Tax expense	18	(5,533)	(1,763)	(339)	(643)
		<u>19,065</u>	<u>(21,857)</u>	<u>674</u>	<u>(870)</u>
Profit/(Loss) after taxation		<u>19,065</u>	<u>(21,857)</u>	<u>674</u>	<u>(870)</u>
Less: Minority interests		(2,252)	-	-	-
Less: Pre-acquisition profit		(5,055)	-	-	-
		<u>11,758</u>	<u>(21,857)</u>	<u>674</u>	<u>(870)</u>
Net profit/(loss) for the year		<u>11,758</u>	<u>(21,857)</u>	<u>674</u>	<u>(870)</u>
Basic earnings/(loss) per ordinary share (sen) 19		<u>24.3</u>	<u>(54.3)</u>		
Diluted earnings per ordinary share (sen) 19		<u>16.0</u>	<u>-</u>		
Dividends per ordinary share- net (sen) 20		<u>2.52</u>	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>

The notes set out on pages 21 to 58 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

(Company No.390116-T)

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Consolidated statement of changes in equity for the year ended 31 December 2003

Group	Note	-----Share capital-----		----- Non distributable-----			Distributable	Total RM'000
		Ordinary share RM'000	Financial instruments* RM'000	Share premium RM'000	Capital reserve RM'000	Exchange translation reserves RM'000	Retained profits/ (Accumulated losses) RM'000	
At 1 January 2002		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	20	-	-	-	-	-	(1,005)	(1,005)
At 31 December 2002		41,460	-	15,618	-	(1,087)	(16,263)	39,728

Company No. 390116-T

Consolidated statement of changes in equity for the year ended 31 December 2003

(continued)

Group	Note	-----Share capital-----		----- Non distributable-----			Distributable	
		Ordinary share RM'000	Financial instruments* RM'000	Share premium RM'000	Capital reserve RM'000	Exchange translation reserves RM'000	Retained profits/ losses) RM'000	Total RM'000
At 1 January 2003		41,460	-	15,618	-	(1,087)	(16,263)	39,728
Issuance of EPMB RCSPS	12	-	5,183	20,733	-	-	-	25,916
Issuance of EPMB ICUPS	12	-	11,792	47,166	-	-	-	58,958
Conversion to ordinary shares								
- EPMB RCSPS	12	26,085	(4,507)	(18,027)	-	-	-	3,551
- EPMB ICUPS	12	27,850	(4,812)	(19,246)	-	-	-	3,792
EPMB RCSPS and EPMB ICUPS		53,935	7,656	30,626	-	-	-	92,217
Issuance of warrants		-	-	-	4,146	-	-	4,146
Share issue expenses		-	-	(1,549)	-	-	-	(1,549)
Net gains and losses not recognised in the income statement								
- Currency translation differences		-	-	-	-	(2,472)	-	(2,472)
Net profit for the year		-	-	-	-	-	11,758	11,758
Dividends – 2002 final	20	-	-	-	-	-	(1,045)	(1,045)
At 31 December 2003		95,395	7,656	44,695	4,146	(3,559)	(5,550)	142,783

-----Note 12-----

* Par value of the equity components of EPMB RCSPS and EPMB ICUPS.

EP Manufacturing Bhd.

(Company No. 390116-T)

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Statement of changes in equity for the year ended 31 December 2003

Company	Note	-----Share capital-----		Non distributable		Distributable	Total RM'000
		Ordinary share RM'000	Financial instruments* RM'000	Share premium RM'000	Capital reserve RM'000	Retained profits RM'000	
At 1 January 2002		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	20	-	-	-	-	(1,005)	(1,005)
At 31 December 2002/1 January 2003		41,460	-	15,618	-	5,645	62,723
Issuance of EPMB RCSPS	12	-	5,183	20,733	-	-	25,916
Issuance of EPMB ICUPS	12	-	11,792	47,166	-	-	58,958
Conversion to ordinary shares							
- EPMB RCSPS	12	26,085	(4,507)	(18,027)	-	-	3,551
- EPMB ICUPS	12	27,850	(4,812)	(19,246)	-	-	3,792
EPMB RCSPS and EPMB ICUPS		53,935	7,656	30,626	-	-	92,217
Issuance of warrants		-	-	-	4,146	-	4,146
Share issue expenses		-	-	(1,549)	-	-	(1,549)
Net profit for the year		-	-	-	-	674	674
Dividends – 2002 final	20	-	-	-	-	(1,045)	(1,045)
At 31 December 2003		95,395	7,656	44,695	4,146	5,274	157,166

-----Note 12-----

* Par value of the equity components of EPMB RCSPS and EPMB ICUPS.

The notes set out on pages 21 to 58 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

(Company No. 390116-T)

(Incorporated in Malaysia)

and its subsidiaries

Cash flow statements for the year ended 31 December 2003

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit /(Loss) before taxation	24,598	(20,094)	1,013	(227)
Adjustments for:				
Allowance for diminution in value of other investments	-	25	-	-
Bad debts written off	229	-	-	-
Depreciation	10,551	4,405	617	617
Development costs - amortisation	602	3,250	-	-
- impairment losses	-	5,419	-	-
- written off	142	2,690	-	-
Dividend income	-	-	-	(14,500)
Net loss on disposal of property, plant and equipment	54	105	-	-
Impairment losses on investment in a subsidiary	-	-	-	1,789
Interest expense	5,664	2,890	-	-
Interest income	(131)	(267)	(34)	(33)
Property, plant and equipment written off	-	1,104	-	1,702
Pre-acquisition profits	(5,055)	-	-	-
Unrealised foreign exchange gain	(729)	(643)	-	-
Unrealised foreign exchange loss	-	81	-	-
Operating profit/(loss) before working capital changes	35,925	(1,035)	1,596	(10,652)
(Increase)/Decrease in working capital:				
Inventories	3,154	4,226	-	-
Trade and other receivables	32,470	(2,223)	8,981	(9,519)
Trade and other payables	(11,716)	3,433	(2,943)	7,542
Provision for warranties	(436)	(352)	-	-
Cash generated from/(used in) operations	59,397	4,049	7,634	(12,629)
Income taxes paid	(555)	(985)	(236)	(161)
Net cash generated from/(used in) operating activities	58,842	3,064	7,398	(12,790)

