

ANNUAL REPORT **2012**



P. I. E. INDUSTRIAL BERHAD

(co.no. 424086-X)



CONTENTS

Corporate Information	2
Directors' Profile	3
Group Corporate Structure	6
Group Financial Highlights	7
Chairman's Statement	8
Statement on Corporate Governance	9
Audit Committee Report	17
Statement on Risk Management and Internal Control	19
Statement on Directors' Responsibilities in respect of the Audited Financial Statements	21
Disclosure Requirements Pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements	22
Financial Statements	
Directors' Report	23
Independent Auditors' Report	26
Statements of Comprehensive Income	28
Statements of Financial Position	29
Statements of Changes in Equity	31
Statements of Cash Flows	33
Notes to the Financial Statements	35
Statement by Directors	96
Declaration by the Director Primarily Responsible for the Financial Management of the Company	96
List of Properties	97
Analysis of Shareholdings	99
Notice of Annual General Meeting	101
Notice of Dividend Entitlement and Payment	104
Annexure A	105
Share Buy-Back Statement	106
Proxy Form	Enclosed

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ahmad Murad Bin Abdul Aziz
Chairman/ Senior Independent Non-Executive Director

Mui Chung Meng
Managing Director

Chen, Chih-Wen
Executive Director

Cheung Ho Leung
Executive Director

Cheng Shing Tsung
Non-Independent Non-Executive Director

Loo Hooi Beng
Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

AUDIT COMMITTEE

Loo Hooi Beng
Chairman/ Independent Non-Executive Director
(Appointed as Chairman w.e.f. 22 February 2013)

Ahmad Murad Bin Abdul Aziz
Senior Independent Non-Executive Director
(Resigned as Chairman w.e.f. 22 February 2013)

Khoo Lay Tatt
Independent Non-Executive Director

NOMINATING COMMITTEE

Ahmad Murad Bin Abdul Aziz
Chairman/ Senior Independent Non-Executive Director

Loo Hooi Beng
Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

AUDITORS

Deloitte KassimChan
(Chartered Accountants)

PRINCIPAL BANKERS

Public Bank Berhad
Citibank Berhad
RHB Bank Berhad
CIMB Bank Berhad

INTERNET HOMEPAGE

www.pieib.com.my

COMPANY SECRETARIES

How Wee Ling
(MAICSA 7033850)

Ooi Ean Hoon
(MAICSA 7057078)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector: Industrial Products
Stock Name : PIE
Stock Code : 7095
(Listed since 7 July 2000)

REGISTERED OFFICE

57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 04-640 8933
Fax : 04-643 8911

SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd.
(Company No. 118401-V)
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2264 3883
Fax : 03-2282 1886

DIRECTORS' PROFILE

Ahmad Murad Bin Abdul Aziz

*Chairman / Senior Independent Non-Executive Director
Malaysian, aged 54*

Ahmad Murad Bin Abdul Aziz, appointed to the Board on 2 June 1997, was re-designated as Senior Independent Non-Executive Chairman on 2 November 2009. He graduated with a law degree from University of Malaya in 1982. He is a lawyer by profession and has more than twenty nine (29) years of working experience in legal practice. He was a Senior Partner of Murad & Foo from 1990 to 1999. Prior to that, he worked as a legal assistant with Kadir, Tan & Ramlee from 1983 to 1985 and a partner of Murad and Leong from 1985 to 1989. He is currently a partner of Murad Yee Partnership.

He is also the Chairman of the Nominating Committee and a member of the Audit Committee.

MUI CHUNG MENG

*Managing Director
Malaysian, aged 61*

Mui Chung Meng, was appointed to the Board on 10 May 2000. He graduated from the University of Singapore majoring in Electronics in 1974 and was an Associate Member of the Institute of Electrical Engineers in 1977. He also obtained a Diploma in Plastic and Rubber Technology (UK) in 1988 under the guidance of Universiti Sains Malaysia and the Rubber Research Institute of Malaysia. Mr. Mui joined Pan International Electronics (Thailand) Co., Ltd. in 1993 and was subsequently promoted to General Manager of the South East Asian Division of Pan-International Industrial Corporation. From 1974 to 1980, he was attached to Siemens and Intel, which are involved in semiconductor electronic manufacturing, as Production Engineer in-charge of transistors and optoelectronic products manufacturing and QA Engineer in-charge of quality control activities of the entire assembly plant respectively. From 1981 to 1992, he was the operation manager of Kayel Rubber Products and Polynic Industry who handled the overall operations of rubber and plastic products manufacturing. Through these experiences, Mr. Mui gained extensive knowledge in the fields of electronics, plastics and rubber.

Chen, Chih-Wen

*Executive Director
Taiwanese, aged 56*

Chen, Chih-Wen, was appointed to the Board on 10 May 2000. He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. Prior to joining PIE Group in 1991, he was involved in the electronic industry for five (5) years with listed companies in Taiwan and four (4) years in the cement-related industry. He is responsible for the corporate finance affairs, treasury and accounting functions of the Group.

CHEUNG HO LEUNG

*Executive Director
American, aged 56*

Cheung Ho Leung, was appointed to the Board on 15 March 2005. He graduated with a Bachelor of Science Degree with Honors Class II in Electrical Engineering from University of Birmingham, UK in 1979. Upon graduation, Mr. Cheung began his career in 1979 as an Engineer in Lucas CAV Ltd. in London, England. In 1981, he joined Apple Computer International Ltd. in Singapore as a Test Engineer and was subsequently promoted to Test Engineering & Apple II GS Project Manager in 1985. Two years later, he was transferred to Apple Computer Ltd. in Cupertino, CA, as a Manager of Apple II Design Center and was promoted to Senior Vice President & General Manager in the middle of 1996. He left in 1997 to join Cidco Inc. in Morgan Hill, CA as a Vice President & General Manager of Internet Solution Division. Subsequently in 1998, he joined Nasteel Electronics Ltd. in Morgan Hill, CA (NEL) as a Senior Vice President of Worldwide Marketing and Advance Engineering.

He is currently the Corp Vice President and General Manager of Technology Merging Services Business Group (TMSBG) under Hon Hai Precision Co., Ltd. and is responsible for developing cloud core technology and solutions for China in Cloud Computing field.

DIRECTORS' PROFILE (CONT'D)

CHENG SHING TSUNG

*Non-Independent Non-Executive Director
Singaporean, aged 75*

Cheng Shing Tsung, was appointed to the Board on 10 May 2000. He obtained a Diploma from Radio Communication College, Hong Kong in 1960. Mr. Cheng started his career in Sony Corporation Hong Kong Ltd. at the end of 1960 as an Assistant Engineer. In 1965, he joined Atlas Electronic Corp. as Material Chief. Two years later, he was transferred to Electronic Industrial Ltd., a subsidiary of General Electric USA (Audio Division), in Hong Kong as Purchasing Leader. In early 1974, he was promoted as Procurement Manager who controlled all purchasing activities of General Electric Television & Appliance Pte. Ltd. in Singapore.

He is currently the Consultant of Foxconn Singapore Pte. Ltd., the subsidiary company of Hon Hai Precision Industry Co. Ltd..

LOO HOOI BENG

*Independent Non-Executive Director
Malaysian, aged 47*

Loo Hooi Beng, was appointed to the Board on 1 July 2009. He obtained the Bachelor Degree of Accounting from Universiti Kebangsaan Malaysia in 1992, Master Degree of Science (Management) from Universiti Utara Malaysia in 1998 and Master Degree of Advanced Business Practice from University of South Australia in 2011.

After his graduation in 1992, Mr. Loo began his career in an audit firm until year 1995 and later attached to several companies from 1996 to 2010. He is currently a Country Financial Controller of a company based in India.

He is a Chartered Accountant of Malaysian Institute of Accountants, Associate Member of Malaysian Institute of Taxation, Certified Member of Financial Planning Association of Malaysia and Certified Practicing Accountant of CPA Australia.

He is also the Chairman of the Audit Committee and a member of the Nominating Committee.

KHOO LAY TATT

*Independent Non-Executive Director
Malaysian, aged 40*

Khoo Lay Tatt, was appointed to the Board on 2 November 2009. He graduated from Tunku Abdul Rahman College with an Institute of Chartered Secretaries and Administrators (ICSA) Professional Degree and a Diploma in Commerce (Business Management) in 1996.

Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of a commercial bank. He left the bank as an Executive cum Company Secretary of its subsidiaries in 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and left the said firm in 2005 as a Senior Manager. During his tenure, he was involved in numerous initial public offerings and corporate exercises undertaken by listed companies.

He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of the Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA).

Currently, he sits on the Board of two public companies listed on the Main Market of Bursa Securities, namely, Dufu Technology Corp. Berhad as Senior Independent, Non-Executive Director and Sinaria Corporation Berhad as Independent, Non-Executive Director.

He is also a member of the Audit Committee and Nominating Committee.

DIRECTORS' PROFILE (CONT'D)

ADDITIONAL INFORMATION ON THE DIRECTORS

Family relationship with any director and/or major shareholder

The above Directors have no family relationship with any other Directors and/or major shareholders of P.I.E. Industrial Berhad.

Convictions for offences (within the past 10 years other than traffic offences, if any)

None of the Directors have any convictions for offences other than traffic offences within the past 10 years.

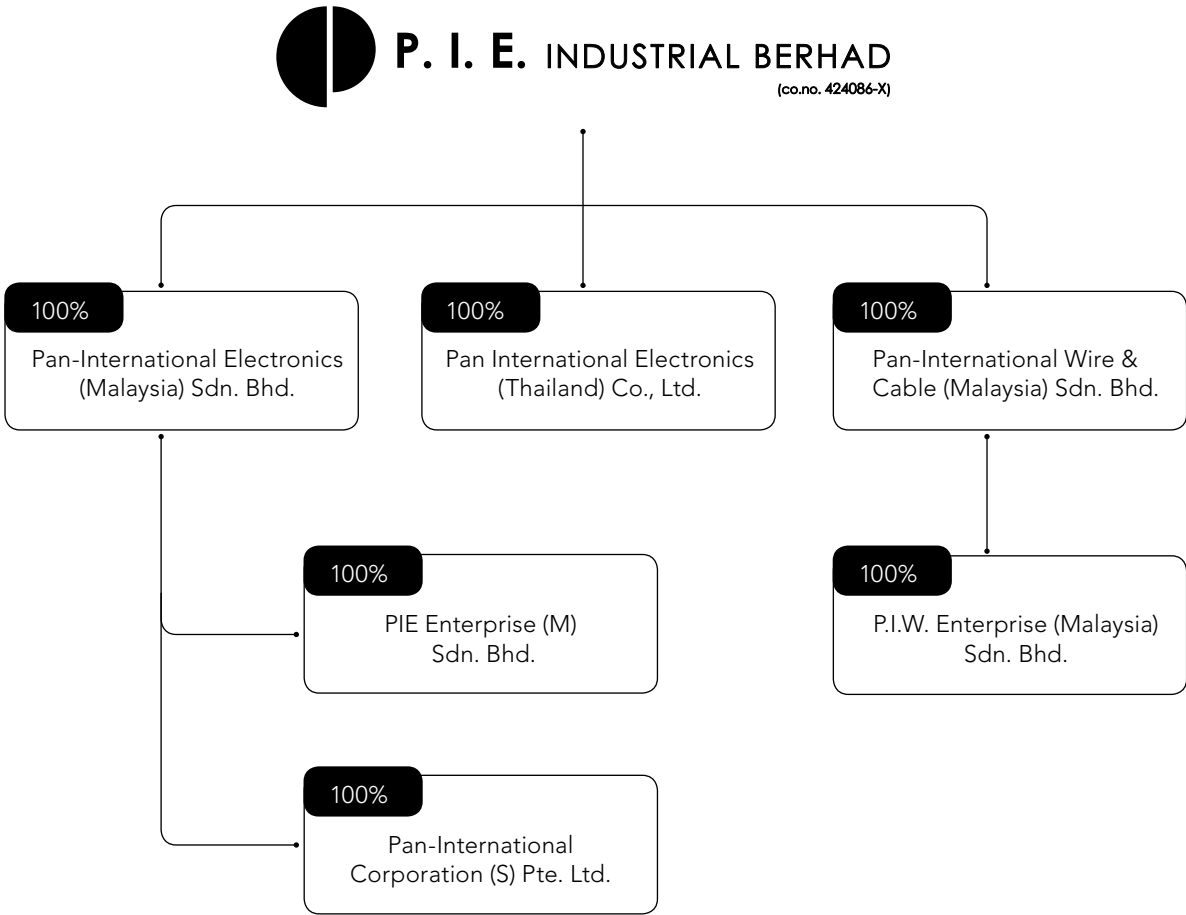
Conflict of Interest

The Directors have not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.

