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NOTICE OF SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Concorde Hotel, Shah Alam, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 23 June 2003 at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2002 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a final dividend of 3.5% per ordinary share (less 28% income tax) for the financial year ended 31 December 2002. **(Resolution 2)**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2002. **(Resolution 3)**
4. To re-elect the following Directors retiring in accordance with Article 105 of the Company's Articles of Association and being eligible, offer themselves for reelection:-
 - (i) Goh Chyin Tar **(Resolution 4)**
 - (ii) Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin **(Resolution 5)**
5. To re-appoint Messrs KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General meeting and to authorize the Board of Directors to fix their remuneration. **(Resolution 6)**
6. **SPECIAL BUSINESS**
To consider, and if thought fit, to pass the following Ordinary Resolution :-
ORDINARY RESOLUTION AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965
"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per cent of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 7)**
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

LIM SECK WAH (MAICSA NO. 0799845)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)
Company Secretaries
Selangor

Dated : 31 May 2003

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Seventh Annual General Meeting on 23 June 2003, a final dividend of 3.5% per ordinary share of RM1.00 each (less 28% income tax) in respect of the financial year ended 31 December 2002 will be payable on 23 September 2003 to Depositors whose names appear in the Record of Depositors on 1 September 2003.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 1 September 2003 in respect of ordinary transfers; and
- (b) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the rules of the Kuala Lumpur Stock Exchange.

Notes :-

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to attend. Where a member appoints two (2) or more proxies to attend the same meeting, a member shall specify the proportions of his shareholdings to be presented by each proxy.
2. A proxy may but not be a member of the Company. A member shall not be entitled to appoint a person who is not a member unless that person is an advocate, an approved auditor or a person approved by Companies Commission of Malaysia.
3. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorized in writing, and in the case of a corporation, shall be either given under the hand of an officer or attorney of the corporation duly authorized.
5. The instrument appointing the proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Registered Office of the Company at No. 8 & 10, Jalan Jurutera U1/23, Section U1, Kawasan Perindustrian Hicom Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
6. **Explanatory note on Special Business:-**

Ordinary Resolution 7

The effect of the resolution under item 6 of the agenda, if passed, will give the flexibility and authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to and not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for election or re-election at the Seventh Annual General Meeting of EP Manufacturing Bhd ("EPMB").

- (i) Goh Chyin Tar
- (ii) Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin

2. Details of attendance of directors at Board Meetings.

There were seven (7) Board of Directors' Meetings held during the financial year ended 31 December 2002. Records of attendance for each of the Directors are as follows:-

Names of Directors	No. of Meeting Attended
Hamidon Bin Abdullah	7/7
Linden Hamidon Nee Fong	5/7
Goh Chyin Tar	7/7
Shaari Bin Haron	6/7
Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin	7/7
Hew Voon Foo (Appointed on 17 April 2002)	4/4

3. Place, date and hour of Board of Directors' Meetings held.

A total of seven (7) Board of Directors' Meetings were held during the financial year ended 31 December 2002, details of which are as follows:-

Date	Time of Meeting	Venue
8 January 2002	10.00 a.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan
31 January 2002	11.00 a.m.	Grand Blue Wave Hotel Shah Alam Persiaran Perbandaran, Seksyen 14 40000 Shah Alam Selangor Darul Ehsan
25 February 2002	10.30 a.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (continued)

Date	Time of Meeting	Venue
29 April 2002	9.30 a.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan
24 May 2002	10.30 a.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan
26 August 2002	10.30 a.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan
25 November 2002	4.00 p.m.	No. 8 & 10 Jalan Jurutera U1/23 Section U1 HICOM Glenmarie Industrial Estate 40150 Shah Alam Selangor Darul Ehsan



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (continued)

4. Further details of Directors who are standing for election.

Details	GOH CHYIN TAR	DATO' IBRAHIM HUSSEIN@ IBRAHIM BIN NYAR HUSSIN
Directorship	Executive Director	Independent Non-Executive Director
Age	40 years old	67 years old
Nationality & Race	Malaysian/Chinese	Malaysian/Malay
Qualification	Bachelor of Computer Science	Artist by profession
Working experience & occupation for the past 5 years	1997 – Present: Executive Director of EPMB	Artist
Other directorships of public companies	Nil	Nil
Securities holdings in EPMB and its subsidiaries	Nil	Direct Interest: 50,000 ordinary shares in EPMB
Family relationship with any director and/or major shareholder of the listed issuer	Nil	Nil
Any conflict of interest with the listed issuer	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any.	Nil	Nil



CORPORATE INFORMATION

BOARD OF DIRECTORS

Hamidon bin Abdullah
Executive Chairman

Goh Chyin Tar
Chief Executive Officer

Dato' Ibrahim Hussein @
Ibrahim bin Nyar Hussin
Independent Non-Executive Director

Shaari bin Haron
Independent Non-Executive Director

Linden Hamidon Nee Fong
Non-Executive Director

Hew Voon Foo
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Shaari bin Haron
Chairman

Dato' Ibrahim Hussein @
Ibrahim bin Nyar Hussin
Member

Hew Voon Foo
Member

SECRETARIES

Lim Seck Wah
(MAICSA NO. 0799845)
M. Chandrasegaran A/L S. Murugasu
(MAICSA NO. 0781031)

STOCK EXCHANGE LISTING

The Second Board, Kuala Lumpur Stock
Exchange

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No.8 & 10 Jalan Jurutera U1/23
Seksyen U1 Kawasan Perindustrian Hicom
Glenmarie
40150 Shah Alam
Selangor Darul Ehsan
Tel: 03-7803 6663 Fax: 03-78049761

