(Prepared for inclusion in this Prospectus)

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26 June 2003

The Board of Directors
Premium Nutrients Berhad
Level 27, Wisma Tun Sambanthan
Jalan Sultan Sulaiman
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Gentlemen

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus dated 30 June 2003 in connection with the Proposed Corporate and Debt Restructuring Exercise by Bridgecon Holdings Berhad (Special Administrators Appointed) ("BHB") and the Proposed transfer of listing status of BHB on the Second Board of the Kuala Lumpur Stock Exchange to Premium Nutrients Berhad ("Premium").

1. General Corporate Information

1.1 Proposed Corporate Restructuring Exercise

The Proposed Corporate Restructuring Exercise will entail the following:

- Proposed share exchange of Bridgecon Holdings Berhad ("BHB") for Premium Nutrients Berhad ("Premium") shares on the basis of one (1) new Premium Shares of RM0.50 each for every 9.975 BHB Shares held ("Proposed Share Exchange"),

- Proposed settlement of debts owing by BHB to its creditors through, inter-alia, issuance of 62,000,000 new Premium Shares of RM0.50 each to the creditors of BHB ("Proposed Debt Settlement"),

- Acquisition of the entire issued and paid-up share capital of PVOB by Premium through issuance of 273,000,000 new Premium Shares of RM0.50 each ("Acquisition"),

- Proposed de-listing of BHB from the Second Board of KLSE and the transfer of the listing status of BHB to Premium ("Proposed Listing Transfer"), and

- Proposed offer for sale of Premium Shares by certain vendors of PVOB to the existing shareholders of BHB, identified bumiputera investors to be approved by the Ministry of International Trade and Industry, other identified investors and the Malaysian public "(Proposed OFS").

1.2 Incorporation and Principal Activities

1.2.1 Premium Nutrients Berhad ("Premium")

Premium was incorporated on 12 August 2002 as a limited company to facilitate the implementation of the Restructuring Scheme and ultimately apply for admission to the official list on the Second Board of KLSE.

The principal activity of Premium is investment holdings.

1.2.2 Share Capital

Authorised Share Capital

The changes in the authorised share capital of Premium since incorporation are as follows:-

Date of Creation	No of Shares Increased	Par Value	Cumulative Amount
		RM	**RM**
Ordinary Shares			
12.8.2002	200,000	0.50	100,000
31.3.2003	499,800,000	0.50	250,000,000

Issued And Paid-Up Capital

The changes in the issued and paid-up capital of Premium since its incorporation are as follows:-

Date of Allotment	No. of Shares Issued	Par Value	Consideration	Cumulative Amount
		RM		**RM**
Ordinary Shares				
12.8.2002	4	0.50	Subscribers' shares	2
9.4.2003	273,000,000	0.50	Acquisition of PVOB Group	136,500,002

1.3 Subsidiaries and associated company

The information on the subsidiaries and associated company, all incorporated in Malaysia except otherwise stated, are as follows:-

	Principal activities	Effective Equity Interest (%)	Date of incorporation	Authorised share capital	Issued and paid-up capital
Subsidiary				**Ordinary shares of RM1.00 each**	
Premium Vegetable Oils Berhad ("PVOB")	Manufacture and sale of speciality oil and fats based on palm kernel oil, palm oil, coconut oil and soyabean oil including those refined and fractionated.	100	17.5.1978	RM100,000,000	RM54,862,500

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Subsidiary of PVOB	Principal activities	Effective Equity Interest (%)	Date of incorporation	Authorised share capital	Issued and paid-up capital
				Ordinary shares of RM1.00 each	
Malim Sawit Sdn Bhd ("MSSB")	Processing of oil palm fruits, refining of palm oil and sale of refined products.	100	4.5.1979	RM25,000,000	RM25,000,000
Premium Fats Sdn Bhd ("PFSB")	Intended to manufacture and sale of downstream products from palm oil.	100	9.2.1996	RM100,000	RM2
				Ordinary shares of Rs10 each	
Arani Agro Oil Industries Limited ("AAO")-incorporated in India	Refining and processing of vegetable oils.	74	9.10.1986	Rs60,000,000	Rs35,000,000
				12.5% Cumulative redeemable Preference Shares 'A' of Rs100 each	
				Rs35,000,000	Rs32,706,200
				5% Cumulative redeemable Preference Shares 'B' of Rs100 each	
				Rs20,000,000	--
Associated Company				**Ordinary shares of RM1.00 each**	
Swiss Premium Corporation Sdn Bhd ("SPC")	General traders	50	6.5.1994	RM1,000,000	RM100,000

