

**EP MANUFACTURING BHD.**

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

**Interim Financial Report  
31 December 2002**

# EP MANUFACTURING BHD.

(Company No. 390116-T)

(Incorporated in Malaysia)

## Condensed consolidated balance sheet as at 31 December 2002

	Note	31 December 2002 RM'000	31 December 2001 RM'000
<b>Property, plant and equipment</b>	2	56,541	56,410
<b>Investment – at cost</b>		10,538	38
<b>Intangible assets</b>		15,659	19,821
<b>Current assets</b>			
Inventories	3	15,475	17,423
Trade debtors		24,433	22,261
Other debtors, deposits and prepayments		9,891	17,834
Fixed deposits		4,561	4,597
Cash and cash equivalents		2,525	6,588
		56,885	68,703
<b>Current liabilities</b>			
Trade creditors		21,206	19,334
Other creditors and accruals		11,615	8,737
Borrowings		40,605	38,251
Taxation		1,460	851
Proposed dividend		-	1,005
		74,886	68,178
<b>Net current (liabilities) / assets</b>		(18,001)	525
		64,737	76,794
Financed by:-			
<b>Capital and reserves</b>			
Share capital		41,460	39,900
Reserves		16,761	28,774
		58,221	68,674
<b>Long term and deferred liability</b>			
Borrowings		4,854	7,189
Other long term liabilities		874	143
Deferred taxation		788	788
		64,737	76,794

The condensed consolidated balance sheet should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 7.

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## Condensed consolidated income statement for the year ended 31 December 2002

	3 months ended 31 December		Year ended 31 December	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	20,090	22,292	103,935	94,330
Operating profit / (loss)	(5,204)	(5,368)	(9,525)	(9,108)
Interest expense	(774)	(845)	(3,147)	(3,341)
Interest income	25	19	253	1,115
Other income	1,265	(258)	2,151	668
Loss before taxation	(4,688)	(6,452)	(10,268)	(10,666)
Tax expense	(400)	(548)	(1,603)	(1,241)
Net loss for the period	(5,088)	(7,000)	(11,871)	(11,907)
Basic earnings per ordinary share (sen)	(12.63)	(17.54)	(29.46)	(29.84)
Diluted earnings per ordinary share (sen)	NA	NA	NA	NA
Dividend per ordinary share – Gross (sen)	3.5 sen	3.5 sen	3.5 sen	3.5 sen

Note: NA denotes Not Applicable.

The condensed consolidated income statement should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 7.

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**Condensed consolidated statement of changes in equity for the year ended 31 December 2002**

	<b>Share Capital RM'000</b>	<b>Non- Distributable Reserves RM'000</b>	<b>Distributable Reserves (Retained profits) RM'000</b>	<b>Total RM'000</b>
<i>At 1 January 2002</i>	39,900	23,328	5,594	68,822
Net loss for the year	-	-	(11,871)	(11,871)
Dividend	-	-	-	-
Currency translation differences	-	(290)	-	(290)
Addition of share capital	1,560	-	-	1,560
<i>At 31 December 2002</i>	<u>41,460</u>	<u>23,038</u>	<u>(6,277)</u>	<u>58,221</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 7.

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**Condensed consolidated cash flow statement for the year ended 31 December 2002**

	<b>31.12.2002</b> <b>RM'000</b>
<b>Net cash inflow from operating activities</b>	7,832
<b>Net cash outflow from investing activities</b>	(12,618)
Acquisition of PEPS JV	(10,500)
Purchase of Fixed Assets	(2,272)
Proceed from Disposal of Fixed Assets	154
<b>Net cash outflow from financing activities</b>	(2,406)
Proceed from Issuance of Ordinary Share Capital	1,560
Movement of Bank Borrowings	(3,966)
<b>Net decrease in cash and cash equivalents</b>	(7,192)
<b>Cash and cash equivalents at 1 January</b>	1,984
<b>Foreign exchange differences on opening balances</b>	219
<b>Cash and cash equivalents at 31 December</b>	<u>(4,989)</u>

The condensed consolidated cash flow statement should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 7.