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-26924271 Fax: 03-27325388

AUDITORS

KPMG

PRINCIPAL BANKERS

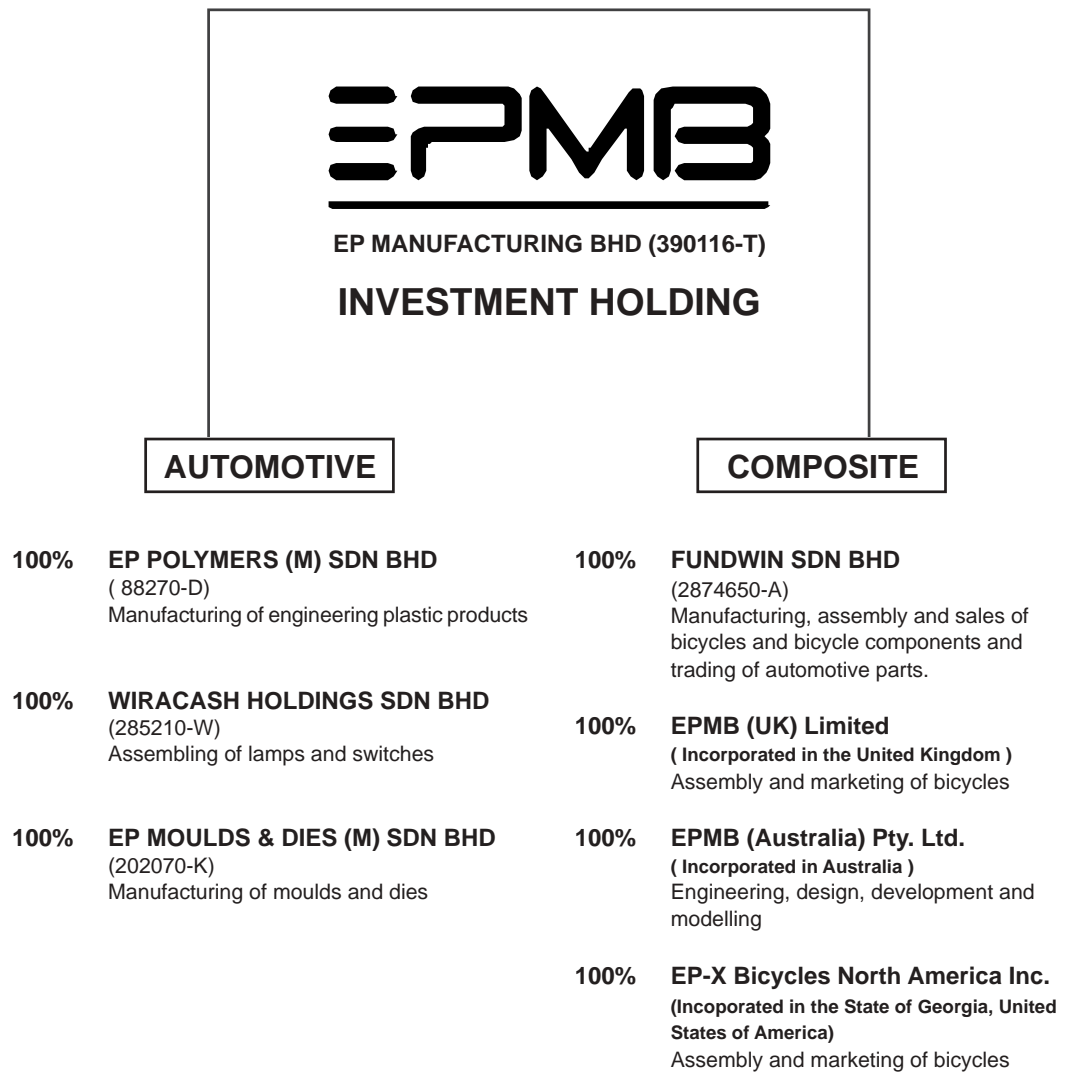
Bumiputra Commerce Bank Berhad
Bangkok Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

LAWYERS

Majid and Chan
Zul Rafique & Partners
Wee Choo Keong & Faaiz



GROUP STRUCTURE



BOARD OF DIRECTORS



**HAMIDON BIN
ABDULLAH**

Aged 50 (Malaysian), is the Executive Chairman of the Company, He was appointed to the Board on 20 January 1997. Encik Hamidon obtained his degree in Applied Mathematics & Computer Science in 1974 and Master in Urban Planning in 1975 from the University of Adelaide, Australia, Encik Hamidon is the founding member of the EPMB Group, which he started in 1988.

Encik Hamidon attended 7 Board meetings during the financial year.



GOH CHYIN TAR

Aged 40 (Malaysian), is the Chief Executive Officer of the Company, He was appointed to the Board on 20 January 1997. Mr Goh holds a Bachelor of Computer Science (Honours) degree from the University of Manitoba, Canada, which he obtained in 1985. He has been with the EPMB Group since 1990.

Mr. Goh attended 7 Board meetings during the financial year.



SHAARI BIN HARON

Aged 52 (Malaysian), is an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee. He was appointed to the Board on 20 January 1997. Encik Shaari obtained his Bachelor of Law (Honours) degree from the International Islamic University in 1991. Encik Shaari started his career with the Polis Diraja Malaysia in 1971 and has held the position of, amongst others, Assistant Superintendent of Police (1981) and Legal Officer of the Traffic Division (1991).

Encik Shaari attended 6 Board meetings during the financial year.



BOARD OF DIRECTORS



**DATO' IBRAHIM
HUSSEIN @ IBRAHIM
BIN NYAR HUSSIN**

Aged 67 (Malaysian), is an Independent Non-Executive Director of the Company and a member of the Audit Committee. He was appointed to the Board on 20 January 1997. Dato' Ibrahim is an artist by profession. He set up the Ibrahim Hussein Museum and Cultural Foundation on 18 September 1991, of which he is the Life Chairman and a member of the Board of Trustees.

Dato' Ibrahim attended 7 Board meetings during the financial year.