Securities held in the Company

The details are disclosed on page 100 of this Annual Report.

GROUP CORPORATE STRUCTURE



GROUP FINANCIAL HIGHLIGHTS

Five Years Financial Summary

	Year ended 31 December				
	2008 RM	2009 RM	2010 [#] RM	2011 [#] RM	2012 RM
Revenue	291,784,167	225,901,862	287,203,330	349,649,703	348,816,057
Profit before taxation	43,502,781	33,204,171	31,131,831	47,184,241	44,215,174
Net profit after taxation	33,936,145	25,281,774	25,663,247	38,198,862	34,349,701
Basic earnings per ordinary share (Sen)	53	40	40	60	54
Shareholders' equity	211,781,947	222,604,350	229,464,624	250,088,378	265,612,078
Net assets per share	3.31	3.48	3.59	3.91	4.15
Issued and fully paid-up share capital of RM 1.00 each	64,007,000 [*]	64,007,000 [^]	64,007,000 ^σ	64,007,000 ^Ω	64,007,000 [∞]
Gross dividend per share (Sen)	35	35	35	39	32 [@]

^{*} The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 11,000 shares held as treasury shares.

[^] The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 12,100 shares held as treasury shares.

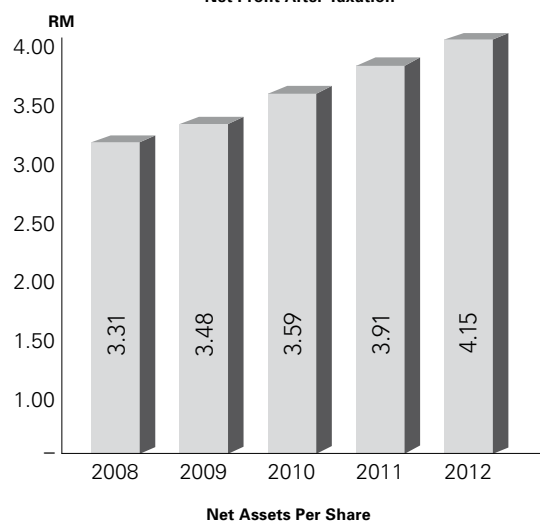
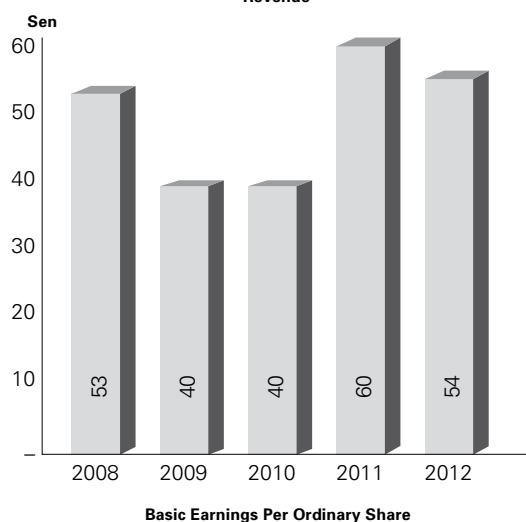
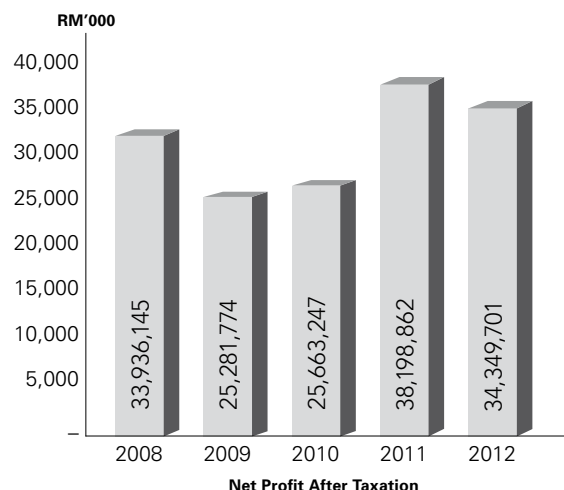
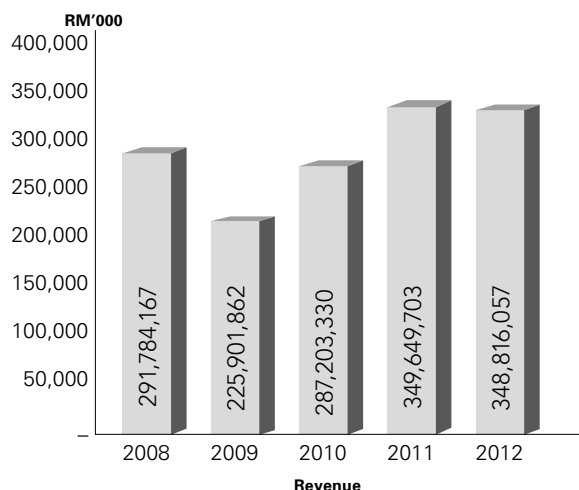
^σ The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 26,700 shares held as treasury shares.

^Ω The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 27,300 shares held as treasury shares.

[∞] The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 27,300 shares held as treasury shares.

[@] Subject to shareholders' approval at the forthcoming Annual General Meeting

[#] Restated as a result of retrospective application of MFRSs. For FYE 2010, only relevant balance sheet items have been restated to position as at 1 January 2011.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of **P.I.E. INDUSTRIAL BERHAD**, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

The Group has maintained its revenue above the mark of RM300 million for the second consecutive year, despite the economic recession in the Euro zone in year 2012. The Group's revenue for the financial year ended 31 December 2012 stood at RM348.82 million, a slight drop of 0.24% compared to RM349.65 million in year 2011.

The Group continued to deliver its 13th year of unbroken profitability. For 2012, net profit stood at RM34.35 million which represents a 10.08% decline compared to the year 2011. The decrease in profit was mainly due to higher operating cost and less gains from foreign currency exchange transaction. The basic earnings per share were posted at 54 sen.

Total net assets of the Group increased from RM250.09 million to RM265.61 million, an increase of 6.21% as compared with the previous year and the Group's net assets per share as at 31 December 2012 was RM4.15. The Group's statement of financial position maintained at financially sound and healthy level with no borrowings and cash surplus of RM98.42 million to cater for future expansion and diversification.

DIVIDEND

A First and Final Dividend of 12 sen per ordinary share, less income tax at 25% and a Special Dividend of 27 sen per ordinary share, less income tax at 25%, amounting to RM5,758,173 and RM12,955,889 respectively in respect of the financial year ended 31 December 2011 were declared and paid by the Company during the current financial year.

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting a Special Dividend of 20 sen per ordinary share, less income tax at 25% and a First and Final Dividend of 12 sen per ordinary share, less income tax at 25%, in respect of the financial year ended 31 December 2012. The entitlement and payment date of the above recommended dividends are as announced in this Annual Report.

The Company will continue to take a balanced dividend policy to reward its shareholders after taking into account of increased working capital, short and longer-term capital requirements and market conditions.

OPERATION REVIEW

Electronics Manufacturing Services (EMS) and Raw Wire and Cable Manufacturing remain as the core businesses and main revenue contributor to the Group for the financial year ended 31 December 2012.

The EMS division has contributed approximately 65% of the Group's revenue which result from enhancement

of integration of new capabilities in manufacturing, engineering and distribution under the concept of a fully integrated one stop turnkey electronics manufacturing service provider. This division will continue to contribute positively toward the revenue of the Group when there are opportunities ahead to secure more potential business from new and existing customers in the selected niche market.

The contribution by the Raw Wire and Cable Manufacturing division to the Group's revenue for the financial year under reviews was 27%. This division will continue its effort to develop high value-added products, e.g. automotive, medical and RF cables.

The Wire Harness and Cable Assembly division has contributed approximately 7% of the Group's revenue. The Group expects this division to continue its contribution to the Group's revenue in the coming years through increased orders from multinational corporations in Thailand and Malaysia.

The contribution of Trading Activity was 1% to the Group's revenue due to the lack of attractive products.

PROSPECT AND OUTLOOK

The Group remains cautious due to the volatility of the industry it is involved in and other factors such as increase in manufacturing cost and effects of foreign currency fluctuations in export business. However, with the skill, competencies and professionalism of Board of Directors and its management team and continued automation of manufacturing facilities, the Group's should be able to mitigate any increase in manufacturing cost in the coming years.

We are optimistic of the Group's future performance as we focus on our continuous integration and automation of production facilities and customers' satisfaction and capitalise on the continuing trend of outsourcing of manufacturing activities from new and existing customers. Barring unforeseen circumstances, the Board expects better performance in both revenue and profit in year 2013.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to record my sincere appreciation and gratitude to the management and staff of the Group for their invaluable dedication, loyalty and commitment in instituting the strict strategic and operational measures needed to be resilient during these challenging times. Further, I would like to thank all our valued customers, suppliers, business associates, investors, the relevant authorities, financiers and bankers for their continuous support and valuable contribution to our Group. Last but not least, I would also like to thank all our fellow Directors for their advice, guidance and support rendered during the year just ended.

AHMAD MURAD BIN ABDUL AZIZ
Chairman

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of P.I.E. Industrial Berhad ("PIE" or "the Company") is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the undermentioned principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "the Code"):-

1. Establish Clear Roles and Responsibilities
2. Strengthen Composition
3. Reinforce Independence
4. Foster Commitment
5. Uphold Integrity in Financial Reporting
6. Recognise and Manage Risks
7. Ensure Timely and High Quality Disclosure
8. Strengthen Relationship Between Company and Shareholders

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this Statement, the Group has complied with all the principles and recommended best practices throughout the financial year ended 31 December 2012 ("FYE2012").