Cash flow statements for the year ended 31 December 2003

(continued)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired (Note 26)	(10,303)	-	-	-
Dividends received	-	-	-	14,500
Intangible cost capitalised	(561)	(1,076)	-	-
Interest received	131	267	34	33
Increase in investment in subsidiaries (Pledged)/Release of deposits with licensed banks	-	-	-	(399)
Proceeds from disposal of property, plant and equipment	(339)	1,639	-	-
Purchase of property, plant and equipment (ii)	66	601	-	-
Purchase of additional share in subsidiary	(25,106)	(3,572)	(85)	-
	-	-	(108,750)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(36,112)	(2,141)	(108,801)	14,134
	-----	-----	-----	-----
Cash flows from financing activities				
Dividends paid to shareholders of the company	(1,045)	(1,005)	(1,045)	(1,005)
Interest paid	(5,664)	(2,890)	-	-
Net repayments of borrowings	(17,450)	(3,821)	-	-
Payment of finance lease liabilities	(596)	(583)	-	-
Liability component from issue of EPMB ICUPS and EPMB RCSPS	-	-	6,033	-
Proceeds from issue of shares, EPMB ICUPS and EPMB RCSPS	-	1,560	90,668	1,560
Proceeds from issue of warrants	4,146	-	4,146	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(20,609)	(6,739)	99,802	555
	-----	-----	-----	-----
Net increase/(decrease) in cash and cash equivalents	2,121	(5,816)	(1,601)	1,899
Cash and cash equivalents at beginning of year	(i) (3,716)	1,984	1,929	30
Foreign exchange differences on opening balances	8	116	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year	(i) (1,587)	(3,716)	328	1,929
	=====	=====	=====	=====

Cash flow statements for the year ended 31 December 2003

(continued)

i) Cash and cash equivalents

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

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Deposits (excluding deposits pledged)	1,792	1,109	69	893
Cash and bank balances	5,710	3,427	259	1,036
Bank overdrafts	(9,089)	(8,252)	-	-
	<u>(1,587)</u>	<u>(3,716)</u>	<u>328</u>	<u>1,929</u>
	=====	=====	=====	=====

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM25,678,000 (2002 - RM5,064,000), of which RM572,000 (2002 - RM1,492,000) were acquired by means of hire purchase.

The notes set out on pages 21 to 58 form an integral part of, and should be read in conjunction with, these financial statements.

EP Manufacturing Bhd.

(Company No. 390116-T)

(Incorporated in Malaysia)

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 25, Income Taxes, and MASB 29, Employee Benefits which are applied retrospectively. Comparative figures have not been restated as there is no material impact on the prior years' financial statements; and
- (ii) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard.

Apart from the new policies and extended disclosures where required by these new standards, there is no effect on these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and 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.

A subsidiary is excluded from consolidation when either 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.

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

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. The 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

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.

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 and capital-work-in-progress are 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 is 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 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 and the Company 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) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

(j) 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.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

1. Summary of significant accounting policies (continued)

(l) 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 being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(m) 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.

(n) Impairment

The carrying amount of assets, other than inventories, deferred tax assets 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.

1. Summary of significant accounting policies (continued)

(o) Share capital

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and dividends are discretionary at the option of the issuer.

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense.

(p) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(q) 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.

1. Summary of significant accounting policies (continued)

(q) Foreign currency (continued)

(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 the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2003	2002
	RM	RM
1 AUD	2.851	2.149
1 GBP	6.768	6.092
100 JPY	3.554	3.202
1 USD	3.800	3.800
1 EUR	4.778	3.981
100 THB	9.595	8.810

(r) 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.

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.

1. Summary of significant accounting policies (continued)

(r) Revenue (continued)

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.

(s) 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) Financing costs

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.

(t) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Company No. 390116-T

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	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2003	15,214	4,452	29,906	10,881	44,223	2,786	-	107,462
Additions	85	-	236	1,193	4,821	114	19,229	25,678
Disposals	-	-	-	(258)	(452)	(67)	-	(777)
Write off	-	-	-	(30)	-	-	-	(30)
Exchange differences	-	-	-	12	85	-	-	97
Acquisition of subsidiary	7,172	-	13,616	871	20,950	427	44,997	88,033
At 31 December 2003	22,471	4,452	43,758	12,669	69,627	3,260	64,226	220,463
Accumulated depreciation								
At 1 January 2003	-	297	4,518	7,292	38,120	1,908	-	52,135
Charge for the year	-	50	902	1,495	5,827	367	-	8,641
Disposals	-	-	-	(193)	(73)	(7)	-	(273)
Exchange differences	-	-	-	5	39	-	-	44
At 31 December 2003	-	347	5,420	8,599	43,913	2,268	-	60,547
Net book value								
At 31 December 2003	22,471	4,105	38,338	4,070	25,714	992	64,226	159,916
At 31 December 2002	15,214	4,155	25,388	3,589	6,103	878	-	55,327
For the year ended 31 December 2002								
Depreciation charge	-	50	694	1,197	2,176	288	-	4,405

2. Property, plant and equipment (continued)

Company	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
<i>Cost</i>				
At 1 January 2003	15,214	4,452	28,371	48,037
Additions	85	-	-	85
At 31 December 2003	15,299	4,452	28,371	48,122
<i>Accumulated depreciation</i>				
At 1 January 2003	-	297	3,350	3,647
Charge for the year	-	50	567	617
At 31 December 2003	-	347	3,917	4,264
<i>Net book value</i>				
At 31 December 2003	15,299	4,105	24,454	43,858
At 31 December 2002	15,214	4,155	25,021	44,390
For the year ended 31 December 2002				
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 RM1,588,000 (2002 - RM1,492,000).

