

Company No. 390116-T

12. Share capital (continued)

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

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

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13. Reserves

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

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its retained profits at 31 December 2003 if paid out as dividends.

14. Minority shareholders' interests

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

15. Deferred tax

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

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

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

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

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15. Deferred tax (continued)

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

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

No deferred tax has been recognised for the following items:

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

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

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

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

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16. Operating profit/(loss)

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

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

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

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17. Interest expense

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

18. Tax expense

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

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

Basic earnings/ (loss) per ordinary share

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

Weighted average number of ordinary shares

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

Diluted earnings per ordinary share

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

Net profit attributable to ordinary shareholders (diluted)

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

Weighted average number of ordinary shares (diluted)

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

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20. Dividends

	Group and Company	
	2003	2002
	RM'000	RM'000
Ordinary		
Final paid:		
3.5% per share less tax (2002 – 3.5% per share less tax) in respect of financial year ended 31 December 2002 (2002 – 31 December 2001)	1,045	1,005
	<u> </u>	<u> </u>

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

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

21. Segmental information

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

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

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

Business segments

The Group comprises the following main business segments:

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

Geographical segments

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

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21. Segmental information (continued)

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

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

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21. Segmental information (continued)

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

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22. Contingent liabilities

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

Litigation

Group

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

23. Commitments

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

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24. Related parties

Controlling related party relationships are as follows:-

- i) Its subsidiaries as disclosed in Note 3.
- ii) The companies in which the controlling shareholders and Directors of the Group, Hamidon bin Abdullah and/or Linden Hamidon Nee Fong, have interest.
- iii) The companies in which a former Director of the Company, Goh Chyin Tar, has interest.

Significant transactions and balances with related parties are as follows:

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

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24. Related parties (continued)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<i>Transactions (continue)</i>				
Mutual Concept Sdn Bhd				
Acquisition of subsidiary	-	-	78,750	-
With an affiliated company in which Goh Chyin Tar, a former Director, has interests:				
KL Innovation Design Centre Sdn Bhd				
Purchases	(770)	(1,524)	-	-
Rental receivable	24	-	-	-
With affiliated companies in which Hamidon bin Abdullah and Goh Chyin Tar, a Director and a former Director respectively, have interests:				
Earntrade Industries Sdn Bhd				
Sales	654	270	-	-
Purchases	(2,461)	(6,738)	-	-
Rental receivable	3	-	-	-
KB Teknik Sdn Bhd				
Sales	1,066	1,468	-	-
Purchases	(7,529)	(8,591)	-	-
Intro Frontier Sdn Bhd				
Sales	219	137	-	-
Purchases	(90)	(119)	-	-
Rental receivable	501	-	-	-
Subsidiaries				
Rental income receivable	-	-	2,655	2,655

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

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<i>Balances in respect of non-trade transactions</i>				
Advances from Hamidon bin Abdullah, a controlling shareholder and a Director, or affiliated companies in which he has interests:	4,168	268	-	-

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25. Financial instruments

Financial risk management objectives and policies

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

Credit risk

Management has a credit procedure in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit risk of the Group refers principally to the risk that customers may default on their obligations to repay the amounts owing to the Group. At balance sheet date, approximately 69% of the trade receivables of the Group is concentrated on two customers in the automotive industry. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

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

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are Australian Dollars, US Dollars, Pound Sterling, Japanese Yen, EURO and Thai Baht. The Group and the Company do not transact in any derivative instruments or hedge their currency exposure as the significant exposure is only to the US Dollar which is pegged against Ringgit Malaysia. However, the Board of Directors keeps this policy under review and ongoing monitoring.

Liquidity risk

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

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25. Financial instruments (continued)

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

Effective interest rates and repricing analysis

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

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

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25. Financial instruments (continued)

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

Fair values

Recognised financial instruments

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

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

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

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

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

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25. Financial instruments (continued)

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

26. Acquisition of subsidiary

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

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

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26. Acquisition of subsidiary (continued)

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

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

Effect of acquisition

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

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

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

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26. Acquisition of subsidiary (continued)

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

27. Significant events

The following corporate exercises were substantially completed during the year.

- a) The increase in the authorised share capital of EPMB from RM95,000,000 comprising 95,000,000 EPMB shares to RM500,000,000 comprising 470,000,000 EPMB shares of RM1.00 each, 200,000,000 EPMB ICUPS of RM0.10 each and 100,000,000 EPMB RCSPS of RM0.10 each;
- b) The amendments to the Memorandum and Articles of Association of EPMB to facilitate the acquisition of PEPS-JV and the capital increase;
- c) The acquisition of PEPS-JV on 19 May 2003 (see Note 26);
- d) The right issue of 20,730,000 EPMB Warrants at an issue price of RM0.20 per EPMB Warrants, payable in full upon acceptance, on the basis of One (1) new EPMB Warrant for every Two (2) EPMB Shares of RM1.00 held on 18 July 2003;
- e) The renounceable offer for sale of 94,500,000 EPMB ICUPS by Mutual Concept to the shareholders of EPMB at a maximum offer price of RM0.50 per EPMB ICUPS, payable in full upon acceptance, on a basis of Four (4) EPMB ICUPS for every One (1) EPMB Share of RM1.00 held on 18 July 2003; and
- f) The renounceable offer for sale of 60,000,000 EPMB RCSPS by Securita to the shareholders of EPMB at an offer price of RM0.50 per EPMB RCSPS, payable in full upon acceptance, on a basis of One (1) EPMB RCSPS for every One (1) EPMB Share of RM1.00 held on 18 July 2003.

