P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **P.I.E. INDUSTRIAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2009.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	The Group RM	The Company RM
Net profit/ (loss) after tax for the year	25,281,774	(1,963,010)

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

During the current financial year, a special dividend of 23 sen gross per ordinary share, less tax, and a first and final dividend of 12 sen gross per ordinary share, less tax, amounting to RM11,039,310 and RM5,759,640 respectively, were declared and paid in respect of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance has been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than those disclosed in Note 3 to the financial statements.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Ahmad Murad Bin Abdul Aziz	
Mui Chung Meng	
Chen, Chih-Wen	
Cheng Shing Tsung	
Cheung Ho Leung	
Loo Hooi Beng	(appointed on July 1, 2009)
Khoo Lay Tatt	(appointed on November 2, 2009)
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	(demised on August 19, 2009)

DIRECTORS' INTERESTS

The shareholdings in the Company and in related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1 each			
Shares in the Company	**Balance as of 1.1.2009**	**Bought**	**Sold**	**Balance as of 31.12.2009**
Direct interest:				
Ahmad Murad Bin Abdul Aziz	8,001	-	(8,000)	1
Mui Chung Meng	410,000	-	(410,000)	-
Chen, Chih-Wen	210,000	-	(210,000)	-
Cheng Shing Tsung	10,000	-	-	10,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors received remuneration from related corporations in their capacities as directors or executives of those related corporations.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., a corporation incorporated in British Virgin Islands and Pan-International Industrial Corporation, a corporation incorporated in Taiwan respectively.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

March 5, 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of P.I.E. Industrial Berhad, which comprise the balance sheets as of December 31, 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 57.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

(Forward)

DELOITTE KASSIMCHAN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2009 and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors as mentioned under Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements;

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
Partner – 2225/04/10 (J)
Chartered Accountant

March 5, 2010

Penang

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

		The Group		The Company	
	Note	**2009 RM**	**2008 RM**	**2009 RM**	**2008 RM**
Revenue	5	225,901,862	291,784,167	2,460,000	4,071,600
Investment revenue		2,622,990	3,137,291	328,333	441,811
Other gains and losses		176,720	1,138,355	-	-
Other income		4,676,105	5,862,043	-	-
Changes in inventories of finished goods and work-in-progress		(668,362)	1,379,324	-	-
Purchase of trading goods		(1,868,808)	(3,204,219)	-	-
Raw materials consumed		(152,293,017)	(201,540,731)	-	-
Employee benefits expense	6	(26,156,963)	(33,223,362)	(3,107,319)	(4,571,190)
Depreciation and amortisation		(4,233,215)	(3,915,690)	-	-
Other expenses		(14,953,141)	(17,914,397)	(1,170,607)	(858,361)
Profit/ (loss) before tax		33,204,171	43,502,781	(1,489,593)	(916,140)
Tax (expense)/ income	7	(7,922,397)	(9,566,636)	(473,417)	7,099
Profit/ (loss) for the year	8	25,281,774	33,936,145	(1,963,010)	(909,041)
Earnings per share:					
Basic	9	40 sen	53 sen		

The accompanying notes form an integral part of the financial statements.

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS OF DECEMBER 31, 2009

	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	24,476,586	29,594,178	-	-
Investment properties	11	18,291,280	10,422,940	-	-
Prepaid lease payments on leasehold land	12	8,369,999	11,836,422	-	-
Goodwill		1,721,665	1,721,665	-	-
Investments in subsidiaries	13	-	-	79,918,805	79,918,805
Investment in jointly controlled entity	14	-	-	25,000	25,000
Deferred tax assets	15	2,027,000	3,033,000	-	-
Total non-current assets		54,886,530	56,608,205	79,943,805	79,943,805
Current assets					
Inventories	16	26,826,218	35,497,410	-	-
Trade and other receivables	17	65,129,409	67,008,441	73,525,281	93,548,386
Current tax assets		1,417,613	1,519,965	930,099	1,403,516
Other assets	18	1,315,702	1,663,856	19,863	20,304
Short-term deposits with licensed banks	19	107,469,173	71,887,133	26,008,712	24,400,000
Cash and bank balances	20	12,484,993	26,546,619	48,930	63,261
Total current assets		214,643,108	204,123,424	100,532,885	119,435,467
Total assets		269,529,638	260,731,629	180,476,690	199,379,272

(Forward)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS OF DECEMBER 31, 2009

		The Group		The Company	
	Note	**2009**	**2008**	**2009**	**2008**
		RM	**RM**	**RM**	**RM**
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	64,007,000	64,007,000	64,007,000	64,007,000
Less: Treasury shares, at cost	21	(39,837)	(35,306)	(39,837)	(35,306)
		63,967,163	63,971,694	63,967,163	63,971,694
Reserves	22	158,637,187	147,810,253	113,160,748	131,922,708
Total equity		222,604,350	211,781,947	177,127,911	195,894,402
Non-current liabilities					
Deferred tax liabilities	15	3,638,836	3,844,633	-	-
Current liabilities					
Trade and other payables	23	42,504,545	41,966,058	3,348,779	3,484,870
Current tax liabilities		781,907	3,138,991	-	-
Total current liabilities		43,286,452	45,105,049	3,348,779	3,484,870
Total liabilities		46,925,288	48,949,682	3,348,779	3,484,870
Total equity and liabilities		269,529,638	260,731,629	180,476,690	199,379,272

The accompanying notes form an integral part of the financial statements.

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

The Group

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserve/ Translation Reserve* RM	Retained Earnings RM	Total RM
Balance as of January 1, 2008		64,007,000	(2,569)	18,993,049	10,645,811	102,392,015	196,035,306
Transfer of revaluation surplus	15	-	-	-	(290,479)	290,479	-
Exchange differences arising on translation of foreign subsidiaries		-	-	-	225,900	-	225,900
Net income and expenses recognised directly in equity		-	-	-	(64,579)	290,479	225,900
Profit for the year		-	-	-	-	33,936,145	33,936,145
Total recognised income and expenses		-	-	-	(64,579)	34,226,624	34,162,045
Buy-back of ordinary shares		-	(32,737)	-	-	-	(32,737)
Dividends	24	-	-	-	-	(18,382,667)	(18,382,667)
Balance as of December 31, 2008		64,007,000	(35,306)	18,993,049	10,581,232	118,235,972	211,781,947

(Forward)

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

The Group

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserve/ Translation Reserve* RM	Retained Earnings RM	Total RM
Balance as of January 1, 2009		64,007,000	(35,306)	18,993,049	10,581,232	118,235,972	211,781,947
Fair value adjustment upon transfer from property, plant and equipment to investment properties		-	-	-	1,423,693	-	1,423,693
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment		-	-	-	(325,740)	-	(325,740)
Reversal of deferred tax liabilities arising from the change in tax rates		-	-	-	411,925	-	411,925

(Forward)