Included in the Group's and Company's freehold land, long term leasehold land and buildings is RM64,440,000 (2002 - RM39,000,000) pledged for banking facilities granted to the Group (see Note 10).

3. Investments in subsidiaries

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	142,997	34,247
Less: Impairment losses	(1,789)	(1,789)
	141,208	32,458

3. Investments in subsidiaries (continued)

The subsidiary companies are:-

Name of subsidiary	Country of incorporation	Effective equity interest		Principal activities
		2003	2002	
EP Polymers (M) Sdn Bhd	Malaysia	100%	100%	Manufacture, fabrication, production, and trading in engineering plastic components.
EP Moulds & Dies (M) Sdn Bhd	Malaysia	100%	100%	Manufacture, production and trading of moulds and dies.
Wiracash Holdings Sdn Bhd	Malaysia	100%	100%	Manufacture of automotive lamps and allied products.
Fundwin Sdn Bhd	Malaysia	100%	100%	Manufacture, assembly and sales of bicycles, bicycle components and trading of automotive parts.
PEPS – JV (M) Sdn Bhd	Malaysia	79.5%	-	Manufacturing of automotive modular components.
Advance Product Systems Sdn Bhd (formerly known as Advance Products System Sdn Bhd) **	Malaysia	100%	-	Dormant
EPMB (Australia) Pte Ltd *	Australia	100%	100%	Engineering design, development and modelling.
EPMB (UK) Limited *+	United Kingdom	100%	100%	Assembling and marketing of “EP-X” bicycles.
EP-X Bicycles North America, Inc *+	United States of America	100%	100%	Marketing and distribution of “EP-X” bicycles.

* Subsidiary company not audited by KPMG Malaysia.

** Wholly-owned subsidiary of Fundwin Sdn Bhd.

+ The subsidiaries have become inactive during the year.

3. Investments in subsidiaries (continued)

Included in the investment in subsidiaries of the Company is RM1,000 and RM8,490,000 (2002 – RM1,000 and RM8,490,000) representing the purchase cost of 1,000 Ordinary Shares and an Irredeemable Convertible Preference Share (“ICPS”) invested in a wholly owned subsidiary, Fundwin Sdn Bhd (“Fundwin”). 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 year, Hamidon’s entitlement to the Contingent Consideration for that financial year shall lapse. Hamidon has waived his entitlement to the Contingent Consideration for the financial year ended 31 December 2003.

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. The Board of Directors and Hamidon have mutually agreed to extend the put option for an additional two years since the previous financial year. During the financial year, the Board of Directors has not exercised the put option.

4. Other investments

	Group	
	2003	2002
	RM'000	RM'000
Shares quoted in Malaysia, at cost	38	38
Less: Allowance for diminution in value	(25)	(25)
	<u>13</u>	<u>13</u>
	=====	=====
Market value of quoted shares in corporations	14	13
	=====	=====

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

5. Intangible assets

	<-----Group----->		
	Goodwill on consolidation	Development costs	Total
	RM'000	RM'000	RM'000
<i>Cost</i>			
At 1 January 2003	8,588	11,769	20,357
Additions	52,934	561	53,495
Write off	-	(264)	(264)
Exchange differences	-	490	490
	<u>61,522</u>	<u>12,556</u>	<u>74,078</u>
	=====	=====	=====
<i>Amortisation</i>			
At 1 January 2003	-	10,370	10,370
Amortisation charge for the year	-	602	602
Exchange differences	-	273	273
	<u>-</u>	<u>11,245</u>	<u>11,245</u>
	=====	=====	=====
<i>Net book value</i>			
At 31 December 2003	61,522	1,311	62,833
	=====	=====	=====
At 31 December 2002	8,588	1,399	9,987
	=====	=====	=====
For the year ended 31 December 2002			
Amortisation charge	-	3,250	3,250
	=====	=====	=====

Included in the development costs written off are development costs borne by a customer amounting to RM122,000 (2002 - Nil).

6. Inventories

	Group	
	2003	2002
	RM'000	RM'000
At cost		
Raw materials	8,031	8,295
Work-in-progress	1,538	2,543
Manufactured inventories	2,889	2,041
	12,458	12,879
	-----	-----
At net realisable value		
Raw materials	670	258
Work-in-progress	-	308
Manufactured inventories	50	-
	720	566
	-----	-----
Total	13,178	13,445

7. Trade and other receivables

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade receivables	46,522	21,843	-	-
Less: Allowance for doubtful debts	(1,991)	(2,378)	-	-
	44,531	19,465	-	-
Subsidiaries	-	-	5,343	3,394
Affiliated companies	11,310	5,999	602	602
Other receivables, deposits and prepayments	15,056	15,827	92	11,022
	70,897	41,291	6,037	15,018
	=====	=====	=====	=====

Debts amounting to RM387,000 (2002 - Nil) were written off against the allowance for doubtful debts during the year.

