

INFORMATION ON EPMB

1. HISTORY AND BUSINESS

EPMB was incorporated in Malaysia under the Companies Act, 1965 on 11 June 1996 as a private limited company under the name of Lembah Sempurna Sdn Bhd. It was converted into a public company on 8 July 1996 and assumed its present name on 22 July 1996.

The principal activity of the Company is that of investment holding whilst the principal activities of its subsidiaries include the manufacturing and trading of engineering plastic components, fabrication of moulds and dies and research and development. The EPMB Group is also involved in composite manufacturing and is involved in the design and development of bicycles and other sports products and the assembly, marketing and distribution of the "EP-X" bicycles through its wholly-owned subsidiaries, EPMB (Australia) Pty Ltd and EPMB (UK) Ltd respectively.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of EPMB as at 30 December 2002 are as follows:

	RM
<i>Authorised</i>	
95,000,000 EPMB Shares	<u>95,000,000</u>
<i>Issued and paid-up</i>	
41,460,000 EPMB Shares	<u>41,460,000</u>

Details of the changes in the issued and paid-up share capital of EPMB since incorporation are as follows:

Date of Allotment	No. of EPMB Shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
11.06.1996	2	Subscribers' shares	2
20.01.1997	32,220,260	Issue of 32,220,260 EPMB Shares at an issue price of RM1.20 per EPMB Share in respect of the acquisition of E P Polymers (M) Sdn Bhd and landed properties	32,220,262
20.01.1997	1,694,738	Rights issue of approximately 0.05 EPMB Share at an issue price of RM1.00 per EPMB Share for every one (1) EPMB Share held	33,915,000
01.03.1997	5,985,000	Public issue of 5,985,000 EPMB Shares at an issue price of RM2.80 per EPMB Share	39,900,000
04.10.2002	1,560,000	Placement of 1,560,000 EPMB Shares at an issue price of RM1.00 per EPMB Share	41,460,000

3. DIRECTORS

The Directors of EPMB and their shareholdings in EPMB as at 30 December 2002, are as follows:

Name	←-----Direct----->		←-----Indirect----->	
	No. of EPMB Shares held	%	No. of EPMB Shares held	%
Hamidon bin Abdullah	6,021,733	14.52	*14,345,465	34.60
Dr. Linden Hamidon Nee Fong	1,226,967	2.96	-	-
Goh Chyin Tar	-	-	-	-
Shaari bin Haron	20,000	0.05	-	-
Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin	50,000	0.12	-	-
Hew Voon Foo	-	-	-	-

Note:

- * Deemed interested by virtue of his shareholdings in EP Properties. Included in the 14,345,465 EPMB Shares are 380,465 EPMB Shares held in trust by Zainee bin Md Dahlan.

4. SUBSTANTIAL SHAREHOLDERS

The details of the substantial shareholders (holding 5% or more of the issued and paid-up share capital of EPMB) as at 30 December 2002, are as follows:

Name	←----- Direct ----->		←----- Indirect ----->	
	No. of EPMB Shares held	%	No. of EPMB Shares held	%
Hamidon bin Abdullah	6,021,733	14.52	*14,345,465	34.60
EP Properties	**14,345,465	34.60	-	-
Commerce Asset Ventures Sdn Bhd	4,422,835	10.67	-	-

Notes:

- * Deemed interested by virtue of his shareholdings in EP Properties.
- ** Of which 380,465 EPMB Shares are held in trust by Zainee bin Md Dahlan.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The principal activities of the subsidiaries of EPMB as at 30 December 2002 are as follows:

Name of company	Date and country of incorporation	Issued and paid-up ordinary share capital RM (unless otherwise stated)	Effective equity interest %	Principal activities
E P Polymers (M) Sdn Bhd	07.08.82; Malaysia	*500,000	100	Manufacture, fabrication, production and trading in engineering plastic components
EP Moulds & Dies (M) Sdn Bhd	04.08.90; Malaysia	300,000	100	Manufacture, production and trading in all types of moulds
EPMB (Australia) Pty Ltd	24.08.99; Australia	AUD1	100	Engineering design and modelling
EPMB (UK) Ltd	26.08.99; United Kingdom	GBP300,000	100	Assembly, marketing and distribution of the "EP-X" bicycles

Name of company	Date and country of incorporation	Issued and paid-up ordinary share capital RM (unless otherwise stated)	Effective equity interest %	Principal activities
EP-X Bicycles North America, Inc.	20.04.2001; United States of America	USD500	100	Assembly, marketing and distribution of the "EP-X" bicycles
Fundwin Sdn Bhd	19.01.94; Malaysia	^{*i} 400,000	100	Investment holding, manufacturing and selling of bicycles and bicycle components
Wiracash Holdings Sdn Bhd	28.12.93; Malaysia	2,000,000	100	Manufacture of automotive lamps and allied products

Notes:

^{*i} The company also has preference shares of RM3 comprising 3 preference shares of RM1.00 each.

^{*ii} The company also has preference share of RM1 comprising 1 preference share of RM1.00 each.

As at 30 December 2002, the Company does not have any associated companies.