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

The Group

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserve/ Translation Reserve* RM	Retained Earnings RM	Total RM
Transfer of revaluation surplus	15	-	-	-	(302,581)	302,581	-
Exchange differences arising on translation of foreign subsidiaries		-	-	-	834,232	-	834,232
Net income and expenses recognised directly in equity		-	-	-	2,041,529	302,581	2,344,110
Profit for the year		-	-	-	-	25,281,774	25,281,774
Total recognised income and expenses		-	-	-	2,041,529	25,584,355	27,625,884
Buy-back of ordinary shares		-	(4,531)	-	-	-	(4,531)
Dividends	24	-	-	-	-	(16,798,950)	(16,798,950)
Balance as of December 31, 2009		64,007,000	(39,837)	18,993,049	12,622,761	127,021,377	222,604,350

(Forward)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

* An analysis of the movement of these reserves is shown below:

	Note	Revaluation Reserve RM	Translation Reserve RM	Total RM
Balance as of January 1, 2008		10,176,684	469,127	10,645,811
Transfer of revaluation surplus	15	(290,479)	-	(290,479)
Exchange differences arising on translation of foreign subsidiaries		-	225,900	225,900
Net income and expenses recognised directly in equity		(290,479)	225,900	(64,579)
Balance as of December 31, 2008		9,886,205	695,027	10,581,232
Balance as of January 1, 2009		9,886,205	695,027	10,581,232
Fair value adjustment upon transfer from property, plant and equipment to investment properties		1,423,693	-	1,423,693
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment		(325,740)	-	(325,740)
Reversal of deferred tax liabilities arising from the change in tax rates		411,925	-	411,925
Transfer of revaluation surplus	15	(302,581)	-	(302,581)
Exchange differences arising on translation of foreign subsidiaries		-	834,232	834,232
Net income and expenses recognised directly in equity		1,207,297	834,232	2,041,529
Balance as of December 31, 2009		11,093,502	1,529,259	12,622,761

(Forward)

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

The Company

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Merger Reserve RM	Retained Earnings RM	Total RM
Balance as of January 1, 2008		64,007,000	(2,569)	18,993,049	16,408,221	115,813,146	215,218,847
Buy-back of ordinary shares		-	(32,737)	-	-	-	(32,737)
Loss for the year, representing total recognised income and expenses		-	-	-	-	(909,041)	(909,041)
Dividends	24	-	-	-	-	(18,382,667)	(18,382,667)
Balance as of December 31, 2008		64,007,000	(35,306)	18,993,049	16,408,221	96,521,438	195,894,402
Balance as of January 1, 2009		64,007,000	(35,306)	18,993,049	16,408,221	96,521,438	195,894,402
Buy-back of ordinary shares		-	(4,531)	-	-	-	(4,531)
Loss for the year, representing total recognised income and expenses		-	-	-	-	(1,963,010)	(1,963,010)
Dividends	24	-	-	-	-	(16,798,950)	(16,798,950)
Balance as of December 31, 2009		64,007,000	(39, 837)	18,993,049	16,408,221	77,759,478	177,127,911

The accompanying notes form an integral part of the financial statements.

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit/ (loss) for the year	25,281,774	33,936,145	(1,963,010)	(909,041)
Adjustments for:				
Tax expense/ (income) recognised in profit or loss	7,922,397	9,566,636	473,417	(7,099)
Depreciation of property, plant and equipment	3,946,060	3,668,779	-	-
Allowance for slow moving inventories	1,024,694	1,638,591	-	-
Amortisation of prepaid lease payments on leasehold land	287,155	246,911	-	-
Bad debts written off	41,497	-	-	-
Allowance for doubtful debts	66	416,857	-	-
Loss/ (gain) on disposal of property, plant and equipment	62	(22,572)	-	-
Interest income	(1,479,098)	(2,041,789)	(328,333)	(441,811)
Unrealised (gain)/ loss on foreign exchange	(1,192,224)	124,887	-	-
Allowance for doubtful debts no longer required	(437,302)	-	-	-
Allowance for slow moving inventories no longer required	(354,540)	-	-	-
Fair value adjustment on investment properties	-	238,556	-	-
Property, plant and equipment written off	-	2	-	-
Gross dividend income from subsidiaries	-	-	-	(2,000,000)
	35,040,541	47,773,003	(1,817,926)	(3,357,951)
Movements in working capital:				
(Increase)/ decrease in:				
Inventories	8,001,038	(362,955)	-	-
Trade and other receivables	3,486,814	2,051,080	-	-
Other assets	348,154	367,910	441	65
Increase/ (decrease) in:				
Trade and other payables	464,874	528,273	(136,091)	1,442,704
Cash generated from/ (used in) operations	47,341,421	50,357,311	(1,953,576)	(1,915,182)

(Forward)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

		The Group		The Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Tax refunded		110,364	829,559	-	621,225
Tax paid		(9,434,661)	(8,523,886)	-	-
Net cash from/ (used in) operating activities		38,017,124	42,662,984	(1,953,576)	(1,293,957)
Cash flows from investing activities					
Interest received		1,477,242	2,024,035	351,438	426,507
Purchase of property, plant and equipment		(1,965,067)	(5,442,816)	-	-
Proceeds from disposal of property, plant and equipment		-	22,572	-	-
Purchase of leasehold land		-	(3,300,000)	-	-
Additions to investment properties		-	(258,000)	-	-
Repayment of advances by/ (advances to) subsidiaries		-	-	20,000,000	(93,364,200)
Dividends received		-	-	-	113,170,000
Net cash (used in)/ from investing activities		(487,825)	(6,954,209)	20,351,438	20,232,307
Cash flows from financing activities					
Dividends paid		(16,798,950)	(18,382,667)	(16,798,950)	(18,382,667)
Payment for shares buy-back		(4,531)	(32,737)	(4,531)	(32,737)
Bank balances held as security		(1,904)	(55,664)	-	-
Net cash used in financing activities		(16,805,385)	(18,471,068)	(16,803,481)	(18,415,404)
Net increase in cash and cash equivalents		20,723,914	17,237,707	1,594,381	522,946
Cash and cash equivalents at beginning of year		98,378,088	80,960,674	24,463,261	23,940,315
Effect of foreign exchange rates changes		794,596	179,707	-	-
Cash and cash equivalents at end of year	25	119,896,598	98,378,088	26,057,642	24,463,261

The accompanying notes form an integral part of the financial statements.

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., a corporation incorporated in British Virgin Islands and Pan-International Industrial Corporation, a corporation incorporated in Taiwan respectively.

The registered office of the Company is at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia. The principal place of business of the Company is at Plot 6, Jalan Jelawat Satu, Kawasan Perusahaan Seberang Jaya, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 5, 2010.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

During the financial year, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and Issues Committee ("IC") Interpretations issued by Malaysian Accounting Standards Board that are relevant to their operations and effective for the Group's and the Company's financial period beginning on January 1, 2009. The adoption of these new and revised FRSs and IC Interpretations has no material effect on the financial statements of the Group and of the Company.

At the date of authorisation of issue of these financial statements, the FRSs, IC Interpretations and amendments to FRSs and IC Interpretations which were in issue but not yet effective are as listed below.

