

7. FINANCIAL INFORMATION

7.1 Proforma Consolidated Profit and Dividend Record

A summary of the proforma consolidated audited results of the PWP Group for the five(5) financial years ended 30 June 1997 to 2001 has been prepared for illustrative purposes only based on the audited accounts of the PWP Group and the assumption that the current structure of the Group has been in existence throughout the period under review:-

	Financial Year Ended				
	30.6.1997 RM'000	30.6.1998 RM'000	30.6.1999 RM'000	30.6.2000 RM'000	30.6.2001 RM'000
Revenue	49,141	51,360	54,779	63,512	82,649
EBIDTA	13,403	14,861	14,542	18,190	21,104
Interest expense	(2,517)	(3,659)	(2,574)	(2,124)	(2,708)
Interest income	18	39	46	303	11
Depreciation	(3,088)	(3,765)	(3,790)	(4,107)	(3,843)
Profit before exceptional items	7,816	7,476	8,224	12,262	14,564
Exceptional items	-	(1,089)	-	-	376
PBT	7,816	6,387	8,224	12,262	14,940
Taxation	(1,101)	(763)	18	(1,210)	(1,801)
Profit from ordinary activities	6,715	5,624	8,242	11,052	13,139
Extraordinary items	-	-	-	-	-
Minority interest	-	-	-	-	-
Net profit	6,715	5,624	8,242	11,052	13,139
No. of Shares assumed to be in issue of RM0.50 each ('000)	72,110	72,110	72,110	72,110	72,110
Gross EPS (Sen)	10.84	8.86	11.40	17.00	20.72
Net EPS (Sen)	9.31	7.80	11.43	15.33	18.22
Basic and diluted EPS (Sen)	9.31	7.80	11.43	15.33	18.22
Gross dividend rate (%)	-	-	-	-	-

7.2 Analysis and Commentary on Financial Performance

- (i) The revenue of the Group is on an increasing trend due to the increase in sales of timber products by PISB. This is because LESB has secured new sources of log supply since 1998 that was supplied to PISB for processing. The revenue for the financial years 2000 and 2001 improved as a result of the regional economic recovery.
- (ii) The Group profit before taxation dropped in the financial year 1998 due to higher financing cost incurred by the Group as a result of increase in base lending rate. However in the financial years 1999 to 2001, the profit before taxation showed an increasing trend due to diversification of timber products, higher operational efficiency and greater profit margin earned from export sales.
- (iii) The profit before taxation of 1998 includes an exceptional loss due to fire amounting to approximately RM1.089 million. The profit before taxation of 2001 includes an exceptional item amounting to RM375,825 for waiver of interest for term loans redeemed.
- (iv) The taxation charges were significantly lower than the statutory tax rate during the financial years under review except for 1999, mainly due to the availability of Pioneer Status for PISB for five (5) years to 2001.
- (v) The tax credit for the financial year 1999 represents overprovision in previous year. No taxation is provided for the financial year 1999 as the financial year falls in the year of assessment 2000 where tax on income earned is waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1990.
- (vi) There were no extraordinary items in respect of the financial years under review.
- (vii) The proforma gross earnings per share is computed based on the profit before taxation and the number of ordinary shares assumed in issue of 72,110,000 ordinary shares of RM0.50 each, after the Acquisition of PISB.
- (viii) The proforma net earnings per share is computed based on the profit after taxation and the number of ordinary shares assumed in issue of 72,110,000 ordinary shares of RM0.50 each, after the Acquisition of PISB.