Company No. 390116-T

27. Significant events (continued)

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

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

28. Events subsequent to the balance sheet date

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



PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)
(Incorporated in Malaysia)

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

Domiciled in Malaysia
Principal place of business
Lot 1403, 106 & 1409
Batu 29, Jalan Ipoh
44300 Batang Kali
Hulu Selangor
Selangor Darul Ehsan

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2003.

Principal activity

The Company is principally engaged in the manufacturing of automotive modular components. There has been no significant change in the nature of these principal activities during the financial year.

Results

	RM'000
Net profit for the year	19,538

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

Hamidon bin Abdullah
Kamludin bin Abu
Lee Choong Kon
Dato' Chan Kok Chuen, JP
Kim Yong Jin (alternate director to Lee Choong Kon)

Company No. 307929-T

The shareholdings in the Company and related corporations of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each or shares to be issued arising from the exercise of EPMB ICUPS and EPMB RCSPS/EPMB warrants			
	At 1.1.2003	Bought/ Converted	Sold/ Converted	At 31.12.2003
Shareholdings in which a Director has indirect interest				
Interest of Hamidon bin Abdullah in:				
Ordinary shares				
EP Manufacturing Bhd.	6,021,733	2,800,000	(1,774,600)	7,047,133
PEPS-JV (M) Sdn. Bhd.	-	15,900,000	-	15,900,000
Shareholdings in which a Director has deemed interest				
Hamidon bin Abdullah				
- indirect interest	15,572,432	16,540,000	(17,670,465)	14,441,967
Redeemable Convertible Secured Preference Shares ("PEPS-JV RCSPS")				
Hamidon bin Abdullah				
- indirect interest	-	30,000,000	-	30,000,000
EP Manufacturing Bhd.				
Irredeemable Convertible Unsecured Preference Shares ("EPMB ICUPS")				
Hamidon bin Abdullah				
- indirect interest	-	53,430,800	(29,190,000)	24,240,800
EP Manufacturing Bhd.				
Redeemable Convertible Secured Preference Shares ("EPMB RCSPS")				
Hamidon bin Abdullah				
- indirect interest	-	18,484	-	18,484
EP Manufacturing Bhd.				
Warrants				
Hamidon bin Abdullah				
- indirect interest	-	10,018,484	(5,021,000)	4,997,484

Company No. 307929-T

By virtue of his interest in the shares of the holding company, EP Manufacturing Bhd., Hamidon bin Abdullah is deemed interested in the shares of the related corporations of the Company during the financial year to the extent that EP Manufacturing Bhd. has an interest.

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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.

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

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

- (i) RM8,490,000 together with interest at eight per centum (8%) per annum calculated from the date of subscription of the ICPS on 27 December 1997 until the date of the payment in full of the Option Price;
- (ii) RM1,000 together with interest at eight per centum (8%) per annum calculated from 28 December 1999, being the date of the acquisition of the Ordinary Shares, until the date of the payment in full of the Option Price;
- (iii) less any dividends that have been declared and paid by the said subsidiary to EPMB; and
- (iv) Hamidon shall also be entitled to a contingent consideration based on 3.8% of the turnover of Fundwin for each of the five (5) financial years ending 31 December 2004 ("Contingent Consideration"). However, the Contingent Consideration is only payable by the Company to Hamidon in a particular financial year if Fundwin achieves an audited profit after taxation of not less than RM5,000,000 for that particular financial year. In the event Fundwin does not achieve the required profit for any applicable financial years, Hamidon's entitlement to the Contingent Consideration for that financial year shall lapse. Hamidon has waived his entitlement for the Contingent Consideration for the financial year ended 31 December 2003.

Company No. 307929-T

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

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

The acquisition of the Options Shares and the put option thereof were approved by the shareholders on 28 June 2000. The Board of Directors and Hamidon have mutually agreed to extend the put option for an additional two years since the previous financial year. At the date of this report, the Board of Directors has not exercised the put option.

Issue of shares and debentures

During the financial year, the Company issued at par 5,000,000 ordinary shares of RM1.00 each and 30,000,000 Redeemable Convertible Secured Preference Shares of RM1.00 each in PEPS-JV (M) Sdn. Bhd. ("PEPS-JV RCSPS") by way of capitalisation of:

- (i) RM5,000,000, being the amount due to Hajatimur Sdn. Bhd., a company in which one of the Directors has significant interest; and
- (ii) RM30,000,000, being part of the debts due to Pengurusan Danaharta Nasional Berhad.

The registered holders of the PEPS-JV RCSPS have the option at any time from issue date on 19 May 2003 till 18 May 2008 to convert the PEPS-JV RCSPS into new ordinary shares in the Company ("PEPS-JV Shares") by tendering One (1) PEPS-JV RCSPS for One (1) PEPS-JV Share of RM1.00 each.

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year except for the issuance of RM30,000,000 of Redeemable Convertible Secured Preference Shares as mentioned above.