1) Establish Clear Roles and Responsibilities

i) Board Roles and Responsibilities

The Board recognised its stewardship responsibility to lead the Group towards the highest level of corporate governance, strategic decisions and standard of conducts. To ensure the effective discharge of its function and responsibilities, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees, the Managing Director (MD) and the Senior Management of the Company. The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group's business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Board has approved a board charter ("Board Charter") which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, which include amongst others, the Board obligations and liabilities, Directors' Code of Ethics, role of the Board, Chairman and Managing Director, appointment of new directors, the right balance and composition of the Board, remuneration policy and the establishment of Board Committees together with the required mandate and activities.

The Board will review the Board Charter periodically to ensure their relevance and compliance. The Board has made available its Board Charter on the corporate website.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is not related to the Managing Director. The Chairman is responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management. The Managing Director has overall responsibilities over the operating units, organisation effectiveness and implementation of Board's policies and decisions.

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating PIE's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1) Establish Clear Roles and Responsibilities (Cont'd)

ii) The Balance and Composition of the Board

The present Board of Directors, headed by the Chairman is comprised of:

- 3 Executive Directors
- 1 Non-Independent, Non-Executive Director
- 3 Independent, Non-Executive Directors

The composition of the Board is in compliance with the Main Market Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Code. It also balanced to reflect the interests of the major shareholders, management and minority shareholders. Collectively, the Directors bring a wide range of business and financial experience relevant to the direction of the Group.

The Board is well balanced with the presence of Independent Non-Executive Directors who are of caliber and collectively provide independent assessments and judgments in the decision making process of the Board.

The profiles of the members of the Board are set out on page 3 to 5 of this Annual Report.

iii) Directors' Code of Ethics

The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

iv) Board Meetings

The Board governs the operations of the Group. The Board meets regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk management system.

Agenda and documents relevant to the Board meetings are circulated in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

The Chairman of the Audit Committee would inform the Directors at Board meeting, of any salient audit findings deliberated at the Audit Committee meetings and which require the Board's notice or direction.

During the financial year, the Board met four (4) times and the attendance of each director during the financial year is as follows:

Name of Director	Number of Board Meetings Attended / Held	Percentage of Attendance
Ahmad Murad Bin Abdul Aziz	3 / 4	75%
Mui Chung Meng	4 / 4	100%
Chen, Chih-Wen	4 / 4	100%
Cheung Ho Leung	3 / 4	75%
Cheng Shing Tsung	4 / 4	100%
Loo Hooi Beng	4 / 4	100%
Khoo Lay Tatt	4 / 4	100%

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1) Establish Clear Roles and Responsibilities (Cont'd)

v) Board Committees

a) Audit Committee

The Audit Committee of PIE is comprised of:

Chairman: Loo Hooi Beng (Independent Non-Executive Director)
[Appointed as Chairman on 22 February 2013]

Members: Ahmad Murad Bin Abdul Aziz (Senior Independent Non-Executive Director)
[Resigned as Chairman on 22 February 2013]
Khoo Lay Tatt (Independent Non-Executive Director)

The Audit Committee meets at least once every quarter.

The terms of reference ("ToR") and the report of Audit Committee are as set out on pages 17 to 18 of this Annual Report.

b) Nominating Committee

The Company has on 22 February 2013 established the Nominating Committee and comprises exclusively of Non-Executive Directors with a majority of whom must be independent, as follows:

Chairman: Ahmad Murad Bin Abdul Aziz (Senior Independent Non-Executive Director)
Member: Loo Hooi Beng (Independent Non-Executive Director)
Khoo Lay Tatt (Independent Non-Executive Director)

The Committee is tasked to, amongst others:-

1. Assess the effectiveness of the Board as a whole and the contribution of each Director
2. Review the size, composition and the required mix of skills of the Board; and
3. Recommend the re-election of retiring Directors to the Board.

The Nominating Committee ensures that all assessments and evaluations carried out are properly documented.

Details of the ToR for Nominating Committee are available at its corporate website.

vi) Supply of Information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations during the meeting, where necessary.

The Directors meet to review and approve all corporate announcements, including the announcement of the quarterly interim financial reports, before releasing them to the Bursa Securities.

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries, whose appointment and removal is the responsibility of the Board collectively, are qualified professionals with the necessary experience to advise the Board. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board update on new statutes and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

When necessary, the Directors could request for the service of independent professional advisors at the cost of the Company.

In leading and controlling the operations of the Group, the Board is assisted by the Board of Directors of each individual subsidiary that is primarily responsible to carry out decisions made by the Board. The Executive Directors of the Company also participate in management meeting of certain subsidiaries to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2) Strengthen Composition

a) Nominating Committee

The Company strives to have a Board comprising members with suitable academic and professional qualifications, skills, expertise and wide exposure.

In FYE2012, the function of the Nominating Committee was assumed by the Board as a whole.

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the Nominating Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The Nominating Committee also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidates.

b) Appointment and Re-election of Director

i) Appointment of Directors

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a nominating committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess directors on an on-going basis.

The Nominating Committee had been established on 22 February 2013 by the Board. The Nominating Committee is responsible for assessing the nominee(s) for directorship and Board Committee membership and thereupon submitting their recommendation to the Board for decision.

ii) Re-election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until next annual general meeting.

In accordance with the Company's Articles of Association ("Articles"), all Directors are subject to election at the AGM following their appointment.

The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM.

The current terms of all directors are less than three years. This is in compliance with the provision of the requirement of the Code that all directors are required to submit themselves for re-election at regular intervals and at least every three years.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the AGM will be assessed by the Nominating Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment or re-election of the Director concerned for shareholders' approval at the next AGM.

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. The Board is also of the view that it is a challenge to the Group to get a female director with relevant experience and qualification in the wire and cable manufacturing industry. However, the Board will endeavor to tap talent from human capital market from time to time with the aim to have at least one female director in its Board in future.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2) Strengthen Composition (Cont'd)

b) Appointment and Re-election of Director (Cont'd)

iii) Directors' Remuneration.

It is vital for the Group to attract and retain Directors of the necessary caliber to run the Group successfully. In line with requirements of the Code, the Group has established a remuneration policy for the Directors.

Given the present size of the Board, the Board has decided not to set up a remuneration committee as recommended by the Code. As an alternative, the Board formulated the following policy for fixing remuneration packages of each Director:

1. Determination of remuneration of Directors remained a collective decision of the Board.
2. The remuneration package of Executive Directors shall be determined based on the performance of the Group, the responsibilities, the experience required and the contribution by each individual Director in comparison to the industry norm.
3. The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and the contribution by each individual Director.
4. All Directors are entitled to directors' fee that is subject to shareholders' approval.
5. Other than directors' fee, Executive Directors shall be entitled to salary and bonus, statutory contribution and other allowances incidental to the performance of their duties.
6. The Board shall meet at least once in a financial year to deliberate on the remuneration packages for the Directors.
7. In determining the remuneration package of each Director, the Director concerned will abstain from the discussion.
8. The Board may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of Directors' remuneration for the FYE2012 are as follows:

1. Aggregate remuneration of the Directors categorised into appropriate components:

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors	0	240,744	1,617,547	3,200	1,861,491
Non-Executive Directors	72,000	0	0	5,600	77,600
Total	72,000	240,744	1,617,547	8,800	1,939,091

2. The number of Directors whose total remuneration fall within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	1	4
RM400,001 to RM450,000	1	0
RM1,450,001 to RM1,500,000	1	0

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3) Reinforce Independence

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of PIE. They bring an external perspective, constructively challenge and assist the Company to develop corporate strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Company's business.

The Board has upon their annual assessment, concluded that each of the 3 Independent Non-Executive Directors continues to demonstrate conduct and behavior that are essential indicator of independence, and that each of them continues to fulfill the definition of independence as set out in LR

Each of the 3 Independent Non-Executive Directors has provided an annual confirmation of their independence to the Board in FYE2012.

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- Nominating Committee would conduct an annual assessment of Independent Directors in respect of *inter-alia* their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the Nominating Committee also would review the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

4) Foster Commitment

i) Discharged of Duties

All the Non-Executive directors have committed sufficient time to carry out their duties for the tenure of their appointments, whether as members of standing Board Committees or whether required to carry out special duties as members of Ad-Hoc Board Committees.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of PIE. This is evidenced by the attendance record of the Directors at Board meetings as disclosed in Item (1)(iv) aforesaid.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year.

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of PIE and for notification to Companies Commission of Malaysia accordingly.

ii) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance.

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

In FYE2012, the members of the Board had attained training on areas relevant to their duties and responsibilities as Directors by attending external seminars/talks and internally facilitated sessions and through reading materials.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4) Foster Commitment (Cont'd)

ii) Directors' Training (Cont'd)

Seminars and training programmes attended by Directors in 2012 are as per below:

Corporate Governance/Risk Management

Governance, Risk Management and Compliance: What Directors Should Know organized by Bursa Malaysia Berhad – 8 August 2012

Accounting and Taxation

Corporate Reporting organized by Malaysia Institute of Accountants – 22 May 2012

2013 Budget & Tax Planning organized by Crowe Horwath – 9 October 2012

Leadership

'The CEO Speaks ...' on Driven to Success organized by Invest-In-Penang Berhad – 14 March 2012

Information Technology

SAP Materials Management Training – 10 - 13 September 2012

SAP Sales & Distribution Training – 27 - 30 August 2012

System Training for Hyperion Financial Management Implementation – 7 - 9 May 2012

5) Uphold Integrity in Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. At the same time, the Audit Committee is assisting the Board in ensuring the accuracy, adequacy and completeness of the financial information to be disclosed. The financial reports will be reviewed and approved by the Audit Committee prior to tabling them to the Board for approval.

The Board maintains a transparent relationship with external auditors. Members of the Audit Committee meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.

The Audit Committee had obtained written assurance from its external auditors, Messrs. Deloitte KassimChan, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 21 of this Annual Report.

6) Recognise and Manage Risks

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of risk management and internal control.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of risk management and internal control systems, the Board had in March 2002, established an internal audit function with the assistance of an external professional firm.

The internal auditors will be able to provide additional independent review on the state of risk management and internal control of the Group and has an independent reporting channel to Audit Committee. The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

The Statement on Risk Management and Internal Control set out on pages 19 to 20 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

7) Ensure Timely and High Quality Disclosure

The Board exercise close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the Company's website.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company's listed security. The Company Secretary is responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated by Bursa Securities.

The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

8) Strengthen Relationship Between Company and Shareholders

PIE dispatches its notice of AGM to shareholders more than 21-days before the AGM, in advance of the notice period as required under the Companies Act, 1965 and LR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

In line with the requirement of the LR and the Code, material information is disseminated to shareholders and investors on a timely basis. The Group maintains a corporate website at www.pieib.com.my which provides information, include:

1. Quarterly results
2. Annual reports
3. Announcements
4. Circular to shareholders
5. Other important announcements

The above information also could be accessed through Bursa Securities website at www.bursamalaysia.com

The Articles of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company. In addition to the above, time will be allocated during AGM for dialogue with shareholders to address issues concerning the Group.