6. SUMMARY OF FINANCIAL DATA

A summary of EPMB's results based on the consolidated financial statements for the past five (5) financial years ended 31 December 2001 and unaudited financial statements for the nine (9)-month financial period ended 30 September 2002 are as follows:

	<-----Financial year ended 31 December----->					Unaudited nine (9)- month financial period ended 30.9.2002 RM'000
	1997 RM'000	^{*i} 1998 RM'000	^{*ii} 1999 RM'000	^{*iii} 2000 RM'000	^{*iv} 2001 RM'000	
Turnover	123,575	44,884	103,681	91,155	94,330	83,845
Profit/(loss) before taxation	11,850	(11,206)	12,627	10,334	(10,666)	(5,580)
Taxation	(3,243)	409	836	(1,090)	(1,241)	(1,203)
Profit/(loss) after taxation	8,607	(10,797)	13,463	9,244	(11,907)	(6,783)
Minority interest	-	-	-	-	-	-
Profit/(loss) after taxation and minority interest	8,607	(10,797)	13,463	9,244	(11,907)	(6,783)
No. of EPMB Shares in issue ('000)	39,900	39,900	39,900	39,900	39,900	39,900
Weighted average no. of EPMB Shares in issue	38,844	39,900	39,900	39,900	39,900	39,900
Gross earnings/(loss) per EPMB Share (RM)	0.31	(0.28)	0.32	0.26	(0.27)	^{*v} (0.19)
Net earnings/(loss) per EPMB Share (RM)	0.22	(0.27)	0.34	0.23	(0.30)	^{*v} (0.23)
Gross dividend rate (%)	-	-	3.5	3.5	3.5	-
NTA (RM'000)	71,285	60,643	66,384	64,664	57,343	52,219
NTA per EPMB Share (RM)	1.79	1.52	1.66	1.62	1.44	1.31

Notes:

- *i *The decline in turnover and loss after taxation incurred for the financial year ended 31 December 1998 were mainly due to the effects of the economic downturn which led to a decline in the demand for new vehicles.*
- *ii *Higher turnover and PAT achieved for the financial year ended 31 December 1999 were mainly due to improvement in the Malaysian economy and the recovery of the automotive sector, whereby the Malaysian economy witnessed mild inflation, downtrend of interest rates for borrowings, ease of obtaining financing of motor vehicles, increase in industrial production and improved consumer confidence and spending.*
- *iii *Lower turnover and PAT achieved for the financial year ended 31 December 2000 were mainly due to a more competitive operating environment for its automotive components manufacturing division. The Group also faced several setbacks in the development of its EP-X carbon composites bicycles due to certain technical issues which resulted in the delay for the full-scale launch and marketing of the EP-X range of bicycles.*
- *iv *The loss after taxation incurred for the financial year ended 31 December 2001 were mainly due to industry-wide pressure on profit margins, amortisation of research and development expenses as well as high operating expenses due to the penetration cost incurred on the EP-X bicycle project in the United Kingdom and United States of America.*
- *v *Computed based on the annualised loss before taxation and loss after taxation for the nine (9)-month financial period ended 30 September 2002.*
- *vi *There were no exceptional items or extraordinary items for the years/period under review.*

7. HISTORICAL SHARE PRICES

The monthly high and low prices of the EPMB Shares as traded on the KLSE for the past twelve (12) months are as follows:

	High RM	Low RM
2002		
January	1.95	1.59
February	1.61	1.40
March	1.56	1.38
April	1.79	1.47
May	1.77	1.43
June	1.46	1.07
July	1.30	1.08
August	1.15	1.08
September	1.16	0.88
October	1.05	0.90
November	1.01	0.93
December	1.00	0.88

Last transacted market price on 26 February 2002 (being the last market day prior to the announcement of the Proposals) RM1.52

Last transacted market price on 14 January 2003 (being the last practicable date prior to the date of this Circular) RM0.83

(Source: Investors Digest/KLSE Daily Diary)

INFORMATION ON PEPS-JV

1. HISTORY AND BUSINESS

PEPS-JV was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 15 July 1994 under the name of Tropical Lavender Sdn Bhd. On 12 January 1995, it changed its name to PEPS-JV.

PEPS-JV is principally involved in the manufacturing of car chassis parts, which include metal stamping, metal welding assembly and black electro-deposition painting. Amongst the automotive products produced by PEPS-JV include cross member, rear suspension system and center member for Proton cars; and panel cowling top, frame sub-assembly and trailing arm for Perodua cars. The main customers of PEPS-JV are local customers, namely Proton and Perodua which have contributed to more than 99% of total sales in years 2001 and 2002 respectively. PEPS-JV sources its raw materials such as steel coil mainly from Japan.

PEPS-JV is situated in Batang Kali, Selangor Darul Ehsan whereby it owns several pieces of freehold land totalling approximately 13.53 acres in size and the factory and office space built-up area are 67,600 square feet and 20,800 square feet respectively. PEPS-JV current production output is within the range of 70% to 100% per month of the production capacity since mid-July 2001. The overall production of the automotive products runs on two (2) shifts a day including overtime.

The details of the annual production capacity and output (in units) for the past five (5) years of PEPS-JV are as follows:

Part name/line name	1998	1999	2000	2001	2002
Capacity					
Cross member no. 2	117,600	117,600	117,600	133,280	133,280
Rear arm trailing ^{*i}	117,600	117,600	166,600	186,200	186,200
Front deck assembly (Saga) ^{*ii}	-	-	-	49,000	58,800
Front deck assembly (Wira) ^{*ii}	-	-	-	133,280	133,280
Frame sub assembly ^{*iii}	-	-	37,500	90,160	90,160
Rear trailing arm LH/RH ^{*iii}	-	-	40,800	98,000	98,000
Center member assembly ^{*iii}	-	-	32,600	78,400	78,400
Output					
Cross member no. 2	21,180	81,550	98,460	105,800	116,330
Rear arm trailing ^{*i}	22,030	81,550	119,910	165,850	175,240
Front deck assembly (Saga) ^{*ii}	-	-	-	43,600	48,200
Front deck assembly (Wira) ^{*ii}	-	-	-	105,800	116,330
Frame sub assembly ^{*iii}	-	-	30,000	77,300	64,900
Rear trailing arm LH/RH ^{*iii}	-	-	30,200	77,300	69,400
Center member assembly ^{*iii}	-	-	17,150	58,850	60,750

Notes:

^{*i} This consist of trailing arm, arm lower, link control and link upper.