At the end of the year, 30,000,000 PEPS-JV RCSPS remained unexercised.

Company No. 307929-T

Other statutory information

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

- i) there are no bad debts to be written off and no provision need to be 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 it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

- i) any charge on the assets 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 Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 Company to meet its obligations as and when they fall due.

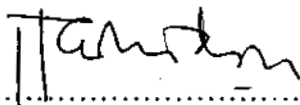
In the opinion of the Directors, the results of the operations of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 307929-T

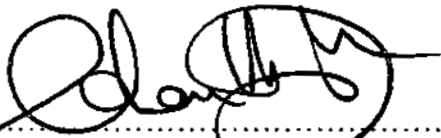
Auditors

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

Signed in accordance with a resolution of the Directors:



.....
Hamidon bin Abdullah



.....
Dato Chan Kok Chuen, JP

Kuala Lumpur,

Date: 15 April 2004

PEPS-JV (M) Sdn. Bhd.

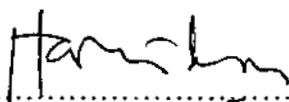
(Company No. 307929-T)

(Incorporated in Malaysia)

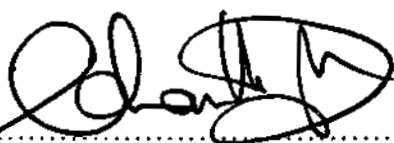
**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 10 to 31 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



.....
Hamidon bin Abdullah



.....
Dato Chan Kok Chuen, JP

Kuala Lumpur,

Date: 15 April 2004

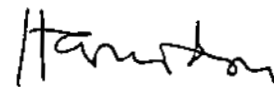
PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)
(Incorporated in Malaysia)

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

I, **Hamidon bin Abdullah**, the Director primarily responsible for the financial management of PEPS-JV (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 31 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 15 April 2004.



.....
Hamidon bin Abdullah

Before me:




Tingkat 10 Wisma UOA Damansara
50, Jalan Dungun,
Bukit Damansara,
50490 Kuala Lumpur



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971
Email: info@kpmg.com.my

www.kpmg.com.my

Report of the auditors to the members of PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 31. 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 Company at 31 December 2003 and of its results 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 Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

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

Kuala Lumpur,
Date: 15 April 2004



KPMG, a partnership established under the Malaysian law, is the Malaysian member firm of KPMG International, a Swiss cooperative.

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)

(Incorporated in Malaysia)

Balance sheet as at 31 December 2003

	Note	2003 RM'000	2002 RM'000
Property, plant and equipment	2	104,728	63,717
Current assets			
Inventories	3	2,896	3,137
Trade and other receivables	4	22,669	17,354
Cash and cash equivalents	5	4,560	2,873
		30,125	23,364
Current liabilities			
Trade and other payables	6	13,767	20,158
Borrowings (secured)	7	10,653	10,550
Taxation		-	2
		24,420	30,710
Net current assets/(liabilities)		5,705	(7,346)
		<u>110,433</u>	<u>56,371</u>
Financed by:			
Capital and reserves			
Share capital	8	41,832	15,000
Retained profit/(Accumulated loss)	9	17,261	(2,277)
Shareholders' funds		59,093	12,723
Long term liabilities			
Borrowings (secured)	7	49,507	43,648
Deferred tax liability	10	1,833	-
		<u>110,433</u>	<u>56,371</u>

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

The notes set out on pages 15 to 31 form an integral part of, and should be read in conjunction with, these financial statements.

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)

(Incorporated in Malaysia)

Income statement for the year ended 31 December 2003

	Note	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Revenue		88,813	71,655
Other operating income		3,606	898
Changes in inventories		401	254
Raw materials and consumables used		(39,130)	(38,901)
Staff costs		(11,487)	(7,283)
Depreciation		(5,912)	(4,182)
Other operating expenses		(12,020)	(8,890)
Operating profit	11	24,271	13,551
Interest expense	12	(2,920)	(3,107)
Interest income		20	4
Profit before tax		21,371	10,448
Tax expense	13	(1,833)	-
Net profit after tax for the year/period		19,538	10,448

The notes set out on pages 15 to 31 form an integral part of, and should be read in conjunction with, these financial statements.

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)

(Incorporated in Malaysia)

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

	Share capital RM'000	<i>Distributable</i> (Accumulated loss)/Retained profit RM'000	Total RM'000
At 1 April 2002	15,000	(12,725)	2,275
Net profit for the period	-	10,448	10,448
At 31 December 2002/1 January 2003	<u>15,000</u>	<u>(2,277)</u>	<u>12,723</u>
Net profit for the year	-	19,538	19,538
Issue of shares	26,832	-	26,832
At 31 December 2003	<u>41,832</u>	<u>17,261</u>	<u>59,093</u>
	Note 8		

The notes set out on pages 15 to 31 form an integral part of, and should be read in conjunction with, these financial statements.