7. FINANCIAL INFORMATION (Cont'd)
7.3 Segmental Analysis of Revenue and Profits
Analysis of turnover by products /services

	<-----Financial year ended 30 June----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Sawn Timber	20,564	21,600	15,558	2,957	2,090
Moulded Timber	-	-	-	16,560	21,853
Fingerjoint	7,701	2,487	3,367	5,334	6,903
Coreboard	2,176	6,230	5,640	5,667	8,101
Moulding Profiles	309	785	6,140	4,953	7,022
Solid Door & Window					
Frame	5	1,056	2,561	840	442
Parquet	-	347	1,452	3,484	4,525
Hard wood Pallet	-	-	-	106	6,985
Treated Poles	-	569	-	799	1,723
Log Timber	11,483	10,405	13,526	16,026	15,357
Contract Income	6,180	7,849	6,304	6,411	7,485
Wood-processing Income	723	32	231	375	163
	49,141	51,360	54,779	63,512	82,649

Analysis of operating profit by products/services

	<-----Financial year ended 30 June----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Sawn Timber	4,687	5,413	1,361	42	8
Moulded Timber	-	-	-	2,838	2,930
Fingerjoint	1,969	922	1,669	1,892	2,054
Coreboard	724	1,762	394	1,131	1,332
Moulding Profiles	167	598	4,079	2,648	3,066
Solid Door & Window					
Frame	2	409	988	320	101
Parquet	-	153	682	2,225	2,497
Hard wood Pallet	-	-	-	35	2,300
Treated Poles	-	248	-	123	350
Log Timber	952	531	802	1,387	1,997
Contract Income	1,163	1,030	579	1,239	554
Wood-processing Income	651	30	197	203	148
	10,315	11,096	10,751	14,083	17,337

7. FINANCIAL INFORMATION (Cont'd)

Analysis of turnover by subsidiaries

	<-----Financial year ended 30 June----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
PISB	38,987	34,311	35,151	41,529	59,989
MSB	6,180	7,849	6,304	6,411	7,485
LESB	3,974	9,200	13,324	15,572	15,175
	49,141	51,360	54,779	63,512	82,649

7.4 Directors' Declaration on Financial Performance

As at 12 November 2001, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following :

- i) Known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the PWP Group;
- ii) Material commitment for capital expenditure;
- iii) Unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position an operations of the PWP Group; and
- iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

7.5 Working Capital, Borrowings and Contingent Liabilities

■ Working Capital

The Directors of PWP are of the opinion that after taking into account the cashflow forecast, banking facilities available and gross proceeds from the Public Issue, the Group will have adequate working capital for its present and foreseeable requirements.

■ Borrowings

As at 2 November 2001 (being the last practicable date prior to the printing of this Prospectus), the Group's total interest bearing bank borrowings amounted to approximately RM40.4 million comprising term loans, overdraft and banker acceptance of which 27% is short term borrowings.

7. FINANCIAL INFORMATION (Cont'd)

■ **Contingent Liabilities and Capital Commitments**

As at 12 November 2001 (being the last practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities or capital commitments save for capital commitments of RM7.0 million for the purchase of machineries and a new office building, details which are disclosed in Section 2.6(ii) of this Prospectus.

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7. FINANCIAL INFORMATION (Cont'd)

7.6 Proforma Consolidated Profit Forecast and Assumptions
(Prepared for inclusion in the Prospectus)
 **ERNST & YOUNG** AF : 0039

Proforma Consolidated Profit Forecast and Assumptions

The Directors of PWP forecast that, in the absence of unforeseen circumstances, the proforma consolidated profit after taxation for the financial year ending 30 June 2002 will be as follows:

	Forecast 30 June 2002 RM'000
Revenue	<u>90,810</u>
Proforma Consolidated Profit Before Taxation	19,627
Less : Taxation	<u>(4,521)</u>
Proforma Consolidated Profit After Taxation	<u>15,106</u>
Gross Earnings Per Share (Sen)*	23.09
Net Earnings Per Share (Sen)*	17.77
Gross Price Earnings Multiple based on the Initial Public Offering price of RM1.30 per share (times)	5.63
Net Price Earnings Multiple based on the Initial Public Offering price of RM1.30 per share (times)	7.31