**LINDEN HAMIDON NEE
FONG**

Aged 49 (Australian / Malaysian PR), is a Non-Executive Director of the Company. She was appointed to the Board on 20 January 1997. Dr. Linden holds a Bachelor of Dental Surgery from the University of Adelaide, Australia, which she obtained in 1978. She is also a practicing Dentist since 1980. Dr. Linden is the spouse of Encik Hamidon Abdullah.

Dr. Linden attended 5 Board meetings during the financial year.



MR HEW VOON FOO

Aged 42 (Malaysian) is a Non-Independent Non-Executive Director of the Company and a member of the Audit Committee. He was appointed to the board on 17 April 2002. He commenced his accounting career in 1980 and obtained his professional qualification from the Chartered Institute of Management Accountants at Tunku Abdul Rahman College where he successfully graduated in 1986.

He was engaged in audit firm and also in commercial sector for few years before joining a local company in 1996 as Financial Controller.

Mr. Hew attended 4 Board meetings during the financial year.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of EP Manufacturing (EPMB), I hereby present the Annual Report and Financial Statements of the EPMB Group and the Company for the financial year ended 31 December 2002.

FINANCIAL PERFORMANCE

The Group incurred a loss before taxation of RM20.09 million for the financial year, compared to a loss before taxation of RM10.67 million in 2001.

The EPMB Group's revenue increased by 13.5% from RM94.33 million in 2001 to RM107.02 million which was mainly contributed by its automotive manufacturing segment. Despite the growth in its revenue, the group recorded a higher loss before taxation due to margin pressures on its automotive manufacturing division and high marketing and operational costs on its bicycle division. 2002's higher losses were also in part due to impairment of property, plant and equipment, write-down of intangible assets and provision for slow moving stocks amounting to RM19.30 million

DIVIDENDS

The board is recommending a final dividend of 3.5 sen gross per share less tax, payable on a date to be determined later. The total gross dividends payable for the financial year 2002 of 3.5 sen is similar in quantum paid for the financial year 2001.

THE MALAYSIAN ECONOMY AND THE AUTOMOTIVE INDUSTRY

The Malaysian economy continued to grow in 2002 at an improved GDP growth rate of 4.2% (2001:0.4%) despite an uncertain external environment. External demand was still relative flat and the economy was mainly domestic driven. Bank Negara Malaysia has indicated that 2003 will likely continue to be driven by domestic factors with private investment being one of the key drivers. Inflation in 2003 is expected to remain manageable at 1.5% (2002:1.8%) and has enabled the authorities to practice flexible monetary policies to maintain the economic recovery.

Despite external uncertainties and concerns, Malaysian consumers helped the domestic automotive industry achieved it's highest ever sales in 2002. Total industry volumes (TIV) hit 434,954 units vs 396,381 units in 2001, a growth of 9.7%. Similarly, in the passenger car sub-segment, 2002 sales hit a record 359,934 units, a growth of 9.9%. Domestic makes Proton and Perodua continued to dominate and accounted for 91% the passenger car segment.

Vehicle sales growth in 2003 are however expected to moderate as buyers wait for new model launches and the advent of ASEAN Free Trade Area (AFTA) in 2005.

REVIEW OF OPERATIONS

Automotive Division

Stronger demand for passenger cars in 2002 helped buoyed demand for the group's automotive components. Although revenue for this division had remained flat, the group did manage to improve its profitability through cost cutting measures and stricter control over manufacturing processes. This division's pretax profit contribution improved to RM8.5 million from RM2.3 million in 2001.



CHAIRMAN'S STATEMENT

(continued)

Composite Division

This division's primary product, the EP-X composite bicycle, continued to be in its penetration and brand development stage although it managed to record higher units sales. 2002 also saw the rationalisation and streamlining of its operations in the United Kingdom and United States of America as well as lateral marketing strategy implemented with other large groups. During the year, the group took a prudent step in writing down some of its R&D expenditure carried in the balance sheet as well as provided for slow moving stock items.

Although the composite division remained loss making, the Group is cautiously optimistic of turning around the division in the current financial year. Due to some reorganization and re-strategising which was implemented last year, this division is now expected to make a positive contribution to the EP group's profitability in 2003.

PROSPECTS

The Group's two key operating divisions, automotive and composite, are poised to show improvement due to the following.

The Group's acquisition of 79.5% equity interest in PEPS-JV (M) Sdn Bhd was completed in May 2003. This acquisition is expected to contribute positively to the group's earnings. PEPS-JV is involved in the manufacturing of chassis parts as well as other automotive components and will complement and expand the group's current automotive business.

The Group has also ventured into the export markets for automotive components, which is showing promising results. This venture is also expected to contribute positively to the Group's bottom line.

The composite division is also expected to show positive development in the current financial year. Inline with the restructuring and fine-tuning of its business strategy, the EPMB Group's composite division has tied up with a local automotive manufacturer in the sales and distribution of its composite bicycle under the latter's branding. Sales in the early part of 2003 to date has been encouraging.

In summary, barring unforeseen circumstances, the Group is optimistic that 2003 will be an improvement compared to 2002's financial performance.

APPRECIATION

On behalf of the Board of Directors of EP Manufacturing Berhad, I would like to thank the management and staff of the group for their hard work and commitment in what was a challenging year for the group. I would also like to record the group's appreciation to our customers, suppliers and business partners for their continued support.

HAMIDON ABDULLAH
Executive Chairman



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of EP Manufacturing Bhd. is committed to promote the highest standards of corporate governance within the group. The statement below reports on how the Group has applied the Principles as set out in Part 1 the Malaysian Code on Corporate Governance (the "Code"). The Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year unless otherwise noted.

1. THE BOARD

1.1. COMPOSITION OF THE BOARD

EP Manufacturing Bhd is led and managed by a Board of Directors with vast experience in business, commercial, finance and legal matters. A brief description on the background of each Director is presented on pages 8 and 9 of the Annual Report.