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)

(Incorporated in Malaysia)

Cash flow statement for the year ended 31 December 2003

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Cash flows from operating activities		
Profit before taxation	21,371	10,448
Adjustments for:		
Depreciation	5,912	4,182
Interest expense	2,920	3,107
Interest income	(20)	(4)
	<hr/>	<hr/>
Operating profit before working capital changes	30,183	17,733
Changes in working capital:		
Inventories	241	(354)
Trade and other receivables	(5,315)	4,125
Trade and other payables	(6,391)	(4,378)
	<hr/>	<hr/>
Cash generated from operations	18,718	17,126
Income taxes paid	(2)	-
Interest income	20	4
	<hr/>	<hr/>
Net cash generated from operating activities	18,736	17,130
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(46,636)	(12,137)
(Increase)/decrease in pledged deposits with licensed banks	(295)	146
	<hr/>	<hr/>
Net cash used in investing activities	(46,931)	(11,991)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(2,920)	(3,107)
Proceeds from issuance of shares	26,832	-
Proceeds from/(Repayment of) term loan and other borrowings	5,675	(6,108)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	29,587	(9,215)
	<hr/>	<hr/>

Company No. 307929-T

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Net increase/(decrease) in cash and cash equivalents	1,392	(4,076)
Cash and cash equivalents at beginning of year/period	2,829	6,905
Cash and cash equivalents at end of year/period	<u>4,221</u>	<u>2,829</u>
Cash and cash equivalents comprise:		
Cash and bank balances	2,790	2,648
Deposits with licensed banks	1,770	225
	<u>4,560</u>	<u>2,873</u>
Less: Deposits pledged	(339)	(44)
	<u>4,221</u>	<u>2,829</u>

i) Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM46,923,000, of which RM287,000 were acquired by means of hire purchases.

The notes set out on pages 15 to 31 form an integral part of, and should be read in conjunction with, these financial statements.

PEPS-JV (M) Sdn. Bhd.

(Company No. 307929-T)

(Incorporated in Malaysia)

Notes to the financial statements**1. Summary of significant accounting policies**

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

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

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

(a) Basis of accounting

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

(b) Affiliated companies

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

(c) Property, plant and equipment

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

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

Company No. 307929-T

(c) Property, plant and equipment (continued)

Depreciation

Freehold land and capital-work-in-progress are not amortised. 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:

Buildings	2%
Plant and machineries	10% - 20%
Furniture, fittings and office equipment	20%
Tools and dies	20%
Motor vehicles	20%

(d) Finance leases

Leases in which the Company assume 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 Company's incremental borrowing rate is used.

(e) Trade and other receivables

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

(f) Employee benefits

Defined contribution plans

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

(g) Liabilities

Borrowings and trade and other payables are stated at cost.

Company No. 307929-T

(h) Inventories

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

(i) Cash and cash equivalents

Cash and cash equivalents consists 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 pledged deposits.

(j) Impairment

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

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

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

Company No. 307929-T

(k) Share capital

Preference share capital

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

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

(l) Income tax

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

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

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

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

(m) Foreign currency

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.

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

	2003	2002
	RM	RM
1 USD	3.800	3.800

Company No. 307929-T

(n) 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) *Interest income*

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

(o) 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.

(t) Financial instruments

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

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

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2. Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Furniture, fittings and office equipment RM'000	Tools and dies RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost								
At 1 January 2003	7,172	15,503	38,393	1,360	15,490	545	19,230	97,693
Additions	-	-	1,415	199	-	311	44,998	46,923
At 31 December 2003	7,172	15,503	39,808	1,559	15,490	856	64,228	144,616
Accumulated depreciation								
At 1 January 2003	-	1,783	19,699	506	11,696	292	-	33,976
Charge for the year	-	310	3,981	245	1,251	125	-	5,912
At 31 December 2003	-	2,093	23,680	751	12,947	417	-	39,888
Net book value								
At 31 December 2003	7,172	13,410	16,128	808	2,543	439	64,228	104,728
At 31 December 2002	7,172	13,720	18,694	854	3,794	253	19,230	63,717
Depreciation charge for the year ended 31 December 2002	-	233	2,851	83	959	56	-	4,182

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2. Property, plant and equipment (continued)

Security

The property, plant and equipment of the Company costing RM40,035,000 (2002 - RM22,675,000) are charged to banks as security for certain borrowings (see Note 7).

Assets under hire purchase

Included in the property, plant and equipment of the Company are plant and machineries acquired under hire purchase with net book value of RM439,362 (2002 - RM174,000).

3. Inventories

	2003 RM'000	2002 RM'000
At cost:		
Raw materials	1,103	1,745
Work-in-progress	187	341
Manufactured inventories	1,606	1,051
	<u>2,896</u>	<u>3,137</u>

4. Trade and other receivables

	2003 RM'000	2002 RM'000
Trade receivables	15,294	12,794
Other receivables, deposits and prepayments	548	348
Related companies - non-trade	4,953	-
Affiliated companies - trade	-	4,212
- non-trade	1,874	-
	<u>22,669</u>	<u>17,354</u>

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

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5. Cash and cash equivalents

	2003 RM'000	2002 RM'000
Deposits with licensed banks	1,770	225
Cash and bank balances	2,790	2,648
	<u>4,560</u>	<u>2,873</u>

Included in the deposits placed with licensed banks is RM339,000 (2002 - RM44,000) pledged for certain banking facilities.