Notes:-

* *Based on the enlarged issued and paid-up share capital of 85,000,000 Shares*

7. FINANCIAL INFORMATION (Cont'd)



The principal bases and assumptions upon which the proforma consolidated profit forecast has been made are as follows:

1. The proforma consolidated profit forecast had been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements.
2. The following proposals has been/will be completed:
 - (i) The acquisition by PISB of the remaining approximately 11.11% equity interest in MSB comprising 200,000 ordinary shares of RM1.00 each for a total cash consideration of RM398,614. The acquisition was completed on 1 November 2001.
 - (ii) The acquisition of the entire issued and paid-up share capital in PISB by PWP comprising of 32,974,031 ordinary shares of RM1.00 each for a total purchase consideration of RM42,076,738 fully satisfied by the issuance of 72,109,980 PWP shares at an issue price of approximately RM0.58 per share. The acquisition was completed on 1 November 2001.
 - (iii) The public issue of 12,890,000 new PWP ordinary shares of RM0.50 each at an issue price of RM1.30 per share to be completed by December 2001.
3. There will be no other material changes in the structure and principal activities of the Group.
4. There will be no material changes in the existing accounting, management, marketing and operating policies of the Group.
5. There will be no significant changes in the prevailing market conditions or demand for the Group's timber products both within and outside Malaysia which will adversely affect the performance of the Group.

7. FINANCIAL INFORMATION (Cont'd)



6. There will be no significant disruptions in the supply and quality of timber logs or any unfavourable conditions that will adversely affect the production and recovery rates of the Group's timber products.

The recovery rates of round logs/off cuts of the following products are forecasted to be as follows:

	Recovery Rate
	%
Treated poles and anchor logs	90
Sawn timber	50
Moulded timber	42
Moulding profiles	35
Finger joint stick	32
Finger joint laminated board	30
Solid door/window frame	35
UV coated flooring	28
Coreboard	35
Hardwood pallet	21

The recovery rate is the percentage of output in terms of timber products per unit volume of the inputs, which are the round logs/off cuts.

7. FINANCIAL INFORMATION (Cont'd)



7. There will be no material fluctuations in the forecast sales volume and average selling prices of the Group's timber products and raw material as stated below that will adversely affect the performance of the Group:-

	Sales Volume (‘000 M ³)	Average selling price (CIF) (RM/M ³)
Timber Products		
PISB		
Treated poles and anchor logs	3.30	627
Sawn timber	5.00	418
Moulded timber	22.80	1,064
Moulding profiles	7.80	1,064
Finger joint stick	3.06	1,596
Finger joint laminated board	2.70	1,140
Solid door and window frame	1.44	1,387
UV coated flooring	2.04	2,945
Coreboard	10.80	912
Hardwood pallet	3.00	2,660
LESB		
Round logs - Export	9.00	342
- Local	37.00	300
	Purchase Volume (‘000 M ³)	Average purchase price (CIF) (RM/M ³)
Raw Material		
PISB		
Round logs for poles	3.67	205
Round logs for sawmill	111.46	280
LESB		
Round logs	46.00	250

8. There will be no significant changes in the level of inflation.
9. There will be no adverse movements in foreign currency exchange rates which will materially affect the Group's operations. The exchange rate used in the forecast is RM3.80 to US Dollar 1.00.

7. FINANCIAL INFORMATION (Cont'd)



10. The existing financial facilities will remain available to the Group at the prevailing interest rates.
11. The cost of materials, labour and overheads for the Group's production will not change materially from the present levels.
12. There will be no material changes in the present legislation and government regulations, rates and bases of duties, levies, cess and taxes regulating the timber industry, particularly the timber processing royalties and export cess for timber products.
13. There will be no significant changes in the planned capital expenditure programme of the Group and the programme will be implemented as scheduled.
14. There will be no material disposal of property, plant and equipment by the Group.
15. There will be no major labour and contractor shortage or dispute, which will adversely affect the operations of the Group.
16. There will be no major breakdown in the operations and manufacturing facilities, major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.
17. All major contracts entered by the Group shall remain in force during the forecast period.