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## **Notes To The Interim Financial Report**

### **1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2001.

The audited financial statements of the Group for the financial year ended 31 December 2001 was not qualified.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2001.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2001.

### **2. Property, plant and equipment**

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

### **3. Inventories**

The valuations of inventories have been brought forward, without amendment from the previous annual report.

During the financial year, the Company made a stock provision of RM6,429,000.

### **4. Extraordinary Items**

This no extraordinary items noted during the financial quarter.

### **5. Change of Accounting Estimate**

No change of accounting estimate noted during the financial quarter.

### **6. Changes in composition of the Group**

Since the end of the last financial quarter, there were no changes in the composition of the Group.

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### 7. Seasonal or cyclical factors

The Group's Automotive Division is not materially affected by seasonal or cyclical demand. Demand is normally higher when approaching the major festive celebrations in the country and demand is normally lower during festive period due to closure of business operations.

In addition, for the Group's Composite Division, sales will normally be higher in the second and third quarter of the financial year due to seasons in the market where the Group operates.

### 8. Segment information

Inter-segment pricing is determined based on a negotiated basis.

	Revenue		Profit / (Loss) before tax	
	Year ended 31.12.2002 RM'000	Year ended 31.12.2001 RM'000	Year ended 31.12.2002 RM'000	Year ended 31.12.2001 RM'000
Automotive	90,478	91,795	8,504	2,340
Composite	13,457	2,535	(18,772)	(13,006)
<b>Total</b>	<u>103,935</u>	<u>94,330</u>	<u>(10,268)</u>	<u>(10,666)</u>

Included in the loss before taxation of Composite Division are write down of research and development of RM5,453,000 (2001: RM2,843,000) and stock provision of RM6,129,000 (2001: Nil).

### 9. Capital commitments

	31.12.2002 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	-
Contracted but not provided for in the financial statements	<u>6,853,000</u>

### 10. Changes in contingent liabilities

Contingent liabilities of the Group amounting to RM935,822 as at 31 December 2002 consist of bank guarantees extended to Customs pending import duties exemption of RM281,000, a claim by a factoring company for RM165,000 and a claim by a factory bus service provided for RM489,822.

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### **11. Debt and equity securities**

On 4 October 2002, the issue and fully paid-up share capital of the Company has been increased to 41,460,000 by allotment 1,560,000 ordinary share of RM1 each at par for cash.

### **12. Related party transactions**

Transactions with related parties have been entered into in the normal course of business and have been established under negotiated terms.

### **13. Events subsequent to the balance sheet date**

There is no material event subsequent to the end of period under review to 27th February 2002 being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

### **14. Dividends**

A final dividend of 3.5 sen less tax of 28%, in respect of the financial year ended 31 December 2001 has been paid on 30 September 2002.

The first and final dividend recommended by the Directors in respect of the financial year ended 31 December 2002 is 3.5 sen gross per share less tax, payable on a date to be determined and announced later.

### **15. Comparative figures**

No comparative figures are provided for condensed consolidated statement of changes in equity and condensed cash flow statement as these are the first set of interim financial report presented in accordance with MASB 26.

The following comparatives have been restated to conform with current condensed financial statement presentation.

	As Restated RM'000	As Previously Reported RM'000
Investment, at Cost	38	8,528
Goodwill	-	98
Research and Development	-	11,233
Intangible Assets	19,821	-



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Additional information required by the  
KLSE's Listing Requirements

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**Additional information required by the KLSE's Listing Requirements****1. Review of performance**

For the quarter under review, the Group achieved a turnover of RM20.090 million and a loss after taxation of RM5.088 million. Turnover for the quarter under review was lower than the preceding year corresponding quarter of RM22.292 million.

Includes in the loss after taxation of Group are write down of research and development of RM3,283,000 (2001: RM724,000) and stock provision of RM1,980,000 (2001: Nil).

**2. Variation of results against preceding quarter**

For the quarter under review, the Group recorded a loss after taxation of RM5.088 million compared to loss after taxation of RM7.000 million in the previous quarter. The reduced loss after taxation was mainly contributed by the improved performance of Group, and after accounted for the write down of research and development of RM3,283,000 (2001: RM724,000) and stock provision of RM1,980,000 (2001: Nil).