1.4. Dividend

There were no dividends declared or paid by Premium since the date of incorporation.

2. Financial Statements and Auditors

We have acted as auditors of Premium and PVOB for all the financial years included in this report and MSSB and PFSB for the financial year ended 31 December 2001 and 2002.

The financial statements for MSSB and PFSB for each of the financial years ended 31 December 1998 to 2000 and 30 June 1998 to 2001 respectively were audited by another firm of accountants.

The financial statements of AAO for all the financial years under review were audited by another firm of accountants.

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The financial statements of all the companies for the past five (5) years under review were reported on without any modification except for an emphasis of matter on PVOB's financial statements for the year ended 31 December 1999 and 2000 referring to the following matters disclosed in the financial statements:

i) PVOB was the defendant in two separate lawsuits, one ordering the Company to pay amounts claimed by a statutory body ("PORIM Case") totalling RM2.9 million together with interest thereon and another to refund the premium amount arising from the redemption of preference shares ("Preference shares case") amounting to RM2.25 million together with interest thereon to a previous preference shareholder. Both the cases were pending and the outcome of the matters could not be determined then.

ii) PVOB was claiming for the abatement of income for exports ("AAIE") and utilisation of Indigenous Malaysian Materials ("AIM") totalling RM22 million for the financial years 1988 to 1991 from the Inland Revenue Board ("IRB"). In the event that the Company was not able to substantiate its claim or obtain agreement from the Inland Revenue Board, deferred tax amounting to approximately RM5.2 million and tax penalty of approximately RM1.2 million would have to be provided for. No provision was made in the financial statements as the Directors were of the opinion that the claims would be successful.

Update on the above matters

i) Porim case

On 25 June 2002, PVOB obtained judgement from the Court of Appeal in favour of the company, dismissing the claim made by the statutory body and ordering the refund of cess paid for crude palm kernel oil prior to 1986 together with interest thereon to PVOB.

However, on 2 October 2002, the statutory body was granted leave to appeal to the Federal Court. PVOB is awaiting the date of hearing from the Federal Court (see Section 8, Note 8.15(a)).

ii) Preference shares case

On 23 July 2002, Federal Court rejected PVOB's application for leave to appeal and ordered compliance with the judgement delivered by the Court of Appeal to refund the premium amount of RM2.25 million together with interest thereon. The refund was reflected in the financial statements for the year ended 31 December 2002.

iii) Tax incentive

On 27 September 2002, the IRB approved AAIE and AIM claims of RM3.01 million. Deferred tax arising on the balance of AAIE and AIM based on the amount disallowed by IRB has been fully provided in the 2002 financial statements via a prior year adjustment. (see Section 4.1)

3. Basis of preparation

This report has been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of PVOB Group and in compliance with applicable approved accounting standards in Malaysia.

4. HISTORICAL FINANCIAL PERFORMANCE

4.1 Summary of Proforma Consolidated Results of Premium and its subsidiaries ("Premium Group")

We set out below the proforma consolidated group results of Premium Group based on the subsidiaries' audited financial statements, after making such adjustments (see footnote v and vii) considered necessary for the past five (5) financial years ended 31 December 2002.