7. FINANCIAL INFORMATION (Cont'd)

7.7 Reporting Accountants Letter on the Proforma Consolidated Profit Forecast
(Prepared for inclusion in this Prospectus)

 **ERNST & YOUNG** AF: 0039

■ Public Accountants
Bangunan Sabah Bank,
2nd Floor, Jalan Utara,
91000 Tawau.

■ Phone: (089) 774-233
Fax: (089) 762-950
Telex: MA 80222 Ans hk ERNS

Mail Address:
W.D.T. 46,
91009 Tawau.

12 NOV 2001

The Board of Directors
Priceworth Wood Products Berhad
1st Floor, Lot 5, Block No. 4
Bandar Indah, Mile 4
Jalan Utara
90000 Sandakan
Sabah

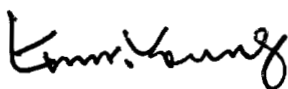
Dear Sirs,

**PRICEWORTH WOOD PRODUCTS BERHAD ("PWP")
PROFORMA CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2002**

We have reviewed the accounting policies and calculations for the proforma consolidated profit forecast for the financial year ending 30 June 2002 of PWP and its subsidiaries (the "Group" or "PWP Group"), for which the Directors are solely responsible, as set out in the Prospectus to be dated 23 November 2001 in connection with the Public Issue of 12,890,000 new ordinary shares of RM0.50 each at an issue price of RM1.30 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of PWP comprising 85,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the proforma consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the PWP Group.

Yours faithfully,



ERNST & YOUNG
AF: 0039
Chartered Accountants



PANG PAK LOK
1228/3/03 (J)
Partner

7. FINANCIAL INFORMATION (Cont'd)

7.8 Directors' Commentary on Achievability of Profit Forecast

The Board of Directors of PWP expect the Group to register a revenue of RM90.8 million in year ending 30 June 2002 on the back of the contribution of the two largest segment which are the moulding timber products and timber trading contributing 15.6% and 26.6% to the total revenue respectively. The increase in revenue is mainly attributable to the expected improvement in PISB notably increase in sales generated from moulded timber products as a result of the increase in capacity. The utilisation of proceeds from the IPO are expected to help the Group to expand and upgrade its machineries, hence enabling higher sales and improvement in efficiency for the Group.

PISB is expected to continue to be the major income earner of the Group, contributing approximately 77.2% of the PWP Group's total revenue whilst LESB and MSB would each contribute 15.6% and 7.2 % respectively.

Profit before taxation of the Group is expected to improve by 29.8% from RM15.1 million in financial year ended 30 June 2001 to RM19.6 million for the financial year ending 30 June 2002. The significant improvement in PBT is due to the increase in sales and interest savings from the repayment of the term loan of RM5 million from the IPO proceeds.

The Board of Directors of PWP confirm that the profit forecast of the PWP Group for the financial year ending 30 June 2002 and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of the PWP Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of the PWP Group are achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current global economic environment, certain assumptions, including interest and exchange rates, may differ significantly from actual should the economic situation differ significantly from the date of this profit forecast and this may have a material impact on the PWP Group's profit forecast.

7.9 Sensitivity Analysis

- **Variation in Turnover – due to variation in selling price of timber and timber products**

Variation in Revenue	Forecast for the financial year ending 30 June 2002					
	Revenue	%	PBT	%	PAT	%
	RM'000	Variation	RM'000	Variation	RM'000	Variation
As forecasted	90,810	-	19,627	-	15,106	-
Up 10%	99,241	9.28%	28,058	42.96%	23,537	55.81%
Up 5%	95,025	4.64%	23,842	21.48%	19,321	27.90%
Down 5%	86,595	-4.64%	15,412	-21.48%	10,891	-27.90%
Down 10%	82,379	-9.28%	11,196	-42.96%	6,675	-55.81%

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the turnover due to variations in the selling price of timber and timber products.