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 are prepayment for moulds of RM5.6 million (2002 – RM1.6 million) and an advance payment on behalf of a customer for an ongoing automotive development project amounting to RM4 million (2002 – Nil). In the previous year, RM10,500,000 paid for the acquisition of PEPS-JV (M) Sdn Bhd (“PEPS-JV”)(see Note 26) was included in the other receivables, deposits and prepayments of the Company.

8. Cash and cash equivalents

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	4,957	3,935	1,069	1,893
Cash and bank balances	5,710	3,427	259	1,036
	<u>10,667</u>	<u>7,362</u>	<u>1,328</u>	<u>2,929</u>
	=====	=====	=====	=====

Included in the Group's and Company's deposits placed with licensed banks are RM3,165,000 (2002 – RM2,826,000) and RM1,000,000 (2002 – RM1,000,000) respectively, pledged for certain banking facilities (see Note 10).

9. Trade and other payables

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade payables	26,676	14,064	-	-
Other payables and accrued expenses	19,151	9,068	516	464
Subsidiaries	-	-	27,069	30,082
Affiliated companies	9,187	6,697	-	72
Amount owing to Directors	4,885	320	90	-
	<u>59,899</u>	<u>30,149</u>	<u>27,675</u>	<u>30,618</u>
	=====	=====	=====	=====

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

10. Borrowings

		Group		Company	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
Current					
Term loans	- secured	3,348	2,636	-	-
	- unsecured	331	1,617	-	-
Overdrafts	- secured	8,556	6,848	-	-
	- unsecured	533	1,404	-	-
Bankers' acceptances	- secured	28,357	27,770	-	-
Hire purchase liabilities		617	481	-	-
Short term advance	- secured	6,664	-	-	-
Other short term facilities	- secured	1,000	-	-	-
		<u>49,406</u>	<u>40,756</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====

10. Borrowings (continued)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Non-current				
Term loans - secured	3,851	4,854	-	-
Hire purchase liabilities	733	893	-	-
EPMB ICUPS				
– liability component (Note 12)	5,500	-	5,500	-
EPMB RCSPS				
– liability component (Note 12)	533	-	533	-
MUNIF	40,000	-	-	-
	<u>50,617</u>	<u>5,747</u>	<u>6,033</u>	<u>-</u>
	=====	=====	=====	=====
Total	100,023	46,503	6,033	-
	=====	=====	=====	=====

The EP Manufacturing Bhd. Irredeemable Convertible Unsecured Preference Shares (“EPMB ICUPS”) and EP Manufacturing Bhd. Redeemable Convertible Secured Preference Shares (“EPMB RCSPS”), which were issued after 1 January 2003, have been classified separately into their component parts as liability or as equity on the balance sheet in accordance with MASB 24 – Financial Instruments: Disclosure and Presentation.

Terms and debt repayment schedule

The term loans bear interest from 5.0% to 8.4% (2002 - 5.0% to 8.4%) per annum. The overdrafts bear interest from 8.0% to 8.6% (2002 - 7.9% to 8.9%) per annum. Bankers’ acceptances and hire purchase bear interest varying between 2.9 % and 9.5 % (2002 - 3.5% and 7.6%) per annum and fixed interest rates varying between 3.6% to 5.0% (2002 - 3.6% to 7.0%) per annum, respectively. The short term advances and other short term facilities bear interest at 8% (2002 - Nil) per annum and 8.9% (2002 – Nil) per annum respectively. The Murabahah Underwritten Notes Issuance Facility (“MUNIF”) bears finance cost ranging between 3.5% to 3.8% (2002 - Nil) per annum.

The term loans and MUNIF are repayable in monthly and yearly instalments respectively over periods ranging from 1 year to 4 years.

Security

Term loans, overdrafts, banker’s acceptances and MUNIF 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 2003 RM'000	Interest 2003 RM'000	Principal 2003 RM'000	Payments 2002 RM'000	Interest 2002 RM'000	Principal 2002 RM'000
<i>Group</i>						
Less than one year	716	(99)	617	581	(100)	481
Between one and five years	856	(123)	733	1,061	(168)	893
	<u>1,572</u>	<u>(222)</u>	<u>1,350</u>	<u>1,642</u>	<u>(268)</u>	<u>1,374</u>
	=====	=====	=====	=====	=====	=====

11. Provision for warranties

	Group	
	2003 RM'000	2002 RM'000
At 1 January	918	1,270
Provision made during the year	1,989	878
Provision used during the year	(2,425)	(1,230)
	<u>482</u>	<u>918</u>
	=====	=====

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	
	2003 RM'000	2002 RM'000
Authorised		
Ordinary shares of RM1.00 each		
At 1 January	95,000	95,000
Increased during the year	375,000	-
	<u>470,000</u>	<u>95,000</u>
At 31 December	470,000	95,000
EPMB ICUPS of RM0.10 each	20,000	-
EPMB RCSPS of RM0.10 each	10,000	-
	<u>500,000</u>	<u>95,000</u>
	=====	=====

12. Share capital (continued)

	Group and Company	
	2003	2002
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares		
At 1 January	41,460	39,900
Issued during the year	-	1,560
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each during the year	27,850	-
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each during the year	26,085	-
At 31 December	95,395	41,460
EPMB ICUPS		
Par value issued during the year	11,792	-
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each during the year	(4,812)	-
	6,980	-
EPMB RCSPS		
Par value issued during the year	5,183	-
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each during the year	(4,507)	-
	676	-
	103,051	41,460

(a) During the year, the Company issued the following financial instruments:-

- (i) 136,500,000 EPMB ICUPS of RM0.10 each an issue price of RM0.50 per EPMB ICUPS;
- (ii) 60,000,000 EPMB RCSPS of RM0.10 each at an issue price of RM0.50 per EPMB RCSPS.