At the 15th AGM of the Company held on 18 May 2012, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

In compliance with the recommended best practice by the Code, the Board has appointed En. Ahmad Murad Bin Abdul Aziz as a Senior Independent Non-Executive Director to whom minority shareholders could convey their concern over the operations of the Group. His contact information is as follows:

P.I.E. Industrial Berhad
Plot 4, Jalan Jelawat 1
Seberang Jaya Industrial Estate,
13700 Prai, Penang, Malaysia
Tel: 04-399 0401 Fax: 04-399 0403

This statement was made in accordance with a resolution of the Board dated 15 April 2013.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

1. AUDIT COMMITTEE

The Audit Committee was established by a resolution of the Board on 20 May 2000.

Chairman: Loo Hooi Beng (Independent Non-Executive Director) (*Appointed as Chairman w.e.f. 22 February 2013*)

Member: Ahmad Murad Bin Abdul Aziz (Senior Independent Non-Executive Director)
(*Resigned as Chairman w.e.f. 22 February 2013*)

Khoo Lay Tatt (Independent Non-Executive Director)

2. ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee meetings held during the financial year under review are as follows:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Loo Hooi Beng	4	4
Ahmad Murad Bin Abdul Aziz	4	3
Khoo Lay Tatt	4	4

3. TERMS OF REFERENCE

Objectives

The primary objectives of the Audit Committee are:

- To assist the Board in discharging its duties and responsibilities relating to the Group and the Company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements.
- To maintain effective communication between the Board of Directors, senior management, internal auditors and external auditors in order to provide assurance that the information presented by management is relevant, reliable and timely.

Composition of Audit Committee

The Committee shall be appointed by Board from amongst its members and shall at all times consist of not less than three (3) directors, exclusively Non-Executive Directors of whom majority shall be the Independent Directors and at least one of them must be:

- a member of the Malaysian Institute of Accountants; or
- a member of one of the associations of accountants specified in PART II of the 1st Schedule of the Accountants Act 1967 with at least 3 years' working experience; or
- a degree/masters/doctorate holder in accounting or finance with at least 3 years' post qualification experience in accounting or finance; or
- fulfills such other requirements as prescribed or approval by the Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee. The Chairman shall be selected by the members of the Audit Committee and should be an Independent Director. The Company Secretary shall act as the Secretary of the Audit Committee.

In the event that the number of Audit Committee members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Duties and Responsibilities

- Consider and recommend the appointment and remuneration of external auditor and to deal with matters relating to the resignation or dismissal.
- Review with the external auditors the scope of audit plan, system of internal accounting controls and their reports thereon.
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the effectiveness of internal audit procedures, consider the major findings of internal audit investigations and ensure co-ordination between the internal and external auditors.
- Review with management the audit reports issued by the internal and external auditors and the implementation of audit recommendations.
- Review any related party transactions that may arise within the Group.
- Review the quarterly results and year-end financial statements prior to submission to the Board of Directors for approval.
- Review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- Review arrangements established by management for compliance with any regulation or other external reporting requirements.
- Perform such other functions as may be agreed by the Committee and the Board of Directors.

AUDIT COMMITTEE REPORT (CONT'D)

3. TERMS OF REFERENCE (Cont'd)

Authority

The Committee shall, in accordance with a procedure determined by the Board of Directors and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group and the Company;
- (d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity;
- (e) be able to obtain professional or other advice; and
- (f) be able to convene meetings with the internal and external auditors, excluding the attendance of the other Directors and employees of the Company, whenever deemed necessary.

Meetings

Meetings shall be held once every quarter. The Chairman shall call a meeting of the Committee if requested to do so by any Committee member, the management or the internal or external auditors. The Committee may invite the members of the Board, the management, the internal auditors and the representative of the external auditors to attend any of its meetings, as it deems necessary.

The quorum for a meeting of the Committee shall be two (2) members who shall be Independent Directors.

A meeting with external auditors shall be held at least twice a year without the presence of executive Board members.

The Company Secretary is also responsible for keeping the minutes of the meeting of the Committee, circulating them to the Committee members and to the other members of the Board and following up on outstanding matters.

4. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2012 on discharging of its duties and responsibilities:

- Reviewed the draft quarterly results and year-end financial statements prior to submission to the Board for approval.
- Reviewed the audit reports and related party transaction reports issued by the internal and external auditors and the implementation of audit recommendations.
- Reviewed the compliance on the Bursa Malaysia Securities Berhad Main Market Listing Requirements (LR), Malaysian Code on Corporate Governance and other statutory requirements.
- Established internal audit function and determine the terms of reference with the assistance of external professional.

5. INTERNAL AUDIT FUNCTION

During the financial year, the Board on the recommendations by the Audit Committee has engaged an external professional firm to carry out internal audit function for the Group. The internal auditors report directly to the Audit Committee.

The primary role of the internal auditors is to inter-alia, assist the Audit Committee on an ongoing basis to:

- review the risk management framework
- evaluate the state of compliance with the LR, Malaysian Code on Corporate Governance and other statutory requirements
- provide independent, systematic and objective evaluation on the state of internal control within the Group
- review recurrent related party transactions
- perform such other functions as requested by the Audit Committee

The costs incurred for the internal audit function for financial year 2012 was RM31,392. During the financial year, the internal auditors have assisted the Audit Committee to:

- conduct the internal audit for financial year ended 2012
- review the state of corporate governance of the Group
- review and document the risk management framework of the Group
- review the state of internal control of various operating cycles within the Group
- review related party transactions and recurrent related party transactions

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (LR), which requires public listed companies to include a statement in their annual reports on the state of risk management and internal control within the Group.

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets.

This Statement on Risk Management and Internal Control has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines") issued by the Task Force on Risk Management and Internal Control.

RESPONSIBILITY

The Board recognises the importance of maintaining a sound risk management framework and internal control system to cover controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- a) Safeguard the shareholders' interest and assets of the Group
- b) Identify and manage risks affecting the Group
- c) Ensure compliance with regulatory requirements
- d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
- e) Ensure the integrity and reliability of financial information

The system of risk management and internal control is designed to cater for the Group's needs and manage the risks to which the Group exposed. It should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve objective and can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses or fraud.

The Board had received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of risk management and internal control as and when there are changes to the business environment or regulatory guidelines.

SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The Groups' system of risk management and internal control is comprised of the following key elements:

- The Group's Audit Committees review internal control issues identified by the internal auditors, the external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of their risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope and frequency of audits and the adequacy of resources. The minutes of the Audit Committee meetings are tabled to the Board on periodic basis. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee Report.
- Internal auditors are engaged by the Board from the professional service firm to check for compliance with policies and procedures and the effectiveness of their risk management and internal control systems and highlight significant findings in respect of any non-compliance. Audits are carried out on major subsidiaries, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these subsidiaries. The annual audit plan is reviewed and approved by the Group. The audit findings are submitted to the Audit Committees for review at their periodic meetings. The system of risk management and internal control is reviewed regularly to ensure that it functions as planned and remains effective and applicable given the passage in time and change in business scenarios. The cost incurred for the internal audit function for financial year 2012 was RM31,392.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

- There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities.
- The Boards and/or the Board Committees received and review reports from management on a regular basis. These reports include the account and financial information report and the monthly or periodic progress reports on business operations which are tabled to Board and/or Board Committees at their periodic meetings.
- There are policy guidelines and authority limits imposed on executive directors and management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.
- Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Group which are updated from time to time.

The Board confirms that the above is in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of risk management and internal control accords with the "Guidelines" and that it is adequate to achieve the Group's objectives stated above.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

CONCLUSION

The Board remains committed towards operating a sound system of risk management and internal control and therefore recognises that the system must continuously evolve to support the Group's businesses and the size of the Group's operations. As such, the Board, in striving for continuous improvement will put in place appropriate actions and plans, when necessary, to further enhance the Group's system of risk management and internal control.

This statement was made in accordance with a resolution of the Board dated 15 April 2013.

STATEMENT ON DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (LR) so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and statements of cash flows for the year then ended.

In this regard, the Directors will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Malaysian Financial Reporting Standards and Issues Committee Interpretations issued by Malaysian Accounting Standards Board that are relevant to the Group's operations and effective for accounting are fully adopted
- Ensured proper accounting records are kept
- Ensured adequate system of risk management and internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position of the Group and of the Company
- Made appropriate enquiries to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable

The financial statements for the year ended 31 December 2012 had been approved by the Board on 25 March 2013.

This statement was made in accordance with a resolution of Board dated 15 April 2013.

DISCLOSURE REQUIREMENTS PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

SHARE BUY-BACK

There was no share buy-back activity during the financial year.

As at 31 December 2012, the total number of shares bought back and held as treasury shares is 27,300 shares. There was no resale of treasury share during the year.

There has been no cancellation of treasury shares by the Company during the financial year ended 31 December 2012.

EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented by the Company during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities exercised during the financial year.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any such programme.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or corporation affiliated to the auditors' firm is RM24,100.

MATERIAL CONTRACT

There were no material contract entered into by the Company and its subsidiary companies involving directors' and substantial shareholders' interest other than those entered into in the ordinary course of business as disclosed in the financial statements.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There was no profit estimate, forecast or projection announced for the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Company.

PROFIT GUARANTEES

There were no profit guarantees given by the Company for the financial year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day to day business operations i.e. constantly reviewing the staff benefits to enhance the quality of life of its employees and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the financial year ended 31 December 2012 are disclosed on page 80 of the Annual Report.

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, 2012.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit/ (loss) for the year	<u>34,349,701</u>	<u>(1,061,892)</u>

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 27 sen gross per ordinary share, less tax, and a first and final dividend of 12 sen gross per ordinary share, less tax, amounting to RM12,955,889 and RM5,758,173 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 other than the changes in accounting policies as disclosed in Note 40 to 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 STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position 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 had 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (Cont'd)

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

- (a) which would render the amount written off for bad debts or the amount of 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.