The Board currently has six (6) members, comprising an Executive Chairman, a Chief Executive Officer and four Non-Executive Directors (two (2) of whom are independent).

The Independent Directors have the necessary skill and experience to bring an independent judgment to bear the issues of strategy, performance, resources including key appointments and standards of conduct. The Independent Directors are also independent of the Management and majority shareholders. They provide independent views and judgment and also to safeguard the interests of parties such as minority shareholders. No individual or group of individuals dominate the Board's decision making and the number of directors fairly reflect the investment of the shareholders.

The roles of the Chairman and the Chief Executive Officer are separated with Hamidon bin Abdullah as the Executive Chairman and Goh Chyin Tar as the Chief Executive Officer. This will ensure a balance of power and authority. The Chairman is responsible for the orderly conduct and working of the Board. The Chief Executive Officer is responsible in the running of the business, implementation of policies and strategies adopted by the Board. The Board, together with the Chief Executive Officer, developed position descriptions for the Board and for the Chief Executive Officer, involving definition of the limits to the Management's responsibilities. The Board also approved and developed with the Chief Executive Officer, the corporate objectives. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin was nominated as the Senior Independent Non-Executive Director on 29 April 2002 to whom concerns may be conveyed.

All the Directors have given their undertaking to comply with the Kuala Lumpur Stock Exchange Listing Requirements and the Independent Directors have confirmed their independence in writing.

In accordance with the Company's Articles of Association, all Directors retire from office at least once in every three years and offer themselves for re-election.

1.2. BOARD MEETINGS

The Board meets regularly. Seven (7) Board meetings were held during the financial year ended 31 December 2002.



CORPORATE GOVERNANCE STATEMENT

(continued)

The number of Board meetings held during the financial year ended 31 December 200 and the attendance of the meetings are as follows:

Directors	Total meetings attended by the Directors/Total Meetings held during the financial year ended 31 December 2002*	% of Attendance
Executive Directors		
Hamidon bin Abdullah	7/7	100
Goh Chyin Tar	7/7	100
Non-Executive Directors		
Linden Hamidon Nee Fong	5/7	71
Shaari bin Haran Dato' Ibrahim Hussein @	6/7	86
Ibrahim bin Nyar Hussin	7/7	100
Hew Voon Foo**	4/4	100
Raja Shamsul Kamal bin Raja Sharuzzaman***	N/A	N/A
Tunku Ahmad Burhanuddin bin Tunku Datuk Adnan***	N/A	N/A

Notes

- * Meetings were held on 8 January 2002, 31 January 2002, 25 February 2002, 29 April 2002, 24 May 2002, 26 August 2002 and 25 November 2002.
- ** Hew Voon Foo was appointed on 17 April 2002.
- *** Raja Shamsul Kamal bin Raja Sharuzzaman and Tunku Ahmad Burhanuddin bin Tunku Datuk Adnan resigned on 31 January 2002.

1.3. RESPONSIBILITIES AND SUPPLY OF INFORMATION

All Directors are supplied with board papers pertaining to agenda items prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, to allow them to effectively discharge their responsibilities.

In addition, there is a schedule of matters reserved specifically for the Board's decision, which includes strategic and policy issues, major investments and financial decisions.

All Directors have full access to information pertaining to all matters for the purpose of making decisions.

The Board has set out agreed procedure for the Directors to take independent professional advice at the Company's expense, if necessary. All Directors have access to the advice and services of the Company Secretary who ensures compliance with statutory obligations, Listing Rules of the Kuala Lumpur Stock Exchange or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

CORPORATE GOVERNANCE STATEMENT

(continued)

1.4. DIRECTORS' REMUNERATION

1.4.1. Remuneration procedure

The remuneration of each Director, are determined by the Board, as a whole. The Directors do not participate in discussion and decision of their own remuneration.

1.4.2. Remuneration Package

All Directors are provided with Directors' fees, which are approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board.

The details of the remuneration of the Directors of the company are as follows:

	Salaries	Fees & Allowances	Benefits in kind	Total
	RM	RM	RM	RM
Executive Directors	546,000	21,000	50,000	617,000
Non-Executive Directors	-	66,000	-	66,000

The number of Directors whose remuneration falls into the following bands are as follows:

RANGE OF REMUNERATION

	Executive Directors*	Non-Executive Directors*
Below RM50,000	-	5
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	1	-

*Inclusive of Directors who retired during the financial year ended 31 December 2002.

1.5. DIRECTORS' TRAINING

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by the Kuala Lumpur Stock Exchange from time to time. The Company also provides briefings for new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.



CORPORATE GOVERNANCE STATEMENT

(continued)

All Directors have attended the Mandatory Accreditation Programme ("MAP"), prescribed by the Kuala Lumpur Stock Exchange.

2. THE BOARD COMMITTEES

The following committees are established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference.

2.1. AUDIT COMMITTEE

The details are set out on pages 20 to 22 of this Annual Report.

2.2. NOMINATION COMMITTEE

Terms of Reference

Constitution and Purpose

The Nomination Committee was established on 29 August 2001. Its primary function is to propose new nominees for the Board and assess directors on an on-going basis.

Composition

The Nomination Committee comprises three (3) members, two (2) of whom are Independent Non-Executive Directors.

The present members of the Nomination Committee of the Company are:

- (i) Shaari bin Haron
- (ii) Dato' Ibrahim bin Nyar Hussin
- (iii) Hew Voon Foo

The Chairman of the Nomination Committee is an Independent Non-Executive Director. The Chairman shall attend all meetings of the committee other than when matters concerning himself are under discussion.

The Company Secretary is the secretary of the Nomination Committee. The Secretary shall maintain minutes of the proceeding of the Committee and circulate such minutes to all members of the Board.

Rights

The Nomination Committee is authorised to propose new nominees for the Board and assess directors on an on-going basis. The Nomination Committee also has the authority to examine a particular issue and reports back to the Board its recommendations.