6. Trade and other payables

	2003 RM'000	2002 RM'000
Trade payables	4,895	4,997
Other payables	6,345	6,352
Affiliated companies - trade	2,527	7,767
- non-trade	-	1,042
	<u>13,767</u>	<u>20,158</u>

The amount due to affiliated companies is unsecured, interest free and has no fixed terms of repayment.

7. Borrowings (secured)

	2003 RM'000	2002 RM'000
Current:		
Term loan	869	10,515
Bankers' acceptances	9,669	-
Hire purchase liabilities	115	35
	<u>10,653</u>	<u>10,550</u>
Non-current:		
Term loan	1,206	43,627
Hire purchase liabilities	133	21
MUNIF	40,000	-
PEPS-JV RCSPS – liability component (Note 17)	8,168	-
	<u>49,507</u>	<u>43,648</u>

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7. Borrowings (secured) (continued)

The Company's borrowings are subject to interest rates varying between 3.0% to 8.4%. The hire purchase liabilities bear a fixed interest rate at 4.5% whilst the MUNIF bears finance cost ranging between 3.5% to 3.8% per annum.

The term loan and MUNIF are secured by way of the following:

- Legal charges over certain of the Company's property, plant and equipment.
- Debentures by way of third fixed and floating charges over all the Company's assets.
- Corporate guarantee and indemnity by the holding company, EP Manufacturing Bhd. (EPMB).
- Personal guarantee by one of the directors of the Company.

The term loan and MUNIF are repayable in monthly and yearly instalments respectively over a period of 3 years.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2003 RM'000	Interest 2003 RM'000	Principal 2003 RM'000	Payments 2002 RM'000	Interest 2002 RM'000	Principal 2002 RM'000
Less than one year	129	(14)	115	39	(4)	35
Between one and five years	140	(7)	133	22	(1)	21
	<u>269</u>	<u>(21)</u>	<u>248</u>	<u>61</u>	<u>(5)</u>	<u>56</u>

8. Share capital

	2003 RM'000	2002 RM'000
Authorised		
Ordinary shares of RM1.00 each:		
At 1 January/1 April	25,000	25,000
Created during the year	40,000	-
	<u>65,000</u>	<u>25,000</u>
Redeemable convertible secured preference shares of RM1.00 each		
Created during the year	30,000	-
	<u>95,000</u>	<u>25,000</u>
At 31 December		

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8. Share capital (continued)

	2003 RM'000	2002 RM'000
Issued and fully paid:		
Ordinary shares of RM1.00 each:		
At 1 January/1 April	15,000	15,000
Issued during the year	5,000	-
Redeemable convertible secured preference shares of RM1.00 each		
Issued during the year	21,832	-
	<hr/>	<hr/>
At 31 December	<u>41,832</u>	<u>15,000</u>

The salient term of the PEPS-JV Redeemable Convertible Secured Preference Shares ("PEPS-JV RCSPS") are as follows:-

- (a) The registered holders of the PEPS-JV RCSPS have the option at any time from issue date on 19 May 2003 till 18 May 2008 to convert the PEPS-JV RCSPS into new ordinary shares in the Company ("PEPS-JV Shares") by tendering One (1) PEPS-JV RCSPS for One (1) PEPS-JV Share valued at RM1.00 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company.
- (b) The PEPS-JV RCSPS is redeemable at par at the discretion of PEPS-JV anytime during the Five (5)-year period from the date of issue of the PEPS-JV RCSPS. Any PEPS-JV RCSPS that are not converted or redeemed within the Five (5)-year period will be automatically converted into new PEPS-JV Shares by the Company on 18 May 2008 at the conversion mode stated in (a).
- (c) The registered holder of the PEPS-JV RCSPS shall entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the PEPS-JV RCSPS.
- (d) The registered holder of the PEPS-JV RCSPS shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.
- (e) A cumulative dividend rate of 7.0% per annum of the nominal value will be payable annually on the PEPS-JV RCSPS.

9. Retained profit

Subject to agreement by the Inland Revenue Board, the Company does not have sufficient Section 108 tax credit and tax exempt income to frank its retained profits as at 31 December 2003 if paid out as dividends.

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10. Deferred tax

The recognised deferred tax assets and liabilities are as follows:

	2003 RM'000	2002 RM'000
Property, plant and equipment		
- capital allowances	(4,263)	-
Unutilised tax losses	2,430	-
	<u> </u>	<u> </u>
Deferred tax liability	<u>(1,833)</u>	<u> </u>

No deferred tax has been recognised for the following items:

	2003 RM'000	2002 RM'000
Deductible temporary differences	-	(14,382)
Unabsorbed capital allowances	-	10,303
Unutilised tax losses	-	15,688
	<u> </u>	<u> </u>
	<u> </u>	<u>11,609</u>

The Company has tax losses carried forward of RM8,679,000 which give rise to the recognised deferred tax assets in respect of unutilised tax losses above.

The Company also has unutilised reinvestment allowance of RM26,152,000 (2002-RM41,656,000).

11. Operating profit

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Operating profit is arrived at after (crediting)/charging:		
Audit fee	25	25
Depreciation	5,912	4,182
Directors' remuneration	267	202
Rental of vehicles/equipment	199	8
Rental of premises	879	683
Interest rebate on early settlement	(2,500)	-
EPF contribution for staff	918	518
	<u> </u>	<u> </u>

The number of employees of the Company at the end of the year was 364 (2002 - 399).

