

11. ACCOUNTANT'S REPORT

11.1 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in this Prospectus)

JB LAU & ASSOCIATES
CHARTERED ACCOUNTANTS

■ 51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

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E-mail: jblau@tm.net.my

11 April 2002

**The Board of Directors
Pin-Wee Group Bhd.
Suite 12-A Level 12
Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Penang**

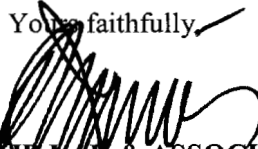
Ladies and Gentlemen,

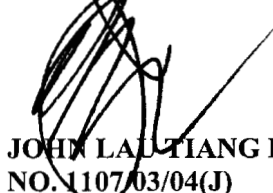
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE YEARS ENDED/ENDING 31 DECEMBER 2001 AND 31 DECEMBER 2002

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Pin-Wee Group Bhd. ("Pin-Wee") which includes the subsidiary companies namely Pin-Wee Feedmills Sdn. Bhd. ("PW Feedmills") and Pin-Wee Farming Sdn. Bhd. ("PW Farming") for the financial years ended/ending 31 December 2001 and 31 December 2002 for which the Directors are solely responsible, as set out in the Prospectus to be dated 23 April 2002 in connection with the Public Issue of 8,131,000 new ordinary shares of RM1.00 each and the Offer for Sale of 3,700,000 ordinary shares of RM1.00 each at an Issue/Offer Price of RM1.30 per ordinary share and the listing and quotation of the entire issued and paid-up share capital of Pin-Wee on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by Pin-Wee and its subsidiary companies ("Group").

Yours faithfully,


JB LAU & ASSOCIATES
NO. AH : 0042
CHARTERED ACCOUNTANTS


JOHN LAU TIANG HUA
NO. 1107/03/04(J)

11. ACCOUNTANT'S REPORT (Cont'd)**11.2 PROFORMA CONSOLIDATED PROFIT ESTIMATE AND FORECAST TOGETHER WITH THE NOTES AND ASSUMPTIONS THEREON**
(Prepared for inclusion in this Prospectus)**APPENDIX****PIN-WEE GROUP BHD.****CONSOLIDATED ESTIMATE AND PROFIT FORECAST AND ASSUMPTIONS**

The Directors of Pin-Wee estimate and forecast that, in the absence of unforeseen circumstances, the Group results for the financial years ended/ending 31 December 2001 and 31 December 2002 are as follows:-

	<u>2001</u> RM'000	<u>2002</u> RM'000
Turnover	118,833 =====	130,718 =====
Profit before taxation	9,887	12,601
Taxation	(2,771)	(3,582)
Profit after taxation	7,116	9,019
Minority interests	-	-
Profit after taxation and minority interests	7,116 =====	9,019 =====
Gross earnings per share (sen)	27.31 **	27.20 ^
Net earnings per share (sen)	19.66 **	19.47 ^
Gross price earnings multiple (times) #	4.76	4.78
Net price earnings multiple (times) #	6.61	6.68

** Based on the number of issued and paid-up share capital of 36,198,619 shares after the Acquisitions.

^ Based on the weighted average number of issued and paid-up share capital of 46,329,633 shares after the Acquisitions, Rights and Public Issues.

Based on the issue price of RM1.30 per ordinary share.

11. ACCOUNTANT'S REPORT (Cont'd)

APPENDIX

The principal assumptions upon which the consolidated profit estimate and forecast have been made are set out below:-

GENERAL

1. The Proposed Flotation of Pin-Wee Group Bhd. on the Kuala Lumpur Stock Exchange Second Board will be completed by 31 May 2002.
2. There will be no significant changes to the prevailing economic and political environment in Malaysia and elsewhere which will adversely affect the activities or performance of the Group.
3. There will be no significant changes to the present legislations or regulations, bases of duties, levies and corporate tax rate affecting the activities of the Group or the market in which it operates.
4. There will be no significant changes in the principal activities of the Group.
5. There will be no major industrial dispute, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.
6. The fluctuation of the foreign exchange rates against the Ringgit will have no significant impact on the operations of the Group as the Ringgit has been pegged at RM3.80 against USD1.
7. The inflation rate will not fluctuate significantly from the estimated and forecasted level.
8. There will be no significant changes in management, operating and accounting policies from those presently adopted by the Group.

11. ACCOUNTANT'S REPORT (Cont'd)

APPENDIX

9. There will be no material changes in sales mix and margin of the Group's products.
10. There will be no significant changes in the prices of raw materials, labour, manufacturing and other operating expenses.
11. The existing financial facilities will remain available with no significant changes in their prevailing interest rates.
12. There will be no material acquisitions or disposal of property, plant and equipment or investments other than those that have been estimated and forecasted for.

11. ACCOUNTANT'S REPORT (Cont'd)

11.3 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEET AS AT 31 OCTOBER 2001

(Prepared for inclusion in this Prospectus)

JBLAU & ASSOCIATES
CHARTERED ACCOUNTANTS

■ 51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

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11 April 2002

The Board of Directors
Pin-Wee Group Bhd.
Suite 12-A Level 12
Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Penang

Ladies and Gentlemen,

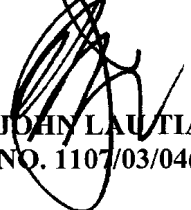
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2001

We have reviewed the presentation of the Proforma Consolidated Balance Sheet of Pin-Wee Group Bhd. ("Pin-Wee") which includes the subsidiary companies namely Pin-Wee Feedmills Sdn. Bhd. ("PW Feedmills") and Pin-Wee Farming Sdn. Bhd. ("PW Farming") as at **31 October 2001** together with the notes and assumptions thereon for which the Directors are solely responsible as set out in the Prospectus to be dated **23 April 2002** in connection with the Public Issue of 8,131,000 new ordinary shares of RM1.00 each and the Offer for Sale of 3,700,000 ordinary shares of RM1.00 each at an Issue/Offer Price of RM1.30 per ordinary share and the listing and quotation of the entire issued and paid-up share capital of Pin-Wee on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the accompanying notes which are provided for illustrative purposes only, have been prepared on a basis consistent with the accounting policies normally adopted by Pin-Wee and its subsidiary companies and are presented in a form suitable for inclusion in the said Prospectus

Yours faithfully,


JB LAU & ASSOCIATES
AF : 0042
CHARTERED ACCOUNTANTS


JOHN LAU TIANG HUA
NO. 1107/03/04(J)

11. ACCOUNTANT'S REPORT (Cont'd)**11.4 PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2001**
(Prepared for inclusion in this Prospectus)**PIN-WEE GROUP BHD.**
(Incorporated In Malaysia)**PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on the audited consolidated financial statements of Pin-Wee as at 31 October 2001 and should be read in conjunction with the notes thereon.