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	364,715	308,838	241,851	237,394	355,175
Less: Cost of sales	(312,753)	(260,620)	(191,027)	(184,787)	(305,312)
Gross profit	51,962	48,218	50,824	52,607	49,863
Distribution expenses	(21,469)	(21,725)	(26,232)	(25,476)	(25,631)
Administration expenses	(16,368)	(16,973)	(19,452)	(18,873)	(16,765)
Other operating expenses	(960)	(2)	(2)	--	(94)
Other operating income	--	3,867	10,315	3,759	5,093
Operating profit	13,165	13,385	15,453	12,017	12,466
Interest cost	(7,164)	(5,080)	(6,093)	(5,023)	(4,817)
Profit for the year	6,001	8,305	9,360	6,994	7,649
Net insurance claim on assets damaged by fire	--	--	2,727	--	--
Profit before tax	6,001	8,305	12,087	6,994	7,649
Taxation					
- Income tax	--	--	--	--	(115)
- Deferred tax	(1,202)	(1,080)	(473)	(948)	(1,336)
Profit after tax	4,799	7,225	11,614	6,046	6,198
Less: Minority interest	--	--	--	--	(406)
	4,799	7,225	11,614	6,046	5,792

The profit before depreciation and interest is set out below:-

	1998	1999	2000	2001	2002
Profit before depreciation and interest expenses	16,780	17,300	22,400	16,654	17,238
Less: Depreciation	(3,615)	(3,915)	(4,220)	(4,637)	(4,772)
Interest expenses	(7,164)	(5,080)	(6,093)	(5,023)	(4,817)
Profit before tax	6,001	8,305	12,087	6,994	7,649
Proforma no. of ordinary shares of RM0.50 each in issue ('000)	337,000	337,000	337,000	337,000	337,000
Earnings per share (RM)-net	0.01	0.02	0.03	0.02	0.02

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Notes:

i) *The number of Premium Shares assumed in issue throughout the financial years under review is based on the enlarged number of Premium Shares after the proposed corporate restructuring exercise.*

ii) *The proforma consolidated results for the period under review does not include the results of BHB and its subsidiaries and associated companies as these companies will be liquidated upon completion of the restructuring scheme.*

iii) *Earnings per share for the financial years under review have been calculated based on profit after taxation divided by the number of shares assumed to be in issue.*

iv) *There is no extraordinary item for the financial years under review.*

v) *Certain revenue and cost of sales have been reclassified for consistency in the presentation for the years under review as follows:*

	1998 RM'000	1999 RM'000	2000 RM'000
Revenue			
Per audited financial statements	302,838	225,553	208,913
Add: Reclassified from cost of sales	6,000	16,298	28,481
	308,838	241,851	237,394
Cost of sales			
Per audited financial statements	254,620	174,729	156,306
Add: Reclassified to revenue	6,000	16,298	28,481
	260,620	191,027	184,787

vi) *Included in other operating income for the year under review are as follows:*

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Insurance claim on loss of profit	--	1,911	8,664	2,438	--
Gain on disposal of plant and machinery and related spares	--	--	--	--	4,113

vii) *The effective tax rate is lower than the statutory tax rate for all the years under review due to availability of reinvestment allowance.*

Proforma adjustments made due to the disallowance of abatement of income for export ("AAIE") and utilisation of indigenous Malaysian materials ("AIM") by the Inland Revenue Board ("IRB") are as follows:

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Tax charge per audited financial statements	--	--	--	500	1,451
- Adjustment for deferred tax	1,202	1,080	473	448	--
Tax charge as restated	1,202	1,080	473	948	1,451
Effective tax rate	20	13	4	14	19

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There was no taxation charge provided in the audited financial statements for 1998 to 2001 as PVOB's tax computation was computed based on availability of brought forward tax losses totalling RM15.8 million since 1998 and claims of AAIE and AIM totalling RM22 million in financial years 1988 to 1991.

In May 1999, PVOB received IRB's letter on the company's tax computations for financial years 1985 to 1997. The claim for AAIE and AIM for financial years 1988 to 1991 were disallowed on grounds that no formal applications were submitted.