^{*ii} Production commenced in March 2001.

^{*iii} Production commenced in August 2000.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of PEPS-JV as at 30 December 2002 are as follows:

	RM
Authorised	
65,000,000 PEPS-JV Shares	65,000,000
30,000,000 PEPS-JV RCSPS	30,000,000
	95,000,000
Issued and paid-up	
15,000,000 PEPS-JV Shares	15,000,000

Details of the changes in the issued and paid-up share capital of PEPS-JV since incorporation are as follows:

Date of Allotment	No. of PEPS-JV Shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
15.07.1994	2	Subscribers' shares	2
16.08.1995	2,100,000	Issue of 2,100,000 PEPS-JV Shares at par	2,100,002
22.11.1995	5,899,998	Issue of 5,899,998 PEPS-JV Shares at par	8,000,000
23.11.1995	2,000,000	Issue of 2,000,000 PEPS-JV Shares at par	10,000,000
26.02.2002	5,000,000	Issue of 5,000,000 PEPS-JV Shares at par in respect of the capitalisation of the amount owed by PEPS-JV to Hamidon bin Abdullah which was assigned to Mutual Concept	15,000,000

3. DIRECTORS

The Directors of PEPS-JV and their shareholdings in PEPS-JV, based on the Register of Directors and Directors' shareholdings as at 30 December 2002, are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of PEPS-JV Shares held	%	No. of PEPS-JV Shares held	%
Hamidon bin Abdullah	-	-	*10,900,000	72.67
Kamludin bin Abu	-	-	-	-
Lee Choong Kon	-	-	**2,000,000	13.33
Dato Chan Kok Chuen, JP	-	-	-	-

Notes:

*i Deemed interested by virtue of his shareholdings in Mutual Concept.

**ii Deemed interested by virtue of his shareholdings in Samlip.

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PEPS-JV and their respective shareholdings, according to the Register of Substantial Shareholders as at 30 December 2002, are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of PEPS-JV Shares held	%	No. of PEPS-JV Shares held	%
Mutual Concept	10,900,000	72.67	-	-
Proton	2,100,000	14.00	-	-
Samlip	2,000,000	13.33	-	-
Hamidon bin Abdullah	-	-	*i10,900,000	72.67
Lee Choong Kon	-	-	*ii2,000,000	13.33

Notes:

*i Deemed interested by virtue of his shareholdings in Mutual Concept.

*ii Deemed interested by virtue of his shareholdings in Samlip.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

As at 30 December 2002, PEPS-JV does not have any subsidiaries or associated companies.

6. PROFIT AND DIVIDEND RECORD

A summary of PEPS-JV's results based on the audited financial statements for the past five (5) financial years ended 31 March 2002 and unaudited financial statements for the seven (7)-month financial period ended 31 October 2002 are as follows:

	<-----Financial year ended 31 March----->					Unaudited seven (7)-month financial period ended
	1998	*i1999	*ii2000	*iii2001	*iv2002	31.10.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	13,943	14,429	43,371	65,072	90,496	60,233
(Loss)/PBT	(11,240)	(11,463)	677	3,874	10,082	8,179
Taxation	-	-	-	-	(3)	-
(Loss)/PAT	(11,240)	(11,463)	677	3,874	10,079	8,179
Minority interest	-	-	-	-	-	-
(Loss)/PAT and minority interest	(11,240)	(11,463)	677	3,874	10,079	8,179
No. of PEPS-JV Shares in issue ('000)	10,000	10,000	10,000	10,000	15,000	15,000
Weighted average no. of PEPS-JV Shares in issue	10,000	10,000	10,000	10,000	10,452	15,000
Gross (loss)/earnings per PEPS-JV Share (RM) ^v	(1.12)	(1.15)	0.07	0.39	0.96	*vi 0.93
Net (loss)/earnings per PEPS-JV Share (RM) ^v	(1.12)	(1.15)	0.07	0.39	0.96	*vi 0.93
Gross dividend rate (%)	-	-	-	-	-	-
(NTL)/NTA (RM'000)	(5,906)	(17,354)	(16,677)	(12,804)	2,275	10,454
(NTL)/NTA per PEPS-JV Share (RM)	(0.59)	(1.74)	(1.67)	(1.28)	0.15	0.70
Shareholders' funds	(5,891)	(17,354)	(16,677)	(12,804)	2,275	10,454
Total borrowings	49,940	65,295	66,578	63,785	60,225	55,526

Notes:

- ^{*i} Higher turnover for the financial year ended 31 March 1999 was mainly due to additional sales from existing products. The loss before taxation was slightly higher mainly due to depreciation charges and marketing and development costs.
- ^{*ii} The substantial increase in turnover and PAT achieved during the financial year ended 31 March 2000 were mainly due to the increase in the demand for local cars.
- ^{*iii} Higher turnover and PAT during the financial year ended 31 March 2001 were mainly due to the increase in the demand for local cars and additional projects secured from Proton and Perodua during the year.
- ^{*iv} The increase in turnover and PAT for the financial year ended 31 March 2002 were mainly due to higher demand for local cars and new automotive products order secured mainly from Proton.
- ^{*v} Based on the weighted average number of PEPS-JV Shares in issue.
- ^{*vi} Computed based on the annualised PBT and PAT for the seven (7)-month financial period ended 31 October 2002.
- ^{*vii} There were no exceptional items or extraordinary items for the years under review.