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) (a)
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) (b)
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations) (a)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3) (b)
FRS 3	Business Combinations (Revised in 2010) (b)
FRS 4	Insurance Contracts (a)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary) (b)
FRS 7	Financial Instruments: Disclosures (a)
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition) (a)
FRS 8	Operating Segments (c)
FRS 101	Presentation of Financial Statements (Revised in 2009) (a)
FRS 123	Borrowing Costs (Revised) (a)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) (a)
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010) (b)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation) (a)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3) (b)
FRS 139	Financial Instruments: Recognition and Measurement (a)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition and embedded derivatives and revised FRS 3 and revised FRS 127) (a)
Improvements to FRSs (2009) (a)	
IC Interpretation 9	Reassessment of Embedded Derivatives (a)
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives) (a)
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3) (b)
IC Interpretation 10	Interim Financial Reporting and Impairment (a)
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions (a)
IC Interpretation 12	Service Concession Arrangements (b)
IC Interpretation 13	Customer Loyalty Programmes (a)
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (a)
IC Interpretation 15	Agreements for the Construction of Real Estate (b)
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation (b)
IC Interpretation 17	Distributions of Non-cash Assets to Owners (b)

[(a)] Effective for annual periods beginning on or after January 1, 2010.
[(b)] Effective for annual periods beginning on or after July 1, 2010.
[(c)] Effective for annual periods beginning on or after July 1, 2009.

Consequential amendments were also made to various FRSs as a result of these new/ revised FRSs.
FRSs 4 and 123, amendments to FRSs 2, 5, 132 and 139, and IC Interpretations 9, 11, 12, 13, 14, 15, 16 and 17 are not expected to be relevant to the operations of the Group and of the Company. The directors anticipate that abovementioned Standards and Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

(a) FRS 3 Business Combinations (Revised in 2010)

The revised FRS 3:

(i) allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(ii) changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured realiably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as net asset or a liability are recognised in profit or loss;

(iii) requires the recognition of a settlement gain and loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

(iv) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

(b) FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital.

(c) FRS 8 Operating Segments

FRS 8, which replaces FRS 114_{2004} Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments (business and geographical) using a risks-and-rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments may change.

(d) FRS 101 Presentation of Financial Statements (Revised in 2009)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change affects only the presentation of the Group's and the Company's financial statements.

(e) FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interest in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised in 2010) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of the transactions prior to the date of adoption.

(f) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain amendments to 21 FRSs. Some of the improvements involve accounting changes to presentation, recognition or measurement whilst some are changes to terminology with little effect on accounting. Only the following two of the improvements are expected to have an impact on the Group's financial statements.

(i) FRS 117 Leases generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either "finance" or "operating" using the general principles of FRS 117. These amendments are effective for annual periods beginning on or after January 1, 2010, and they are to be applied retrospectively to unexpired leases as of January 1, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised standard will be applied based on the facts and circumstances existing on January 1, 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings. It is likely that the changes will affect the classification of some of the Group's leases of land.

(ii) FRS 140 Investment Property has been amended to include within its scope investment property in the course of construction and in accordance with the Group's accounting policy for investment property, such property are to be measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The Group has previously accounted for such assets at cost less accumulated impairment losses under FRS 116 Property, Plant and Equipment. The change will be applied prospectively and therefore will not impact the current reported results.

By virtue of the exemption provided in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the Group's and the Company's financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are consolidated using the purchase method of accounting, except for certain business combinations with agreement dated before January 1, 2006 that meet the conditions of a merger as set out in FRS 122_{2004} Business Combinations, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by FRS 3 to apply this standard prospectively. Accordingly, business combinations entered into prior to January 1, 2006 have not been restated to comply with this standard.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statements.

When the merger method is used, the cost of investment in the Company's books is recorded at cost. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit balance is adjusted against any suitable reserve. The results of the subsidiaries being merged are presented as if the merger had been effected throughout the current and previous financial years.

The financial statements of all subsidiaries are consolidated under the purchase method except for the financial statements of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. which are consolidated under the merger method.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest revenue is recognised on a time proportion basis that takes into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Rental income is accrued on a time basis, by reference to the agreements entered.

Management fee and other operating income are recognised on an accrual basis.

Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia and Republic of Singapore make contributions to the state pension schemes, the employees provident fund and central provident fund respectively. Such contributions are recognised as expenses in the income statements as incurred.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the "balance sheet liability" method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are included in profit or loss for the period. For non-monetary items that are measured in terms of historical cost in foreign currency, any exchange component of that gain or loss is recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in income statements in the period in which the foreign operation is disposed of.

Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(a) The Group as lessee under operating leases

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

(b) The Group as lessor under operating leases

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

The Group carried some of its buildings and leasehold flats at revalued amounts. These assets shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market values.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained earnings account.

Freehold land is not depreciated. All other property, plant and equipment are depreciated on a straight line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

Leasehold improvement	20%
Buildings	2.22% - 5%
Leasehold flats	2.22%
Plant and machinery	10% - 33.3%
Production tools and equipment	10% - 20%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% - 20%
Motor vehicles	20%
Road	10%

At each balance sheet date, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes are recognised prospectively.

Investment properties

Investment properties, comprising principally freehold land, short leasehold land and buildings are held to earn rentals and/ or for capital appreciation, and are not occupied by the Group.

Investment properties are stated at fair value, representing open-market value determined annually by external valuers and the directors. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of investment properties are included in income statements for the period in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in income statements in the period of the retirement or disposal.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investments in subsidiaries

Subsidiaries are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries, which are eliminated on consolidation, are stated in the Company's financial statements at cost. When there is an indication of impairment in the value of the assets, the carrying amount of the investment are assessed and written down immediately to its recoverable amount.

Investment in jointly controlled entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in the jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The most recent available audited financial statements of the jointly controlled entity are used by the Group in applying the equity method.

In the Company's separate financial statements, investment in the jointly controlled entity is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in income statements.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group and the Company review the carrying amounts of their tangible and intangible assets to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and weighted average methods.

Cost of raw materials consists of the purchase price plus the cost incurred in bringing the inventories to their present location. Cost of work-in-progress and finished good consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads. Goods-in-transit is stated at cost.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where such treasury shares are subsequently sold or reissued, the net consideration received is included in shareholders' equity.

Where the Company reacquires its own equity share capital, the consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Payables

Payables are stated at the nominal value of the consideration to be paid in the future for goods and services received.

Cash and cash equivalents

The Group and the Company adopted the indirect method in the preparation of the cash flow statements.

Cash and cash equivalents comprise cash and bank balances, demand deposits which are not pledged, bank overdrafts and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, investments, receivables and payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The recoverable amount of the CGU is determined based on the value in use. The value in use calculations are based on the discounted net cash projections based on financial budgets approved by management covering a period of 3 years with an estimated growth rate of 2% and a discount rate of 7% (2008: 7%), reflecting the effective interest rate on borrowings .