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
Khoo Lay Tatt

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:

Shares in the Company	No. of ordinary shares of RM1 each			Balance as of 31.12.2012
	Balance as of 1.1.2012	Bought	Sold	
Direct interest:				
Ahmad Murad Bin Abdul Aziz	1	—	—	1
Cheng Shing Tsung	10,000	—	—	10,000
Loo Hooi Beng	—	15,000	—	15,000
Indirect interest:				
Khoo Lay Tatt	3,000	—	(3,000)	—

DIRECTORS' REPORT (CONT'D)

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 Corp., 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 25, 2013

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 statements of financial position of the Group and of the Company as of December 31, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 94.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

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 give a true and fair view of the financial position of the Group and of the Company as of December 31, 2012 and their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 accounts and auditors' reports of all the subsidiaries, of which we have not acted as auditors, which are indicated in Note 18 to the financial statements;
- (c) we are satisfied that the accounts 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 accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD (CONT'D)

(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 42 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2 to the financial statements, P.I.E. Industrial Berhad adopted Malaysian Financial Reporting Standards on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended December 31, 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at January 1, 2012 do not contain misstatements that materially affect the financial position as of December 31, 2012 and financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
Partner - 2225/04/14(J)
Chartered Accountant

March 25, 2013

Penang

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	The Group		The Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	5	348,816,057	349,649,703	2,475,393	21,078,716
Investment revenue	6	3,750,016	4,000,872	82,767	60,541
Other gains and losses	7	7,156,907	5,724,215	944	568
Other income	8	6,411,511	6,988,811	–	–
Changes in inventories of finished goods and work-in-progress		(5,182,883)	8,846,011	–	–
Purchase of trading goods		(13,740,254)	(3,567,074)	–	–
Raw materials consumed		(238,853,993)	(263,974,717)	–	–
Employee benefits expense	9	(35,370,614)	(33,591,763)	(2,692,881)	(3,075,312)
Depreciation and amortisation expenses		(6,713,498)	(5,331,942)	–	–
Finance cost	10	(189,756)	(51,513)	–	–
Other expenses		(21,764,391)	(21,261,263)	(1,261,872)	(1,050,049)
Share of loss of jointly controlled entity		(79,611)	(247,099)	–	–
Share of loss of associate		(24,317)	–	–	–
Profit/ (loss) before tax		44,215,174	47,184,241	(1,395,649)	17,014,464
Tax (expense)/ income	11	(9,865,473)	(8,985,379)	333,757	(3,448,476)
Profit/ (loss) for the year	12	34,349,701	38,198,862	(1,061,892)	13,565,988
Other comprehensive income					
Exchange differences on translating foreign operations		(111,939)	(777,897)	–	–
Total comprehensive income for the year		34,237,762	37,420,965	(1,061,892)	13,565,988
Earnings per share:					
Basic (sen per share)	13	54	60		

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

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2012

		The Group			The Company		
	Note	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Assets							
Non-current assets							
Property, plant and equipment	14	57,458,994	46,049,399	32,624,919	—	—	—
Investment properties	15	27,311,538	27,335,559	27,442,310	—	—	—
Prepaid lease payments on leasehold land	16	6,581,771	6,754,184	6,926,601	—	—	—
Goodwill	17	1,721,665	1,721,665	1,721,665	—	—	—
Investments in subsidiaries	18	—	—	—	79,918,805	79,918,805	79,918,805
Investment in jointly controlled entity	19	—	124,883	371,982	—	25,000	25,000
Investment in associate	20	26,049	—	—	25,000	—	—
Deferred tax assets	21	922,000	1,003,475	304,000	782,000	450,000	—
Total non-current assets		94,022,017	82,989,165	69,391,477	80,725,805	80,393,805	79,943,805
Current assets							
Inventories	22	36,956,813	42,482,100	27,073,422	—	—	—
Trade and other receivables	23	96,004,259	103,930,029	71,545,565	67,355,166	81,049,722	90,585,516
Other financial assets	24	525,013	509,302	200,300	525,013	509,302	—
Current tax assets		1,168,147	1,163,610	937,429	1,129,781	1,128,024	374,000
Other assets	25	1,867,271	1,181,483	2,100,850	15,844	15,844	18,076
Short-term deposits with licensed banks	26	79,155,382	85,781,133	75,194,984	101,061	6,721,028	1,451,000
Cash and bank balances	27	19,265,428	18,293,253	27,978,114	40,151	78,526	25,548
Total current assets		234,942,313	253,340,910	205,030,664	69,167,016	89,502,446	92,454,140
Total assets		328,964,330	336,330,075	274,422,141	149,892,821	169,896,251	172,397,945

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2012 (CONT'D)

		The Group			The Company		
	Note	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Equity and liabilities							
Capital and reserves							
Share capital	28	64,007,000	64,007,000	64,007,000	64,007,000	64,007,000	64,007,000
Treasury shares	28	(101,433)	(101,433)	(99,051)	(101,433)	(101,433)	(99,051)
Reserves	29	19,502,059	19,613,998	20,391,895	35,401,270	35,401,270	35,401,270
Retained earnings	30	182,204,452	166,568,813	145,164,780	47,623,772	67,399,726	70,628,567
Total equity attributable to owners of the Company		265,612,078	250,088,378	229,464,624	146,930,609	166,706,563	169,937,786
Non-current liabilities							
Deferred tax liabilities	21	2,263,923	585,960	242,048	–	–	–
Current liabilities							
Trade and other payables	31	58,999,037	61,897,044	43,587,613	2,962,212	3,189,688	2,460,159
Borrowing	32	–	20,477,306	–	–	–	–
Current tax liabilities		2,089,292	3,281,387	1,127,856	–	–	–
Total current liabilities		61,088,329	85,655,737	44,715,469	2,962,212	3,189,688	2,460,159
Total liabilities		63,352,252	86,241,697	44,957,517	2,962,212	3,189,688	2,460,159
Total equity and liabilities		328,964,330	336,330,075	274,422,141	149,892,821	169,896,251	172,397,945

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

The Group

	Note	Share capital RM	Treasury shares RM	Share premium RM	Translation reserve RM	Retained earnings RM	Total RM
Balance as of January 1, 2011		64,007,000	(99,051)	18,993,049	1,398,846	145,164,780	229,464,624
Profit for the year		–	–	–	–	38,198,862	38,198,862
Other comprehensive income for the year		–	–	–	(777,897)	–	(777,897)
Total comprehensive income for the year		–	–	–	(777,897)	38,198,862	37,420,965
Buy-back of ordinary shares		–	(2,382)	–	–	–	(2,382)
Payment of dividends	33	–	–	–	–	(16,794,829)	(16,794,829)
Balance as of December 31, 2011		64,007,000	(101,433)	18,993,049	620,949	166,568,813	250,088,378
Balance as of January 1, 2012		64,007,000	(101,433)	18,993,049	620,949	166,568,813	250,088,378
Profit for the year		–	–	–	–	34,349,701	34,349,701
Other comprehensive income for the year		–	–	–	(111,939)	–	(111,939)
Total comprehensive income for the year		–	–	–	(111,939)	34,349,701	34,237,762
Payment of dividends	33	–	–	–	–	(18,714,062)	(18,714,062)
Balance as of December 31, 2012		64,007,000	(101,433)	18,993,049	509,010	182,204,452	265,612,078

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 (CONT'D)

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, 2011		64,007,000	(99,051)	18,993,049	16,408,221	70,628,567	169,937,786
Profit for the year		–	–	–	–	13,565,988	13,565,988
Other comprehensive income for the year		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	13,565,988	13,565,988
Buy-back of ordinary shares		–	(2,382)	–	–	–	(2,382)
Payment of dividends	33	–	–	–	–	(16,794,829)	(16,794,829)
Balance as of December 31, 2011		64,007,000	(101,433)	18,993,049	16,408,221	67,399,726	166,706,563
Balance as of January 1, 2012		64,007,000	(101,433)	18,993,049	16,408,221	67,399,726	166,706,563
Loss for the year		–	–	–	–	(1,061,892)	(1,061,892)
Other comprehensive income for the year		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	(1,061,892)	(1,061,892)
Payment of dividends	33	–	–	–	–	(18,714,062)	(18,714,062)
Balance as of December 31, 2012		64,007,000	(101,433)	18,993,049	16,408,221	47,623,772	146,930,609

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from operating activities				
Profit/ (loss) for the year	34,349,701	38,198,862	(1,061,892)	13,565,988
Tax expense/ (income) recognised in profit or loss	9,865,473	8,985,379	(333,757)	3,448,476
Depreciation and amortisation of non-current assets	6,713,498	5,331,942	—	—
Finance cost recognised in profit or loss	189,756	51,513	—	—
Inventories written down	169,372	—	—	—
Share of loss of jointly controlled entity	79,611	247,099	—	—
Share of loss of associate	24,317	—	—	—
Loss on fair value adjustments of investment properties	20,102	63,106	—	—
Property, plant and equipment written off	2,015	377	—	—
Reversal of inventories written down	(3,727,665)	(518,148)	—	—
Interest income recognised in profit or loss	(1,785,201)	(1,502,799)	(82,767)	(60,541)
Unrealised gain on foreign exchange	(868,618)	(2,029,572)	—	—
Reversal of impairment loss on trade receivables	(528,655)	(138,817)	—	—
Gain on disposal of property, plant and equipment	(252,814)	(118,754)	—	—
Investment income earned on financial asset at fair value through profit or loss	(15,393)	(8,716)	(15,393)	(8,716)
Gain on dilution of investment in jointly controlled entity	(5,094)	—	—	—
Fair value gain on financial asset at fair value through profit or loss	(318)	(568)	(318)	(568)
Impairment loss recognised on trade receivables	—	1,090,774	—	—
Gross dividend income from investments in subsidiaries	—	—	—	(18,610,000)
	44,230,087	49,651,678	(1,494,127)	(1,665,361)
Movements in working capital:				
Decrease/ (increase) in inventories	9,074,338	(14,945,942)	—	—
Decrease/ (increase) in trade and other receivables	9,070,615	(31,509,616)	—	—
Decrease in other financial asset	—	200,300	—	—
(Increase)/ decrease in other assets	(686,930)	916,763	(227,476)	2,232
(Decrease)/ increase in trade and other payables	(2,398,634)	18,316,867	—	729,529
Cash generated from/ (used in) operations	59,289,476	22,630,050	(1,721,603)	(933,600)
Income taxes paid	(9,295,512)	(8,104,474)	—	—
Income taxes refunded	—	699,351	—	—
Net cash generated by/ (used in) operating activities	49,993,964	15,224,927	(1,721,603)	(933,600)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONT'D)

	Note	The Group		The Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from investing activities					
Interest received		1,607,131	1,502,133	85,323	58,335
Proceeds from disposal of property, plant and equipment		254,373	126,768	–	–
Payments for property, plant and equipment		(17,950,869)	(18,625,406)	–	–
Repayment by jointly controlled entity		–	125,000	–	125,000
Payment to acquire financial asset at fair value through profit or loss		–	(500,018)	–	(500,018)
Repayment by subsidiaries		–	–	13,692,000	9,413,000
Dividends received		–	–	–	13,957,500
Net cash (used in)/ generated by investing activities		(16,089,365)	(17,371,523)	13,777,323	23,053,817
Cash flows from financing activities					
(Decrease)/ increase in short-term borrowing		(20,477,306)	20,477,306	–	–
Dividends paid to owners of the Company		(18,714,062)	(16,794,829)	(18,714,062)	(16,794,829)
Interest paid		(189,756)	(51,513)	–	–
Short-term deposit released as security		–	19,960	–	–
Payments for buy-back of shares		–	(2,382)	–	(2,382)
Net cash (used in)/ generated by financing activities		(39,381,124)	3,648,542	(18,714,062)	(16,797,211)
Net (decrease)/ increase in cash and cash equivalents		(5,476,525)	1,501,946	(6,658,342)	5,323,006
Cash and cash equivalents at the beginning of the year		104,038,350	103,115,810	6,799,554	1,476,548
Effects of exchange rates changes on the balances of cash held in foreign currencies		(176,979)	(579,406)	–	–
Cash and cash equivalents at the end of the year	34	98,384,846	104,038,350	141,212	6,799,554

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 18. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia.

The principal place of business of the Company is located at Plot 4, Jalan Jelawat Satu, Kawasan Perusahaan Seberang Jaya, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

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 Corp., a corporation incorporated in Taiwan respectively.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on March 25, 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Adoption of Malaysian Financial Reporting Standards

The Group's and the Company's financial statements for the financial year ended December 31, 2012 have been prepared in accordance with MFRSs for the first time. In the previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards, with January 1, 2011 as the date of transition. The changes in accounting policies as a consequence of the transition to MFRSs and the reconciliations of the effects of the transition to MFRSs are presented in Note 40.