PROPOSED M&A AMENDMENTS

A. The Memorandum of Association of the Company is proposed to be altered in the following manner:

1. THAT the existing Clause V be deleted in its entirety and be replaced with the following new Clause V:

“The share capital of the Company is Ringgit Malaysia five hundred million (RM500,000,000.00) divided into:

- (a) four hundred and seventy million (470,000,000) ordinary shares of Ringgit Malaysia (RM1.00) each;
- (b) two hundred million (200,000,000) Irredeemable Convertible Unsecured Preference Shares of Malaysian Sen ten (RM0.10) each; and
- (c) one hundred million (100,000,000) Redeemable Convertible Secured Preference Shares of Malaysian Sen ten (RM0.10) each.

The shares in the original or any increased capital may be divided into several other classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.”

B. The Articles of Association of the Company is proposed to be altered in the following manner:

1. THAT the following new definitions be inserted in Article 2:

“**ICUPS**” means the five(5)-year seventeen point five percent (17.5%) irredeemable convertible unsecured preference shares of Malaysian Sen ten (RM0.10) each in the Company;

“**Merchant Bank**” means a merchant bank licensed to carry on merchant banking business in Malaysia under the Banking and Financial Institutions Act 1989 as may be appointed by the directors of the Company;

“**PEPS-JV**” means PEPS-JV (M) Sdn Bhd (Company No.307929-T);

“**ordinary shares**” means ordinary shares of Ringgit Malaysia one (RM1.00) each in the Company;

“**RCSPS**” means the five(5)-year seventeen point five percent (17.5%) of the nominal value redeemable convertible secured preference shares of Malaysian Sen ten (RM0.10) each in the Company;

“**Ringgit Malaysia**” “**Sen**” or the sign “**RM**” are references to the currency of Malaysia.

2. THAT Article 3 be deleted in its entirety and be replaced with the new Article 3:

“The share capital of the Company is Ringgit Malaysia five hundred million (RM500,000,000.00) divided into:

- (a) four hundred and seventy million (470,000,000) ordinary shares of Ringgit Malaysia one (RM1.00) each;
- (b) two hundred million (200,000,000) Irredeemable Convertible Unsecured Preference Shares of Malaysian Sen ten (RM0.10) each; and
- (c) one hundred million (100,000,000) Redeemable Convertible Secured Preference Shares of Malaysian Sen ten (RM0.10) each.”

3. THAT the following new Article 5A be inserted after Article 5:

“The Company may, subject to Article 4 and the Act, allot and issue the ICUPS and in addition to the rights that are conferred on holders of preference shares in the Company set out in Article 5, the ICUPS shall confer on the holders thereof the following rights and privileges and be subject to the following conditions:

(a) As regards dividend

A cumulative dividend rate of seventeen point five percent (17.5%) of the nominal value will be payable annually on the ICUPS.

(b) As regards Conversion

(i) *The ICUPS are irredeemable and are convertible into new ordinary shares anytime from the third (3rd) anniversary until and including the fifth (5th) anniversary of the issue of the ICUPS (“**ICUPS Conversion Period**”), based on the ICUPS Conversion Mode set out in paragraph (iii) below. Any ICUPS that are not converted within the ICUPS Conversion Period will be automatically converted into new ordinary shares based on the ICUPS Conversion Mode.

(ii) The conversion price of the ICUPS shall be calculated based on a premium of up to five percent (5%) of the five (5)-day weighted average market price of the ordinary shares on the price fixing date, being a date to be determined by the Board or the nominal value of the ordinary shares, whichever is higher (“**ICUPS Conversion Price**”) and the ICUPS Conversion Price will be adjusted at the determination of the Board in all or any of the following cases

(aa) an alteration of the par value of the ordinary shares by reason of consolidation or subdivision; or

(bb) a bonus issue of fully paid-up ordinary shares by the Company; or

(cc) a capital distribution to shareholders made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets; or

(dd) a rights issue of ordinary shares by the Company; or

any other circumstances that are deemed necessary PROVIDED THAT under no circumstances will any adjustment be made which will result in the ICUPS Conversion Price falling below the par value of the ordinary shares for the time being and no adjustment to the ICUPS Conversion Price shall be made unless it has been certified by a Merchant Bank or the auditors of the Company.

(iii) The holders of the ICUPS will be entitled to convert the ICUPS into new ordinary shares by tendering at least two (2) ICUPS valued at the issue price as determined by the Directors at the time of the issue of the ICUPS plus a cash payment, where applicable, for the balance of the ICUPS Conversion Price for every one (1) new ordinary share (“**ICUPS Conversion Mode**”). Upon conversion, Malaysian Sen ten (RM0.10) from each ICUPS converted will be transferred from the issued and paid-up ICUPS capital to the issued and paid-up ordinary share capital of the Company and a further sum equivalent to the premium paid for each ICUPS at the time of the issue of the ICUPS which are converted, will be credited from the share premium account into the issued and paid-up ordinary share capital of the Company. Any fractional shares from such conversion shall be disregarded and the Company shall make no payment to the holders of the ICUPS in respect of such fraction.

(c) As regards to status of ICUPS

- (i) The ICUPS shall rank *pari passu* with the RCSPS, save and except that the RCSPS will be secured by fifteen million nine hundred thousand (15,900,000) ordinary shares of Ringgit Malaysia one (RM1.00) each in PEPS-JV and thirty million (30,000,000) five(5)-year seven percent (7%) redeemable convertible secured preference shares of Ringgit Malaysia one (RM1.00) each in PEPS-JV, but shall rank in priority to the ordinary shares of the Company in the event of the winding-up/liquidation of the Company;
- (ii) The ICUPS and the new ordinary shares to be issued pursuant to the conversion of the ICUPS will be listed in KLSE; and
- (iii) The new ordinary shares to be issued pursuant to the conversion of the ICUPS shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares save and except that they shall not be entitled to any dividend, rights, allotments and/ or other distribution, unless the allotment of the new ordinary shares were made on or prior to the entitlement date.