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of the recognition of deferred tax assets.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised deferred tax assets of the Group is RM2,027,000 (2008: RM3,033,000).

5. REVENUE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Sale of goods	225,901,862	291,784,167	-	-
Management fee	-	-	2,460,000	2,071,600
Dividend income from subsidiaries	-	-	-	2,000,000
	225,901,862	291,784,167	2,460,000	4,071,600

6. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Contribution to employees provident fund and central provident fund	916,086	1,639,568	88,404	759,394
Other employee benefits expense	25,240,877	31,583,794	3,018,915	3,811,796
	26,156,963	33,223,362	3,107,319	4,571,190

Employee benefits expense of the Group and of the Company includes directors' remuneration, salaries, bonuses, contribution to employees provident fund and central provident fund and all other staff related expenses.

Details of remuneration of executive directors and officers, who are the key management personnel of the Group and of the Company, are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Contribution to employees provident fund and central provident fund	85,495	640,022	41,292	593,612
Other employee benefits expense	2,388,095	3,117,176	1,992,978	2,722,216
	2,473,590	3,757,198	2,034,270	3,315,828

7. TAX EXPENSE/ (INCOME)

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Current tax expense:				
Malaysian	4,861,126	8,136,583	-	46,583
Foreign	1,302,318	1,556,263	-	-
Deferred tax expense/ (income):				
Relating to the origination and reversal of temporary differences in current year	886,388	(464,963)	-	-
Reduction in opening deferred tax resulting from the change in tax rates	-	104,000	-	-
	7,049,832	9,331,883	-	46,583
Under/ (over)provision in prior years:				
Current tax	872,565	1,150,753	473,417	(53,682)
Deferred tax	-	(916,000)	-	-
	7,922,397	9,566,636	473,417	(7,099)

A numerical reconciliation of tax expense applicable to profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Accounting profit/ (loss)	33,204,171	43,502,781	(1,489,593)	(916,140)
Tax amount at the statutory tax rate of 25% (2008: 26%)	8,301,000	11,311,000	(372,000)	(238,000)
Tax effects of:				
Expenses that are not deductible in determining taxable profit	843,832	89,883	31,000	25,583
Income that are not taxable in determining taxable profit	(136,000)	(574,000)	-	-
Tax exempt income on pioneer business	(1,348,000)	-	-	-
Tax savings from the claim of:				
Double deduction on expenses	(43,000)	(111,000)	-	-
Allowance for increased exports	-	(559,000)	-	-
Effect of different tax rates	(864,000)	(1,285,000)	-	10,000
Reduction in opening deferred tax resulting from the change in tax rates	-	104,000	-	-
Net deferred tax assets not recognised in current year	296,000	356,000	341,000	249,000
	7,049,832	9,331,883	-	46,583
Under/ (over)provision in prior years:				
Current tax	872,565	1,150,753	473,417	(53,682)
Deferred tax	-	(916,000)	-	-
Tax expense/ (income)	7,922,397	9,566,636	473,417	(7,099)

The Group is operating in the jurisdictions of Malaysia, Republic of Singapore and Thailand. The applicable domestic statutory tax rates are 25% (2008: 20% and 26%) for Malaysia, 17% (2008: 18%) for Republic of Singapore and 15% and 30% (2008: 15% and 30%) for Thailand.

The applicable tax rate of 25% (2008: 26%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory tax rate prevailing for the Company.

Small and medium enterprises ("SME") in Malaysia with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the corporate income tax rate for the year of assessment 2009 was 25% (2008: 26%). With effect from year of assessment 2009, SME is defined as a company resident in Malaysia with paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company does not control or is controlled directly or indirectly by another company which has a paid-up capital of more than RM2.5 million in respect of ordinary shares.

A subsidiary in Thailand is enjoying investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. Under this incentive, the subsidiary is entitled to corporate tax exemption and tax reduction (at 15%) for certain income, as well as other rights and privileges as prescribed by the Board of Investment. As for income which is derived from Non-Board of Investment operations, it is still liable for corporate tax at 30% of the net profit.

As of December 31, 2009, the Group and the Company has unused tax losses of approximately RM3,943,000 (2008: RM2,306,000) and RM3,396,000 (2008: RM1,811,000) respectively, which are available for set off against future taxable income. The unused tax losses are subject to agreement by the relevant tax authorities.

8. PROFIT/ (LOSS) FOR THE YEAR

Profit/ (loss) for the year has been arrived at:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
After charging:				
Depreciation of property, plant and equipment	3,946,060	3,668,779	-	-
Directors' remuneration:				
Directors of the Company:				
Fee	56,000	48,000	56,000	48,000
Contribution to employees provident fund	41,292	593,612	41,292	593,612
Other emoluments	1,936,978	2,674,216	1,936,978	2,674,216
Directors of subsidiaries:				
Fee	-	-	-	-
Contribution to employees provident fund and central provident fund	44,203	46,410	-	-
Other emoluments	395,117	394,960	-	-
Loss on foreign exchange:				
Realised	1,137,200	-	-	-
Unrealised	-	124,887	-	-
Allowance for slow moving inventories	1,024,694	1,638,591	-	-

(Forward)

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Amortisation of prepaid lease payments on leasehold land	287,155	246,911	-	-
Rental of:				
Premises	113,293	126,390	-	-
Office equipment	13,449	14,458	-	-
Audit fee:				
Current year	104,019	97,704	24,000	22,000
Under/ (over)provision in prior year	1,400	(2,300)	2,000	-
Bad debts written off	41,497	-	-	-
Allowance for doubtful debts	66	416,857	-	-
Loss on disposal of property, plant and equipment	62	-	-	-
Fair value adjustment on investment properties	-	238,556	-	-
Property, plant and equipment written off	-	2	-	-
And crediting:				
Gain on foreign exchange:				
Unrealised	1,192,224	-	-	-
Realised	423,403	3,481,898	-	-
Interest income on short-term deposits	1,479,098	2,041,789	328,333	441,811
Rental income	1,143,892	1,095,502	-	-
Allowance for doubtful debts no longer required	437,302	-	-	-
Allowance for slow moving inventories no longer required	354,540	-	-	-
Gain on disposal of property, plant and equipment	-	22,572	-	-

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	The Group 2009 RM	The Group 2008 RM
Profit attributable to ordinary equity holders of the Company (RM)	25,281,774	33,936,145
Weighted average number of ordinary shares in issue (units)	63,995,391	64,005,058
Basic earnings per share (sen)	40	53