	AUDITED	----- PROFORMA -----	
	After	Acquisitions	Acquisitions,
	the	and	Rights and
	<u>Acquisitions</u>	<u>Rights Issue</u>	<u>Public Issue</u>
	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	58,149	58,149	58,149
CURRENT ASSETS			
Inventories	19,851	19,851	19,851
Trade debtors	29,081	29,081	29,081
Other debtors, deposits and prepayments	1,313	1,313	1,313
Tax recoverable	540	540	540
Fixed deposits with licensed banks	23	23	23
Cash and bank balances	387	4,786	1,955
	<u>51,195</u>	<u>55,594</u>	<u>52,763</u>
CURRENT LIABILITIES			
Trade creditors	6,850	6,850	6,850
Other creditors and accruals	5,004	5,004	5,004
Amount due to a director	3,610	3,610	3,610
Bank borrowings	24,466	24,466	11,997
Provision for taxation	1,546	1,546	1,546
	<u>41,476</u>	<u>41,476</u>	<u>29,007</u>
NET CURRENT ASSETS	9,719	14,118	23,756
EXPENDITURE CARRIED FORWARD	68	68	-
	<u>67,936</u>	<u>72,335</u>	<u>81,905</u>
FINANCED BY :			
SHARE CAPITAL	36,199	40,598	48,729
SHARE PREMIUM	-	-	1,439
RETAINED PROFITS	<u>28,757</u>	<u>28,757</u>	<u>28,757</u>
SHAREHOLDERS' FUNDS	64,956	69,355	78,925
DEFERRED TAXATION	<u>2,980</u>	<u>2,980</u>	<u>2,980</u>
	<u>67,936</u>	<u>72,335</u>	<u>81,905</u>
* Represents RM2			
NET TANGIBLE ASSETS			
PER ORDINARY SHARE (RM)	<u>1.79</u>	<u>1.71</u>	<u>1.62</u>

11. ACCOUNTANT'S REPORT (Cont'd)

PIN-WEE GROUP BHD.

**NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 OCTOBER 2001**

1. The Proforma Consolidated Balance Sheets of Pin-Wee have been prepared for illustrative purposes based on the audited consolidated financial statements of the Pin-Wee as at 31 October 2001 and on the assumption that the following were effected on that date:
- (a) The acquisition of 100% equity interest in PW Farming and PW Feedmills on 6 April 2001 based on their audited net tangible assets at 31 December 1998 to be satisfied by the issuance of new Pin-Wee ordinary shares of RM1.00 each valued at approximately RM1.22 per share.

	<u>Audited NTA at 31.12.98</u>	<u>New Pin Wee shares issued</u>
	RM'000	
PW Farming	13,175 *	10,786
PW Feedmills	31,042	25,413
	-----	-----
	44,217	36,199
	=====	=====
 <u>PW Farming</u>	 <u>Audited NTA</u>	
	RM'000	
Per audited financial statements	13,785	
Less: Revaluation deficit	(610)	

As restated	13,175 *	
	=====	

11. ACCOUNTANT'S REPORT (Cont'd)

- (b) A Rights Issue of 4,399,379 ordinary shares of RM1.00 each on the basis of approximately 12 shares for every 100 shares held at an issue price of RM1.00 per share.
- (c) Public Issue of 8,131,000 ordinary shares of RM1.00 each at an issue price of RM1.30 per share.
- (d) Offer for Sale by certain shareholders of 3,700,000 ordinary shares of RM1.00 each at an offer price of RM1.30 per share.
- (e) The gross proceeds from the Rights and Public Issues will be utilised as follows :

	RM'000
Repayment of bank borrowings	12,470
Contingency fund	1,500 *
Listing expenses	1,000

	14,970
	=====

- * Pursuant to SC's letter dated 24 April 2001, Pin-Wee is to set aside RM1,500,000 as a contingency for relocation of farming activity expenses. In the event that the necessary approval from the land offices have not been obtained within a period of 12 months from the date of this Prospectus, the RM1,500,000 will be utilised for such relocation expenses. In the event all the necessary approvals from the land offices are obtained within the stipulated period mentioned above, the said RM1,500,000 will be utilised to repay Pin-Wee's bank borrowings.

11. ACCOUNTANT'S REPORT (Cont'd)

- (f) Listing expenses of RM1,000,000 will be written off against the share premium account.

	RM'000
Share premium	
RM0.30 x 8,131,000	2,439
Listing expenses	(1,000)

	1,439
	=====

2. The Proforma Consolidated Balance Sheets of Pin-Wee and its subsidiary companies have been prepared under the merger accounting method. Under this method, the results of Pin-Wee, PW Farming and PW Feedmills are presented as if the merger had been effected throughout the years under review.

The Proforma Consolidated Balance Sheets have been prepared on the accounting principles and bases consistent with those normally adopted by the Group.

11. ACCOUNTANT'S REPORT *(Cont'd)*

11.5 ACCOUNTANT'S REPORT *(Prepared for inclusion in this Prospectus)*

JB LAU & ASSOCIATES
CHARTERED ACCOUNTANTS

■ 51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

■ Phone: (04) 2287828 (6 Lines)
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E-mail: jblau@tm.net.my

DATE : 11 April 2002

**The Board of Directors
Pin-Wee Group Bhd.
Suite 12-A Level 12
Menara Northam
55 Jalan Sultan Ahmad Shah
10050 Penang**

Ladies / Gentlemen,

1. INTRODUCTION

This report has been prepared by JB Lau & Associates, an approved company auditor, for inclusion in the Prospectus to be dated 23 April 2002 in connection with the Public Issue of 8,131,000 new ordinary shares of RM1.00 each and the Offer for Sale of 3,700,000 ordinary shares of RM1.00 each in Pin-Wee Group Bhd. (hereinafter referred to as "Pin-Wee" or "Company") at an Issue/Offer price of RM1.30 per ordinary share of RM1.00 each and the listing and quotation of its entire issued and paid-up share capital of 48,729,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. FLOTATION SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of Pin-Wee on the Second Board of the KLSE, the Company undertook the following flotation scheme which was approved by the Foreign Investment Committee on 17 July 2000 and 21 December 2000, the Ministry of International Trade and Industry on 25 July 2000, 6 November 2000 and 30 November 2000 and the Securities Commission on 5 July 2000, 10 January 2001, 25 April 2001, 17 July 2001 and 2 January 2002 respectively :

- (i) Acquisition of the entire share capital of Pin-Wee Feedmills Sdn. Bhd. ("PW Feedmills") comprising 2,445,882 ordinary shares of RM1.00 each for a total consideration of RM31,042,201 satisfied by the issue of 25,412,829 new Pin-Wee ordinary shares of RM1.00 each at an issue price of approximately RM1.22 per ordinary share on 6 April 2001,

11. ACCOUNTANT'S REPORT (Cont'd)

- (ii) Acquisition of the entire share capital of Pin-Wee Farming Sdn. Bhd. ("PW Farming") comprising 815,290 ordinary shares of RM1.00 each for a total consideration of RM13,175,025 after deducting revaluation deficit of RM610,000 satisfied by the issue of 10,785,790 new Pin-Wee ordinary shares of RM1.00 each at an issue price of approximately RM1.22 per ordinary share on 6 April 2001,

- (iii) A Rights Issue of 4,399,379 ordinary shares of RM1.00 each by Pin-Wee at an issue price of RM1.00 per share on the basis of approximately 12 new ordinary shares for every 100 ordinary shares held after the above mentioned acquisitions on 11 February 2002,

- (iv) A Public Issue of 8,131,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share, and

- (v) An Offer for Sale by certain shareholders of 3,700,000 ordinary shares of RM1.00 each at an offer price of RM1.30 per ordinary share.