(d) As regards voting rights of the holders of the ICUPS

The voting rights of the registered holders of ICUPS are as set out in the Article 5(b)."

4. THAT the following new Article 5B be inserted after the new Article 5A:

"The Company may, subject to Article 4 and the Act, allot and issue the RCSPS and in addition to the rights that are conferred on holders of preference shares in the Company set out in Article 5, the RCSPS shall confer on the holders thereof the following rights and privileges and be subject to the following conditions:

(a) As regards dividend

A cumulative dividend rate of seventeen point five percent (17.5%) of the nominal value will be payable annually on the RCSPS.

(b) As regards redemption

The RCSPS are redeemable at par at the discretion of the Company on the fifth (5th) anniversary from the date of issue of the RCSPS.

(c) As regards Conversion

(i) The RCSPS are convertible into new ordinary shares anytime from the date of issue until and including the fifth (5th) anniversary of the issue of the RCSPS ("**RCSPS Conversion Period**"), based on the RCSPS Conversion Mode set out in paragraph (iii) below. Any RCSPS that are not converted or redeemed within the RCSPS Conversion Period will be automatically converted into new ordinary shares based on the RCSPS Conversion Mode;

(ii) The conversion price of the RCSPS shall be calculated based on a premium of up to five percent (5%) of the five (5)-day weighted average market price of ordinary shares on the price fixing date, being a date to be determined by the Board or the nominal value of the ordinary shares, whichever is higher ("**RCSPS Conversion Price**") and the RCSPS Conversion Price will be adjusted at the determination of the Board in all or any of the following cases:

- (aa) an alteration of the par value of the ordinary shares by reason of consolidation or subdivision; or

- (bb) a bonus issue of fully paid-up ordinary shares by the Company; or
- (cc) a capital distribution to shareholders made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets; or
- (dd) a rights issue of ordinary shares by the Company; or

any other circumstances that are deemed necessary PROVIDED THAT under no circumstances will any adjustment be made which would result in the RCSPS Conversion Price falling below the par value of the ordinary shares for the time being and no adjustment to the RCSPS Conversion Price shall be made unless it has been certified by a Merchant Bank or the auditors of the Company.

- (iii) The holders of the RCSPS will be entitled to convert the RCSPS into new ordinary shares by tendering at least two (2) RCSPS valued at the issue price as determined by the Directors at the time of the issue of the RCSPS plus a cash payment, where applicable, for the balance of the RCSPS Conversion Price for every one (1) new ordinary share ("**RCSPS Conversion Mode**"). Upon conversion, Malaysian Sen ten (RM0.10) from each RCSPS converted will be transferred from the issued and paid-up RCSPS capital to the issued and paid-up ordinary share capital of the Company and a further sum equivalent to the premium paid for each RCSPS at the time of the issue of the RCSPS which are converted, will be credited from the share premium account into the issued and paid-up ordinary share capital of the Company. Any fractional shares from such conversion shall be disregarded and the Company shall make no payment to the holders of the RCSPS in respect of such fraction.

(d) As regards to status of RCSPS

- (i) The RCSPS shall rank *pari passu* with the ICUPS, save and except that the RCSPS will be secured by fifteen million nine hundred thousand (15,900,000) ordinary shares of Ringgit Malaysia one (RM1.00) each in PEPS-JV and thirty million (30,000,000) five(5)-year seven percent (7%) redeemable convertible secured preference shares of Ringgit Malaysia one (RM1.00) each in PEPS-JV, but shall rank in priority to the ordinary shares of the Company in the event of the winding-up/liquidation of the Company;
- (ii) The RCSPS and the new ordinary shares to be issued pursuant to the conversion of the RCSPS will be listed in KLSE; and
- (iii) The new ordinary shares to be issued pursuant to the conversion of the RCSPS shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares save and except that they shall not be entitled to any dividend, rights, allotments and/ or other distribution, unless the allotment of the new ordinary shares were made on or prior to the entitlement date.

(e) As regards voting rights of the holders of the RCSPS

The voting rights of the holders of RCSPS are as set out in the Article 5(b)."

NB* Notwithstanding the above proposed new Article 5A(b)(i), in the event that the Company shall obtain the approval of the SC in relation to commencement of the EPMB ICUPS Conversion Period being from the date of the issue of the EPMB ICUPS, then the following Article 5A(b)(i) shall be deemed proposed:

"The ICUPS are irredeemable and are convertible into new ordinary shares anytime from the date of issue until and including the fifth (5th) anniversary of the issue of the ICUPS ("**ICUPS Conversion Period**"), based on the ICUPS Conversion Mode set out in paragraph (iii) below. Any ICUPS that are not converted within the ICUPS Conversion Period will be automatically converted into new ordinary shares based on the ICUPS Conversion Mode"

DIRECTORS' REPORT ON PEPS-JV

(Prepared for inclusion in this Circular)

Registered Office:

Lot 1403, 1406 & 1409
Batu 29, Jalan Ipoh
44300 Batang Kali
Selangor Darul Ehsan

17 January 2003

The Shareholders of EP Manufacturing Bhd

Dear Sirs

On behalf of the Directors of PEPS-JV (M) Sdn Bhd ("PEPS-JV"), I report after due inquiry that during the period from 31 March 2002 (being the date to which the last audited accounts of PEPS-JV have been made up) to 17 January 2003 (being a date not earlier than fourteen (14) days before the issue of this Circular), that:

- (a) the business of PEPS-JV, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequently to the last audited accounts of PEPS-JV which have adversely affected the trading or the values of the assets of PEPS-JV;
- (c) the current assets of PEPS-JV appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees given by PEPS-JV; and
- (e) since the last audited accounts of PEPS-JV, there have been no changes in the published reserves nor any unusual factors affecting the profit of PEPS-JV.