Standards and IC Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations ("IC Int.") which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below.

MFRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to Government Loans) ^(a)
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures – Offsetting Financial Assets and Financial Liabilities) ^(a)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009) ^(b)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010) ^(b)
MFRS 10	Consolidated Financial Statements ^(a)
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance) ^(a)
MFRS 10	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127) ^(c)
MFRS 11	Joint Arrangements ^(a)
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance) ^(a)
MFRS 12	Disclosure of Interests in Other Entities ^(a)
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance) ^(a)
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127) ^(c)
MFRS 13	Fair Value Measurement ^(a)
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income) ^(d)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011) ^(a)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

Standards and IC Interpretations in issue but not yet effective (Cont'd)

MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011) ^(a)
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127) ^(c)
MFRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) ^(a)
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) ^(c)
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine ^(a)
Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle ^(a)	

- ^(a) Effective for annual periods beginning on or after January 1, 2013
- ^(b) Effective for annual periods beginning on or after January 1, 2015 instead of January 1, 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB on November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on March 1, 2012
- ^(c) Effective for annual periods beginning on or after January 1, 2014
- ^(d) Effective for annual periods beginning on or after July 1, 2012

The directors anticipate that the abovementioned Standards and IC 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 IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of the financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master meeting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

To date, the Group and the Company have not entered into any such agreements or similar arrangements. However, the directors anticipate that the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became immediately effective on the issuance date of March 1, 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after January 1, 2015 instead of on or after January 1, 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduce new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (Cont'd)

Key requirements of MFRS 9 are described as follows:

- (a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- (b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors do not anticipate that the application of MFRS 9 will have a significant impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 AND MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, comprising MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

Key requirements of these five Standards are described below.

MFRS 10 replaces the parts of MFRS 127 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IC Int. 112 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is, control. In addition, MFRS 10 includes a new definition of control that contains three elements:

- (a) power over an investee,
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 11 replaces MFRS 131 Interests in Joint Ventures. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IC Int. 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method of accounting or proportionate consolidation.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/ or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards will have no material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 Financial Instruments: Disclosures will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. The directors do not anticipate that the application of MFRS 119 will have a significant impact on the Group's and the Company's financial statements.

Amendments to MFRSs: Annual Improvements 2009 – 2011 Cycle

The Annual Improvements 2009 – 2011 Cycle include a number of amendments to various MFRSs. The amendments to MFRSs include:

- (a) Amendments to MFRS 101 Presentation of Financial Statements;
- (b) Amendments to MFRS 116 Property, Plant and Equipment; and
- (c) Amendments to MFRS 132 Financial Instruments: Presentation.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

Amendments to MFRS 101

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. The directors do not anticipate that the adoption of the amendments when it becomes effective will have a significant impact on the Group's and the Company's financial statements.

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments of MFRS 116 will have a significant impact on the Group's and the Company's financial statements.

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 Income Taxes. The directors anticipate that the amendments to MFRS 132 will have no effect on the Group's and the Company's financial statements as this treatment has already been adopted.

IC Int. 20

IC Int. 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (stripping activity asset) which certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with MFRS 102 Inventories. The stripping activity is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of existing asset of which it forms part.

Specific transitional provisions are provided to entities that apply IC Int. 20 for the first time. However, IC Int. 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors anticipate that IC Int. 20 will have no effect to the Group's and the Company's financial statements as no such activities are being engaged by the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company 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 July 1, 2009 that meet the conditions of a merger as set out in MFRS 3 Business Combinations, which were accounted for using the merger method.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsidiaries and basis of consolidation (Cont'd)

The Group has taken advantage of the exemption provided by MFRS 3 to apply this standard prospectively. Accordingly, business combinations entered into prior to January 1, 2009 have not been restated to comply with this standard.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Subsidiaries

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business combinations

Acquisitions of subsidiaries and businesses that take place on or after January 1, 2011 are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- (a) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- (b) liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/ from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entity using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of the interest in the jointly controlled entity that are not related to the Group.

Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associate (Cont'd)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with MFRS 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate that are not related to the Group.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

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.

(a) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

(b) Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(c) Rental income

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.

(d) Other income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

Wages, salaries, paid annual leave, 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group and the Company have no further payment obligations once these contributions have been paid.

Taxation

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

(b) Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

However, for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 ("RM"), 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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income; and
- (b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

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.

(b) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, being the fair value in the opening MFRS statement of financial position as deemed costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

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%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties, which are properties held to earn rentals and/ or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in which the property is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets excluding goodwill (Cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, includes an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

(b) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(d) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods of 30 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

(d) Impairment of financial assets (Cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(e) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments issued by the Group and the Company

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) 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 Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments issued by the Group and the Company (Cont'd)

(d) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (i) it has been acquired principally for the purpose of repurchasing it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income.

(e) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(f) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 24.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 statements of comprehensive income 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.

Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

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 amounts of cash and which are subject to an insignificant risk of changes in value.

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, the directors are 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.

(a) Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties, the directors have concluded that investment properties are not being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption that the carrying amounts of the investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, deferred taxes have not been recognised on changes in fair value of investment properties as no tax consequences would arise on disposal of the investment properties.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

(i) Impairment of property, plant and equipment, prepaid lease payments on leasehold land and investment properties

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

If there are indicators of impairment in property, plant and equipment, prepaid lease payments on leasehold land and investment properties, the Group carries out the impairment test based on a variety of estimation including the value in use of the cash-generating units to which the property, plant and equipment, prepaid lease payments on leasehold land and investment properties are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

During the current financial year, the Group assessed and determined that there was no indicator of impairment for property, plant and equipment, prepaid lease payments on leasehold land and investment properties.

(ii) Impairment of goodwill

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 directors 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.

At the end of the current financial year, the Group assessed the recoverable amount of goodwill, and determined that there was no impairment for goodwill need to be recognised.

(iii) 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 those deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profit together with future tax planning strategies.

Assumptions about generation of future taxable profit depend on management's estimates of future cash flows. This depends on estimates of future revenue, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of the deferred tax assets recognised in the statements of financial position.

(iv) Inventories

The Group makes an allowance for slow moving/ obsolete inventories based on an assessment of the net realisable value of the inventories. When estimating the net realisable value of inventories, management consider all of the facts relating to the inventories and the operating environment at the time the estimates are made. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the period in which such estimate has been changed.

(v) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

(v) Impairment of receivables (Cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables in the period in which such estimate has been changed.

5. REVENUE

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Sale of goods	348,800,664	349,640,987	–	–
Investment income earned on financial asset at fair value through profit or loss	15,393	8,716	15,393	8,716
Dividend income from non-current equity investments in subsidiaries in Malaysia	–	–	–	18,610,000
Management fee	–	–	2,460,000	2,460,000
	348,816,057	349,649,703	2,475,393	21,078,716

6. INVESTMENT REVENUE

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Rental income from investment properties	1,964,815	2,498,073	–	–
Interest income on short-term deposits	1,785,201	1,502,799	82,767	60,541
	3,750,016	4,000,872	82,767	60,541

The following is an analysis of investment revenue earned on financial assets by category of asset:

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Investment income earned on investment properties	1,964,815	2,498,073	–	–
Interest income for financial assets not designated as at fair value through profit or loss:				
Loan and receivables (including cash and bank balances)	1,785,201	1,502,799	82,767	60,541
	3,750,016	4,000,872	82,767	60,541

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Reversal of inventories written down	3,727,665	518,148	–	–
Net foreign exchange gain	2,415,946	5,974,697	626	–
Reversal of impairment loss on trade receivables	528,655	138,817	–	–
Gain on disposal of property, plant and equipment	252,814	118,754	–	–
Gain on dilution of investment in jointly controlled entity	5,094	–	–	–
Fair value gain on financial assets at fair value through profit or loss	318	568	318	568
Inventories written down	(169,372)	–	–	–
Loss on fair value adjustments of investment properties	(20,102)	(63,106)	–	–
Property, plant and equipment written off	(2,015)	(377)	–	–
Impairment loss recognised on trade receivables	–	(1,090,774)	–	–
Others	417,904	127,488	–	–
	7,156,907	5,724,215	944	568

8. OTHER INCOME

	The Group	
	2012 RM	2011 RM
Scrap sales	6,261,320	6,896,972
Labour charges received	8,169	72,282
Others	142,022	19,557
	6,411,511	6,988,811

9. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense recognised as an expense during the financial year is as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Contribution to employees provident fund and central provident fund	1,223,982	1,374,232	95,849	91,020
Other employee benefits expense	34,146,632	32,217,531	2,597,032	2,984,292
	35,370,614	33,591,763	2,692,881	3,075,312

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 employee related expenses.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

9. EMPLOYEE BENEFITS EXPENSE (Cont'd)

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Contribution to employees provident fund and central provident fund	99,314	109,303	45,983	44,766
Other emoluments	2,420,754	2,750,304	1,939,091	2,306,236
	2,520,068	2,859,607	1,985,074	2,351,002

10. FINANCE COST

Interest expense for financial liabilities not classified as fair value through profit or loss is as follows:

	The Group	
	2012	2011
	RM	RM
Interest on short-term borrowing	189,756	51,513

11. TAX EXPENSE/ (INCOME)

Income tax recognised in profit or loss

Tax expense/ (income) comprises:

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current year:				
Current tax expense:				
Malaysian	7,829,000	7,959,000	–	4,010,500
Foreign	686,373	1,290,273	–	–
Deferred tax expense/ (income) relating to the origination and reversal of temporary differences	1,469,438	16,437	(332,000)	(450,000)
	9,984,811	9,265,710	(332,000)	3,560,500
Adjustments recognised in the current year in relation to tax expense of prior years:				
Current tax:				
Malaysian	(409,338)	91,669	(1,757)	(112,024)
Deferred tax	290,000	(372,000)	–	–
Total tax expense/ (income)	9,865,473	8,985,379	(333,757)	3,448,476

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The estimated tax saving arising from utilisation of previously unused tax losses that is used to reduce current tax expense of the Group and of the Company is RM78,000 (2011: RM370,000) and Nil (2011: RM370,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

11. TAX EXPENSE/ (INCOME) (Cont'd)

The total tax expense/ (income) for the year can be reconciled to the accounting profit/ (loss) as follows:

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/ (loss) before tax	44,215,174	47,184,241	(1,395,649)	17,014,464
Tax expense calculated using the Malaysian income tax rate of 25% (2011: 25%)	11,054,000	11,796,000	(349,000)	4,254,000
Effect of expenses that are not deductible in determining taxable profit	997,811	233,710	17,000	37,500
Effect of revenue that is exempt from taxation	(44,000)	(2,000)	–	–
Effect of tax exempt income on:				
Pioneer business	(1,200,000)	(1,355,000)	–	–
Promoted business	(691,000)	(1,092,000)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(129,000)	391,000	–	–
Reversal of deferred tax assets not recognised previously:				
Unused tax losses	(78,000)	–	–	–
Other temporary differences	75,000	–	–	–
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	–	25,000	–	–
Recognition of deferred tax assets not recognised previously:				
Unused tax losses	–	(370,000)	–	(370,000)
Other temporary differences	–	(361,000)	–	(361,000)
	9,984,811	9,265,710	(332,000)	3,560,500
Adjustments recognised in the current year in relation to tax expense of prior years	(119,338)	(280,331)	(1,757)	(112,024)
Tax expense/ (income) recognised in profit or loss	9,865,473	8,985,379	(333,757)	3,448,476

A subsidiary in Malaysia has been granted pioneer status under the Promotion of Investment Act, 1986 for the manufacturing of fixed and handheld barcode readers and its related sub-assembly. Under this incentive, 70% of the subsidiary's statutory income from the manufacturing of fixed and handheld barcode readers is exempted from income tax for a period of five years commencing February 2, 2009.