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost unless stated otherwise	Beginning of year RM	Additions RM	Disposals RM	Reclassification RM	Transfer to investment properties RM	Currency translation differences RM	End of year RM
2009:							
Freehold land	676,207	-	-	-	-	23,130	699,337
Leasehold improvement	203,884	-	-	-	-	-	203,884
Buildings							
- at cost	940,035	-	-	3,556,508	(3,556,508)	31,778	971,813
- at 2005 valuation	19,235,839	-	-	(1,415,839)	-	-	17,820,000
Leasehold flats							
- at 2005 valuation	1,950,000	-	-	-	-	-	1,950,000
Plant and machinery	48,690,674	1,882,254	-	(2,140,669)	-	8,529	48,440,788
Production tools and equipment	2,743,987	26,895	(56,864)	-	-	1,435	2,715,453
Furniture, fixtures and office equipment	2,513,637	55,918	(4,575)	-	-	3,866	2,568,846
Mechanical and electrical installation	1,608,537	-	-	-	-	-	1,608,537
Motor vehicles	1,826,168	-	-	-	-	7,965	1,834,133
Road	8,726	-	-	-	-	299	9,025
	80,397,694	1,965,067	(61,439)	-	(3,556,508)	77,002	78,821,816

Cost unless stated otherwise	Beginning of year RM	Transfer from prepaid lease payments RM	Additions RM	Disposals/ write-off RM	Currency translation differences RM	End of year RM
2008:						
Freehold land	668,044	-	-	-	8,163	676,207
Leasehold improvement	203,884	-	-	-	-	203,884
Buildings						
- at cost	928,819	-	-	-	11,216	940,035
- at 2005 valuation	17,820,000	-	1,415,839	-	-	19,235,839
Leasehold flats						
- at 2005 valuation	-	1,950,000	-	-	-	1,950,000
Plant and machinery	46,611,268	-	3,625,183	(1,545,289)	(488)	48,690,674
Production tools and equipment	2,647,246	-	103,500	(6,870)	111	2,743,987
Furniture, fixtures and office equipment	2,222,655	-	298,294	(8,190)	878	2,513,637
Mechanical and electrical installation	1,608,537	-	-	-	-	1,608,537
Motor vehicles	1,828,881	-	-	(5,615)	2,902	1,826,168
Road	8,621	-	-	-	105	8,726
	74,547,955	1,950,000	5,442,816	(1,565,964)	22,887	80,397,694

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	Reclassification RM	Transfer to investment properties RM	Currency translation differences RM	End of year RM
2009:							
Leasehold improvement	203,862	-	-	-	-	-	203,862
Buildings							
- at cost	286,445	93,314	-	359,469	(359,469)	9,923	389,682
- at 2005 valuation	1,965,171	599,955	-	(51,799)	-	-	2,513,327
Leasehold flats							
- at 2005 valuation	79,360	22,674	-	-	-	-	102,034
Plant and machinery	40,658,713	2,844,319	-	(307,670)	-	2,056	43,197,418
Production tools and equipment	2,445,036	96,618	(56,864)	-	-	479	2,485,269
Furniture, fixtures and office equipment	2,086,502	146,660	(4,513)	-	-	1,577	2,230,226
Mechanical and electrical installation	1,608,113	-	-	-	-	-	1,608,113
Motor vehicles	1,461,588	142,520	-	-	-	2,167	1,606,275
Road	8,726	-	-	-	-	298	9,024
	50,803,516	3,946,060	(61,377)	-	(359,469)	16,500	54,345,230

Accumulated depreciation	Beginning of year RM	Transfer from prepaid lease payments RM	Charge for the year RM	Disposals/ write-off RM	Currency translation differences RM	End of year RM
2008:						
Leasehold improvement	203,862	-	-	-	-	203,862
Buildings						
- at cost	193,696	-	91,019	-	1,730	286,445
- at 2005 valuation	1,382,720	-	582,451	-	-	1,965,171
Leasehold flats						
- at 2005 valuation	-	56,686	22,674	-	-	79,360
Plant and machinery	39,569,207	-	2,634,715	(1,545,287)	78	40,658,713
Production tools and equipment	2,358,352	-	93,499	(6,870)	55	2,445,036
Furniture, fixtures and office equipment	1,991,165	-	103,264	(8,190)	263	2,086,502
Mechanical and electrical installation	1,608,113	-	-	-	-	1,608,113
Motor vehicles	1,325,959	-	141,157	(5,615)	87	1,461,588
Road	8,621	-	-	-	105	8,726
	48,641,695	56,686	3,668,779	(1,565,962)	2,318	50,803,516

	The Group 2009 RM	2008 RM
Net book value:		
Freehold land	699,337	676,207
Leasehold improvement	22	22
Buildings		
- at cost	582,131	653,590
- at 2005 valuation	15,306,673	17,270,668
Leasehold flats		
- at 2005 valuation	1,847,966	1,870,640
Plant and machinery	5,243,370	8,031,961
Production tools and equipment	230,184	298,951
Furniture, fixtures and office equipment	338,620	427,135
Mechanical and electrical installation	424	424
Motor vehicles	227,858	364,580
Road	1	-
	24,476,586	29,594,178

The buildings and leasehold flats were revalued by the directors in 2005 based on the valuations carried out by an independent firm of professional valuers. The valuations were based on open market values on existing use basis.

Had the buildings and leasehold flats been carried at historical cost, the carrying amount of the revalued assets would be as follows:

	The Group	
	2009	2008
	RM	RM
Cost:		
Buildings	15,581,896	15,581,896
Leasehold flats	1,472,000	1,472,000
	17,053,896	17,053,896
Accumulated depreciation:		
Buildings	7,142,568	6,713,105
Leasehold flats	239,140	224,272
	(7,381,708)	(6,937,377)
Carrying amount	9,672,188	10,116,519

As of December 31, 2009, certain of the Group's freehold land and buildings with a total carrying value of RM1,271,627 (2008: RM1,319,714) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

11. INVESTMENT PROPERTIES

	The Group	
	2009	2008
	RM	RM
At fair value:		
At beginning of year	10,422,940	10,379,376
Additions during the year	-	258,000
Transfer from:		
Property, plant and equipment	3,197,039	-
Prepaid lease payments on leasehold land	3,179,268	-
Fair value adjustment	1,423,693	(238,556)
Effect of exchange differences	68,340	24,120
At end of year	18,291,280	10,422,940

The investment properties as of December 31, 2009 are as follows:

	The Group	
	2009	2008
	RM	RM
Freehold land and buildings	2,066,280	1,997,940
Short leasehold land and buildings	16,225,000	8,425,000
	18,291,280	10,422,940

The fair value of the Group's investment properties of freehold land and buildings of RM2,066,280 (2008: RM1,997,940) as of December 31, 2009 was determined by the directors by reference to market evidence of transaction prices for similar properties.

The fair value of the Group's investment properties of short leasehold land and buildings of RM16,225,000 (2008: RM8,425,000) as of December 31, 2009 has been arrived at on the basis of valuations carried out by an independent firm of professional valuer that is not related to the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

The rental income earned by the Group from its investment properties is RM1,143,892 (2008: RM1,095,502). Direct operating expenses incurred on the investment properties during the financial year amounted to RM109,818 (2008: RM109,818).

As of December 31, 2009, the unexpired lease period of the short leasehold land of the Group which are included under investment properties is 40 years.