The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

CORPORATE GOVERNANCE STATEMENT

(continued)

Functions

The functions of the Nomination Committee include:

- (i) Recommends to the Board, the suitable candidates for all directorships to be filled by the shareholders or the Board.
- (ii) Considers, in making its recommendations, candidates for directorship proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or director or shareholders.
- (iii) Recommends to the Board, Directors to fill the seats on the Board Committees.
- (iv) Annually reviews the required mix of skills and experience and other qualities, including core competencies, which the Non-Executive Directors should bring to the Board.
- (v) Assesses on an annual basis;
 - the effectiveness of the Board as a whole;
 - the committees of the Board; and
 - the contribution of each individual Director. The assessment process should be pre-determined by the Board.

Meetings

Meetings of the Nomination Committee shall be held from time to time as determined by the members of the Committee. Written notice of the meeting together with an agenda shall be given to the members of the Committee.

One (1) meeting was held during the financial year ended 31 December 2002.

2.3. REMUNERATION COMMITTEE

Terms of Reference

Constitution and Purpose

The Remuneration Committee was established on 29 August 2001. Its primary function is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice as necessary.

The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

Composition

The Remuneration Committee comprises three (3) members, two (2) of whom are Independent Non-Executive Directors.



CORPORATE GOVERNANCE STATEMENT

(continued)

The present members of the Remuneration Committee of the Company are:

- (i) Shaari bin Haran
- (ii) Dato' Ibrahim bin Nyar Hussin
- (iii) Hew Voon Foo

The Chairman of the Remuneration Committee is elected amongst Non-Executive Directors. The Chairman shall attend all meetings of the committee other than when matters concerning himself are under discussion.

The Company Secretary is the secretary of the Remuneration Committee. The Secretary shall maintain minutes of the proceeding of the Committee and circulate such minutes to all members of the Board.

Rights

The Remuneration Committee has the authority to examine a particular issue and reports back to the Board its recommendations.

Functions

The functions of the Remuneration Committee include:

- (i) To adopt a formal and transparent procedure for developing the policy on remuneration packages.
- (ii) To ensure the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. In the case of Executive Directors, the component parts of remuneration should be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive directors, the level of remuneration should be linked to their experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

Meetings

Meetings of the Remuneration Committee shall be held from time to time as determined by the members of the Committee. Written notice of the meeting together with an agenda shall be given to the members of the Committee.

One (1) meeting was held during the financial year ended 31 December 2002.

3. RELATIONSHIP WITH SHAREHOLDERS

The Board maintained an effective communications policy that enables both the Board and the Management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interpret the operations of the Group to the shareholders and accommodate feedback from shareholders, which are factored into the Group's business decision.

CORPORATE GOVERNANCE STATEMENT

(continued)

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:

- (i) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on Audit Committee and Board of Directors;
- (ii) various announcements made to the Kuala Lumpur Stock Exchange, which includes announcement on quarterly results;
- (iii) the Company website at <http://www.epmb.com.my>

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one (21) days prior to the meeting. At each Annual General Meeting, the Board presents the performance and progress of the Group and provide shareholders with the opportunity to raise questions pertaining to the Group. The Chairman and the Board will respond to the questions raised by the shareholders during the Annual General Meeting.

The Board has ensured each item of special business included in the notice of meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

4. ACCOUNTABILITY AND AUDIT

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to the Kuala Lumpur Stock Exchange. The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

4.1. INTERNAL CONTROL AND RISK MANAGEMENT

Information on the Group's internal control and risk management is presented in the Statement of Internal Control set out on pages 19 of this Annual Report.

4.2. RELATIONSHIP WITH THE EXTERNAL AUDITORS

The Board established formal and transparent arrangements for maintaining an appropriate relationship with the Group's external auditors.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible in the preparation of financial statements prepared for each financial year to give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have:

- adopted suitable accounting policies and apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.



STATEMENT OF INTERNAL CONTROL

The Board of Directors, recognizing its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist it in:

- Identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risk identified;
- Developing the necessary measures to manage these risks; and
- Monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the Audit Committee with the responsibility to oversee the implementation of the risk management framework of the Group. The Board, in concurrence with the Audit Committee, has appointed an external consultant for the provision of internal auditing services which including the followings:

- Periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework.
- Assess adequacy of action plans and control systems developed to manage these risks;
- Monitor the performance of management in executing the action plan and operating the control systems; and
- Regularly report to the Audit Committee on the state of internal controls and the management of risk throughout the Group.

The Audit Committee, assisted by the external consultant, provides oversight on the proper functioning of the risk management framework as part of its function of monitoring compliance with the business objectives, policies, reporting standards and control procedures of the Group.

These ongoing processes have been in place for the year under review and reviewed regularly by the Audit Committee. However, these ongoing processes do not apply to the foreign subsidiaries which operations are insignificant.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.



AUDIT COMMITTEE

Composition of the Audit Committee

The present members of the Audit Committee of the Company are:

- (i) Shaari Bin Haron (Independent Non-Executive Director; Chairman)
- (ii) Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin (Independent Non-Executive Director)
- (iii) Hew Voon Foo (Non-Independent Non-Executive Director, member of Malaysian Institute of Accountants)

Terms of Reference of Audit Committee

The Audit Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom majority are Independent Directors.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a or if he is not a member of the MIA, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the Schedule of the Accountants Act 1967.

In the event of any vacancy in the Audit Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Kuala Lumpur Stock Exchange, the Board shall appoint a new member within three months.

The Board of Directors shall review the term of office and the performance of an Audit Committee and each of its members at least once in every three years.

No alternate Director shall be appointed as a member of the Audit Committee.

Meetings and Quorum of the Audit Committee

The Audit Committee shall meet at least four (4) times a year and the quorum shall be at least three (3) persons with majority being Independent Directors. The details of the attendance of the meetings are disclosed under the heading 'Attendance of Audit Committee Meetings' on page 22 of this Annual Report. The Company Secretary shall act as secretary of the Audit Committee.