The EPMB ICUPS and EPMB RCSPS, which were issued after 1 January 2003, have been classified separately into their component parts as liability or as equity on the balance sheet in accordance with MASB 24 – Financial Instruments: Disclosure and Presentation.

12. Share capital (continued)

The details of the EPMB ICUPS and EPMB RCSPS are as follows:

	---Equity component---			Total RM'000
	Share capital RM'000	Share premium RM'000	Liability component RM'000	
EPMB ICUPS				
Issued during the year	11,792	47,166	9,292	68,250
Conversion to ordinary shares	(4,812)	(19,246)	(3,792)	(27,850)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	6,980	27,920	5,500	40,400
	<hr/>	<hr/>	<hr/>	<hr/>
EPMB RCSPS				
Issued during the year	5,183	20,733	4,084	30,000
Conversion to ordinary shares	(4,507)	(18,027)	(3,551)	(26,085)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	676	2,706	533	3,915
	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,656	30,626	6,033	44,315
	<hr/>	<hr/>	<hr/>	<hr/>

The salient terms of the EPMB ICUPS are as follows:-

- (i) The registered holders of the EPMB ICUPS have the option at any time from issue date on 23 June 2003 till 22 June 2008 to convert the EPMB ICUPS into new ordinary shares in the Company ("EPMB Shares") by tendering Two (2) EPMB ICUPS for One (1) EPMB Share valued at RM1.00 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company.
- (ii) Any outstanding EPMB ICUPS will be automatically converted into new EPMB Shares by the Company on 22 June 2008 at the conversion mode stated in (i).
- (iii) The registered holder of the EPMB ICUPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB ICUPS.
- (iv) The registered holder of the EPMB ICUPS shall rank pari passu with the EPMB RCSPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.
- (v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB ICUPS.

12. Share capital (continued)

The salient terms of the EPMB RCSPS are as follows:-

- (i) The registered holders of the EPMB RCSPS have the option at any time from issue date on 23 June 2003 till 22 June 2008 to convert the EPMB RCSPS into EPMB Shares by tendering Two (2) EPMB RCSPS for One (1) EPMB Share valued at RM1.00 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company.
 - (ii) The EPMB RCSPS is redeemable at par at the discretion of EPMB on 22 June 2008. Any EPMB RCSPS that are not converted or redeemed within the Five (5)-year period will be automatically converted into new EPMB Shares by the Company on that date at the conversion mode stated in (i).
 - (iii) The registered holder of the EPMB RCSPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB RCSPS.
 - (iv) The registered holder of the EPMB RCSPS shall rank pari passu with the EPMB ICUPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.
 - (v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB RCSPS.
- (b) During the year, the Company issued 20,730,000 warrants to its shareholders on 4 September 2003. The warrants are in registered form and entitle the registered holder to subscribe for one (1) new ordinary share of RM1.00 in the Company at a subscription price of RM1.00 per ordinary share for every warrant held. The warrants are exercisable into ordinary shares at any time during the five-year subscription period expiring on 3 September 2008 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company. At the end of the year, 20,730,000 warrants remained unexercised.

13. Reserves

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Reserves consist of:				
Share premium	44,695	15,618	44,695	15,618
Warrants	4,146	-	4,146	-
Exchange translation reserve	(3,559)	(1,087)	-	-
(Accumulated losses)/Retained profits	(5,550)	(16,263)	5,274	5,645
	<u>39,732</u>	<u>(1,732)</u>	<u>54,115</u>	<u>21,263</u>
	=====	=====	=====	=====

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 2003 if paid out as dividends.

14. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiary, net of their share of, subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

15. Deferred tax

The amounts, determined after appropriate offsetting, are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	(1,048)	(893)	(1,048)	(893)
Deferred tax assets	4,365	-	-	-
	<u>3,317</u>	<u>(893)</u>	<u>(1,048)</u>	<u>(893)</u>
	=====	=====	=====	=====

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The deferred tax assets arose mainly from the recognition of unutilised reinvestment allowance of PEPS-JV at acquisition date.

15. Deferred tax (continued)

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- capital allowances	(5,311)	(893)	(1,048)	(893)
Unutilised tax losses	2,430	-	-	-
Unutilised reinvestment allowances	6,198	-	-	-
	<u>3,317</u>	<u>(893)</u>	<u>(1,048)</u>	<u>(893)</u>
	=====	=====	=====	=====

No deferred tax has been recognised for the following items:

	Group	
	2003	2002
	RM'000	RM'000
Deductible temporary differences	(870)	6,081
Unabsorbed capital allowances	4,085	2,273
Unutilised tax losses	12,600	15,234
	<u>15,815</u>	<u>23,588</u>
	=====	=====

The deductible temporary differences, unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the companies in the Group can utilise the benefits.

The Group has tax losses carried forward of RM21.3 million (2002 – RM15.2 million) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above.

The Group also has unutilised reinvestment allowances carried forward of RM41 million (2002 - RM13 million) of which RM22 million arose from the acquisition PEPS-JV which has been recognised as stated above.