Another 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 full corporate tax exemption on certain income, tax reduction at 11.5% on certain income, and full corporate tax exemption on certain income not exceeding the capital investment (excluding land), as well as other rights and privileges as prescribed by the Board of Investment. For income which is derived from Non-Board of Investment operations, it is liable for corporate tax at 23%.

As of December 31, 2012, the Group and the Company have unused tax losses of approximately RM1,244,000 (December 31, 2011: RM869,000; January 1, 2011: RM2,294,000) and RM359,000 (December 31, 2011: RM199,000; January 1, 2011: RM1,706,000) respectively, which are available for set off against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

12. PROFIT/ (LOSS) FOR THE YEAR

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
After charging:				
Depreciation of property, plant and equipment	6,541,085	5,159,525	–	–
Directors' remuneration:				
Directors of the Company:				
Fee	72,000	72,000	72,000	72,000
Contribution to employees provident fund	45,983	44,766	45,983	44,766
Other emoluments	1,867,091	2,234,236	1,867,091	2,234,236
Directors of subsidiaries:				
Fee	–	–	–	–
Contribution to employees provident fund and central provident fund	53,331	64,537	–	–
Other emoluments	481,663	444,068	–	–
Rental of:				
Premises	199,778	168,564	–	–
Office equipment	14,284	14,567	–	–
Interest on short-term borrowing	189,756	51,513	–	–
Amortisation of prepaid lease payments on leasehold land	172,413	172,417	–	–
Inventories written down	169,372	–	–	–
Audit fee:				
Current year	121,200	115,532	33,000	30,000
Underprovision in prior year	5,000	8,500	5,000	5,000
Loss on fair value adjustments of investment properties	20,102	63,106	–	–
Property, plant and equipment written off	2,015	377	–	–
Impairment loss recognised on trade receivables	–	1,090,774	–	–
And crediting:				
Reversal of inventories written down	3,727,665	518,148	–	–
Gain on foreign exchange:				
Realised	1,547,328	3,945,126	626	–
Unrealised	868,618	2,029,572	–	–
Rental income	1,964,815	2,498,073	–	–
Interest income on short-term deposits	1,785,201	1,502,799	82,767	60,541
Reversal of impairment loss on trade receivables	528,655	138,817	–	–
Gain on disposal of property, plant and equipment	252,814	118,754	–	–
Investment income earned on financial asset at fair value through profit or loss	15,393	8,716	15,393	8,716
Gain in dilution of investment in jointly controlled entity	5,094	–	–	–
Fair value gain on financial asset at fair value through profit or loss	318	568	318	568

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to owners 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	
	2012	2011
Profit for the year attributable to owners of the Company (RM)	34,349,701	38,198,862
Weighted average number of ordinary shares in issue (units)	63,979,700	63,980,076
Basic earnings per share (sen)	54	60

14. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Beginning of year RM	Additions RM	Disposals/ write-off RM	Currency translation differences RM	End of year RM
December 31, 2012:					
Freehold land	650,256	–	–	(1,362)	648,894
Buildings	23,046,570	5,031,479	–	(1,438)	28,076,611
Leasehold flats	1,900,000	–	–	–	1,900,000
Plant and machinery	69,058,452	12,065,237	(265,932)	4,221	80,861,978
Production tools and equipment	3,434,521	345,121	–	(99)	3,779,543
Furniture, fixtures and office equipment	2,784,904	48,574	(1,255)	(262)	2,831,961
Mechanical and electrical installation	1,583,747	–	–	–	1,583,747
Motor vehicles	2,065,127	283,360	(163,168)	(358)	2,184,961
Road	8,788	–	–	(18)	8,770
Construction-in-progress	–	177,098	–	891	177,989
	104,532,365	17,950,869	(430,355)	1,575	122,054,454
December 31, 2011:					
Freehold land	690,248	–	–	(39,992)	650,256
Buildings	22,443,924	632,314	–	(29,668)	23,046,570
Leasehold flats	1,900,000	–	–	–	1,900,000
Plant and machinery	52,963,216	16,740,953	(638,668)	(7,049)	69,058,452
Production tools and equipment	2,817,150	632,642	(14,250)	(1,021)	3,434,521
Furniture, fixtures and office equipment	2,572,563	222,544	(6,420)	(3,783)	2,784,904
Mechanical and electrical installation	1,583,747	–	–	–	1,583,747
Motor vehicles	1,672,120	396,953	–	(3,946)	2,065,127
Road	8,981	–	–	(193)	8,788
	86,651,949	18,625,406	(659,338)	(85,652)	104,532,365

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals/ write-off RM	Currency translation differences RM	End of year RM
December 31, 2012:					
Buildings	1,430,337	952,703	–	(659)	2,382,381
Leasehold flats	25,411	23,457	–	–	48,868
Plant and machinery	48,599,911	5,098,569	(262,668)	(788)	53,435,024
Production tools and equipment	2,688,918	202,591	–	(42)	2,891,467
Furniture, fixtures and office equipment	2,492,523	112,385	(947)	(136)	2,603,825
Mechanical and electrical installation	1,583,744	–	–	–	1,583,744
Motor vehicles	1,653,334	151,380	(163,166)	(167)	1,641,381
Road	8,788	–	–	(18)	8,770
	58,482,966	6,541,085	(426,781)	(1,810)	64,595,460

December 31, 2011:

Buildings	554,393	920,114	–	(44,170)	1,430,337
Leasehold flats	1,954	23,457	–	–	25,411
Plant and machinery	45,428,052	3,814,070	(638,668)	(3,543)	48,599,911
Production tools and equipment	2,585,390	110,428	(6,236)	(664)	2,688,918
Furniture, fixtures and office equipment	2,297,829	202,719	(6,043)	(1,982)	2,492,523
Mechanical and electrical installation	1,583,744	–	–	–	1,583,744
Motor vehicles	1,566,687	88,737	–	(2,090)	1,653,334
Road	8,981	–	–	(193)	8,788
	54,027,030	5,159,525	(650,947)	(52,642)	58,482,966

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Net book value:			
Freehold land	648,894	650,256	690,248
Buildings	25,694,230	21,616,233	21,889,531
Leasehold flats	1,851,132	1,874,589	1,898,046
Plant and machinery	27,426,954	20,458,541	7,535,164
Production tools and equipment	888,076	745,603	231,760
Furniture, fixtures and office equipment	228,136	292,381	274,734
Mechanical and electrical installation	3	3	3
Motor vehicles	543,580	411,793	105,433
Road	–	–	–
Construction-in-progress	177,989	–	–
	57,458,994	46,049,399	32,624,919

As of December 31, 2012, certain of the Group's freehold land and building with a total carrying value of RM1,048,894 (December 31, 2011: RM1,056,672; January 1, 2011: RM1,172,669) are charged to a bank as securities for credit facilities granted to the Group as mentioned in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

15. INVESTMENT PROPERTIES

	The Group	
	December 31, 2012 RM	December 31, 2011 RM
At fair value:		
Balance at beginning of the year	27,335,559	27,442,310
Loss on fair value adjustments at end of year	(20,102)	(63,106)
Effect on foreign currency exchange differences	(3,919)	(43,645)
Balance at end of the year	27,311,538	27,335,559

The investment properties as of December 31, 2012, all of which are being leased out under operating lease are as follows:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Freehold land and buildings	1,886,538	1,910,559	2,020,223
Short leasehold land and buildings	25,425,000	25,425,000	25,422,087
	27,311,538	27,335,559	27,442,310

The fair value of the Group's investment properties of freehold land and buildings as of December 31, 2012 of RM1,886,538 (December 31, 2011: RM1,910,559; January 1, 2011: RM2,020,223) was determined by the directors by reference to market evidence of transaction prices for similar properties.

The fair value of certain of the Group's investment properties of short leasehold land and buildings as of December 31, 2012 with a total carrying value of RM25,425,000 (December 31, 2011: RM25,425,000; January 1, 2011: RM17,025,000) has been arrived at on the basis of a valuation carried out at that date by an independent valuer which have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

No valuation was carried out by independent valuer on certain of the Group's investment properties as of January 1, 2011, comprising short leasehold land and building with a total carrying value of RM8,397,087. These short leasehold land and building were acquired during the last quarter of the financial year ended December 31, 2010 and the directors were of the opinion that the carrying amount of such investment properties approximates their fair value as of January 1, 2011.

The rental income earned by the Group from its investment properties is RM1,964,815 (2011: RM2,498,073). Direct operating expenses incurred by the Group on the investment properties leased out under operating lease during the financial year amounted to RM325,299 (2011: RM656,570).

As of December 31, 2012, the unexpired lease periods of the short leasehold land of the Group which are included under investment properties are 37 and 38 years.

As of December 31, 2012, certain of the Group's investment properties with a total carrying value of RM1,886,538 (December 31, 2011: RM1,910,559; January 1, 2011: RM2,020,223) are charged to a bank as securities for credit facilities granted to the Group as mentioned in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

16. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	December 31, 2012	December 31, 2011
	RM	RM
At beginning of the year	6,754,184	6,926,601
Amortisation during the year	(172,413)	(172,417)
At end of the year	<u>6,581,771</u>	<u>6,754,184</u>

The prepaid lease payments on leasehold land as of December 31, 2012 are as follows:

	December 31, 2012	The Group December 31, 2011	January 1, 2011
	RM	RM	RM
Short leasehold land	<u>6,581,771</u>	<u>6,754,184</u>	<u>6,926,601</u>

As of December 31, 2012, the unexpired lease periods of the short leasehold land of the Group which are included under prepaid lease payments on leasehold land are 37 and 38 years.

17. GOODWILL

	December 31, 2012	The Group December 31, 2011	January 1, 2011
	RM	RM	RM
At cost	<u>1,721,665</u>	<u>1,721,665</u>	<u>1,721,665</u>

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that there was no impairment on goodwill need to be recognised.