As of December 31, 2009, certain of the Group's investment properties with a total carrying value of RM2,066,280 (2008: RM1,997,940) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

12. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2009	**2008**
	RM	**RM**
At beginning of year	11,836,422	10,676,647
Addition during the year	-	3,300,000
Transfer to:		
Investment properties	(3,179,268)	-
Property, plant and equipment	-	(1,893,314)
Amortisation during the year	(287,155)	(246,911)
At end of year	8,369,999	11,836,422

The prepaid lease payments on leasehold land as of December 31, 2009 are as follows:

	The Group	
	2009	**2008**
	RM	**RM**
Short leasehold land	8,369,999	11,836,422

As of December 31, 2009, the unexpired lease period of the short leasehold land of the Group which are included under prepaid lease payments on leasehold land is 40 years.

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	**2008**
	RM	**RM**
Unquoted shares, at cost	79,918,805	79,918,805

The subsidiaries are as follows:

	Country of incorporation	Principal activities	Percentage of ownership 2009	2008
Direct holdings				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly	100%	100%
Pan International Electronics (Thailand) Co., Ltd#	Thailand	Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry	100%	100%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding compounds	100%	100%
Indirect holdings				
Pan-International Corporation (S) Pte. Ltd.*#	Republic of Singapore	Marketing and trading of electronic and telecommunication components and equipment	100%	100%
PIE Enterprise (M) Sdn. Bhd.*	Malaysia	Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products.	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd.+	Malaysia	Trading of raw cable and wire and cable assembly products. However, in 2004, the Company ceased its trading activity and is presently inactive.	100%	100%

\# The financial statements of these subsidiaries were audited by other firms of auditors.

* These companies are wholly owned by Pan-International Electronics (Malaysia) Sdn. Bhd..

\+ This company is wholly owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd..

14. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post acquisition results	(25,000)	(25,000)	-	-
	-	-	25,000	25,000

The Company holds 50% (2008: 50%) equity interest in a jointly controlled entity, Infra-Info Telecommunications Sdn. Bhd., a company incorporated in Malaysia. The jointly controlled entity is principally engaged in the provision of wireless broadband services and sale of related telecommunication products.

The Group's share of loss in jointly controlled entity has been recognised to the extent of the carrying amount of the investment. The cumulative and current year unrecognised share of loss in excess of carrying amount amounted to RM70,555 (2008: RM55,159) and RM 15,396 (2008: RM16,334) respectively.

The Group's aggregate share of non-current assets, current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

	The Group	
	2009	2008
	RM	RM
Assets and liabilities		
Non-current assets	51,444	67,558
Current assets	13,075	6,410
Total assets	64,519	73,968
Current liabilities	135,074	129,127
Results		
Revenue	7,334	16,472
Expenses	565,328	32,806
Other income	542,998	-
Tax expense	400	-

15. DEFERRED TAX ASSETS/ (LIABILITIES)

	The Group	
	2009	2008
	RM	RM
Deferred tax assets	2,027,000	3,033,000
Deferred tax liabilities	(3,638,836)	(3,844,633)
	(1,611,836)	(811,633)

The movement in the deferred tax assets is as follows:

	The Group	
	2009	2008
	RM	RM
Balance at beginning of year	3,033,000	1,869,000
Transfer (to)/ from income statements:		
Relating to the origination and reversal of temporary differences	(1,006,000)	1,268,000
Reduction in opening deferred tax resulting from the change in tax rates	-	(104,000)
Balance at end of year	2,027,000	3,033,000

The deferred tax assets are in respect of the following:

	The Group	
	2009	2008
	RM	RM
Tax effects of:		
Temporary differences arising from:		
Inventories	296,000	-
Receivables	74,000	-
Property, plant and equipment	(991,000)	(1,371,000)
Others	2,648,000	4,404,000
Net	2,027,000	3,033,000

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2009, deferred tax assets have not been recognised in respect of the following:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Tax effects of:				
Unused tax losses	949,290	546,263	849,000	453,000
Temporary differences arising from:				
Receivables	63,000	99,000	-	-
Inventories	17,000	15,000	-	-
Others	199,012	268,684	193,000	248,000
	1,228,302	928,947	1,042,000	701,000

The movement in the deferred tax liabilities is as follows:

	The Group	
	2009	**2008**
	RM	**RM**
Balance at beginning of year	3,844,633	3,957,596
Recognised in equity:		
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment	325,740	-
Reversal of deferred tax liabilities resulting from the change in tax rates	(411,925)	-
Transfer to income statements:		
Relating to the origination and reversal of temporary differences:		
Crystallisation of deferred tax liabilities on revaluation surplus	(100,862)	(112,963)
Other temporary differences	(18,750)	-
Balance at end of year	3,638,836	3,844,633

The deferred tax liabilities are in respect of tax effect of revaluation surplus.

A deferred tax income of RM100,862 (2008: RM112,963) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM302,581 (2008: RM290,479) was transferred from revaluation reserve to retained earnings. This relates to the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of the assets.

16. INVENTORIES

	The Group	
	2009	**2008**
	RM	**RM**
Raw materials	13,498,984	24,256,509
Work-in-progress	7,206,354	5,568,421
Finished goods	3,762,265	5,502,641
Goods-in-transit	2,358,615	169,839
	26,826,218	35,497,410

The cost of inventories recognised as an expense by the Group during the financial year was RM182,972,101 (2008: RM238,757,636).

17. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade receivables	66,258,240	68,608,026	-	-
Less: Allowance for doubtful debts	(1,331,818)	(1,830,486)	-	-
	64,926,422	66,777,540	-	-
Amount owing by ultimate holding company	2,677	-	-	-
Amount owing by subsidiaries	-	-	73,375,000	93,375,000
Amount owing by jointly controlled entity	125,000	125,000	125,000	125,000
Other receivables	75,310	105,901	25,281	48,386
	65,129,409	67,008,441	73,525,281	93,548,386

The currency exposure profile of trade receivables is as follows:

	The Group	
	2009	2008
	RM	RM
United States Dollar	51,602,459	51,467,862
Ringgit Malaysia	7,197,013	7,844,243
Euro	3,483,736	4,839,394
Singapore Dollar	1,901,502	1,202,727
Thai Baht	741,712	1,423,314
	64,926,422	66,777,540

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit periods granted by the Group for sale of goods range from 30 to 90 days (2008: 30 to 90 days).

An allowance has been made by the Group for estimated irrecoverable amount from the sale of goods of RM1,331,818 (2008: RM1,830,486) based on the past default experience of the Group.

The amount owing by ultimate holding company arose mainly from unsecured advances which are interest free and repayable on demand.

The amount owing by subsidiaries are as follows:

	The Company	
	2009	2008
	RM	RM
Pan-International Electronics (Malaysia) Sdn. Bhd.	56,795,000	66,795,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	16,580,000	26,580,000
	73,375,000	93,375,000

The amount owing by subsidiaries arose mainly from dividend receivable, management fee receivable and unsecured advances which are interest free and repayable on demand.

The amount owing by jointly controlled entity, Infra-Info Telecommunications Sdn. Bhd. arose mainly from unsecured advances which are interest free and repayable on demand.