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12. Interest expense

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Bank overdraft	55	30
Hire purchase	17	5
Term loans	2,848	3,072
	<u>2,920</u>	<u>3,107</u>

13. Tax expense

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
Deferred tax expense		
Origination and reversal of temporary differences	1,833	-
	<u>1,833</u>	<u>-</u>
Reconciliation of effective tax rate		
Profit before taxation	21,371	10,448
	<u>21,371</u>	<u>10,448</u>
Income tax using Malaysian tax rates (28%)	5,984	2,925
Non-deductible expenses	574	218
Permanent difference on reinvestment allowance	(4,579)	-
Deferred tax assets recognised during the year	(146)	(3,141)
Other items	-	(2)
	<u>1,833</u>	<u>-</u>
Tax expense	<u>1,833</u>	<u>-</u>

14. Holding company

The holding company is EP Manufacturing Berhad, a company incorporated in Malaysia and listed on the Second Board of the Malaysia Securities Exchange Berhad.

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15. Related party transactions

	2003 RM'000	1.4.2002 to 31.12.2002 RM'000
With related companies		
Fundwin Sdn Bhd		
Sales	759	2,708
EP Polymer		
Rental payable	(14)	-
With affiliated companies		
EP Properties (M) Sdn Bhd		
Rental payable	(47)	-
Felio Sdn Bhd		
Sales	-	1,833
Thian Soon Industrial Hardware		
Purchases	(328)	-
Pesaka Nuri		
Sales	81	-
Purchases	(12,780)	(12,036)
Hajatimur		
Rental of warehouse	(560)	(630)
	<u> </u>	<u> </u>

These transactions have been entered into in the normal course of business and have been established on a negotiated basis.

16. Commitments

	2003 RM'000	2002 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	13,300	31,362
	<u> </u>	<u> </u>

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17. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency and liquidity risk arises in the normal course of the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers principally to the risk that customers may default on their obligations to repay the amounts owing to the Company. At balance sheet date, approximately 88% of the trade receivables of the Company is concentrated on two customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

In the current low interest rate scenario, the Company borrows for operations at variable rates using its bankers' acceptance facilities, and uses fixed rate term loan to finance capital expenditure.

Foreign currency risk

The Company has minimal foreign exchange risk exposure as most of its transactions are denominated in Ringgit Malaysia.

Liquidity risk

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

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17. Financial instruments (continued)

The following table shows information about the Company'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.

	-----2003-----				-----2002-----			
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Financial assets								
Deposits with licensed banks	3.2%	1,770	1,770	-	3.2%	225	225	-
Financial liabilities								
Term loan	8.0%	2,075	2,075	-	7.6%	54,142	54,142	-
Bankers' acceptances	3.0%	9,669	9,669	-	-	-	-	-
MUNIF	3.5%	40,000	40,000	-	-	-	-	-
PEPS-JV RCSPS	7.0%	8,168	-	8,168	-	-	-	-

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17. Financial instruments (continued)

The above financial instruments arise in relation to the following:-

- (i) On 19 May 2003, issuance of 30,000,000 Redeemable Convertible Secured Preference Shares of RM1.00 each in PEPS-JV ("PEPS-JV RCSPS") at an issue price of RM1.00 per PEPS-JV RCSPS.

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

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

	2003		2002	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
PEPS-JV RCSPS	8,168	8,168	-	-

18. Significant event

- (a) The Company was involved in a restructuring scheme with EP Manufacturing Berhad ("EPMB"), a company listed on the Second Board of Malaysia Securities Exchange Berhad and in which one of the directors has significant interest. Details of the restructuring, to the extent it affects the Company, include the following:

- acquisition of 79.5% equity interest in the Company by EPMB from Mutual Concept Sdn. Bhd. for a total purchase consideration of RM105,000,000 to be satisfied by a combination of cash and EPMB Irredeemable Convertible Unsecured Preference Shares ("ICUPS"). Thereafter, EPMB becomes the holding company;

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18. Significant event (continued)

- capitalisation of RM30,000,000 of term loan with Danaharta into 30,000,000 PEPS-JV RCSPS. This PEPS-JV RCSPS was subsequently sold to EPMB by Danaharta, satisfied by the issuance of 60,000,000 of EPMB Redeemable Convertible Secured Preference Shares of RM0.10 each at an issue price of RM0.50 each;
- capitalisation of an amount of RM5,000,000 incurred by the Company for the purchase of plant and equipment from Hajatimur Sdn. Bhd., a company in which one of the directors has significant interest, into 5,000,000 new ordinary shares of RM1.00 each in the Company;

This restructuring scheme was completed during the year.

- (b) The Company also raised capital via the issuance of Islamic Private Debt Securities comprising RM40,000,000 Murabahah Underwritten Notes Issuance Facility ("MUNIF"). The MUNIF issuance was completed in May 2003.