On 27 September 2002, IRB only approved the AAIE and AIM claim for the year 1990 of RM3.01 million out of RM6.5 million with supported documentation. Arising from this, a deferred tax adjustment has been provided in the financial statement for the year ended 31 December 2002 via prior year adjustments because of the decrease in unabsorbed capital allowances caused by the disallowance of AAIE and AIM claims by IRB.

In addition, due to the disallowed AAIE and AIM claims, there is a shortfall of tax exempt accounts for the dividends paid in 1997 and 1998 totalling RM4 million. The tax penalty arising from this shortfall amounted to approximately RM1.1 million. The tax penalty has not been provided for in the financial statements as this amount will be borne by the shareholders.

However, PVOB had provided documentation to support the claims for the year 1990 totalling RM6.5 million, of which the IRB had only approved RM3.01 million as mentioned above. Had the total claims up to RM6.5 million been allowed by the Inland Revenue Board, deferred tax amounting to RM0.7 million would be reversed and tax penalties would decrease by RM0.5 million.

viii) The proforma Group results in 1998, 1999 and 2000 consist of PVOB's financial statements as the other subsidiaries were dormant.

ix) Pursuant to a shareholders' agreement dated 22 August 2002, the Group agreed to acquire 74% of the enlarged share capital of AAO and the Group has control over AAO from the date of this agreement The equity interest of the Group in AAO as at 31 December 2002 is 14.2%. PVOB also has an option to purchase the remaining 26% equity interest in AAO via a put and call option commencing 1st January 2004. The vendors have also written to PVOB stating that they (the vendors) were not entitled to participate in any manner in profit or loss arising "from 1 April 2002". As at 31 March 2003, the Group has acquired 52% in AAO. For the purpose of consolidation for the year ended 31 December 2002, the Group has consolidated AAO based on the effective interest of 74%.

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5. SUMMARISED BALANCE SHEETS

5.1 Consolidated Balance Sheet of PVOB Group

As Premium was only incorporated on 12 August 2002, we consider it more relevant to present the consolidated balance sheet of PVOB Group. We set out below the consolidated balance sheet of PVOB Group based on its audited financial statements, after making such adjustments considered necessary (see footnote (ii)), for the past five (5) financial years ended 31 December 2002.

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	74,807	80,019	83,295	100,147	121,108
Investment in an associated company	50	50	50	50	--
Goodwill on consolidation	--	--	--	--	723
Intangible assets	--	--	--	17	43
	74,857	80,069	83,345	100,214	121,874
Current assets					
Inventories	17,933	25,662	21,902	31,328	41,763
Trade receivables	29,258	28,566	35,847	32,795	44,229
Other receivables	7,454	9,250	18,066	8,030	13,993
Cash and cash equivalent	1,379	1,894	3,620	3,781	1,839
	56,024	65,372	79,435	75,934	101,824
Current liabilities					
Trade payables	16,271	13,504	17,625	19,429	25,017
Other payables	6,651	5,951	5,507	5,320	22,367
Borrowings	42,369	62,035	50,919	49,252	63,915
Taxation	--	--	--	--	117
Dividend	--	--	1,197	--	394
	65,291	81,490	75,248	74,001	111,810
Net current (liabilities)/ assets	(9,267)	(16,118)	4,187	1,933	(9,986)
	65,590	63,951	87,532	102,147	111,888
Share capital					
-Ordinary shares	39,900	39,900	39,900	39,900	54,862
-Preference shares	5,500	--	--	--	--
Share premium	3,644	3,644	3,644	3,644	--
Redemption reserve	750	750	750	750	250
Revaluation reserve	432	432	432	10,418	6,999
Exchange fluctuation reserve	--	--	--	--	44
General reserve	5,039	8,913	19,332	23,391	22,636
	55,265	53,639	64,058	78,103	84,791
Minority shareholders' interest	--	--	--	--	2,507
8% redeemable convertible loan stocks	--	--	9,576	9,576	--
Borrowings	4,674	3,581	6,694	6,316	11,882
Deferred taxation	5,651	6,731	7,204	8,152	12,708
	65,590	63,951	87,532	102,147	111,888
NTA per share (RM)	1.39	1.34	1.61	1.96	1.53