7. FINANCIAL INFORMATION (Cont'd)

- **Variation in Turnover – due to variation in sales volume of timber and timber products**

	Forecast for the financial year ending 30 June 2002					
Variation in Revenue	Revenue	%	PBT	%	PAT	%
	RM'000	Variation	RM'000	Variation	RM'000	Variation
As forecasted	90,810	-	19,627	-	15,106	-
Up 10%	99,240	9.28%	22,142	12.81%	16,917	11.99%
Up 5%	95,024	4.64%	20,888	6.42%	16,014	6.01%
Down 5%	86,593	-4.64%	18,384	-6.33%	14,212	-5.92%
Down 10%	82,378	-9.29%	17,137	-12.69%	13,313	-11.87%

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the turnover due to variations in the sales volume of timber and timber products.

- **Variation in Cost of sales (“COS”)**

	Forecast for the financial year ending 30 June 2002					
Variation in COS	COS	%	PBT	%	PAT	%
	RM'000	Variation	RM'000	Variation	RM'000	Variation
As forecasted	60,848	-	19,627	-	15,106	-
Up 10%	66,511	9.31%	13,965	-28.85%	9,769	-35.33%
Up 5%	63,679	4.65%	16,797	-14.42%	12,439	-17.66%
Down 5%	58,016	-4.65%	22,460	14.43%	17,776	17.68%
Down 10%	55,185	-9.31%	25,291	28.86%	20,444	35.34%

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the cost of sales.

7.10 Break-even Analysis

The break-even turnover for the Group timber operations are as follows:-

Division	Break-even turnover RM'000	Forecast turnover RM'000	Margin of safety %
Log timber	3,577	14,162	74.74
Poles	637	2,058	69.05
Sawn timber	1,016	2,079	51.13
Moulded timber	6,599	24,132	72.66
Moulding profiles	1,672	8,256	79.75
Finger joint sticks	1,488	4,858	69.37
Finger joint laminated board	2,241	3,062	26.81
Solid door & window frame	543	1,987	72.67
Flooring	1,124	5,976	81.19
Bare coreboard	3,049	9,798	68.88
Hardwood pallet	1,571	7,938	80.21
Construction, extraction and land development	3,224	6,504	50.43

7. FINANCIAL INFORMATION (Cont'd)

7.11 Dividend Forecast and Policy

On the basis of the consolidated profit projection and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of the PWP Group anticipate that they will be in a position to propose, based on the enlarged issued share capital of 85,000,000 Shares, a tax-exempt dividend of four (4) Sen or eight percent (8%) for the financial year ending 30 June 2002.

It will be the policy of the Board of Directors of PWP to recommend dividends to allow shareholders to benefit from the profits to be generated by the Group after maintaining adequate reserves for the future growth of the PWP Group.

The intended appropriation of the projected consolidated profit for the financial year ending 30 June 2002 will be as follows:-

	Financial Year Ending 30 June 2002 RM'000
Consolidated PBT	19,627
Less : Taxation	(4,521)
Consolidated PAT	<u>15,106</u>
Less : Proposed tax-exempt dividend	<u>(3,400)</u>
Consolidated retained profit for the year	<u>11,706</u>
Tax-exempt dividend per Share (Sen)	4.00
Dividend yield based on the issue price of RM1.30 per Share (%)	3.08
Net dividend cover (times)	4.44

Investors should note that future dividends might be varied if :-

- (a) the results of the Group differ from that of forecast; or
- (b) the payment of the dividends would adversely affect the Group's cashflows and operations

7. FINANCIAL INFORMATION (Cont'd)

7.12 Proforma Consolidated Balance Sheets of PWP Group
(Prepared for inclusion in this Prospectus)

Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets of PWP Group as at 30 June 2001 as set out below are provided for illustrative purposes only.