**3. Current year prospects**

Baring unforeseen circumstances, the Group expects to turnaround and return to profitability for the financial year ending 31 December 2003.

**4. Profit forecast**

Not applicable as no profit forecast was published.

**5. Tax expense**

	<b>3 months ended</b>		<b>Year ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense	400	548	1,603	1,241
Deferred tax expense	-	-	-	-
	<u>400</u>	<u>548</u>	<u>1,603</u>	<u>1,241</u>

The Group's effective tax rate is higher than the statutory tax rate as the tax charge relates to tax on profits of certain subsidiary companies which cannot set-off against losses of other subsidiary companies for tax purposes as group relief is not available.

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### 6. Quoted investments

Investments in quoted securities as at 31 December 2002 are as follows:

	<u>RM'000</u>
Cost	38
Book Value	<u>38</u>
Market Value	<u>13</u>

### 7. Status of corporate proposal announced

On 10th February 2003, the Company announced that the shareholders of the Company have approved the following corporate proposal at the Extraordinary General Meeting of the Company on 8th February 2003.

- The proposed acquisition of:-
  - 79.5% equity interest in the issued and paid-up capital of PEPS-JV (M) Sdn. Bhd. (“PEPS-JV”) from Mutual Concept Sdn. Bhd. (“Mutual Concept”) for a consideration of up to RM105,000,000 to be satisfied by a combination of cash payment of RM10,500,000 and the issuance of up to 189,000,000 Irredeemable Convertible Unsecured Preference Shares in EP Manufacturing Bhd (“EPMB”) of RM0.10 each (“EPMB ICUPS”) at an issue price of RM0.50 per EPMB ICUPS; and
  - 30,000,000 Redeemable Convertible Secured Preference Shares of RM1.00 each in PEPS-JV (“PEPS-JV RCSPS”) from Securita ABS One Berhad (“Securita”), a special purpose vehicle of Pengurusan Danaharta Nasional Berhad (“Danaharta”) for a 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 (“Proposed Acquisition of PEPS-JV”)
- The proposed right issue of up to 21,945,000 new warrants in EPMB (“EPMB Warrants”) on the basis of one (1) new warrant for every two (2) EPMB shares held at an issue price to be determined later (“Proposed Rights Issue of EPMB Warrants”);
- The proposed renounceable offer for sale of up to 94,500,000 EPMB ICUPS by Mutual Concept to the shareholders of EPMB at a maximum offer price of RM0.50 per EPMB ICUPS, payable in full upon acceptance on a date to be determined and announced later (“Proposed EPMB ICUPS Offer for Sale”);

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- The proposed renounceable offer for sale of up to 60,000,000 EPMB RCSPS by Securita to the shareholders of EPMB at an offer price of RM0.50 per EPMB RCSPS, payable in full upon acceptance, on a date to be determined and announced later (“Proposed EPMB RCSPS Offer for Sale”);
- The 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”); and
- The proposed amendments to the Memorandum and Articles of Association of EPMB to facilitate the proposed acquisition of PEPS-JV and the Proposed Capital Increase (“Proposed M&A Amendments”)

The Company is currently finalising the abovementioned corporate proposals.

### 8. Borrowing and debt securities

	<b>31.12.2002</b> <b>RM'000</b>
<u>Current</u>	
Secured	33,140
Unsecured	6,993
	<u>40,133</u>
<u>Non-Current</u>	
Secured	4,854
Unsecured	-
	<u>4,854</u>
<u>Total</u>	
Secured	37,994
Unsecured	6,993
	<u>44,987</u>

The above borrowings are denominated in Ringgit Malaysia.

### 9. Off balance sheet financial instruments

There are no off balance sheet risks as at the date of this report that might materially affect the position or business of the Group.

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### **10. Changes in material litigation**

There is no material litigation as at the date of this report.

### **11. Basic earnings per share**

#### *Basic earnings per share*

The calculation of basic earnings per share for the quarter is based on the net loss attributable to ordinary shareholders of RM5,088,000 and the weighted average number of ordinary shares outstanding during the quarter of 40,290,000.

#### *Diluted earning per shares*

Not applicable.