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Note:

i) *Net tangible assets per share is computed based on the total number of PVOB shares in issue.*

ii) *Certain figures have been adjusted as explained in Section 4.1 foot note (vii) as follows:*

	1998	*1999*	*2000*	*2001*	*2002*
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Deferred taxation					
Per audited financial statements	--	--	--	*500*	*8,393*
Adjustment for deferred tax liability	*5,651*	*6,731*	*7,204*	*7,652*	--
As restated	*5,651*	*6,731*	*7,204*	*8,152*	*8,393*

iii) *The Group balance sheets in 1998, 1999 and 2000 basically consist of PVOB's balance sheets as the other subsidiaries were dormant.*

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6. CONSOLIDATED CASH FLOW STATEMENTS

As Premium was only incorporated on 12 August 2002, we consider it more relevant to present the consolidated cash flows of PVOB Group. We set out below the consolidated PVOB Group cash flows for the financial year ended 31 December 2002 as follows:

	Note	RM'000
Cash flows from operating activities		
Profit before tax		7,649
Adjustments for:		
Depreciation		4,772
Interest expense		4,817
Interest income		(76)
Gain on disposal of plant, machinery and its spares		(4,117)
Share of loss of associated company		50
Operating profit before working capital changes		13,095
Changes in working capital:		
Inventories		(6,946)
Trade and other receivables		(7,067)
Trade and other payables		11,818
Cash generated from operations		10,900
Interest paid		(4,817)
Net cash generated from operating activities		6,083
Cash flows from investing activities		
Purchase of property, plant and equipment		(11,775)
Proceeds from disposal of property, plant and equipment		5
Intangible assets		(25)
Interest received		76
Withdrawal/(Net placement) of pledged fixed deposits		2,701
Acquisition of subsidiary, net of cash acquired	(i)	(2,155)
Net cash used in investing activities		(11,173)
Cash flows from financing activities		
Repayment of term loans		(2,913)
Net short term borrowings		14,783
Repayment of hire purchase and lease creditors		(3,032)
Proceeds from rights issue		9,975
Redemption of loan stocks		(9,576)
Redemption of preference shares		(2,500)
Dividend paid to ex-preference shareholder		(1,263)
Fund from minority interest		1,533
Net cash generated from financing activities		7,007
Net increase in cash and cash equivalents		1,917
Cash and cash equivalents at beginning of year		(6,390)
Foreign exchange differences on opening balances		(144)
Cash and cash equivalents at end of year		(4,617)
Cash and cash equivalents comprise:		
Cash and bank balances		1,003
Bank overdrafts		(5,620)
		(4,617)

Note:

i) The effects of the acquisition of AAO on the cash flows of the Group at the date of acquisition are as follows:

	RM'000
Property, plant and equipment	10,131
Current assets	9,467
Current liabilities	(11,067)
Long term liabilities	(6,407)
Minority interest	(552)
Net assets	1,572
Goodwill on acquisition	701
Purchase price paid	2,273
Less: Cash and cash equivalents	(118)
Cash flow on acquisition, net of cash acquired	2,155

7. STATEMENTS OF ASSETS AND LIABILITIES

The following statements of assets and liabilities have been prepared based on the audited financial statements of Premium as 31 December 2002 and the audited financial statements of the PVOB Group as at 31 December 2002 and on the assumption that the acquisition of subsidiaries and the debt restructuring scheme had been effected as at 31 December 2002. The statement of assets and liabilities should be read in conjunctions with the notes thereto:

	Notes	Premium as at 31.12.2002 RM'000	Proforma Group as at 31.12.2002 RM'000
Property, plant and equipment	8.2	--	121,108
Investment in an associate	8.3	--	--
Goodwill on consolidation		--	53,432
Intangible assets		--	43
		--	174,583
Current assets			
Inventories	8.4	--	41,763
Trade and other receivables	8.5	--	58,222
Cash and cash equivalents	8.6	--	1,839
		--	101,824
Current liabilities			
Trade and other payables	8.7	--	49,384
Borrowings	8.8	--	63,915
Taxation		--	117
Dividends		--	394
		--	113,810
Net current liabilities		--	(11,986)
		--	162,597
Financed by:-			
Capital and reserves			
Share capital	8.9	*--	168,500
Accumulated losses	8.10	--	(33,000)
		--	135,500
Minority shareholders' interest		--	2,507
Long term and deferred liabilities			
Borrowings	8.8	--	11,882
Deferred taxation		--	12,708
		--	24,590
		--	162,597

* represent issued and paid up ordinary shares of RM2.00

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8. Significant Accounting Policies Notes to the Statement/Proforma Statement of Assets and Liabilities

8.1 Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the purchase prices over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associate

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

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

The Company revalues its property comprising land and building every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the lease period of 48 to 53 years while buildings are depreciated on a straight-line basis over the remaining useful life of 42 years. Other property, plant and equipment except for construction-in-progress are depreciated on a straight-line basis to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

Plant and machinery	3.80 - 20 %
Furniture, fittings and office equipment	20 %
Motor vehicles	20 %

(e) Intangible assets

i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses, if any.

ii) Other intangible assets

Other intangible assets represents trademark and patent, which comprise expenditure incurred in respect of registration and patent of the Company's products. Intangible assets are stated at cost less accumulated impairment losses. Annual renewal fees for trademark and patent are charged to income statement.

(f) Finance leases

Leases in which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

(g) Hire purchase

Assets acquired under hire purchase are stated at cost less accumulated depreciation and impairment losses and are depreciated over the useful lives of the equivalent owned assets.

Outstanding hire purchase commitment is included in borrowings. Interests on hire purchase are calculated on straight-line basis and are charged to the income statement.

(h) Investments

Investment in associate is stated at cost less accumulated impairment losses, if any.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods includes cost of raw materials, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

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(j) Trade and other receivables

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents excluding deposits hypothecated to banks and are presented net of bank overdrafts.

(l) Liabilities

Borrowings, trade and other payables are stated at cost.

(m) Impairment

The carrying amount of the Group's and Company's assets, other than inventories and financial assets (other than investments in subsidiaries and an associate) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

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(o) Foreign currency transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2002
	RM
1 US Dollar	3.80
100 Indian Rupees	7.81

8.2 Property, plant and equipment - Proforma Group

	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles, furniture, fittings and office equipment RM'000	Construction -in -progress RM'000	Total RM'000
Cost					
At 1 January 2002	26,144	109,948	3,477	533	140,102
Additions	5	7,226	431	10,109	17,771
Disposals	--	(2,562)	--	(134)	(2,696)
Exchange differences	78	114	2	--	194
Acquisition of a subsidiary	4,273	6,126	68	--	10,467
At 31 December 2002	30,500	120,852	3,978	10,508	165,838
Depreciation					
At 1 January 2002	2,710	34,249	2,996	--	39,955
Charge for the year	524	3,937	311	--	4,772
Disposals	--	(339)	--	--	(339)
Exchange differences	2	4	--	--	6
Acquisition of a subsidiary	108	221	7	--	336
At 31 December 2002	3,344	38,072	3,314	--	44,730
Net book value					
At 31 December 2002	27,156	82,780	664	10,508	121,108

	RM'000
Net book value of land and buildings	
At cost	
Freehold land	1,200
Long term leasehold land	7,608
Buildings	18,348
	27,156

Hire purchase

Plant and machinery, motor vehicles and other equipment of the Group acquired under hire purchase and finance leases are as follows:

	RM'000
Hire purchase and finance leases	13,134

Security

All the property, plant and equipment of the Group have been charged to banks for banking facilities granted to the subsidiaries as disclosed in Note 8.8.