The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors.

The Audit Committee shall meet with the external auditors without executive Board members present at least once a year. Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.



AUDIT COMMITTEE

(continued)

Functions of the Audit Committee

The duties and responsibilities of the Audit Committee include the following:

- (i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (iii) To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors.
- (iv) To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- (v) To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the Management where necessary);
- (v) To review the external auditor's management letter and the management's response;
- (vi) To do the following where there is an internal audit function:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (vii) To consider any related party transactions that may arise within the Company or the Group;
- (viii) To consider the major findings of internal investigations and the management's response;
- (ix) To consider other topics as defined by the Board.

Rights of the Audit Committee

The Audit Committee has ensured that wherever necessary and reasonable for the performance of its duties, in accordance with a procedure determined by the Board:

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to the listed issuer;
- (iv) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

AUDIT COMMITTEE

(continued)

Procedure of Audit Committee

The Audit Committee regulates its own procedures:

- (i) the calling of meetings;
- (ii) the notice to be given of such meetings;
- (iii) the voting and proceedings of such meetings;
- (iv) the keeping of minutes; and
- (v) the custody, protection and inspection of such minutes.

Review of the Audit Committee

The Board of Directors has ensured that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 31 December 2002 are as follows:

Directors	Total meetings attended by the Directors/Total Meetings held during the financial year ended 31 December 2002*	% of Attendance
Shaari Bin Haron	6/6	100
Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin	6/6	100
Hew Voon Foo**	4/4	100
Goh Chyin Tar**	3/3	100
Tunku Ahmad Burhanuddin bin Tunku Datuk Adnan***	N/A	N/A

Notes

* *The meetings were held on 25 February 2002, 1 April 2002, 26 April 2002, 24 May 2002, 26 August 2002 and 25 November 2002.*

** *Hew Voon Foo was appointed on 17 April 2002. Goh Chyin Tar was appointed on 31 January 2002 and resigned on 29 April 2002.*

*** *Tunku Ahmad Burhanuddin bin Tunku Datuk Adnan resigned on 31 January 2002.*

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 31 December 2002 include the following:

- (i) review the Group's quarterly financial results, year end audited financial statements presented by the external auditors and recommend the same to the Board for approval;
- (ii) review related party transactions within the Group;
- (iii) review, discuss and deliberate on issues raised in the audit report by the internal auditors and reviewed the effectiveness of the Group's system of internal controls.

**DIRECTORS'
REPORT
AND
FINANCIAL
STATEMENTS
FOR THE
YEAR ENDED
31 DECEMBER 2002**



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



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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.



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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.



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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:
- 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
- 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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.



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

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: 29 April 2003



STATEMENT BY DIRECTORS

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 35 to 73, 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: 29 April 2003



STATUTORY DECLARATION

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 35 to 73, 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 29 April 2003.

.....
Too Kok Thai

Before me:



REPORT OF THE AUDITORS TO THE MEMBERS OF EP MANUFACTURING BHD

We have audited the financial statements set out on pages 35 to 73. 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.



REPORT OF THE AUDITORS TO THE MEMBERS OF EP MANUFACTURING BHD

(continued)

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: 29 April 2003



BALANCE SHEETS AS AT 31 DECEMBER 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	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	-	-
		<u>65,327</u>	<u>76,269</u>	<u>76,848</u>	<u>80,557</u>
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
		<u>62,108</u>	<u>68,813</u>	<u>17,947</u>	<u>6,529</u>
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	-	-
		<u>73,357</u>	<u>67,283</u>	<u>31,179</u>	<u>23,260</u>
Net current (liabilities)/assets		(11,249)	1,530	(13,232)	(16,731)
		<u>54,078</u>	<u>77,799</u>	<u>63,616</u>	<u>63,826</u>
		=====	=====	=====	=====



BALANCE SHEETS AT 31 DECEMBER 2002

(continued)

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	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 29 April 2003.

The notes set out on pages 43 to 73 form an integral part of, and should be read in conjunction with, these financial statements.



INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	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
		<u>107,024</u>	<u>94,330</u>	<u>17,155</u>	<u>2,655</u>
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	<u>(17,471)</u>	<u>(8,725)</u>	<u>(260)</u>	<u>(313)</u>
Interest expense	16	(2,890)	(3,057)	-	-
Interest income		267	1,116	33	3
Loss before taxation		<u>(20,094)</u>	<u>(10,666)</u>	<u>(227)</u>	<u>(310)</u>
Tax expense	17	(1,763)	(1,241)	(643)	(555)
Net loss for the year		<u>(21,857)</u>	<u>(11,907)</u>	<u>(870)</u>	<u>(865)</u>
Basic loss per ordinary share (sen)	18	<u>=====</u> (54.3)	<u>=====</u> (29.8)	<u>=====</u>	<u>=====</u>
Dividends per ordinary share- net (sen)	19	<u>=====</u> 2.52	<u>=====</u> 2.52	<u>=====</u> 2.52	<u>=====</u> 2.52

The notes set out on pages 43 to 73 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

Group	Note	Non-distributable			Distributable	
		Share capital RM'000	Share premium RM'000	Exchange translation reserves RM'000	Retained profits/ (Accumulated 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 43 to 73 form an integral part of, and should be read in conjunction with, these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

Company	Note	Share capital RM'000	<i>Non- distributable</i> Share premium RM'000	<i>Distributable</i> 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 43 to 73 form an integral part of, and should be read in conjunction with, these financial statements.



CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 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



CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

(continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	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



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
	(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 43 to 73 form an integral part of, and should be read in conjunction with, these financial statements.



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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

(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%

(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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

(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.