GENERAL INFORMATION**1. RESPONSIBILITY STATEMENT**

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

2. MATERIAL LITIGATION

As at the date of this Introductory Circular, none of the companies in the EPMB Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of the EPMB Group and the Directors do not have any knowledge of any proceedings, pending or threatened, against the EPMB Group or of any facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the EPMB Group.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the EPMB Group within the two (2) years immediately preceding the date of this Introductory Circular:-

- (a) Pursuant to a supplemental agreement dated 2 August 2002 and a second supplemental agreement dated 2 February 2003, which are supplemental to a conditional sale and purchase agreement dated 26 February 2002, entered into between EPMB and Mutual Concept Sdn Bhd ("Mutual Concept"), EPMB has agreed to purchase from Mutual Concept 79.5% equity interest in PEPS-JV comprising 15,900,000 PEPS-JV Shares for a total purchase consideration of up to RM105,000,000 to be satisfied partly by cash payment of RM10,500,000 and the remaining through the issuance of up to 189,000,000 EPMB ICUPS at an issue price of RM0.50 per EPMB ICUPS upon the terms and conditions therein contained.
- (b) Deed Poll dated 28 April 2003 by EPMB to constitute up to 21,945,000 new EPMB Warrants entitling the holder of each EPMB Warrant to subscribe for one (1) new EPMB Share for a period commencing on and including the date of issue of the EPMB Warrants and ending at the close of business at 5.00 p.m. in Kuala Lumpur on the date which is the market day immediately preceding the fifth anniversary of the date of issue of the EPMB warrants or such extended period as determined by EPMB in its absolute discretion in accordance with the provisions of the Deed Poll.
- (c) Notes Issuance Facility Agreement dated 12 May 2003 between PEPS-JV as the Issuer, Amanah Short Deposits Berhad ("ASDB") as Lead Arranger and the Facility Agent, ASDB as the Issue Agent and Paying Agent and ASDB and Affin Discount Berhad both as the Underwriters whereby the Lead Arranger and Underwriters have agreed to make available to PEPS-JV an underwritten short term non-profit bearing notes facility of up to the maximum aggregate nominal amount of RM40,000,000.00 on a revolving basis to be issued in accordance with the Syariah principle of Al-Murabahah ("MUNIF") pursuant to the terms and conditions contained therein.
- (d) Trust Deed dated 12 May 2003 between PEPS-JV and Malaysian Trustees Berhad ("MTB") whereby PEPS-JV has appointed MTB to act as trustee for the benefit of the holders of Al-Murabahah Underwritten Short-Term Notes ("Notes") issued or to be issued under the MUNIF on the terms and conditions contained therein.

- (e) Debenture dated 12 May 2003 between PEPS-JV and MTB whereby PEPS-JV agreed to charge by way of third fixed and floating charge the property, undertakings, assets and rights both present and future of PEPS-JV in favour of MTB as security for payment of the Secured Indebtedness (as defined in the Trust Deed dated 12 May 2003) or any part thereof pursuant to the terms and conditions contained therein.
- (f) Insurance Agreement Assignment dated 12 May 2003 between PEPS-JV and MTB whereby PEPS-JV as the beneficial owner absolutely and irrevocably assigned and charged and agreed to assign and charge to MTB, free from all Security Interest (as defined therein) all PEPS-JV's present and future rights, title, benefits and interest in, and under each of the Insurances (save and except for the Encumbered Insurances) (as defined therein) and all proceeds and monies standing in credit of PEPS-JV and all claims for damages in respect of any breach of any of the insurers under the Insurances (save and except for the Encumbered Insurances) and all its present and future right to pursue any action, proceeding, suit or arbitration arising in relation of any rights assigned to MTB and to enforce such rights in the name of MTB as trustee or of PEPS-JV on the terms and conditions contained therein.
- (g) Accounts Charge dated 12 May 2003 between PEPS-JV and MTB whereby PEPS-JV as the beneficial owner, absolutely and irrevocably assigned and charged and agreed to assign and charge to MTB, free from all Security Interest (as defined therein) all PEPS-JV's present and future rights, title, benefits and interest in, and under the Assigned Property (as defined therein) and Designated Accounts such as Finance Service Reserve Account and Sinking Fund Account pursuant to the terms and conditions contained therein.
- (h) Agency Agreement dated 12 May 2003 between PEPS-JV, ASDB and MTB whereby PEPS-JV appointed ASDB as the issue agent and paying agent and ASDB agreed to act as the issue agent and paying agent in respect of the Notes upon the terms and conditions contained therein.
- (i) Settlement Agreement dated 19 May 2003 between EPMB, PEPS-JV, Mutual Concept, Hamidon bin Abdullah, Securita ABS One Berhad ("Securita") and Pengurusan Danaharta Nasional Berhad in relation to the settlement of the debt owing to Securita by PEPS-JV as at 31 March 2003 amounting to RM55,668,424.64 in accordance with the terms and conditions contained therein ("Settlement Agreement"). The total debt shall be settled partly by cash (a sum of RM25,668,424.64) and the balance of RM30,000,000.00 shall be converted into PEPS-JV RCSPS and be dealt with in the manner prescribed in the Settlement Agreement.
- (j) Security Agency Agreement ("SAA") dated 1 July 2003 as amended by a Supplemental Agreement dated 26 August 2003 entered into between EPMB and MTB to appoint MTB to act as security agent of Securita or such other EPMB RCSPS holders ("EPMB RCSPS Holder") and to hold the Collateral Securities (as defined in the SAA) under the SAA an Memorandum of Charge and Deposit of Shares ("Security Documents") for the benefit of the EPMB RCSPS Holder and to stand possessed of all amount received by it from EPMB in respect of the Security Documents on trust for each and every EPMB RCSPS Holder on the terms and conditions contained therein.
- (k) Memorandum of Charge and Deposit of Shares dated 1 July 2003 between EPMB and MTB wherein EPMB, as the sole legal and beneficial owner of the 15,900,000 PEPS-JV ordinary shares and 30,000,000 PEPS-JV RCSPS and derivative assets (as defined therein) ("Charged Property"), had agreed to charge all of its right, title and interest in, to and over the Charged Property and each part thereof and the proceeds of sale of any of the Charged Property for the benefit of the EPMB RCSPS Holder by way of first fixed charge and as continuing security for the due and punctual performance by EPMB of its obligation under the SAA and the Articles of Association of EPMB in respect of the EPMB RCSPS in accordance with the terms and conditions contained therein.