16. Operating profit/(loss)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) is arrived at after crediting:				
Dividend income from subsidiary	-	-	-	14,500
Gain on foreign exchange – realised	294	1,641	-	-
– unrealised	729	643	-	-
Gain on disposal of property, plant and equipment	15	-	-	-
Interest rebate on early settlement	2,500	-	-	-
Rental income	518	-	2,655	2,655
	=====	=====	=====	=====
and after charging:				
Allowance for diminution in value of other investments	-	25	-	-
Allowance for doubtful debts	-	2,285	-	-
Auditors' remuneration	193	186	35	35
Bad debts written off – subsidiary	-	-	-	12,500
– others	229	307	-	-
Company's Directors				
Remuneration	662	574	-	-
Fees	210	87	180	57
Bonus and allowance	39	-	-	-
EPF contribution	73	54	-	-
Depreciation	10,551	4,405	617	617
Development cost – amortisation	602	3,250	-	-
– impairment losses	-	5,419	-	-
– written off	142	2,690	-	-
EPF contribution for staff	2,158	1,088	-	-
Impairment losses on investment in a subsidiary	-	-	-	1,789
Inventories written down	324	2,476	-	-
Loss on disposal on property, plant and equipment	69	105	-	-
Loss on foreign exchange – realised	519	614	-	-
– unrealised	-	81	-	-
Property, plant and equipment written off	-	1,104	-	1,702
Provision for warranties	1,989	878	-	-
Rental – premises	1,563	260	-	-
– machinery and equipment	227	400	-	-
	=====	=====	=====	=====

The estimated monetary value of Directors' benefits-in-kind is RM70,000 (2002 - RM50,000).

The number of employees of the Group and of the Company at the end of the year was 910 (2002 - 629) and Nil (2002 - 7), respectively.

17. Interest expense

	Group	
	2003	2002
	RM'000	RM'000
Bank overdraft	471	451
Bankers' acceptance and trust receipt	1,389	1,320
Hire purchase	101	209
Term loans	2,640	861
MUNIF	848	-
Others	215	49
	<u>5,664</u>	<u>2,890</u>
	=====	=====

18. Tax expense

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current	302	1,580	293	460
- (over)/under provision in prior year	(254)	78	(109)	78
	<u>48</u>	<u>1,658</u>	<u>184</u>	<u>538</u>
Deferred tax expense				
Origination and reversal of temporary differences	5,485	105	155	105
	<u>5,533</u>	<u>1,763</u>	<u>339</u>	<u>643</u>
	=====	=====	=====	=====
Reconciliation of effective tax expense				
Profit/(Loss) before taxation	24,598	(20,094)	1,013	(227)
	<u>24,598</u>	<u>(20,094)</u>	<u>1,013</u>	<u>(227)</u>
Income tax using Malaysian tax rates (28%)	6,887	(5,626)	284	(64)
Effect of different tax rates in foreign jurisdictions	370	(441)	-	-
Non-deductible expenses	1,202	2,875	106	4,584
Tax incentives	(1,102)	(608)	-	-
Tax exempt income	-	-	-	(4,060)
Effect of unrecognised deferred tax assets	(2,176)	5,566	-	-
Other items	606	(81)	58	105
	<u>5,787</u>	<u>1,685</u>	<u>448</u>	<u>565</u>
(Over)/Under provision in prior years	(254)	78	(109)	78
	<u>5,533</u>	<u>1,763</u>	<u>339</u>	<u>643</u>
	=====	=====	=====	=====

19. Earnings/(Loss) per ordinary share - Group

Basic earnings/ (loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the net profit for the year of RM11,758,000 (2002 – net loss of RM21,857,000) and the weighted average number of ordinary shares outstanding during the year of 48,307,000 (2002 – 40,276,000).

Weighted average number of ordinary shares

	2003	2002
	RM'000	RM'000
Issued ordinary shares at beginning of the year	41,460	39,900
Effect of shares issued during the year	6,847	376
	<hr/>	<hr/>
Weighted average number of ordinary shares	48,307	40,276
	<hr/> <hr/>	<hr/> <hr/>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM11,873,000 and the weighted average number of ordinary shares outstanding during the year of 74,046,000 calculated as follows:

Net profit attributable to ordinary shareholders (diluted)

	2003
	RM'000
Net profit attributable to ordinary shareholders	11,758
After tax effect of notional interest savings	115
	<hr/>
Net profit attributable to ordinary shareholders (diluted)	11,873
	<hr/> <hr/>

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares	48,307
Effect of EPMB ICUPS and EPMB RCSPS	25,739
Effect of warrants	-
	<hr/>
Weighted average number of ordinary shares (diluted)	74,046
	<hr/> <hr/>

20. Dividends

Group and Company
2003 2002
RM'000 RM'000

Ordinary		
Final paid:		
3.5% per share less tax (2002 – 3.5% per share less tax) in respect of financial year ended 31 December 2002		
(2002 – 31 December 2001)	1,045	1,005
	=====	=====

The proposed final dividend for the financial year ended 31 December 2003 amounting to RM2,403,954 has not been accounted for in the financial statements.

The net dividends per ordinary share as disclosed in the Income Statement takes into account the proposed final dividend for the financial year.

21. 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 interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and 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.

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 principal geographical areas, Malaysia and North America. Australia is currently undertaking research and development activities for the automotive segment. EPMB (UK) Limited has ceased operations and became inactive during the year.

21. Segmental information (continued)

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	
	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business segments						
Revenue from external customers	205,934	101,818	19,388	5,206	225,322	107,024
Segment result	24,562	7,376	1,678	(26,046)	26,240	(18,670)
Unallocated expenses					(1,642)	(1,424)
Profit/(Loss) before taxation					24,598	(20,094)
Tax expense					(5,533)	(1,763)
Profit/(Loss) after taxation					19,065	(21,857)
Minority interests					(2,252)	-
Pre-acquisition profit					(5,055)	-
Net profit/(loss) for the year					11,758	(21,857)
Segment assets	311,543	118,997	10,407	8,438	321,950	127,435
Segment liabilities	154,563	74,276	7,985	5,721	162,548	79,997
Capital expenditure	25,647	4,452	31	612	25,678	5,064
Depreciation and amortisation	11,011	4,446	142	3,209	11,153	7,655
Non-cash expenses other than depreciation and amortisation	2,555	3,242	373	12,047	2,928	15,289

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21. Segmental information (continued)

	Malaysia		United Kingdom		North America		Australia		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Geographical segments</i>										
Revenue from external customers by location of customers	224,200	104,631	99	-	1,007	2,393	16	-	225,322	107,024
Segment assets by location of assets	320,887	122,985	162	1,415	92	1,692	809	1,343	321,950	127,435
Capital expenditure by location of assets	25,605	5,049	7	-	-	-	66	15	25,678	5,064

22. Contingent liabilities

	Company	
	2003	2002
	RM'000	RM'000
Unsecured		
Guarantees and contingencies relating to borrowings of subsidiaries	87,130	54,921
	=====	=====

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.