(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.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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	2001
	RM	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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

Property, plant and equipment (continued)

Company	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Total RM'000
Cost				
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).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. Investments in subsidiaries

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

The subsidiary companies are:-

Name of subsidiary	Country of incorporation	Effective equity interest		Principal activities
		2002	2001	
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.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. Other investments

	Group	
	2002 RM'000	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 Development		
	Goodwill RM'000	costs RM'000	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
	8,588	11,769	20,357

Amortisation and impairment losses

Accumulated amortisation	-	3,241	3,241
Accumulated impairment losses	-	-	-
	-	3,241	3,241
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
	-	4,951	4,951
Accumulated amortisation	-	4,951	4,951
Accumulated impairment losses	-	5,419	5,419
	-	10,370	10,370
At 31 December 2002	-	10,370	10,370

NOTES TO THE FINANCIAL STATEMENTS

(continued)

Intangible assets (continued)

<i>Net book value</i>	Group Development		
	Goodwill RM'000	Costs RM'000	Total 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 RM'000	2001 RM'000
At cost		
Raw materials	8,295	10,880
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	-
	-----	-----
	556	-
	-----	-----
	13,445	17,423
	=====	=====

7. Trade and other receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 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
	=====	=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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 RM'000	2001 RM'000	2002 RM'000	2001 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
	<u>7,362</u>	<u>11,191</u>	<u>2,929</u>	<u>1,030</u>
	=====	=====	=====	=====

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 RM'000	2001 RM'000	2002 RM'000	2001 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	-	-
	<u>30,149</u>	<u>26,589</u>	<u>30,618</u>	<u>23,076</u>
	=====	=====	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

10. Borrowings

		Group	
		2002	2001
		RM'000	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).

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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
	<u>1,642</u>	<u>(268)</u>	<u>1,374</u>	<u>684</u>	<u>(219)</u>	<u>465</u>
	=====	=====	=====	=====	=====	=====

11. Provision for warranties

	Group	
	2002 RM'000	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	<u>918</u>	<u>1,270</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	
	2002 RM'000	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	<u>41,460</u>	<u>39,900</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

(continued)

13. Reserves

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

15. Operating loss

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

16. Interest expense

	Group	
	2002 RM'000	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		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	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
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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	-
	<hr/>	<hr/>
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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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)
					=====	=====



NOTES TO THE FINANCIAL STATEMENTS

(continued)

Segmental information (continued)

	Automotive		Composite		Consolidated	
	2002	2001	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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	104,631	92,336	-	827	2,393	1,167	-	-	107,024	94,330
by location of customers										
Segment assets	122,985	128,245	1,415	10,869	1,692	4,223	1,343	1,745	127,435	145,082
by location of assets										
Capital expenditure by location of assets	5,049	3,710	-	323	-	153	15	100	5,064	4,286



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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	-	-



NOTES TO THE FINANCIAL STATEMENTS

(continued)

Related parties (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	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:				
Eartrade 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		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	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	-	-

NOTES TO THE FINANCIAL STATEMENTS

(continued)

Related parties (continued)

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	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.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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	2002			2001			
	Effective interest rate %	Total RM'000	Within 1 year 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	-

NOTES TO THE FINANCIAL STATEMENTS

(continued)

Financial instruments (continued)

Company	2002			2001		
	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%	1,893	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.

	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.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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	As previously stated	As restated	As previously stated
	RM'000	RM'000	RM'000	RM'000
<i>Balance Sheets</i>				
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	-	-	-
	=====	=====	=====	=====
<i>Income statements</i>				
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	-
	=====	=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

(continued)

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
<i>Balance Sheets</i>				
Proposed dividend	-	1,005	-	1,005
Retained profits	19,511	18,506	9,390	8,385
	=====	=====	=====	=====
<i>Statements of Changes in Equity</i>				
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)	-
	=====	=====	=====	=====



SHAREHOLDINGS STATISTICS

Authorised Share Capital	RM95,000,000
Issued and Fully Paid-up capital	RM41,460,000
Class of Shares	Ordinary shares of RM1 each
Voting rights	One vote per ordinary share (on poll)

DISTRIBUTION OF SHAREHOLDINGS AS AT 13 MAY 2002

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	-	-	-	-
100 to 1,000	973	58.26	969,100	2.33
1,001 to 10,000	574	34.37	2,063,100	4.98
10,001 to 100,000	89	5.33	2,805,667	6.77
100,001 to less than 5% of issued shares	31	1.86	17,234,298	41.57
5% and above of issued shares	3	0.18	18,387,835	44.35
Total	1,670	100.00	41,460,000	100.00

SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
EP Properties (M) Sdn. Bhd.	13,965,000	33.68	-	-
Hamidon bin Abdullah	6,021,733	14.52	*13,965,000	33.68
Commerce Asset Venture Sdn Bhd	4,422,835	10.67	-	-

* Deemed interested by virtue of having of having substantial shareholding in EP Properties (M) Sdn. Bhd.



SHAREHOLDINGS STATISTICS

(continued)

30 LARGEST SHAREHOLDERS AS AT 13 May 2003

No	Name of Registered Holder	No of Shares Held	% of Shareholdings
1	CIMB Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for EP Properties (M) Sdn Bhd</i>	7,680,750	18.53
2	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for EP Properties (M) Sdn Bhd</i>	6,284,250	15.16
3	Commerce Asset Ventures Sdn Bhd	4,422,835	10.67
4	CIMB Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Hamidon bin Abdullah</i>	1,902,000	4.59
5	Hamidon bin Abdullah	1,793,733	4.33
6	Universal Trustee (Malaysia) Berhad <i>- BHLB Pacific Emerging Companies Growth Fund</i>	1,420,000	3.42
7	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Hamidon bin Abdullah</i>	1,197,000	2.89
8	Universal Trustee (Malaysia) Berhad <i>- BHLB Pacific High Growth Fund</i>	1,068,000	2.58
9	Kenanga Nominees (Tempatan) Sdn Bhd <i>- EON Finance Berhad for Hamidon bin Abdullah</i>	1,000,000	2.41
10	Mohamed bin Hasim	887,465	2.14
11	Malaysia Nominees (Tempatan) Sendirian Berhad <i>- Great Eastern Life Assurance (Malaysia) Berhad</i>	883,000	2.13
12	Public Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Tan Seok Hien</i>	630,000	1.52
13	Royce Tan Thiam Soon	603,100	1.45
14	Mayban Nominees (Tempatan) Sdn Bhd <i>- Mayban Trustees Berhad for Avenue Syariah Extra Fund</i>	600,000	1.45