The currency exposure profile of other receivables is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Ringgit Malaysia	45,448	101,043	25,281	48,386
Thai Baht	29,862	4,858	-	-
	75,310	105,901	25,281	48,386

18. OTHER ASSETS

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Refundable deposits	139,279	958,536	2,000	2,441
Prepaid expenses	1,176,423	705,320	17,863	17,863
	1,315,702	1,663,856	19,863	20,304

19. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The currency exposure profile of short-term deposits with licensed banks is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Ringgit Malaysia	72,229,202	61,452,437	26,008,712	24,400,000
Thai Baht	19,838,971	3,137,196	-	-
United States Dollar	15,401,000	7,297,500	-	-
	107,469,173	71,887,133	26,008,712	24,400,000

The short-term deposits of the Group carry interests at rates ranging from 0.16% to 2.45% (2008: 0.2% to 3.55%) per annum and will mature within January 2010 to March 2010. The short-term deposits of the Company carry interests at rates ranging from 2.1% to 2.45% (2008: 3.2% to 3.55%) per annum and will mature in January 2010.

20. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Ringgit Malaysia	4,829,468	2,942,919	48,930	63,261
United States Dollar	3,945,162	14,726,620	-	-
Thai Baht	3,373,498	8,478,638	-	-
Singapore Dollar	300,658	392,260	-	-
Euro	23,343	6,182	-	-
Japanese Yen	10,265	-	-	-
Pound Sterling	2,599	-	-	-
	12,484,993	26,546,619	48,930	63,261

As of December 31, 2009, certain bank balances of the Group with a total carrying amount of RM57,568 (2008: RM55,664) are pledged as guarantee for the issuance of letter of guarantee by a bank for a foreign subsidiary's installation of electrical transformer and guarantee for the performance.

21. SHARE CAPITAL

	The Company	
	2009	2008
	RM	RM
Authorised:		
100,000,000 shares of RM1 each	100,000,000	100,000,000
Issued and fully paid:		
64,007,000 ordinary shares of RM1 each	64,007,000	64,007,000

At an Annual General Meeting held on May 22, 2009, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital. The share buy-back exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,100 (2008: 10,500) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM4.12 (2008: RM3.12) per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As of December 31, 2009, out of the total 64,007,000 (2008: 64,007,000) issued and paid-up share capital, 12,100 (2008: 11,000) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,994,900 (2008: 63,996,000) ordinary shares of RM1 each.

22. RESERVES

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Distributable as cash dividends:				
Retained earnings	127,021,377	118,235,972	77,759,478	96,521,438
Non-distributable as cash dividends:				
Share premium	18,993,049	18,993,049	18,993,049	18,993,049
Revaluation reserve	11,093,502	9,886,205	-	-
Translation reserve	1,529,259	695,027	-	-
Merger reserve	-	-	16,408,221	16,408,221
	158,637,187	147,810,253	113,160,748	131,922,708

Effective January 1, 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by December 31, 2013.

The Company has tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings as of December 31, 2009.

The share premium arose from the issue of shares at premium and sale of treasury shares, net of share issue expenses.

The revaluation reserve is used to record increase and decrease in revaluation and fair value adjustment of non-current assets, as described in the accounting policies. This amount arose from the revaluation and fair value adjustment of the Group’s short leasehold land, buildings and leasehold flats, net of the related deferred tax liabilities.

The translation reserve is used to record exchange differences arising on translation of foreign subsidiaries.

The merger reserve represents the difference between the cost of investment in subsidiaries and the nominal value of shares issued as consideration plus cash consideration.

23. TRADE AND OTHER PAYABLES

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade payables:				
United States Dollar	15,983,429	17,019,030	-	-
Ringgit Malaysia	7,406,389	6,046,350	-	-
Thai Baht	888,750	264,603	-	-
Japanese Yen	700,554	122,174	-	-
Euro	156,296	307,352	-	-
Singapore Dollar	22,879	83,236	-	-
Pound Sterling	15,062	31,097	-	-
	25,173,359	23,873,842	-	-
Amount owing to ultimate holding company:				
United States Dollar	66,207	2,055	-	-
Amount owing to a director:				
Ringgit Malaysia	800	800	800	800
Other payables:				
Ringgit Malaysia	2,075,472	1,222,075	-	-
United States Dollar	34,122	102,899	-	-
Singapore Dollar	756	4,369	-	-
Thai Baht	-	123,970	-	-
	2,110,350	1,453,313	-	-
Accrued expenses:				
Ringgit Malaysia	13,179,059	14,525,920	3,347,979	3,484,070
Thai Baht	1,960,101	2,092,232	-	-
Singapore Dollar	14,669	17,896	-	-
	15,153,829	16,636,048	3,347,979	3,484,070
	42,504,545	41,966,058	3,348,779	3,484,870

Included in trade payables as of December 31, 2008 was an amount of RM11,874 owing to Hon Hai Precision Industries Co. Ltd., a shareholder of the Company's ultimate holding company.

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 10 to 60 days (2008: 10 to 60 days).

The amount owing to ultimate holding company arose mainly from trade transactions. The credit period granted to the Group for trade transactions with ultimate holding company is 30 days (2008: 30 days).

The amount owing to a director, Mr. Cheung Ho Leung represents director's remuneration payable.

Other payables comprise mainly amounts outstanding for ongoing costs.

24. DIVIDENDS

	The Group and the Company	
	2009	2008
	RM	RM
Declared in respect of financial year ended December 31, 2008:		
Special dividend of 23 sen gross per ordinary share, less tax	11,039,310	-
First and final dividend of 12 sen gross per ordinary share, less tax	5,759,640	-
Declared in respect of financial year ended December 31, 2007:		
Special dividend of 8 sen per ordinary share, tax exempt	-	5,120,520
Special dividend of 16 sen gross per ordinary share, less tax	-	7,578,370
First and final dividend of 12 sen gross per ordinary share, less tax	-	5,683,777
	16,798,950	18,382,667

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of year comprise the following:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Short-term deposits with licensed banks	107,469,173	71,887,133	26,008,712	24,400,000
Cash and bank balances	12,484,993	26,546,619	48,930	63,261
	119,954,166	98,433,752	26,057,642	24,463,261
Less: Bank balances pledged as security	(57,568)	(55,664)	-	-
	119,896,598	98,378,088	26,057,642	24,463,261

26. BANKING FACILITIES

The Group has unutilised banking facilities which are generally secured as follows:

a. a charge over a subsidiary's freehold land, buildings and investment properties; and
b. corporate guarantees by the Company for RM6,600,000.

27. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/ or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

i. Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

ii. Interest rate risk

The Group's and the Company's exposure to changes in interest rates risk relates primarily to the Group's and the Company's short-term deposits. It has no significant interest-bearing financial assets other than the short-term deposits. The short-term deposits are placed with reputable licenced banks. The Group and the Company do not use derivative financial instruments to hedge its risk.

iii. Market risk

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the key raw materials used in the operations.

iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheets. There is concentration of credit risk with respect to trade receivables from certain customers with a total amount receivable of RM31,492,765 (2008: RM38,858,070). However, these trade receivables were consistently settling its debts within the credit period granted by the Group.

v. Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

vi. Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Off balance sheet derivative financial instruments

The Group entered into various financial derivative transactions to control and manage financial risks arising from its operations. The use of derivative instruments was to manage its exposures to fluctuations in foreign exchange rates. These instruments were not recognised in the financial statements on inception.

c. Foreign currency forward contracts

In order to hedge its exposure to foreign exchange risks, the Group entered into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instrument was used to hedge against anticipated future transactions, gains and losses were not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to sell the following amount under forward contracts:

	The Group			
			Average exchange rate	
	2009 RM	2008 RM	2009 RM	2008 RM
United States Dollar	-	14,380,000	-	3.1956

d. Fair values

The estimated fair values of the Group's financial instruments as of December 31, 2009 are as follows:

i. Cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables and amount owing to a director

The fair values approximate their carrying amounts shown in the balance sheets because of the short maturity of these instruments.

ii. Off balance sheet item

	The Group			
	2009		2008	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Foreign currency forward contracts	-	-	-	15,603,750

The fair value of foreign currency forward contracts was calculated by reference to the current rate for contracts with similar maturity profiles.

28. RELATED PARTY TRANSACTIONS

Significant transactions between the Group and the Company with related parties during the financial year were as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
With ultimate holding company:				
Purchase of sundry items	140,183	7,508	-	-
Purchase of raw materials	21,301	247,744	-	-
With subsidiaries:				
Pan-International Electronics (Malaysia) Sdn. Bhd.				
Management fee received	-	-	1,740,000	1,460,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.				
Management fee received	-	-	720,000	610,800
With another related company:				
Pan-International USA				
Purchase of sundry items	14,438	-	-	-
Sale of finished goods	-	15,235	-	-
With another related party:				
Hon Hai Precision Industries Co. Ltd.*				
Purchase of raw materials	-	11,874	-	-

* A shareholder of the Company's ultimate holding company.

29. OPERATING LEASE ARRANGEMENTS

The Group has entered into operating lease agreements to lease out its investment properties. The future minimum lease payments receivable under operating lease of the Group's short leasehold land and building contracted for as of the balance sheet date but not recognised as receivables, are as follows:

	The Group	
	2009	2008
	RM	RM
Not later than one year	2,282,748	1,068,610
Later than one year and not later than five years	3,363,180	1,972,872
	5,645,928	3,041,482

The Group has entered into operating lease agreements for the use of premises. The future aggregate minimum lease payments under operating leases contracted for as of the balance sheet date but not recognised as liabilities are as follows:

	The Group	
	2009	2008
	RM	RM
Not later than one year	56,740	101,210
Later than one year and not later than five years	30,660	31,820
	87,400	133,030

30. SEGMENT REPORTING

Business segments

For management purposes, the Group is organised into the following business segments:

a. manufacturing of industrial products (includes cables and wires for electrical devices, cable moulding components and PCB assemblies, cable and wireharness to the computer, communication, consumer electronic industry and cable assembly);
b. trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment); and
c. investment holdings.

Inter-segment revenue are charged on an arms length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2009:					
Revenue					
External sales	222,941,434	2,960,428	-	-	225,901,862
Inter-segment revenue	12,247,225	710,416	2,460,000	(15,417,641)	-
Total revenue	235,188,659	3,670,844	2,460,000	(15,417,641)	225,901,862
Results					
Segment results	32,433,909	97,523	(1,817,926)	(132,325)	30,581,181
Investment revenue					2,622,990
Profit before tax					33,204,171
Tax expense					(7,922,397)
Profit for the year					25,281,774
Assets					
Segment assets	132,591,265	3,789,422	1,965,739	1,978,146	140,324,572
Income producing assets					125,760,453
Income tax assets					3,444,613
Consolidated total assets					269,529,638
Liabilities					
Segment liabilities	39,056,541	99,225	3,348,779	-	42,504,545
Income tax liabilities					4,420,743
Consolidated total liabilities					46,925,288
Other information					
Capital additions	2,115,519	-	-	(150,452)	1,965,067
Depreciation and amortisation	4,219,985	-	-	13,230	4,233,215
Other non-cash expenses	1,057,748	8,571	-	-	1,066,319

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2008:					
Revenue					
External sales	288,242,162	3,542,005	-	-	291,784,167
Inter-segment revenue	2,875,916	1,776,412	4,071,600	(8,723,928)	-
Total revenue	291,118,078	5,318,417	4,071,600	(8,723,928)	291,784,167
Results					
Segment results	43,542,398	(79,730)	(1,357,951)	(1,739,227)	40,365,490
Investment revenue					3,137,291
Profit before tax					43,502,781
Tax expense					(9,566,636)
Profit for the year					33,936,145
Assets					
Segment assets	166,032,977	3,781,722	1,979,111	2,074,781	173,868,591
Income producing assets					82,310,073
Income tax assets					4,552,965
Consolidated total assets					260,731,629
Liabilities					
Segment liabilities	38,447,004	34,184	3,484,870	-	41,966,058
Income tax liabilities					6,983,624
Consolidated total liabilities					48,949,682
Other information					
Capital additions	9,082,816	-	-	(82,000)	9,000,816
Depreciation and amortisation	3,896,329	-	-	19,361	3,915,690
Other non-cash expenses	2,081,514	194,045	-	143,334	2,418,893

Geographical segments

The Group's operations are located in Malaysia, Republic of Singapore and Thailand. The Group's trading of electrical products division is located in Malaysia and Republic of Singapore, whereas the manufacturing of industrial products is located in Malaysia and Thailand.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/ services:

	The Group	
	2009	**2008**
	RM	**RM**
United States of America	85,098,885	118,532,469
Malaysia	43,056,734	55,250,030
Europe	38,573,885	44,038,282
Other Asia Pacific countries	59,172,358	73,963,386
	225,901,862	291,784,167

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located:

	The Group			
	2009		**2008**	
	Carrying amount of segment assets RM	**Capital additions RM**	**Carrying amount of segment assets RM**	**Capital additions RM**
Malaysia	122,326,497	1,931,751	148,643,826	8,728,224
Thailand	15,605,300	33,316	22,720,878	272,592
Republic of Singapore	2,392,775	-	2,503,887	-
	140,324,572	1,965,067	173,868,591	9,000,816

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **P.I.E. INDUSTRIAL BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2009 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

March 5, 2010

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHEN, CHIH-WEN**, the director primarily responsible for the financial management of **P.I.E. INDUSTRIAL BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **CHEN, CHIH-WEN** at
GEORGETOWN in the State of **PENANG**
on March 5, 2010

Before me,

COMMISSIONER FOR OATHS

P.I.E. INDUSTRIAL BERHAD
(Company No.: 424086 X)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
DECEMBER 31, 2009
(In Ringgit Malaysia)

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
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