3. GENERAL INFORMATION

3.1 Background

Pin-Wee Group Bhd. ("Pin-Wee") was incorporated on 19 February 1997 under the name of Pin-Wee (Malaysia) Sdn. Bhd. and changed its name to Pin-Wee Group Sdn. Bhd. on 26 September 1997. The Company was converted to a public limited company on 18 November 1997 and assumed its present name.

The principal activity of the Company consists of investment holdings.

11. ACCOUNTANT'S REPORT (Cont'd)

3.2 Share Capital

At the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each.

Its authorised share capital was increased to RM50,000,000 on 6 April 2001 by the creation of an additional 49,900,000 ordinary shares of RM1.00 each.

The changes in the Company's issued and fully paid-up share capital are summarised below :

<u>Date of Allotment</u>	<u>Consideration</u>	<u>Number of ordinary shares of RM1.00 each allotted</u>	<u>Total issued and paid-up share capital RM</u>
19 February 1997	Subscribers' shares	2	2
6 April 2001	Allotment in consideration for the acquisition of 100% equity interest in PW Feedmills	25,412,829	25,412,831
6 April 2001	Allotment in consideration for the acquisition of 100% equity interest in PW Farming	10,785,790	36,198,621
11 February 2002	Rights issue on the basis of approximately 12 new ordinary shares for every 100 ordinary shares held at an issue price of RM1.00 each	4,399,379	40,598,000

11. ACCOUNTANT'S REPORT (Cont'd)

3.3 Subsidiary Companies

The details of the subsidiary companies of Pin-Wee, all of which are incorporated in Malaysia, are as follows :

<u>Name of Company</u>	<u>Date of Incorporation</u>	<u>Issued and Paid-up Share Capital as at 31 October 2001</u> RM	<u>Equity Interest</u>	<u>Principal Activities</u>
PW Feedmills	9 February 1978	2,445,882	100%	Manufacturing and sale of broiler feed.
PW Farming	30 December 1985	815,290	100%	Broiler farming.

3.4 Basis of Accounting and Accounting Policies

This report is based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by Pin-Wee and its subsidiary companies ("Pin-Wee Group" or "Group").

3.5 Financial Statements and Auditors

We have been the auditors of Pin-Wee since its date of incorporation, and of PW Feedmills and PW Farming from the year ended 31 December 1998. Prior to the financial year ended 31 December 1998, PW Feedmills and PW Farming were audited by another firm of auditors.

The financial statements of all the companies within the Group for all the financial periods/years under review have been reported without any audit qualification and modification.

4. DIVIDENDS

No dividends have been paid or declared by Pin-Wee, PW Feedmills and PW Farming for the financial periods/years under review.

11. ACCOUNTANT'S REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS

5.1 PROFORMA GROUP INCOME STATEMENTS

The summarised proforma consolidated results of Pin-Wee for the past five (5) financial years ended 31 December 2000 and ten (10) months period ended 31 October 2001 have been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the Pin-Wee Group had been in existence throughout the years under review.

	----- Year ended 31 December-----					1.1.2001 To 31.10.2001
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>RM'001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'001
TURNOVER	62,761	81,899	91,639	97,405	113,303	117,781
PROFIT BEFORE DEPRECIATION, INTEREST AND TAXATION	7,419	9,759	11,286	11,875	13,553	13,384
DEPRECIATION	(691)	(1,443)	(2,862)	(2,953)	(3,219)	(3,235)
INTEREST EXPENSE	(1,043)	(1,469)	(2,161)	(1,412)	(1,893)	(1,625)
PROFIT BEFORE TAXATION	5,685	6,847	6,263	7,510	8,441	8,524
TAXATION	(1,649)	(1,511)	(807)	27	(835)	(2,424)
PROFIT AFTER TAXATION	4,036	5,336	5,456	7,537	7,606	6,100
NO. OF ORDINARY SHARES IN ISSUE ('000)	36,199	36,199	36,199	36,199	36,199	36,199
GROSS EARNINGS PER SHARE (SEN)	15.70	18.91	17.30	20.75	23.32	28.26 *
NET EARNINGS PER SHARE (SEN)	11.15	14.74	15.07	20.82	21.01	20.22 *

* Annualised

11. ACCOUNTANT'S REPORT (Cont'd)

NOTES :

- (i) The Proforma Group Income Statements have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the Group.
- (ii) All significant inter-company transactions have been eliminated from the Group's result.
- (iii) There were no extraordinary items for the years/period under review.
- (iv) Despite a higher turnover achieved for 1998, the Group recorded a lower profit before taxation due mainly to higher interest expense for that year arising from the tight credit control measures introduced by the government. The government reversed the tight credit policy in 1999 which benefited the Group in terms of lower interest expense for that year.

The Group recorded an increase of 25% in the annualized turnover over the previous financial year based on the turnover for the ten months financial period ended 31 October 2001. This was attributable to the increase in market share of PW Feedmills into Penang and Perak and the increase in farming capacity of PW Farming coupled with new market penetration into Perak, Kuala Lumpur and Selangor. Accordingly the annualized profit before taxation increased by 21% over the previous financial year.

- (v) The low taxation charge for the years/period ended 31 December 1997, 1998, 2000 and 31 October 2001 was due to the claim and availability of reinvestment allowance under the Income Tax Act, 1967.

For the year ended 31 December 1999 the taxation expense represents deferred taxation and over/under provision of taxation in prior years. There was no current taxation charge for that year as it was a tax free year.

- (vi) The gross and net earnings per share is calculated based on the profit before taxation and profit after taxation and minority interest but before extraordinary item respectively and on the number of ordinary shares issued for the acquisition of the subsidiary companies.