8.3 Investment in an associate

	Proforma Group RM'000
Unquoted shares, at cost	50
Less: Share of post acquisition losses	(50)
	--

8.4 Inventories

	Proforma Group RM'000
At cost	
Finished goods	26,151
Raw materials	8,355
Work-in-progress	138
Spares and consumables	7,119
	41,763

8.5 Trade and other receivables

	Proforma Group RM'000
Trade receivables	44,229
Other receivables, deposits and prepayments	13,993
	58,222

Included in other receivables, deposits and prepayments of the Premium Group are the following:

	Proforma Group RM'000
Insurance claims receivable	552
Advances to raw material suppliers	3,010
Proceeds from disposals of plant, machineries and related spares	8,000
	11,562

8.6 Cash and cash equivalents

	Proforma Group RM'000
Cash and bank balances	1,003
Fixed deposits with licensed banks	836
	1,839

The fixed deposits of the Premium Group are pledged to banks for banking facilities.

8.7 Trade and other payables

	Proforma Group RM'000
Trade payables	25,017
Other payables and accruals	22,367
	47,384
Listing and restructuring expenses payable	2,000
	49,384

Included in other payables and accruals of the Premium Group are the following:

	Proforma Group RM'000
Amount due to shareholders	2,871
Property, plant and equipment suppliers	8,219
Utilities, freight and forwarding	1,734
Consumables suppliers	1,698
Advances from customers	1,613
	16,135

8.8 Borrowings

	Proforma Group RM'000
Current	
Secured	
Bank overdrafts	5,621
Banker's acceptance	51,294
Term loans	1,376
Hire purchases	3,324
Finance leases	300
Unsecured	
Loan from a shareholder	2,000
	63,915
Non-current (secured)	
Term loans	7,731
Hire purchases	3,901
Finance lease	250
	11,882
	75,797

The bank overdraft, banker's acceptances and term loans are secured by way of fixed and floating charges on all assets of the Premium Group.

The bank overdraft and banker's acceptances carry interest at 3.76% to 8.4% per annum.

PVOB's term loan is repayable by half yearly instalments, which commenced in April 2001. AAO's term loan is repayable by 54 equal monthly instalments commencing April 2003. Interest is chargeable at 5.43% and 15.5% per annum respectively.

Interest is chargeable at 12% per annum on the loan from a shareholder.

8.9 Share capital

	Proforma Group RM'000
Ordinary shares of RM0.50 each	
At date of incorporation	--*
Proposed Share Exchange	1,000
Proposed Debt Settlement	31,000
Proposed Acquisition	136,500
	168,500

* Denotes RM2.00

8.10 Accumulated losses

	Proforma Group RM'000
Accumulated losses arise from:	
- Proposed Share Exchange written off	1,000
- Proposed Debt Settlement of BHB creditors written off	31,000
	32,000
Listing expenses written off	1,000
	33,000

8.11 Taxation

PVOB has estimated unutilised reinvestment allowances of RM9.4 million and unabsorbed business losses of RM10.5 million subject to agreement by the Inland Revenue Board, which are available to be set-off against future taxable profits.

There figures are arrived at based on the assumption that PVOB can only claim AAIE and AIM up to RM3.01 million as explained in Section 4, note vii.

8.12 Operating leases

	Proforma Group RM'000
Less than one year	32
Between one and five years	204
More than five years	960
	1,196

8.13 Commitment

	Proforma Group RM'000
Plant and machineries	
Approved and contracted for	713
Approved but not contracted for	14,734
	15,447

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8.14 Contingent liabilities – (unsecured)

a) A statutory body has filed an appeal in the Federal Court against the judgement by the Court of Appeal dismissing the claims made by the statutory body against PVOB of RM4.2 million.

   If PVOB loses the case, it will be required to pay approximately RM4.2 million together with interest of RM1.7 million and cost.

   Since the Court of Appeal had decided in favour of PVOB, the Directors are of the opinion that PVOB has a good case and hence, no provision has been made in the financial statements.

b) As at 31 December 2002, contingent liabilities in respect of bills discounted with banks amounted to RM17.9 million.

8.15 Financial instruments

Financial risk management objectives and policies

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

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest earning fixed deposits and interest bearing short term borrowings, hire purchases, finance leases and term loans.