23. Commitments

	Group	
	2003	2002
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
Contracted but not provided for in the financial statements	18,124	473
	=====	=====
Investments in subsidiary		
Authorised and contracted for	-	124,500
	=====	=====

24. 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 former Director of the Company, Goh Chyin Tar, has interest.

Significant transactions and balances with related parties are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Transactions				
With affiliated companies in which Hamidon bin Abdullah, a controlling shareholder and a Director, has interests:				
EP Properties (M) Sdn Bhd				
Rental payable	(287)	(254)	-	-
Pesaka Nuri (M) Sdn Bhd				
Purchases	(15,006)	(2,396)	-	-
Sales	147	-	-	-
PEPS-JV (M) Sdn Bhd				
Purchases	-	(1,334)	-	-
Felio Group (M) Sdn Bhd				
Sales	17,083	7,976	-	-
Rental payable	(167)	-	-	-
KVC Connectors Sdn Bhd				
Purchases	(66)	-	-	-
KVC Electric (M) Sdn Bhd				
Sales	506	-	-	-
PN Engineering Sdn Bhd				
Purchases	(1,803)	(202)	-	-
RB Fields Sdn Bhd				
Sales	-	6	-	-
Circle Ring Network Sdn Bhd				
Rental receivable	17	-	-	-
Hajatimur Sdn Bhd				
Rental payable	(560)	-	-	-
Thian Soon Industrial Hardware Sdn Bhd				
Purchases	(423)	-	-	-

24. Related parties (continued)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<i>Transactions (continue)</i>				
Mutual Concept Sdn Bhd				
Acquisition of subsidiary	-	-	78,750	-
With an affiliated company in which Goh Chyin Tar, a former Director, has interests:				
KL Innovation Design Centre Sdn Bhd				
Purchases	(770)	(1,524)	-	-
Rental receivable	24	-	-	-
With affiliated companies in which Hamidon bin Abdullah and Goh Chyin Tar, a Director and a former Director respectively, have interests:				
Earntrade Industries Sdn Bhd				
Sales	654	270	-	-
Purchases	(2,461)	(6,738)	-	-
Rental receivable	3	-	-	-
KB Teknik Sdn Bhd				
Sales	1,066	1,468	-	-
Purchases	(7,529)	(8,591)	-	-
Intro Frontier Sdn Bhd				
Sales	219	137	-	-
Purchases	(90)	(119)	-	-
Rental receivable	501	-	-	-
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		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<i>Balances in respect of non-trade transactions</i>				
Advances from Hamidon bin Abdullah, a controlling shareholder and a Director, or affiliated companies in which he has interests:	4,168	268	-	-

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency and liquidity 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 69% of the trade receivables of the Group is concentrated on two customers in the automotive industry. 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 incurs 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 Australian Dollars, US Dollars, Pound Sterling, Japanese Yen, EURO and Thai Baht. The Group and the Company do not transact in any derivative instruments or hedge their currency exposure as the significant exposure is only to the US Dollar which is pegged against Ringgit Malaysia. However, the Board of Directors keeps this policy under review and ongoing monitoring.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents and facilities deemed adequate by management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

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25. 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.

Group	-----2003-----				----- 2002-----			
	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%	4,957	4,957	-	3.2%	3,935	3,935	-
Financial liabilities								
Secured term loans	8.0%	7,199	7,199	-	8.4%	7,490	7,490	-
Unsecured term loans	7.5%	331	331	-	7.9%	1,617	1,617	-
Secured overdrafts	8.0%	8,556	8,556	-	8.9%	6,848	6,848	-
Unsecured overdrafts	8.5%	533	533	-	9.1%	1,404	1,404	-
Secured bankers' acceptances	3.2%	28,357	28,357	-	3.5%	27,770	27,770	-
Short term advances	8.0%	6,664	6,664	-	-	-	-	-
Other short term facilities	8.9%	1,000	1,000	-	-	-	-	-
MUNIF	3.5%	40,000	40,000	-	-	-	-	-
EPMB ICUPS	3.5%	5,500	-	5,500	-	-	-	-
EPMB RCSPS	3.5%	533	-	533	-	-	-	-

25. Financial instruments (continued)

Company	-----2003-----			-----2002-----		
	Effective interest rate %	Total RM'000	Within 1 year RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000
Financial assets						
Deposits with licensed banks	3.2%	1,069	1,069	3.2%	1,893	1,893

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 their fair value as these 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	2003 Carrying amount RM'000	2003 Fair value RM'000	2002 Carrying amount RM'000	2002 Fair value RM'000
Financial assets				
Quoted shares – long term	13	14	13	13
	===	===	===	===
Financial liabilities				
EPMB ICUPS				
- liability component	5,500	5,500	-	-
EPMB RCSPS				
- liability component	533	533	-	-
	-----	-----	-----	-----
	6,033	6,033	-	-
	=====	=====	=====	=====