- 5.2** We set out below the audited results of the companies in the Pin-Wee Group for the relevant periods/years under review :-

11. ACCOUNTANT'S REPORT (Cont'd)

PIN-WEE

	1.2.1997 To <u>28.2.1998</u> RM'000	1.3.1998 To <u>31.12.1998</u> RM'000	----- Year ended 31 December ----- <u>1999</u> RM'000	<u>2000</u> RM'000	1.1.2001 To <u>31.10.2001</u> RM'000
TURNOVER	-	-	-	-	-
LOSS BEFORE DEPRECIATION, INTEREST AND TAXATION	-	-	-	(5)	(21)
DEPRECIATION	-	-	-	-	-
INTEREST EXPENSE	-	-	-	-	-
LOSS BEFORE TAXATION	-	-	-	(5)	(21)
TAXATION	-	-	-	-	-
LOSS AFTER TAXATION	-	-	-	(5)	(21)
NO. OF ORDINARY SHARES IN ISSUE	2	2	2	2	36,199
GROSS LOSS PER SHARE (RM)	-	-	-	(2,500)	*
NET LOSS PER SHARE (RM)	-	-	-	(2,500)	*

* Insignificant

Preliminary expenses and pre-operating expenses was fully written off to the income statement during the financial year ended 31 December 2000. Previously such expenses incurred up to the date of commencement of operations were carried forward in the balance sheet at cost, to be written off upon commencement of operations. The change in accounting policy has been effected as the directors are of the opinion that these expenses are of no real value and therefore should not be deferred.

11. ACCOUNTANT'S REPORT (Cont'd)

PW FEEDMILLS

	----- Year ended 31 December -----					1.1.2001
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	To <u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
TURNOVER	55,408	70,603	74,941	80,790	94,166	95,195
PROFIT BEFORE DEPRECIATION, INTEREST AND TAXATION	5,087	6,805	7,627	7,668	8,736	9,161
DEPRECIATION	(342)	(886)	(1,354)	(1,369)	(1,470)	(1,414)
INTEREST EXPENSE	(984)	(1,409)	(2,125)	(1,273)	(1,333)	(1,548)
PROFIT BEFORE TAXATION	3,761	4,510	4,148	5,026	5,933	6,199
TAXATION	(1,104)	(827)	(508)	104	(595)	(1,788)
PROFIT AFTER TAXATION	2,657	3,683	3,640	5,130	5,338	4,411
NO. OF ORDINARY SHARES IN ISSUE ('000)	2,446	2,446	2,446	2,446	2,446	2,446
GROSS EARNINGS PER SHARE (RM)	1.54	1.84	1.70	2.05	2.43	3.04 *
NET EARNINGS PER SHARE (RM)	1.09	1.51	1.49	2.10	2.18	2.16 *

* Annualised

11. ACCOUNTANT'S REPORT (Cont'd)

NOTES :

- (i) Turnover increased by 24% to RM55.41 million for the financial year ended 31 December 1996 due to increase in market demand which was accommodated through an increase in production capacity by 1,000 metric tons per month achieved through the upgrading of existing plant and machinery.

The increase in turnover for the financial year ended 31 December 1997 of 27% to RM70.60 million was the result of the increase in production capacity arising from the completion of the new factory in Bukit Minyak.

Due to the recession in 1998, turnover increased by a smaller margin of 6% to RM74.94 million for that financial year.

As the economy started to recover in 1999, turnover recorded a growth of 8% to RM80.79 million for that financial year.

Turnover increased by 17% to RM94.17 million for the financial year ended 31 December 2000 due to the increase in consumption by PW Farming and the increase in market share in the Northern Region.

The increase in annualized turnover by 21% based on the turnover for ten months financial period ended 31 October 2001 was due to the increase in market share in the region of Penang and Perak.

- (ii) Profit before taxation decreased by 8% to RM4.15 million for the financial year ended 31 December 1998 due to higher interest charges arising from tight credit control measures initially introduced by the government. Due to the easing of interest rates in the financial year ended 31 December 1999, profit before taxation increased by 21% to RM5.03 million. For the year/period ended 31 December 2000 and 31 October 2001, profit before taxation and annualized profit before taxation increased by 18% and 25% in line with the increase in turnover for that year/period respectively.
- (iii) The increase in depreciation charge from financial year ended 31 December 1997 onwards was due to the capital expenditure amounting to approximately RM16.9 million incurred on the new plant located at the Bukit Minyak Industrial Estate, Bukit Mertajam.

11. ACCOUNTANT'S REPORT (Cont'd)

- (iv) The audited taxation figures have been adjusted to account for over/under provision for taxation to the relevant financial year in which it relates in order to be more reflective of the tax position for the respective financial years/period. The net effect of these adjustments to the audited results is as follows :

Reconciliation of taxation

	----- Year ended 31 December -----					1.1.2001 To 31.10.2001
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Per audited financial statements	(800)	(1,816)	(580)	104	(595)	(1,788)
Adjustments	(304)	989	72	-	-	-
As restated	<u>(1,104)</u>	<u>(827)</u>	<u>(508)</u>	<u>104</u>	<u>(595)</u>	<u>(1,788)</u>

The low taxation charge for the years/period ended 31 December 1997, 1998, 2000 and 31 October 2001 was due to the claim for reinvestment allowance under the Income Tax Act, 1967.

For the year ended 31 December 1999 the taxation expense represents deferred taxation and over provision of taxation in prior years. There was no current taxation charge for that year as it was a tax free year.

- (v) There were no extraordinary items for the years/period under review
- (vi) The gross and net earnings per share is calculated based on the profit before taxation and profit after taxation respectively and on the number of ordinary shares in issue at the end of each of the above financial years/period.

11. ACCOUNTANT'S REPORT (Cont'd)

- (vii) There has been no change in the company's accounting policies which might materially affect its income and financial position for the years/period under review except for the financial year ended 31 December 1996, when :
- the company changed its depreciation policy on property, plant and equipment from reducing balance method to the straight line method and also revised the useful lives of certain property, plant and equipment so as to reflect a fairer presentation of the financial results of the company; and
 - the company also changed its accounting policy to provide for deferred taxation in order to comply with International Accounting Standard ("IAS") 12.

11. ACCOUNTANT'S REPORT (Cont'd)

PW FARMING

	----- Year ended 31 December -----					1.1.2001
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	To <u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
TURNOVER	29,824	35,588	43,009	51,946	58,479	55,194
PROFIT BEFORE DEPRECIATION, INTEREST AND TAXATION	2,578	2,936	3,726	4,420	4,781	4,412
DEPRECIATION	(349)	(557)	(1,508)	(1,584)	(1,749)	(1,821)
INTEREST EXPENSE	(59)	(60)	(36)	(139)	(560)	(77)
PROFIT BEFORE TAXATION	2,170	2,319	2,182	2,697	2,472	2,514
TAXATION	(619)	(666)	(318)	(136)	(228)	(683)
PROFIT AFTER TAXATION	1,551	1,653	1,864	2,561	2,244	1,831
NO. OF ORDINARY SHARES IN ISSUE ('000)	815	815	815	815	815	815
GROSS EARNINGS PER SHARE (RM)	2.66	2.85	2.68	3.31	3.03	3.70 *
NET EARNINGS PER SHARE (RM)	1.90	2.03	2.29	3.14	2.75	2.70 *

* Annualised

11. ACCOUNTANT'S REPORT (Cont'd)

NOTES :

- (i) Increase in turnover from the financial year ended 31 December 1997 onwards was due to the company acquiring more land and building more chicken coops for broiler farming thus increasing its farming capacity. The increase in turnover was also in line with the country's population growth which resulted in the increased consumption per capita of poultry meat at an average rate of 4% per annum between 1993 and 1997. There was also an increase in market share in the Northern Region especially in the state of Perak for the year ended 31 December 2000.