Your faithfully
for and on behalf of the Board of Directors of
PEPS-JV (M) SDN BHD

Kamludin bin Abu
Executive Director

PROFORMA CONSOLIDATED BALANCE SHEETS OF THE EPMB GROUP AS AT 31 DECEMBER 2001 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

(Prepared for inclusion in this Circular)



Our ref: AUD02/1224/2002/LL

Date : 16th January, 2003

The Board of Directors
EP MANUFACTURING BHD.
No. 8 & 10, Jalan Jurutera U1/23
Seksyen U1
Kawasan Perindustrian Hicom Glenmarie
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2001

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of EP Manufacturing Bhd. ("EPMB") and its subsidiary companies ("EPMB Group") as at 31 December 2001 together with the accompanying notes, for which the Directors are solely responsible, as set out in the attachments, prepared for the purpose of inclusion in the Circular to Shareholders' of EPMB to be dated 17th January, 2003 in connection with the following:

- (i) Proposed acquisition of 79.5% equity interest in the issued and paid-up share capital of PEPS-JV (M) SDN. BHD. ("PEPS-JV") by EPMB.
- (ii) Proposed acquisition of 30,000,000 redeemable convertible secured preference shares of RM 1.00 each in PEPS-JV by EPMB.

("Proposed Acquisition of PEPS-JV")

- (iii) Proposed rights issue of up to 21,945,000 new warrants in EPMB. ("Proposed Rights Issue of EPMB Warrants")
- (iv) Proposed renounceable offer for sale of up to 94,500,000 irredeemable convertible unsecured preference shares of RM0.10 each in EPMB ("EPMB ICUPS") by Mutual Concept Sdn. Bhd. ("Mutual Concept") to the shareholders of EPMB. ("Proposed EPMB ICUPS Offer for Sale")

- (v) Proposed renounceable offer for sale of up to 60,000,000 redeemable convertible secured preference shares of RM0.10 each in EPMB (“EPMB RCSPS”) by Securita ABS One Berhad (“Securita”) to the shareholders of EPMB. (Proposed EPMB RCSPS Offer for Sale”)

(collectively referred to as the “Proposals”)

In our opinion, the abovementioned Proforma Consolidated Balance Sheets, which are provided for illustrative purposes only, have been properly compiled on the basis as set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully,



TAN CHENG HOOI & CO.
(No. AF-0888)
CHARTERED ACCOUNTANTS (MAL.)



TAN CHENG HOOI, CA (M)
1295/05/03(J)
CHARTERED ACCOUNTANT

PROFORMA BALANCE SHEET AS AT 31 DECEMBER 2001

Option 1

	(a)	(b)	(c)	(d)	(e)	(f)
	EPMB Audited Consolidated Balance Sheet as at 31.12.2001	After the Acquisition of PEPS-JV	After (b) and the Proposed Rights Issue of EPMB Warrants and expenses	After (c) and the full conversion of EPMB ICUPS	After (d) and the full conversion of EPMB RCSPS	After (e) and the full exercise of the EPMB Warrants
Share Capital	39,900,000	43,890,000	43,890,000	138,390,000	168,390,000	190,335,000
EPMB ICUPS	-	18,900,000	18,900,000	-	-	-
EPMB RCSPS	-	6,000,000	6,000,000	6,000,000	-	-
EPMB Warrants	-	-	6,583,500	6,583,500	6,583,500	-
Retained Profits	5,594,005	5,594,005	5,594,005	5,594,005	5,594,005	5,594,005
Share Premium	15,618,333	15,618,333	113,218,333	37,618,333	13,618,333	20,201,833
Other Reserves	7,561,622	7,561,622	7,561,622	7,561,622	7,561,622	7,561,622
Total Shareholders' Fund	68,673,960	197,163,960	201,747,460	201,747,460	201,747,460	223,692,460
Borrowings	7,189,163	7,189,163	7,189,163	7,189,163	7,189,163	7,189,163
Minority Interest	-	-	7,402,624	7,402,624	7,402,624	7,402,624
PEPS-JV MUNIF	-	36,007,000	36,007,000	36,007,000	36,007,000	36,007,000
Hire Purchase Creditors	142,725	142,725	190,818	190,818	190,818	190,818
Deferred Taxation	788,275	788,275	788,275	788,275	788,275	788,275
Total Long Term Liabilities	8,120,163	8,120,163	51,577,880	51,577,880	51,577,880	51,577,880
Total Equity and Long Term Liabilities	76,794,123	205,284,123	253,325,340	253,325,340	253,325,340	275,270,340
Fixed Assets	56,409,857	104,057,229	104,057,229	104,057,229	104,057,229	104,057,229
Goodwill	98,244	98,244	52,224,961	52,224,961	52,224,961	52,224,961
Research and Development Investment - At cost	11,232,852	11,232,852	11,232,852	11,232,852	11,232,852	11,232,852
	8,527,681	8,527,681	8,527,681	8,527,681	8,527,681	8,527,681
Current Assets	17,422,898	20,205,525	20,205,525	20,205,525	20,205,525	20,205,525
Stocks	15,929,395	15,929,395	36,855,957	36,855,957	36,855,957	36,855,957
Trade Debtors	3,026,884	3,026,884	11,694,212	11,694,212	11,694,212	11,694,212
Other Debtors, Deposits and Prepayments	21,243,673	21,243,673	10,743,673	10,743,673	10,743,673	10,743,673
Amount due from Related Parties	4,596,967	4,596,967	4,817,842	4,817,842	4,817,842	4,817,842
Fixed Deposits	6,593,809	10,583,809	80,824,091	80,824,091	80,824,091	102,769,091
Cash and Bank Balances	68,813,626	72,803,626	165,141,300	165,141,300	165,141,300	187,086,300
Current Liabilities	11,773,336	11,773,336	25,864,161	25,864,161	25,864,161	25,864,161
Trade Creditors	7,994,868	7,994,868	12,690,136	12,690,136	12,690,136	12,690,136
Other Creditors and Accruals	7,771,340	7,771,340	7,771,340	7,771,340	7,771,340	7,771,340
Amount due to Related Parties	321,785	321,785	353,938	353,938	353,938	353,938
Hire Purchase Creditors	319,601	319,601	1,069,601	1,069,601	1,069,601	1,069,601
Amount due to Directors	850,585	850,585	852,885	852,885	852,885	852,885
Taxation	38,251,142	38,251,142	38,251,142	38,251,142	38,251,142	38,251,142
Borrowings	1,005,480	1,005,480	1,005,480	1,005,480	1,005,480	1,005,480
Proposed Dividend	68,288,137	68,288,137	87,858,683	87,858,683	87,858,683	87,858,683
Total Current Liabilities	525,489	4,515,489	77,282,617	77,282,617	77,282,617	99,227,617
NET CURRENT ASSETS	76,794,123	200,768,640	176,042,723	176,042,723	176,042,723	176,042,723
TOTAL ASSETS	153,588,246	406,052,763	429,368,063	429,368,063	429,368,063	451,313,063
NTA/SHARE	1.44	1.40	3.05	1.00	0.82	0.84