- (l) Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes Issuance Facility Agreement dated 6 February 2004 between EPMB as the Issuer, ASDB as Arranger, MuNIF/IMTN Issue Agent, MuNIF/IMTN Paying Agent and Underwriter, whereby ASDB has agreed to make available to EPMB Murabahah Underwritten Notes Issuance Facility and/or Islamic Medium Term Notes Facility of up to the sum of RM150,000,000.00 only to be made available in accordance with the Syariah principles of Al-Murabahah ("MuNIF/IMTN Facility") pursuant to the terms and conditions contained therein.
- (m) Trust Deed dated 6 February 2004 between EPMB and MTB whereby EPMB has appointed MTB to act as trustee for the benefit of the noteholders ("Noteholders") of the MuNIFs and IMTNs issued under the MuNIF/IMTN Facility on the terms and conditions contained therein.
- (n) Third Party Memorandum of Charge Over Designated Accounts dated 9 February 2004 between E P Polymers (M) Sdn Bhd ("EP Polymers") and MTB whereby EP Polymers agreed to assign and charge to MTB as security agent for the Noteholders free from all liens, charges and other encumbrances all of EP Polymers' present and future right, title and interest in and to the Designated Accounts (as defined therein) and the Permitted Investments (as defined therein) and proceeds thereof derived from the Designated Accounts pursuant to the terms and conditions contained therein, in relation to the MuNIF/IMTN Facility.
- (o) Memorandum of Charge Over Designated Accounts dated 9 February 2004 between EPMB and MTB whereby EPMB agreed to assign and charge to MTB as security agent for the Noteholders free from all liens, charges and other encumbrances all of EPMB's present and future right, title and interest in and to the Designated Accounts (as defined therein) and the Permitted Investments (as defined therein) and proceeds thereof derived from the Designated Accounts pursuant to the terms and conditions contained therein, in relation to the MuNIF/IMTN Facility.
- (p) Third Party Memorandum of Charge Over Designated Accounts dated 9 February 2004 between EP Polymers and MTB whereby EP Polymers agreed to assign and charge to MTB as security agent for the Noteholders free from all liens, charges and other encumbrances all of EP Polymers' present and future right, title and interest in and to the Designated Accounts (as defined therein) and the Permitted Investments (as defined therein) and proceeds thereof derived from the Designated Accounts pursuant to the terms and conditions contained therein, in relation to the MuNIF/IMTN Facility.
- (q) Assignment of Proceeds dated 9 February 2004 between EP Polymers and MTB whereby EP Polymers as the beneficial owner absolutely and irrevocably assigns and agrees to assign absolutely to MTB all its rights, title, benefits and interests to and in the Assigned Proceeds (as defined therein) which will be remitted into the Designated Account (as defined therein) but not any of the obligations and liabilities thereunder and all remedies for enforcing the same to which EP Polymers is or may be entitled under the Contracts (as defined therein) on the terms and conditions contained therein, in relation to the MuNIF/IMTN Facility.
- (r) Issue and Paying Agency Agreement dated 6 February 2004 between EPMB and ASDB whereby EPMB appointed ASDB as the MuNIF/IMTN Issue Agent and MuNIF/IMTN Paying Agent and ASDB agreed to act as the MuNIF/IMTN Issue Agent and MuNIF/IMTN Paying Agent in respect of the MuNIF/IMTN Facility upon the terms and conditions contained therein.

4. CONSENT

The written consent of Kenanga to the inclusion in this Introductory Circular of its name in the form and context in which it appears has been given and has not been subsequently withdrawn before the issue of this Introductory Circular.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company following the publication of this Introductory Circular from Mondays to Fridays (except public holidays) during business hours for a period of fourteen (14) days from the date of this Introductory Circular:-

- (i) the Memorandum and Articles of Association of EPMB;
- (ii) the audited consolidated financial statements of EPMB for the two (2) financial years ended 31 December 2003;
- (iii) the latest unaudited results of EPMB and PEPS-JV for the financial period ended 30 June 2004;
- (iv) the material contracts in section (3) above;
- (v) the audited financial statements of PEPS-JV for the following period:-
 - (a) financial year ended 31 March 2002;
 - (b) nine (9) months period ended 31 December 2002; and
 - (c) financial year ended 31 December 2003;and
- (vi) the letter of consent in section (4) above.