The increase in annualized turnover by 13% based on the turnover for the ten months financial period ended 31 October 2001 was attributable to the increase in farming capacity coupled with market penetration into Perak, Kuala Lumpur and Selangor.

- (ii) Profit before taxation for the financial year ended 31 December 1996 decreased by 6% to RM2.17 million despite an increase in turnover by 9% was due to lower chicken prices because of the Nitrofurans scare. For the financial year ended 31 December 1998, profit before taxation decreased by 6% to RM2.18 million due basically to higher administration charges. The profit before taxation margin for the financial year ended 31 December 2000 decreased by 0.9% to 4% due to increased administration and finance costs.

The increase in annualized profit before taxation for the ten months financial period ended 31 October 2001 of 22% is attributable to the increase in turnover and the decrease in interest expense as a result of the repayment of all the bank borrowing.

- (iii) The substantial increase in depreciation charge from the financial year ended 31 December 1998 onwards was due to the capital expenditure incurred in farm development for broiler farming from 1997 to 1999 totalling approximately RM11.6 million.
- (iv) The audited taxation figures have been adjusted to account for over/under provision for taxation to the relevant financial years in which it relates in order to be more reflective of the tax position for the respective financial years/period. The net effect of these adjustments to the audited results is as follows :

11. ACCOUNTANT'S REPORT (Cont'd)

Reconciliation of taxation

	----- Year ended 31 December -----					1.1.2001 To 31.10.2001
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Per audited financial statements	(436)	(760)	(332)	(136)	(228)	(683)
Adjustments	(183)	94	14	-	-	-
As restated	<u>(619)</u>	<u>(666)</u>	<u>(318)</u>	<u>(136)</u>	<u>(228)</u>	<u>(683)</u>

The low taxation charge for the years/period ended 31 December 1998, 2000 and 31 October 2001 was due to the claim for reinvestment allowance under the Income Tax Act, 1967.

For the year ended 31 December 1999 the taxation expense represents deferred taxation and under provision for taxation in prior years. There was no current taxation charge for the year as it was a tax free year.

- (v) There were no extraordinary items for the years/period under review
- (vi) The gross and net earnings per share is calculated based on the profit before taxation and profit after taxation respectively and on the number of ordinary shares in issue at the end of each of the above financial years/period.
- (vii) There has been no change in the company's accounting policies which might materially affect its income and financial position for the years/period under review except for the financial year ended 31 December 1996 when the company changed its accounting policy to provide for deferred taxation in order to comply with IAS 12.

6. SUMMARISED BALANCE SHEETS

The summarised audited balance sheets of Pin-Wee and its subsidiary companies based on their respective audited financial statements as at the end of the financial periods/years under review are as follows :

11. ACCOUNTANT'S REPORT (Cont'd)

6.1 PIN-WEE

	----- As at -----				
	<u>28.2.1998</u>	<u>31.12.1998</u>	<u>31.12.1999</u>	<u>31.12.2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
INVESTMENT IN SUBSIDIARY COMPANIES	-	-	-	-	36,199
CURRENT ASSETS	#	#	#	#	#
CURRENT LIABILITIES	(2)	(3)	(72)	(73)	(94)
NET CURRENT LIABILITIES	(2)	(3)	(72)	(73)	(94)
EXPENDITURE CARRIED FORWARD	2	3	72	68	68
	#	#	#	(5)	36,173
FINANCED BY :					
SHARE CAPITAL	#	#	#	#	36,199
ACCUMULATED LOSSES	-	-	-	(5)	(26)
	#	#	#	(5)	36,173
NET TANGIBLE (LIABILITIES)/ASSETS PER SHARE (RM)	(966)	(1,446)	(35,765)	(36,661)	1.00

Represents RM2.00

NOTE :

Pin-Wee was incorporated on 19 February 1997 and its first financial year was made up to 28 February 1998. The financial year end was changed to 31 December effective from 1998.

As the acquisition of the subsidiary companies was only effected on 6 April 2001 based on their adjusted audited financial statements, it is therefore impracticable to present proforma balance sheet of the Pin-Wee Group throughout the periods/years under review. Accordingly, the proforma balance sheet of the Pin-Wee Group has only been presented in respect of 31 October 2001 based on the latest audited statement of assets and liabilities as at 31 October 2001 as shown in Section 7 of this Report. In addition, balances due from/to companies within the Proforma Group are disclosed in Sections 6.2 and 6.3 of this Report.

11. ACCOUNTANT'S REPORT (Cont'd)

6.2 PW FEEDMILLS

	----- As at 31 December -----					As at
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	17,673	33,519	33,387	32,561	33,001	35,655
CURRENT ASSETS	17,286	24,125	22,796	27,891	37,533	45,077
CURRENT LIABILITIES	(20,242)	(27,187)	(22,016)	(22,845)	(28,422)	(33,335)
NET CURRENT (LIABILITIES)/ ASSETS	(2,956)	(3,062)	780	5,046	9,111	11,742
	14,717	30,457	34,167	37,607	42,112	47,397
FINANCED BY :						
SHARE CAPITAL	2,446	2,446	2,446	2,446	2,446	2,446
SHARE PREMIUM	3,886	3,886	3,886	3,886	3,886	3,886
CAPITAL RESERVE	-	10,839	10,839	10,839	10,229	10,839
RETAINED PROFITS	6,548	10,231	13,871	19,001	24,339	28,750
SHAREHOLDERS' FUNDS	12,880	27,402	31,042	36,172	40,900	45,921
DEFERRED TAXATION	762	1,337	1,491	1,435	1,212	1,476
LONG TERM LIABILITIES	1,075	1,718	1,634	-	-	-
	14,717	30,457	34,167	37,607	42,112	47,397
NET TANGIBLE ASSETS PER SHARE (RM)	5.27	11.20	12.69	14.79	16.72	18.77

NOTES :

The balances due from PW Farming after the Acquisitions are as follows :

PW Farming	3,354	5,538	5,908	9,925	14,279	21,833
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11. ACCOUNTANT'S REPORT (Cont'd)

The audited balance sheets for the years under review have been adjusted for the over/under provision for taxation to the relevant years/period.