SHAREHOLDINGS STATISTICS

(continued)

15	Lembaga Tabung Haji	500,000	1.21
16	Michelle Cheah Min Tze	445,000	1.07
17	Mohd Nizam bin Mohamed	401,000	0.97
18	Thong & Kay Hian Nominees (Asing) Sdn Bhd <i>- UOB Kay Hian Pte Ltd for Neptune Securities Pte Ltd</i>	400,000	0.96
19	Chen Soo Ton	400,000	0.96
20	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Leong Yew Mun</i>	380,000	0.92
21	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Chong Lain Choo @ Chong Lian Choo</i>	380,000	0.92
22	Mayban Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Tan Seok Hien</i>	346,000	0.83
23	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Siow Khien Meng</i>	330,000	0.80
24	Malaysia Nominees (Tempatan) Sendirian Berhad <i>- Malaysian Trustee Berhad for Alliance Vision Fund</i>	250,000	0.60
25	AMMB Nominees (Tempatan) Sdn Bhd <i>- AMTrustee Bhd for HLB Penny Stock Fund</i>	222,000	0.54
26	Universal Trustee (Malaysia) Sdn Bhd <i>- Alliance First Fund</i>	195,000	0.47
27	Singatronics (Malaysia) Sdn Bhd	150,000	0.36
28	Citicorp Nominees (Asing) Sdn Bhd <i>- Pledged securities account for Michelle Cheah Min Tze</i>	139,000	0.34
29	Bimsec Nominees (Tempatan) Sdn Bhd <i>- Bank Islam Malaysia Berhad</i>	131,000	0.32
30	HLB Nominees (Tempatan) Sdn Bhd <i>- Pledged securities account for Hamidon bin Abdullah</i>	129,000	0.31
		35,170,133	84.83



LIST OF PROPERTIES

Title / Location	Description	Tenure	Land Area	Gross Floor Value	Net book Value as at 31.12.2002 (RM)	Age of Building
Plot No. 72 and 73 Hicom-Glenmarie Industrial Park Phase 2A Mukim of Damansara, Daerah Kelang Selangor Darul Ehsan	Land with factory, stores and office	Freehold	13,858 sq. m.	15,480 sq. m.	31,980,904	7 1/2 years
Lot Nos. 16, 18 20 and 22 Kawasan MIEL Phase VI, Shah Alam Selangor Darul Ehsan	Land with factory, stores and office	Leasehold Expiring 05.05.2086	8,048 sq. m	4,080 sq. m.	5,984,787	12 years
G.M. No. 4776 Lot No. 1401 Mukim of Ulu Yam District of Ulu Selangor Selangor Darul Ehsan	Agricultural Land (vacant)	Freehold	10,116 sq. m.	-	1,698,753	-
Lot No. 1401 E.M.R. No. 3019 Lot No. 1412 Lot No. 3027 Mukim of Ulu Yam District of Ulu Selangor	Industrial land (vacant)	Freehold Freehold	13,782 sq. m. 13,402 sq. m.	-	2,397,113 2,328,541	-

There is no revaluation carried out on the above properties.



RESPONSIBILITY STATEMENT

This Annual Report has been seen and approved by the Board and they accept full responsibility for the accuracy of the information given and confirm that after making all enquiries as were reasonable in the circumstances, and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.



PROXY FORM

EP MANUFACTURING BHD

(Company No: 390116 T)
(Incorporated in Malaysia)

<i>No. of ordinary shares held</i>

FORM OF PROXY

(Before completing this form please refer to the notes below)

I, We
(Full name in block letters)

I/C No./Co. No./CDS A/C No.
.....

of
.....

(Full address)

being a member/members of EP MANUFACTURING BHD hereby appoint the following person(s):-

<i>Name of proxy, NRIC No. & Address</i>	<i>No. of shares to be represented by proxy</i>
1
2

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Concorde Hotel, Shah Alam, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 23 June 2003 at 10.00 a.m. My/our proxy/proxies is to vote as indicated below:-

	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1				
Ordinary Resolution 2				
Ordinary Resolution 3				
Ordinary Resolution 4				
Ordinary Resolution 5				
Ordinary Resolution 6				
Ordinary Resolution 7				

(Please indicate with a "f" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this..... day of..... 2003
Signature/Common Seal

- Notes :-**
1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to attend. Where a member appoints two (2) or more proxies to attend the same meeting, a member shall specify the proportions of his shareholdings to be presented by each proxy.
 2. A proxy may but not be a member of the Company. A member shall not be entitled to appoint a person who is not a member unless that person is an advocate, an approved auditor or a person approved by Companies Commission of Malaysia.
 3. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorized in writing, and in the case of a corporation, shall be either given under the hand of an officer or attorney of the corporation duly authorized.
 5. The instrument appointing the proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Registered Office of the Company at No. 8 & 10, Jalan Jurutera U1/23, Section U1, Kawasan Perindustrian Hicom Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.



FOLD

POSTAGE

THE COMPANY SECRETARY
EP MANUFACTURING SDN BHD (390116-T)

NO. 8 & 10, Jalan Jurutera U1/23, Section U1
Kawasan Perindustrian Hicom Glenmarie
40150 Shah Alam, Selangor Darul Ehsan
MALAYSIA

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