PROFORMA BALANCE SHEET AS AT 31 DECEMBER 2001

Option 2

	(a) After the Placement	(b) After (a) and the Proposed Acquisition of PEPS-JV	(c) After (b) and the Proposed Rights Issue of EPMB Warrants and expenses	(d) After (c) and the full conversion of EPMB ICUPS	(e) After (d) and the full conversion of EPMB RCSPS	(f) After (e) and the full exercise of the EPMB Warrants
EPMB Audited Consolidated Balance Sheet as at 31.12.2001						
Share Capital	43,890,000	43,890,000	43,890,000	138,390,000	168,390,000	190,335,000
EPMB ICUPS	-	18,900,000	18,900,000	-	-	-
EPMB RCSPS	-	6,000,000	6,000,000	6,000,000	-	-
EPMB Warrants	-	-	6,583,500	6,583,500	6,583,500	-
Retained Profits	5,594,005	5,594,005	5,594,005	5,594,005	5,594,005	5,594,005
Share Premium	15,618,333	115,218,333	113,218,333	37,618,333	13,618,333	20,201,833
Other Reserves	7,561,622	7,561,622	7,561,622	7,561,622	7,561,622	7,561,622
Total Shareholders' Fund	72,663,960	197,163,960	201,747,460	201,747,460	201,747,460	223,692,460
Borrowings	7,189,163	7,189,163	7,189,163	7,189,163	7,189,163	7,189,163
Minority Interest	-	11,495,561	11,495,561	11,495,561	11,495,561	11,495,561
PEPS-JV MUNIF	-	36,007,000	36,007,000	36,007,000	36,007,000	36,007,000
Liase Purchase Creditors	142,725	190,818	190,818	190,818	190,818	190,818
Deferred Taxation	788,275	788,275	788,275	788,275	788,275	788,275
Total Long Term Liabilities	8,120,163	55,670,817	55,670,817	55,670,817	55,670,817	55,670,817
Total Equity and Long Term Liabilities	80,784,123	252,834,777	257,418,277	257,418,277	257,418,277	279,363,277
Fixed Assets	56,409,857	104,057,229	104,057,229	104,057,229	104,057,229	104,057,229
Goodwill	98,244	98,244	60,517,898	60,517,898	60,517,898	60,517,898
Research and Development	11,232,852	11,232,852	11,232,852	11,232,852	11,232,852	11,232,852
Investment - At cost	8,527,681	8,527,681	8,527,681	8,527,681	8,527,681	8,527,681
Current Assets						
Stocks	17,422,898	20,205,525	20,205,525	20,205,525	20,205,525	20,205,525
Trade Debtors	15,929,395	36,855,957	36,855,957	36,855,957	36,855,957	36,855,957
Other Debtors, Deposits and Prepayments	3,026,884	11,694,212	11,694,212	11,694,212	11,694,212	11,694,212
Amount due from Related Parties	21,243,673	10,743,673	10,743,673	10,743,673	10,743,673	10,743,673
Fixed Deposits	4,596,967	4,817,842	4,817,842	4,817,842	4,817,842	4,817,842
Cash and Bank Balances	6,593,809	72,040,591	76,624,091	76,624,091	76,624,091	98,569,091
Total Current Assets	68,813,626	156,357,800	160,941,300	160,941,300	160,941,300	182,886,300
Current Liabilities						
Trade Creditors	11,773,336	25,864,161	25,864,161	25,864,161	25,864,161	25,864,161
Other Creditors and Accruals	7,994,868	12,690,136	12,690,136	12,690,136	12,690,136	12,690,136
Amount due to Related Parties	7,771,340	7,771,340	7,771,340	7,771,340	7,771,340	7,771,340
Liase Purchase Creditors	321,785	353,938	353,938	353,938	353,938	353,938
Amount due to Directors	319,601	1,069,601	1,069,601	1,069,601	1,069,601	1,069,601
Taxation	850,585	852,885	852,885	852,885	852,885	852,885
Borrowings	38,251,142	38,251,142	38,251,142	38,251,142	38,251,142	38,251,142
Proposed Dividend	1,005,480	1,005,480	1,005,480	1,005,480	1,005,480	1,005,480
Total Current Liabilities	68,288,137	87,858,683	87,858,683	87,858,683	87,858,683	87,858,683
NET CURRENT ASSETS	4,515,489	68,499,117	73,082,617	73,082,617	73,082,617	95,027,617
TOTAL ASSETS	80,784,123	252,834,777	257,418,277	257,418,277	257,418,277	279,363,277
NTA/SHARE	1.44	1.40	2.86	0.94	0.77	0.80