Reconciliation

	----- As at 31 December -----					As at
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current liabilities</u>						
Per audited financial statements	19,492	27,114	22,016	22,845	28,422	33,335
Adjustments	750	73	-	-	-	-
As restated	<u>20,242</u>	<u>27,187</u>	<u>22,016</u>	<u>22,845</u>	<u>28,422</u>	<u>33,335</u>
 <u>Retained profits</u>						
Per audited financial statements	6,954	9,649	13,871	19,001	24,339	28,750
Adjustments	(406)	582	-	-	-	-
As restated	<u>6,548</u>	<u>10,231</u>	<u>13,871</u>	<u>19,001</u>	<u>24,339</u>	<u>28,750</u>
 <u>Deferred taxation</u>						
Per audited financial statements	1,106	1,992	1,491	1,435	1,212	1,476
Adjustments	(344)	(655)	-	-	-	-
As restated	<u>762</u>	<u>1,337</u>	<u>1,491</u>	<u>1,435</u>	<u>1,212</u>	<u>1,476</u>

11. ACCOUNTANT'S REPORT (Cont'd)

6.3 PW FARMING

	----- As at 31 December -----					As at
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	3,229	15,489	18,078	17,534	18,985	22,494
CURRENT ASSETS	11,563	11,809	13,776	18,739	22,682	28,990
CURRENT LIABILITIES	(5,286)	(6,923)	(8,685)	(18,719)	(21,802)	(29,879)
NET CURRENT ASSETS/(LIABILITIES)	6,277	4,886	5,091	20	880	(889)
	9,506	20,375	23,169	17,554	19,865	21,605
FINANCED BY :						
SHARE CAPITAL	815	815	815	815	815	815
SHARE PREMIUM	2,871	2,871	2,871	2,871	2,871	2,871
CAPITAL RESERVE	-	1,765	1,765	1,765	1,765	1,155
RETAINED PROFITS	4,817	6,470	8,334	10,895	13,139	14,969
SHAREHOLDERS' FUNDS	8,503	11,921	13,785	16,346	18,590	19,810
DEFERRED TAXATION	252	918	1,080	1,208	1,275	1,795
LONG TERM LIABILITIES	751	7,536	8,304	-	-	-
	9,506	20,375	23,169	17,554	19,865	21,605
NET TANGIBLE ASSETS PER SHARE (RM)	10.43	14.63	16.91	20.06	22.81	24.31

NOTES :

The balances due to PW Feedmills after the Acquisitions are as follows :

PW Feedmills	3,354	5,538	5,908	9,925	14,279	21,833
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11. ACCOUNTANT'S REPORT (Cont'd)

The audited balance sheets for the years under review have been adjusted for the over/under provision for taxation to the relevant years/period.

	----- As at 31 December -----					As at
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>31.10.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Reconciliation</u>						
<u>Current assets</u>						
Per audited financial statements	11,563	11,823	13,776	18,739	22,682	28,990
Adjustments	-	(14)	-	-	-	-
As restated	<u>11,563</u>	<u>11,809</u>	<u>13,776</u>	<u>18,739</u>	<u>22,682</u>	<u>28,990</u>
<u>Current liabilities</u>						
Per audited financial statements	5,178	6,923	8,685	18,719	21,802	29,879
Adjustments	108	-	-	-	-	-
As restated	<u>5,286</u>	<u>6,923</u>	<u>8,685</u>	<u>18,719</u>	<u>21,802</u>	<u>29,879</u>
<u>Retained profits</u>						
Per audited financial statements	4,925	6,484	8,334	10,895	13,139	14,969
Adjustments	(108)	(14)	-	-	-	-
As restated	<u>4,817</u>	<u>6,470</u>	<u>8,334</u>	<u>10,895</u>	<u>13,139</u>	<u>14,969</u>

11. ACCOUNTANT'S REPORT (Cont'd)

7. DETAILED STATEMENTS OF ASSETS AND LIABILITIES

The following are the audited and proforma detailed statements of assets and liabilities of the Pin-Wee Group based on the audited financial statements as at 31 October 2001 and should be read in conjunction with the notes thereon.

The proforma statement of assets and liabilities of the Pin-Wee Group is provided for illustrative purposes only and has been prepared on the assumption that the flotation scheme as mentioned in Note 2 was effected on that date.

		AUDITED	----- PROFORMA -----	
		After the <u>Acquisitions</u>	After the Acquisitions and <u>Rights Issue</u>	After the Acquisitions, Rights and <u>Public Issues</u>
	NOTE	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	8.3	58,149	58,149	58,149
CURRENT ASSETS				
Inventories	8.4	19,851	19,851	19,851
Trade debtors		29,081	29,081	29,081
Other debtors, deposits and prepayments	8.5	1,313	1,313	1,313
Tax recoverable		540	540	540
Fixed deposits with a licensed bank	8.6	23	23	23
Cash and bank balances	8.7	387	4,786	1,955
		<u>51,195</u>	<u>55,594</u>	<u>52,763</u>
CURRENT LIABILITIES				
Trade creditors		6,850	6,850	6,850
Other creditors and accruals	8.8	5,004	5,004	5,004
Amount due to a director	8.9	3,610	3,610	3,610
Bank borrowings	8.10	24,466	24,466	11,997
Provision for taxation		1,546	1,546	1,546
		<u>41,476</u>	<u>41,476</u>	<u>29,007</u>
NET CURRENT ASSETS		9,719	14,118	23,756
EXPENDITURE CARRIED FORWARD	8.11	68	68	-
		<u>67,936</u>	<u>72,335</u>	<u>81,905</u>
FINANCED BY :				
SHARE CAPITAL	8.12	36,199	40,598	48,729
SHARE PREMIUM	8.13	-	-	1,439
RETAINED PROFITS	8.14	28,757	28,757	28,757
SHAREHOLDERS' FUNDS		64,956	69,355	78,925
DEFERRED TAXATION	8.15	2,980	2,980	2,980
		<u>67,936</u>	<u>72,335</u>	<u>81,905</u>
* Represents RM2				
NET TANGIBLE ASSETS PER ORDINARY SHARE (RM)		<u>1.79</u>	<u>1.71</u>	<u>1.62</u>

11. ACCOUNTANT'S REPORT *(Cont'd)*

8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

8.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

8.2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Accounting Convention**

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings as disclosed in this summary of significant accounting policies under property, plant and equipment.

(b) **Basis of Consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The results of subsidiary companies acquired/disposed of during the year are included in the financial statements of the Group from their respective effective dates of acquisitions/disposals. The Group adopts both the merger and acquisition method of consolidation.