	PWP Audited 30.06.2001 RM'000	(I) After Acquisitions RM'000	(II) After (I) and Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	-	45,555	52,555
DEFERRED EXPENDITURE	389	389	-
INVESTMENT	-	50	50
CURRENT ASSETS			
Inventories	-	11,482	11,482
Trade receivables	-	9,997	9,997
Deposits for supplies	-	13,653	13,653
Other receivables	-	7,227	7,227
Fixed deposit with a licensed bank	-	75	75
Cash and bank balances	*	5,828	8,885
	*	48,262	51,319
DEDUCT: CURRENT LIABILITIES			
Amounts due to bankers	-	17,273	12,733
Trade payables	-	2,010	2,010
Other payables	464	3,920	3,531
Hire purchase creditors	-	1,023	1,023
Lease creditors	-	576	576
Provision for taxation	-	3,377	3,377
	464	28,179	23,250
NET CURRENT (LIABILITIES)/ASSETS	(464)	20,083	28,069
LONG TERM LIABILITIES			
Amounts due to bankers	-	15,600	15,140
Hire purchase creditors	-	892	892
Deferred taxation	-	2,350	2,350
	-	18,842	18,382
	(75)	47,235	62,292

7. FINANCIAL INFORMATION (Cont'd)

 *AF : 0039*

	PWP Audited 30.06.2001 RM'000	(I) After Acquisitions RM'000	(II) After (I) and Public Issue RM'000
FINANCED BY:			
Share capital	**	36,055	42,500
Share premium	-	6,022	14,634
Capital reserve arising on consolidation	-	5,233	5,233
Accumulated losses	(75)	(75)	(75)
	<u>(75)</u>	<u>47,235</u>	<u>62,292</u>
Net Tangible Assets	(464)	46,846	62,292
Number of ordinary shares in issue ('000)	***	72,110	85,000
Net Tangible Asset per share (RM)	<u>(23,200.00)</u>	<u>0.65</u>	<u>0.73</u>

* represents RM10.00

** represents RM10.00, made up of 20 ordinary shares of RM0.50 each

*** represents 20 ordinary shares of RM0.50 each

7. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
OF PWP GROUP AS AT 30 JUNE 2001**

1. The Proforma Consolidated Balance Sheets had been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements.
2. The Proforma Consolidated Balance Sheets had been prepared based on the audited balance sheets of PWP, PISB, LESB and MSB as at 30 June 2001 and are provided for illustrative purposes only to show the effects of the Restructuring and Listing Scheme on the assumption that they were effected on 30 June 2001:

(a) **Acquisition of Maxland Sdn. Bhd. ("MSB")**

Acquisition by PISB of the remaining approximately 11.11% equity interest in MSB comprising 200,000 ordinary shares of RM1.00 each for a total cash consideration of RM398,614.

(b) **Acquisition of Priceworth Industries Sdn. Bhd. ("PISB")**

Acquisition of the entire issued and paid-up share capital of PISB by PWP comprising 32,974,031 ordinary shares of RM1.00 each for a total consideration of RM42,076,738 fully satisfied by the issue of 72,109,980 new ordinary shares of RM0.50 each in PWP at an issue price of approximately RM0.58 per share.

(c) **Public Issue**

Public issue of 12,890,000 new ordinary shares of RM0.50 each in PWP at an issue price of RM 1.30 per share.

(d) **Listing**

Listing of and quotation for the entire issued and paid-up share capital of 85,000,000 ordinary shares of RM0.50 each in PWP on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

The movements of the issued and paid-up share capital of PWP after the implementation of the Restructuring and Listing Scheme set out in note (2) above, are as follows:

	RM'000
As at 30 June 2001	**
Issue of 72,109,980 ordinary shares of RM0.50 each for the Acquisition of PISB by PWP	<u>36,055</u>
Public Issue	<u>6,445</u>
	<u>42,500</u>

** represents RM10.00, made up of 20 ordinary shares of RM0.50 each

7. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
OF PWP GROUP AS AT 30 JUNE 2001**