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2001

1. BASIS OF PREPARATION

The Proforma Consolidated Balance Sheets of EP Manufacturing Bhd (“EPMB” or “Company”) and its subsidiaries (“EPMB Group”) have been prepared for illustrative purposes only based on the audited financial statements of the EPMB Group as at 31 December 2001 on accounting policies and bases consistent with those previously adopted in the preparation of audited financial statements of the existing EPMB Group and on the assumption that the following transactions have been effected on 31 December 2001:-

- 1.1 Placement of 3,990,000 new ordinary shares of RM1.00 each in EPMB (“EPMB Shares”) representing 10% of the issued and paid-up share capital of the Company as at 31 December 2001 at an issue price of RM1.00 per EPMB Share satisfied by cash consideration. (“Placement”). As at 31 December 2002, 1,560,000 EPMB Shares have been allotted and issued.
- 1.2 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”) for a purchase consideration of RM105,000,000 to be satisfied by a combination of cash payment of RM10,500,000 and the issuance of 189,000,000 irredeemable convertible unsecured preference shares in EPMB of RM0.10 each (“EPMB ICUPS”) at an issue price of RM0.50 per EPMB ICUPS. The EPMB ICUPS are converted into EPMB Shares in full by tendering two (2) EPMB ICUPS for every one (1) new EPMB Share.

The audited financial statements of PEPS-JV as at 31 March 2002 has been used for consolidation purposes.

- 1.3 Proposed acquisition of 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. The EPMB RCSPS are converted into EPMB Shares in full by tendering two (2) EPMB RCSPS for every one (1) new EPMB Share.

- 1.4 Proposed rights issue of 21,945,000 new warrants in EPMB (“EPMB Warrants”) on the basis of one (1) new EPMB Warrant for every two (2) EPMB Shares each held after the Placement. The EPMB Warrants are assumed issued at an issue price of RM0.30 per EPMB Warrant. A total of 21,945,000 EPMB Shares are assumed issued pursuant to the exercise of the entire 21,945,000 EPMB Warrants at an exercise price of RM1.00 per EPMB Share. (“Proposed Rights Issue of EPMB Warrants”)
- 1.5 Proposed increase in the authorized 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. (“Proposed Capital Increase”)
- 1.6 Proposed amendments to the Memorandum and Articles of Association of EPMB to facilitate the issuance of the EPMB ICUPS and EPMB RCSPS arising from the Proposed Acquisition of PEPS-JV and the Proposed Capital Increase.
- 1.7 Estimated expenses relating to the Proposals of RM2,000,000 are deducted from share premium account.
- 1.8 Proposed capitalization of an amount of RM5,000,000 due to Hajatimur for purchase of capital equipment and machinery amounting to RM15,820,000 by PEPS-JV. Out of the RM15,820,000 owing to Hajatimur, an amount of RM5,000,000 will be assigned to Mutual Concept, which will then be capitalized into RM5,000,000 new ordinary shares of RM1.00 each in PEPS-JV.
- 1.9 Proposed capitalization of RM30,000,000 of debts due to Securita into 30,000,000 PEPS-JV RCSPS at par.

The Proforma Balance Sheet are presented in the following two scenarios:

- | | |
|----------|--|
| Option 1 | Assuming the full conversion of the 30,000,000 PEPS-JV RCSPS into 30,000,000 ordinary shares of RM1.00 each in PEPS-JV immediately after EPMB acquires them from Securita. |
| Option 2 | Assuming the 30,000,000 PEPS-JV RCSPS are not converted into ordinary shares of RM1.00 each in PEPS-JV after EPMB acquires them from Securita. |

2. SHARE CAPITAL, SHARE PREMIUM AND RETAINED PROFITS

The movement in the share capital, share premium and retained profit are as follows:

Option 1 & 2

	SHARE CAPITAL	SHARE PREMIUM	RETAINED PROFITS
Balance as at 31 December 2001	39,900,000	15,618,333	5,594,005
After the Placement	3,990,000	-	-
	<u>43,890,000</u>	<u>15,618,333</u>	<u>5,594,005</u>
After the Proposed Acquisition of PEPS-JV	-	99,600,000	-
	<u>43,890,000</u>	<u>115,218,333</u>	<u>5,594,005</u>
After the Proposed Rights Issue of EPMB Warrants & estimated expenses	-	(2,000,000)	-
	<u>43,890,000</u>	<u>113,218,333</u>	<u>5,594,005</u>
After the full conversion of the EPMB ICUPS	94,500,000	(75,600,000)	-
	<u>138,390,000</u>	<u>37,618,333</u>	<u>5,594,005</u>
After the full conversion of the EPMB RCSPS	30,000,000	(24,000,000)	-
	<u>168,390,000</u>	<u>13,618,333</u>	<u>5,594,005</u>
After the full exercise of EPMB Warrants	21,945,000	6,583,500	-
	<u>190,335,000</u>	<u>20,201,833</u>	<u>5,594,005</u>
Balance as per Proforma	<u>190,335,000</u>	<u>20,201,833</u>	<u>5,594,005</u>