The acquisitions of the subsidiary companies prior to 31 October 2001 are accounted for using merger accounting principles in compliance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers" the generally accepted accounting principles prevailing at that time. The results of the companies being merged are included for the full financial year and the consolidated financial statements are presented as if the companies had been combined throughout the previous financial years. Merger debit arising on consolidation which represents the excess of the nominal value of shares in subsidiary companies acquired and the nominal value of shares issued for the acquisition is set off against Group reserves.

11. ACCOUNTANT'S REPORT *(Cont'd)*

Where the acquisition method is adopted, the difference between the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill or reserve on consolidation, where appropriate. Goodwill on consolidation is not amortised.

(c) **Investment In Subsidiary Companies**

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements.

Provision for diminution in value of investment is made when the directors are of the opinion that the diminution in value is permanent in nature.

(d) **Property, Plant And Equipment**

Property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at valuation based on valuations by external independent valuers, less subsequent amortisation/depreciation. All other property, plant and equipment are stated at cost less accumulated depreciation.

Surpluses arising on revaluation are credited to capital reserve. Any deficit arising from revaluation is charged against the capital reserve to the extent of a previous surplus held in the capital reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

Expenses incidental to the purchase and installation of property, plant and equipment are capitalised.

11. ACCOUNTANT'S REPORT (Cont'd)

Property, plant and equipment are depreciated over their estimated useful lives on the straight line method at the following annual rates:

Long leasehold land	Amortised over the lease period of 53 years
Short leasehold land	Amortised over the lease period of 27 to 31 years
Freehold buildings and apartment	2%
Vehicles, equipment, furniture and fixtures	7% - 20%
Farm development	10%

Freehold land is not depreciated as it has an infinite life.

(e) **Inventories**

Inventory of poultry is stated at the lower of cost and net realizable value. Cost consists of cost of chicks, feed consumed, subcontract wages and attributable farming overheads. Cost is determined on the first-in first-out basis.

Inventories of raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis. Cost of finished goods includes direct materials, labour and attributable production overheads.

Consumables are stated at cost.

(f) **Debtors**

Known bad debts are written off and specific provisions is made for any debts considered to be doubtful of collection.

(g) **Expenditure Carried Forward**

Expenditure carried forward except for flotation expenses was fully written off to the income statement during the last financial year. Previously, such expenses incurred up to the date of commencement of operations were carried forward in the balance sheet at cost, to be written off upon commencement of operations. The change in accounting policy has been effected as the directors are of the opinion that these expenses are of no real value to the Company.

11. ACCOUNTANT'S REPORT (*Cont'd*)

Flotation expenses will be written off against share premium account upon the listing of the Company's shares on the Kuala Lumpur Stock Exchange.

(h) **Revenue Recognition**

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognized in the income statement when the right to receive payment is established.

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

(i) **Foreign Currency Translations**

Assets and liabilities in foreign currencies at year end are translated into Ringgit Malaysia at the rates of exchange approximating those ruling at the balance sheet date. Transactions during the period/year in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating those ruling on transaction dates.

All exchange gains or losses are included in the income statement.

The closing rate of exchange used in the preparation of the financial statements is **one USD to RM3.80**.

(j) **Deferred Taxation**

Provision is made by the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future.

Deferred taxation benefit is not recognised in the financial statements only when there is reasonable assurance of its realisation.

11. ACCOUNTANT'S REPORT (Cont'd)

(k) Cash And Cash Equivalents

Cash comprises cash in hand and balances with banks (including bank overdrafts) while cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8.3. PROPERTY, PLANT AND EQUIPMENT

	<u>Cost/ Valuation</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At Valuation</u>			
Freehold land	10,481	-	10,481
Long leasehold land	5,500	370	5,130
Short leasehold land	1,304	164	1,140
<u>At Cost</u>			
Freehold land	7,190	-	7,190
Freehold buildings and apartment	7,430	532	6,898
Vehicles, equipment, furniture and fixtures	22,255	9,062	19,193
Farm development	18,525	6,457	12,068
Capital expenditure in progress	2,049	-	1,589
	----- 74,734	----- 16,585	----- 58,149
	=====	=====	=====

The net book value of properties charged to financial institutions as security for banking facilities granted to a subsidiary company are as follows :

	RM'000
<u>At valuation</u>	
Freehold land	9,081
Long leasehold land	5,130
<u>At cost</u>	
Freehold land	1,634
	----- 15,845
	=====

11. ACCOUNTANT'S REPORT (Cont'd)

Motor vehicles with a net book value of RM0.209 million are being acquired under hire purchase loans.

Included in the cost of freehold land is a piece of land costing RM400,000 for which a subsidiary company has entered into a supplement agreement with the vendor of the land allowing the vendor the option to repurchase the said land at a consideration higher than the cost, the exact sum of which is dependent on the year of repurchase.

The freehold land, long leasehold land and short leasehold land of the Group were revalued by the directors on 31 December 1997, based on an independent valuation carried out by a firm of professional valuers, using the open market value basis less adjustments made by the Securities Commission on 10 January 2001.

The tax effects in connection with the surplus arising on the above revaluation are not disclosed as there is no foreseeable intention to dispose of these properties.

The historical cost of properties at valuation are as follows:-

	Freehold <u>land</u> RM,000	Long leasehold <u>land</u> RM,000	Short leasehold <u>land</u> RM,000	<u>Total</u> RM,000
Cost	2,295	2,738	376	5,409
Accumulated depreciation	-	(276)	(68)	(344)
Net book value	<u>2,295</u>	<u>2,462</u>	<u>308</u>	<u>5,065</u>

8.4 INVENTORIES

	RM'000
<u>At cost</u>	
Raw materials	9,061
Poultry	9,470
Finished goods	1,030
Consumables	290
	<u>19,851</u>

11. ACCOUNTANT'S REPORT (Cont'd)

8.5 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	RM'000
Other debtors, deposits and prepayments	1,478
Less : Provision for doubtful debts	(165)

	1,313
	=====

8.6 FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit is pledged to a bank for bank guarantee facility granted to a subsidiary company.

8.7 CASH AND BANK BALANCES

	<u>PROFORMA</u> RM'000
Balance as at 31 October 2001 as per audited financial statements	387
Proceeds from rights issue	4,399

	4,786
Proceeds from public issue	10,570

	15,356
Utilised to reduce bank borrowings	(12,469)
Payment of listing expenses	(932) *

	1,955
	=====
Total listing expenses	1,000
Payment of listing expenses made earlier	(68)

* Balance	932
	=====

11. ACCOUNTANT'S REPORT (Cont'd)**8.8 OTHER CREDITORS AND ACCRUALS**

Included in other creditors and accruals are the following :

	RM'000
Hire purchase creditors	
Total amount payable	124
Interest in suspense	(5)

Payable within next twelve months	119
	=====

8.9 AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade related, interest free and has no fixed terms of repayment.