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

25. Financial instruments (continued)

Company	2003 Carrying amount RM'000	2003 Fair value RM'000	2002 Carrying amount RM'000	2002 Fair value RM'000
Financial liabilities				
EPMB ICUPS				
- liability component	5,500	5,500	-	-
EPMB RCSPS				
- liability component	533	533	-	-
	-----	-----	-----	-----
	6,033	6,033	-	-
	=====	=====	=====	=====

26. Acquisition of subsidiary

On 19 May 2003, the Company completed the acquisition of 79.5% equity interest in the issued and paid-up capital of PEPS-JV from Mutual Concept Sdn. Bhd. ("Mutual Concept") for a consideration of up to RM105,000,000 satisfied by a combination of cash payment of RM10,500,000 and the issuance of up to 189,000,000 EPMB ICUPS of RM0.10 each at an issue price of RM0.50 each. During the year, the Company issued 136,500,000 EPMB ICUPS of RM0.10 each at an issue price of RM0.50 per EPMB ICUPS. The remaining EPMB ICUPS will be issued upon PEPS-JV achieving an audited profit after tax of RM19,000,000 and RM20,000,000 for financial year ending 31 December 2003 and 31 December 2004 respectively. The Company also completed the acquisition of 30,000,000 of Redeemable Convertible Secured Preference Shares of RM1 each in PEPS-JV satisfied by the issuance of 60,000,000 of its EPMB RCSPS of RM0.10 each at an issue price of RM0.50 each from Securita ABS One Berhad ("Securita").

PEPS-JV is principally involved in the manufacturing of automotive modular components, which include metal stamping, metal welding assembly and black electro-deposition painting. The acquisition was accounted for using the acquisition method of accounting.

26. Acquisition of subsidiary (continued)

The fair value of assets and liabilities assumed in the acquisition of PEPS-JV and the cash flows effect are as follows:-

	Acquisition 2003 RM'000
Non current assets	
Property, plant and equipment	88,033
Deferred tax assets	9,694
	<hr/>
	97,727
Current assets	27,109
Current liabilities	(35,966)
Long term liabilities	(56,397)
	<hr/>
Net assets	32,473
Less: Minority interest	(6,657)
Goodwill on acquisition	52,934
	<hr/>
Purchase consideration paid	78,750
Consideration paid, satisfied in EPMB ICUPS	(68,250)
Cash acquired	(197)
	<hr/>
Net cash outflow	10,303
	=====

Effect of acquisition

The Company acquired PEPS-JV on 19 May 2003 and the acquisition of PEPS-JV had the following effect on the Group's income statements and assets and liabilities as at 31 December 2003.

The following presentation show the full year amounts of PEPS-JV for revenue, operating costs, tax expense and profit after taxation, pre-acquisition profit is deducted thereon to show the seven (7) months net profit impact to the Group.

	RM'000
Income statement:	
Revenue	88,813
Operating costs	(67,442)
	<hr/>
Profit before taxation	21,371
Tax expense	(1,833)
	<hr/>
Profit after taxation	19,538
Less: Minority interest	(2,252)
Less: Pre-acquisition profit	(5,055)
	<hr/>
Increase in the Group's net profit for the year	12,231
	=====

26. Acquisition of subsidiary (continued)

	2003 RM'000
Balance sheet:	
Property, plant and equipment	104,728
Deferred tax assets	4,365
Current assets	30,125
Current liabilities	(24,420)
Long term liabilities	(51,340)
	<hr/>
Net assets acquired	63,458
Minority interest	(8,909)
	<hr/>
Group's share of net assets	54,549
Goodwill on acquisitions	(52,934)
	<hr/>
Increase in the Group's net assets	1,615
	<hr/> <hr/>

27. Significant events

The following corporate exercises were substantially completed during the year.

- a) The 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 of RM1.00 each, 200,000,000 EPMB ICUPS of RM0.10 each and 100,000,000 EPMB RCSPS of RM0.10 each;
- b) The amendments to the Memorandum and Articles of Association of EPMB to facilitate the acquisition of PEPS-JV and the capital increase;
- c) The acquisition of PEPS-JV on 19 May 2003 (see Note 26);
- d) The right issue of 20,730,000 EPMB Warrants at an issue price of RM0.20 per EPMB Warrants, payable in full upon acceptance, on the basis of One (1) new EPMB Warrant for every Two (2) EPMB Shares of RM1.00 held on 18 July 2003;
- e) The renounceable offer for sale of 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 of Four (4) EPMB ICUPS for every One (1) EPMB Share of RM1.00 held on 18 July 2003; and
- f) The renounceable offer for sale of 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 of One (1) EPMB RCSPS for every One (1) EPMB Share of RM1.00 held on 18 July 2003.

27. Significant events (continued)

The Securities Commission approved an extension of time up to 20 June 2005 for the Company to complete the entire corporate exercises of c), d), e) and f) as the remaining EPMB ICUPS will be issued upon PEPS-JV achieving an audited profit after tax of RM19,000,000 and RM20,000,000 for financial years ending 31 December 2003 and 31 December 2004 respectively (see Note 26).

The Board of Directors of the Company approved the proposed issue of up to RM150,000,000 Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes (“MUNIF/IMTN”) in December 2003. The proposal was approved by the Securities Commission on 8 January 2004.

28. Events subsequent to the balance sheet date

- (a) From 19 January 2004 to 2 April 2004, 38,696,000 EPMB ICUPS of RM0.10 each and 3,055,000 EPMB RCSPS of RM0.10 each were converted into 19,348,000 and 1,527,500 ordinary shares respectively.
- (b) The Company drew down RM100,000,000 and RM15,000,000 MUNIF/IMTN on 16 February 2004 and 1 April 2004 respectively.