3. The Proforma Consolidated Balance Sheets of the Group are arrived at using the acquisition method of accounting.
4. Inter-company balances have been eliminated in arriving at the Proforma Consolidated Balance Sheets.
5. Share premium is arrived at as follows:

	RM'000
Arising from the issuance of 72,109,980 shares of RM0.50 each in PWP at an issue price of RM0.58 per share in connection with the acquisition of PISB's entire issued and paid-up share capital for a purchase consideration of RM42,076,738	6,022
Arising from the public issue of 12,890,000 new ordinary shares at RM1.30 per share	10,312
Less: Listing expenses	<u>(1,700)</u>
	<u>14,634</u>

6. The proceeds from the public issue are as follows:

	RM'000
Public issue 12,890,000 new ordinary shares of RM0.50 each at RM1.30 per share	<u>16,757</u>

The above gross proceeds will be utilised as follows:

	RM'000
(a) Repayment of bank loans	5,000
(b) Expansion plan	7,000
(c) Cash acquisition of MSB	399
(d) Estimated listing expenses	1,700
(e) Working capital	<u>2,658</u>
	<u>16,757</u>

7. FINANCIAL INFORMATION (Cont'd)

7.13 Auditors' Letter on the Proforma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)

 **ERNST & YOUNG** AF : 0039

■ Public Accountants
Bangunan Sabah Bank,
2nd Floor, Jalan Utara,
91000 Tawau.

■ Phone: (089) 774-233
Fax: (089) 762-950
Telex: MA 80222 Ans hk ERNS

Mail Address:
W.D.T. 46,
91009 Tawau.

12 NOV 2001

The Board of Directors
Priceworth Wood Products Berhad
1st Floor, Lot 5, Block No. 4
Bandar Indah, Mile 4
Jalan Utara
90000 Sandakan
Sabah

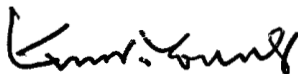
Dear Sirs,

**PRICEWORTH WOOD PRODUCTS BERHAD ("PWP")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2001**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of PWP and its subsidiaries ("the Group or PWP Group"), as at 30 June 2001 together with the notes thereto, for which the Directors are solely responsible, as set out in the Prospectus to be dated 23 November 2001 in connection with the Public Issue of 12,890,000 new ordinary shares of RM0.50 each at an issue price of RM1.30 per share and the listing of and quotation for the entire issued and paid-up share capital of PWP comprising 85,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the notes thereto which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by the Group and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully,



ERNST & YOUNG
AF: 0039
Chartered Accountants



PANG PAK LOK
1228/3/03 (J)
Partner

8. DIRECTORS' REPORT



PRICEWORTH WOOD PRODUCTS BERHAD

(Company No. 399292-V)
1st Floor, Lot 5, Block 4, Bandar Indah, Mile 4, Jalan Utara, 90000 Sandakan
P. O. Box No. 2848
90732 Sandakan, Sabah, Malaysia.
Email : pricwor@tm.net.my / maxland@tm.net.my
Website : www.borneo-online.com.my/priceworth

Tel : 089-221170, 221211, 223767
Fax : 089-221213, 227823

Date : 11 2 NOV 2001


The Shareholders of
Priceworth Wood Products Berhad ("PWP")
1st Floor, Lot 5, Block No. 4, Bandar Indah
Mile 4, Jalan Utara,
P. O. Box : 2848
90732 Sandakan
Sabah

Dear Sir/Madam

On behalf of the Directors of PWP, I report after due enquiry that during the period from 30th June 2001 (being the date to which the last audited accounts of PWP and its subsidiaries (the "Group") have been made) to 11 2 NOV 2001 (being a date not earlier than fourteen days before the issue of this Prospectus) that :-

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group; and
- (e) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheet as set out in Section 9 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Group.

Yours faithfully
On behalf of the Board of Directors of
PRICEWORTH WOOD PRODUCTS BERHAD


LIM NYUK FOH
Managing Director