8.10 BANK BORROWINGS

	<u>AUDITED</u> RM'000	<u>Repayment</u> RM'000	<u>PROFORMA</u> RM'000
Bank overdrafts	6,863	(6,863)	-
Bankers acceptances	15,000	(3,003)	11,997
Trust receipts	2,603	(2,603)	-
	-----	-----	-----
	24,466	(12,469)	11,997
	=====	=====	=====

The bank borrowings are secured by :

- (i) a fixed and floating charge over the property, plant and equipment of the subsidiary companies,
- (ii) legal charges over certain landed properties of the subsidiary companies,
- (iii) joint and several guarantees of certain directors of the subsidiary companies; and
- (iv) a third party letter of set-off on the fixed deposits of certain directors of Pin-Wee.

11. ACCOUNTANT'S REPORT (Cont'd)

Interest on bank overdrafts and trust receipts is charged at 1.25% - 2.50% per annum above the lenders' base lending rate whilst interest on bankers acceptances is charged at the prevailing bankers acceptance discount rate.

RM12,469,679 of the proceeds from the public issue is utilised to reduce the bank borrowings.

8.11 EXPENDITURE CARRIED FORWARD

	<u>AUDITED</u> RM'000	<u>PROFORMA</u> RM'000
Listing expenses	68	68
Taken to share premium account	-	(68)
	-----	-----
	68	-
	=====	=====

The listing expenses has been written off against the share premium account.

8.12 SHARE CAPITAL

	<u>PROFORMA</u> RM'000
Authorised :	
Ordinary shares of RM1 each	50,000
	=====
Issued and fully paid :	
Ordinary shares of RM1 each	
As at 1 January 2001	#
Issued as consideration for the acquisition of : 100% equity of PW Feedmills	25,413
100% equity of PW Farming	10,786

	36,199
Rights issue	4,399
Public issue	8,131

	48,729
	=====

Represents RM2

11. ACCOUNTANT'S REPORT (Cont'd)

8.13 SHARE PREMIUM

	<u>PROFORMA</u> RM'000
Public issue of 8,131,000 ordinary shares of RM1 each at a premium of RM0.30 per share	2,439
Less : Estimated listing expenses	(1,000)
	<u>1,439</u>

8.14 RETAINED PROFITS

	RM'000
Balance as at 31 October 2001 as per audited financial statements	42,944
Merger deficit (Note 8.18)	(14,187)
	<u>28,757</u>

8.15 DEFERRED TAXATION

	RM'000
Balance at beginning	2,242
Transfer from income statement	738
	<u>2,980</u>

8.16 CAPITAL COMMITMENT

	RM'000
Contracted but not provided for	<u>1,702</u>

11. ACCOUNTANT'S REPORT (Cont'd)

8.17 NUMBER OF EMPLOYEES

The number of employees of the Pin-Wee Group at balance sheet date is 184.

8.18 MERGER DEFICIT

	RM'000
Nominal value of shares in PW Feedmills and PW Farming acquired	3,261
Nominal value of shares issued by Pin-Wee for the acquisitions	(36,199)

	(32,938)
Set-off against share premium of PW Feedmills and PW Farming	6,757
Set-off against capital reserve of PW Feedmills and PW Farming	11,994
Set-off against retained profits (Note 8.14)	14,187

	-
	=====

8.19 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of the Pin-Wee Group as at 31 October 2001, the net tangible assets per share after acquisitions, rights issue and public issue is calculated as follows :

Net tangible assets (RM'000)	78,925
	=====
Total number of ordinary shares in issue ('000)	48,729
	=====
Net tangible assets per ordinary share of RM1.00 each (RM)	1.62
	=====

11. ACCOUNTANT'S REPORT (Cont'd)

9. CONSOLIDATED CASH FLOW STATEMENT

The Audited consolidated cash flow statement below has been prepared based on the audited financial statements of the Pin-Wee Group for the ten months period ended 31 October 2001. The proforma consolidated cash flow has been prepared for illustrative purposes only, based on the audited financial statements of the Pin-Wee Group for the ten months period ended 31 October 2001 and on the assumption that the Rights and Public Issues had been effected on that date.

	AUDITED	PROFORMA
	After the Acquisitions	After the Acquisitions, Rights and Public Issues
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,525	8,525
Adjustments for :		
Depreciation	3,235	3,235
Gain on disposal of plant and equipment	(23)	(23)
Interest expense	1,624	1,624
Interest income	(5)	(5)
Provision for doubtful debts	165	165
Operating profit before working capital changes	<u>13,521</u>	<u>13,521</u>
Inventories	(3,352)	(3,352)
Debtors	(2,730)	(2,730)
Creditors	(3,157)	(3,157)
Director's account	3,610	3,610
Cash generated from operations	<u>7,892</u>	<u>7,892</u>
Income tax paid	(303)	(303)
Interest paid	<u>(1,624)</u>	<u>(1,624)</u>
Net cash from operating activities	5,965	5,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5	5
Proceeds from disposal of plant and equipment	61	61
Purchase of property, plant and equipment	(9,232)	(9,232)
Net cash used in investing activities	(9,166)	(9,166)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers acceptances	6,861	3,858
Payment of listing expenses	-	(932)
Proceeds from public issue at premium	-	10,570
Proceeds from rights issue	-	4,399
Repayment of hire purchase creditor	(435)	(435)
Trust receipts	852	(1,751)
Net cash from financing activities	<u>7,278</u>	<u>15,709</u>
NET INCREASE IN CASH	<u>4,077</u>	<u>12,508</u>
CASH AT BEGINNING	<u>(10,553)</u>	<u>(10,553)</u>
CASH AT END	<u>(6,476)</u>	<u>1,955</u>
Represented by :		
Cash and bank balances	387	1,955
Bank overdrafts	(6,863)	-
	<u>(6,476)</u>	<u>1,955</u>
Purchase of property, plant and equipment		
Total cost	9,436	9,436
Acquired under hire purchase loans	(204)	(204)
Total cash consideration	<u>9,232</u>	<u>9,232</u>

11. ACCOUNTANT'S REPORT (Cont'd)

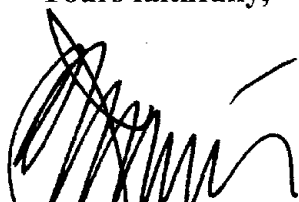
10. SUBSEQUENT EVENTS

There were no subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will materially affect the content of this report.

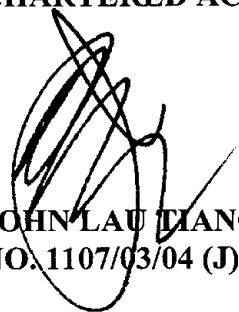
11. FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 October 2001.

Yours faithfully,



JB LAU & ASSOCIATES
NO. AF : 0042
CHARTERED ACCOUNTANTS



JOHN LAU TIANG HUA
NO. 1107/03/04 (J)