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Credit risk

The Group's credit risk arises from sales made on credit terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group are represented by the carrying amount of each financial assets.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rises to this risk is primarily US Dollars and India Rupees. Exposure to foreign currency is monitored on an ongoing basis where appropriate to minimise the risk. The Group does not hedge its net investment in the foreign subsidiary.

The foreign currency risk arising from transactions denominated in US Dollars is mitigated as Ringgit Malaysia is currently pegged to US Dollars.

Liquidity and cash flow risk

The Group maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Group's policy is to finance long term assets with long term funding and short term assets with short term funding.

Effective interest rate and repricing analysis

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

	Effective interest rate %	Total **RM'000**	Within 1 year **RM'000**	1-5 years **RM'000**
Group				
Financial assets				
Fixed deposits	2.9 – 6.5	836	836	--
Financial liabilities				
Bank overdrafts	7.6 – 8.4	5,620	5,620	--
Banker's acceptances	3.9 – 5.1	51,294	51,294	--
Term loans	5.4 – 15.5	9,107	9,107	--
Loan from a shareholder	12	2,000	2,000	--
Hire purchases	8.7 – 17.3	7,225	3,324	3,901
Finance leases	9.1	550	300	250

Fair values

Recognised financial instruments

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

No disclosure of fair value for term loans as these term loans are subject to floating market interest rate.

The aggregate fair values of other financial liabilities which are not carried at fair value in the balance sheet as at 31 December 2002 are represented in the following table:

	Carrying amount RM'000	**Fair value RM'000**
Hire purchases	7,225	7,353
Finance leases	551	579
	7,776	7,932

9. PROFORMA NET TANGIBLE ASSETS COVER

Based on the statement of proforma assets and liabilities of the Group as at 31 December 2002, the proforma net tangible assets ("NTA") cover per share is calculated as follows:

	RM'000
NTA per statement of assets and liabilities	82,025
Number of issue and paid-up shares ('000)	337,000
NTA cover per ordinary share (RM)	0.24

10. AUDITED FINANCIAL STATEMENTS

No audited financial statements of Premium and its subsidiaries have been made up in respect of any period subsequent to 31 December 2002.

Yours faithfully

KPMG
Firm No.: AF 0758
Chartered Accountants

Ang Ah Leck
Partner
Approval Number: 1991/09/03 (J)

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12. DIRECTORS' REPORT

Premium Nutrients Berhad (589272-D)

Marketing / Registered Office:
Level 27, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, Malaysia
Tel: 60-3-2273 5033 Fax: 60-3-2273 4340 Tlx: MA 20320 PVO KL E-mail: dg1@pvo.com.my
Website: www.premiumveg.com

Registered Office:

Level 27, Wisma Tun Sambanthan
Jalan Sultan Sulaiman
50000 Kuala Lumpur

Date: 24 June 2003

To : The Shareholders of Premium Nutrients Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Premium Nutrients Berhad ("PREMIUM" or "Company"), I report after due inquiry that during the period from 31 December 2002 (being the date to which the last proforma audited accounts of the Company and its subsidiary and associated companies ("PREMIUM Group") have been made) to 24 June 2003 (being a date not later than fourteen (14) days before the issue of this Prospectus) that:-

(i) the business of the PREMIUM Group have, in the opinion of the Directors, been satisfactorily maintained;

(ii) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the PREMIUM Group which have adversely affected the trading or the value of the assets within the PREMIUM Group;

(iii) the current assets of the PREMIUM Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in Sections 3.7(iii) and 10.3 of this Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiary and associated companies; and

(v) save as disclosed in the Proforma Consolidated Balance Sheets of PREMIUM as set out in Section 10.7 of this Prospectus, there have been no changes in the reserves or any unusual factors affecting the financial position of the PREMIUM Group since the last proforma audited accounts of the PREMIUM Group.

Yours faithfully
For and on behalf of the Board of Directors
of Premium Nutrients Berhad

P. N. Agarwal

Agarwal Pares Nath
Managing Director