Goodwill has been allocated for impairment testing purposes to manufacturing activities of a foreign subsidiary.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a period of 3 years with an estimated growth rate of negative 10% (December 31, 2011: positive 2%; January 1, 2011: positive 2%), and a discount rate of 9% (December 31, 2011: 9%; January 1, 2011: 9%) per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

18. INVESTMENTS IN SUBSIDIARIES

	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Unquoted shares, at cost	79,918,805	79,918,805	79,918,805

Details of the subsidiaries as at the end of the reporting period are as follows:

Direct subsidiaries	Principal activities	Place of incorporation	Proportion of ownership interest		
			December 31, 2012	December 31, 2011	January 1, 2011
Pan-International Electronics (Malaysia) Sdn. Bhd.	Contract electronic manufacturing, cable assemblies and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly	Malaysia	100%	100%	100%
Pan International Electronics (Thailand) Co., Ltd*	Manufacturing and providing of cable and wireharness to computer, communication and consumer electronic industry	Thailand	100%	100%	100%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Manufacture of cables and wires for electronic devices and cable moulding compounds	Malaysia	100%	100%	100%
Indirect subsidiaries					
Pan-International Corporation (S) Pte. Ltd.*	Marketing and trading of electronic and telecommunication components and equipment	Singapore	100%	100%	100%
PIE Enterprise (M) Sdn. Bhd.	Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products	Malaysia	100%	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Trading of raw cable and wire and cable assembly products. However, in 2004, the company ceased its trading activities and is presently inactive	Malaysia	100%	100%	100%

* Audited by other auditors

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Unquoted shares, at cost	–	25,000	25,000	–	25,000	25,000
Group's share of post-acquisition reserve	–	99,883	346,982	–	–	–
	–	124,883	371,982	–	25,000	25,000

The Company holds 49% (December 31, 2011: 50%; January 1, 2011: 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.

On September 30, 2012, Infra-Info Telecommunications Sdn. Bhd. increased its issued and paid-up share capital from 600,000 ordinary shares of RM1 each to 612,245 ordinary shares of RM1 each. The Company did not subscribe for the additional shares issued by Infra-Info Telecommunications Sdn. Bhd.. Accordingly, the Group's and the Company's equity interests in Infra-Info Telecommunications Sdn. Bhd. diluted to 49%, and Infra-Info Telecommunications Sdn. Bhd. became an associate to the Group.

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

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Assets and liabilities			
Non-current assets	–	73,273	125,557
Current assets	–	59,236	373,841
Total assets	–	132,509	499,398
Current liabilities	–	7,626	127,416
		The Group	2011
		2012	2011
		RM	RM
Results			
Revenue	–	–	4,674
Other income	–	–	1,343
Expenses	–	–	253,116

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

20. INVESTMENT IN ASSOCIATE

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Unquoted shares, at cost	25,000	–	–	25,000	–	–
Group's share of post- acquisition reserve	1,049	–	–	–	–	–
	26,049	–	–	25,000	–	–

The Company holds 49% (December 31, 2011: 50%; January 1, 2011: 50%) equity interest in an associate, Infra-Info Telecommunications Sdn. Bhd., a company incorporated in Malaysia. The associate is principally engaged in the provision of wireless broadband services and sale of related telecommunication products.

Summarised financial information in respect of the Group's associate is set out below.

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Total assets	56,662	–	–
Total liabilities	(3,500)	–	–
Net assets	53,162	–	–
Group's share of net assets of associate	26,049	–	–

	The Group 2012 RM	2011 RM
Total revenue	1,710	–
Total loss for the year	208,848	–
Group's share of loss of associate	24,317	–

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

21. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance RM	Recognised in profit or loss RM	Closing balance RM
The Group			
December 31, 2012:			
Deferred tax assets			
Inventories	3,023,000	(1,026,000)	1,997,000
Unused tax losses	50,000	309,000	359,000
Receivables	–	18,000	18,000
Others	2,012,000	(362,000)	1,650,000
	5,085,000	(1,061,000)	4,024,000
Deferred tax liabilities			
Property, plant and equipment	(4,579,485)	(786,438)	(5,365,923)
Others	(88,000)	88,000	–
	(4,667,485)	(698,438)	(5,365,923)
Net	417,515	(1,759,438)	(1,341,923)
December 31, 2011:			
Deferred tax assets			
Inventories	3,120,000	(97,000)	3,023,000
Unabsorbed tax losses	–	50,000	50,000
Others	726,000	1,286,000	2,012,000
	3,846,000	1,239,000	5,085,000
Deferred tax liabilities			
Property, plant and equipment	(3,772,048)	(807,437)	(4,579,485)
Others	(12,000)	(76,000)	(88,000)
	(3,784,048)	(883,437)	(4,667,485)
Net	61,952	355,563	417,515

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

21. DEFERRED TAX ASSETS/ (LIABILITIES) (Cont'd)

	Opening balance RM	Recognised in profit or loss RM	Closing balance RM
The Company			
December 31, 2012:			
Deferred tax assets			
Unused tax losses	50,000	309,000	359,000
Others	400,000	23,000	423,000
	450,000	332,000	782,000
December 31, 2011:			
Deferred tax assets			
Unused tax losses	–	50,000	50,000
Others	–	400,000	400,000
	–	450,000	450,000

Deferred tax balances are presented in the statements of financial position after appropriate offsetting as follows:

	The Group			The Company		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Deferred tax assets	922,000	1,003,475	304,000	782,000	450,000	–
Deferred tax liabilities	(2,263,923)	(585,960)	(242,048)	–	–	–
	(1,341,923)	417,515	61,952	782,000	450,000	–

The Company's deferred tax assets as of December 31, 2012 arose mainly from operational losses suffered in current year. The utilisation of these deferred tax assets is dependent on future taxable profit in excess of the profit arising from the reversal of existing deductible temporary differences. The evidence used to support this recognition is the management's three-years plan, which shows that it is probable that these deferred tax assets would be realised in future years.

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2012, deferred tax assets have not been recognised in respect of the following gross amounts of temporary differences:

	The Group			The Company		
	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	December 31, 2011 RM	January 1, 2011 RM
Unused tax losses	885,460	670,279	2,294,000	–	–	1,706,000
Temporary differences arising from:						
Inventories	43,000	60,000	66,000	–	–	–
Receivables	–	213,000	213,000	–	–	–
Others	–	324	676,070	–	–	672,000
	928,460	943,603	3,249,070	–	–	2,378,000

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

22. INVENTORIES

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Raw materials	18,191,218	19,505,798	12,409,085
Work-in-progress	11,697,252	11,069,550	9,704,905
Finished goods	5,432,084	11,758,192	4,261,159
Goods-in-transit	1,636,259	148,560	698,273
	36,956,813	42,482,100	27,073,422

The cost of inventories recognised as an expense by the Group during the financial year is RM304,789,372 (2011: RM300,980,013).

23. TRADE AND OTHER RECEIVABLES

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Trade receivables	96,968,491	105,743,047	72,596,377	–	–	–
Less: Allowance for doubtful debts	(1,211,007)	(2,215,422)	(1,276,279)	–	–	–
	95,757,484	103,527,625	71,320,098	–	–	–
Amount owing by ultimate holding company	–	1,738	879	–	–	–
Amount owing by subsidiaries	–	–	–	67,355,000	81,047,000	90,460,000
Amount owing by jointly controlled entity	–	–	125,000	–	–	125,000
Other receivables	246,775	400,666	99,588	166	2,722	516
	96,004,259	103,930,029	71,545,565	67,355,166	81,049,722	90,585,516

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

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
United States Dollar	79,737,087	84,726,864	56,129,572	–	–	–
Ringgit Malaysia	7,849,092	9,331,657	7,958,649	67,355,166	81,049,722	90,585,516
Euro	6,616,002	8,703,078	4,498,364	–	–	–
Thai Baht	1,410,506	1,034,797	985,784	–	–	–
Singapore Dollar	391,572	133,633	1,973,196	–	–	–
	96,004,259	103,930,029	71,545,565	67,355,166	81,049,722	90,585,516

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

23. TRADE AND OTHER RECEIVABLES (Cont'd)

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit periods granted to trade receivables on sale of goods range from 30 to 120 days (December 31, 2011: 30 to 90 days; January 1, 2011: 30 to 90 days). No interest is charged on trade receivables outstanding balance. Allowance for doubtful debts are recognised against trade receivables over credit period based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired trade receivables:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
1 to 30 days	7,945,353	5,657,597	–
31 to 60 days	206,487	4,757,999	16,581,921
61 to 90 days	–	1,111,401	813,259
More than 120 days	–	–	16,751
Total	8,151,840	11,526,997	17,411,931

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Movement in the allowance for doubtful debts is as follows:

	The Group December 31, 2012 RM	December 31, 2011 RM
Balance at beginning of the year	2,215,422	1,276,279
Impairment loss recognised during the year	–	1,090,774
Impairment loss reversed during the year	(528,655)	(138,817)
Amount written off during the year as uncollectible	(473,539)	–
Effect of foreign currency exchange differences	(2,221)	(12,814)
Balance at end of the year	1,211,007	2,215,422

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The allowance for doubtful debts on trade receivables are made for individually impaired receivables, relating to entities that are in significant financial difficulties and have defaulted on payments. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

23. TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of impaired trade receivables:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
1 to 30 days	–	12,895	–
31 to 60 days	434,271	–	245,432
61 to 90 days	388,259	288,576	261,780
91 to 120 days	236,297	180,575	37,644
More than 120 days	152,180	1,733,376	731,423
Total	1,211,007	2,215,422	1,276,279

The amount owing by ultimate holding company arose mainly from trade transactions. The average credit period granted to ultimate holding company was 90 days (December 31, 2011: 90 days; January 1, 2011: 90 days). No interest was charged on amount owing by ultimate holding company.

The amount owing by subsidiaries are as follows:

	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Pan-International Electronics (Malaysia) Sdn. Bhd.	67,295,000	71,795,000	73,028,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	60,000	9,252,000	17,432,000
	67,355,000	81,047,000	90,460,000

The amount owing by Pan-International Electronics (Malaysia) Sdn. Bhd. arose mainly from management fee receivable and unsecured advances which are interest free and repayable on demand. The amount owing by Pan-International Wire & Cable (Malaysia) Sdn. Bhd. as of December 31, 2012 comprises management fee receivable, and the amount owing by Pan-International Wire & Cable (Malaysia) Sdn. Bhd. as of December 31, 2011 and January 1, 2011 arose mainly from 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 were interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

24. OTHER FINANCIAL ASSETS

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Financial assets carried at fair value through profit or loss:						
Investment in Islamic cash fund	525,013	509,302	–	525,013	509,302	–
Derivative financial instrument:						
Foreign currency forward contracts	–	–	200,300	–	–	–
	525,013	509,302	200,300	525,013	509,302	–

The Group used foreign currency forward contracts to manage some of the transaction exposure. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives did not qualify for hedge accounting.

Foreign currency forward contracts were used to hedge the Group's exposure to foreign exchange risk. Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from swap points matching maturities of the contracts.

25. OTHER ASSETS

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Deposits	185,912	154,452	1,036,353	2,000	2,000	2,000
Prepayments	1,681,359	1,027,031	1,064,497	13,844	13,844	16,076
	1,867,271	1,181,483	2,100,850	15,844	15,844	18,076

26. SHORT-TERM DEPOSITS WITH LICENSED BANKS

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

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Ringgit Malaysia	30,284,811	55,410,345	23,119,531	101,061	6,721,028	1,451,000
United States Dollar	24,795,000	1,732,500	29,035,850	–	–	–
Thai Baht	24,075,571	28,638,288	23,039,603	–	–	–
	79,155,382	85,781,133	75,194,984	101,061	6,721,028	1,451,000

The short-term deposits of the Group carry interests at rates ranging from 0.15% to 3.7% (December 31, 2011: 0.18% to 3.5%; January 1, 2011: 0.2% to 2.85%) per annum and will mature within January 2013 to November 2013. The short-term deposits of the Company carry interests at rates of 3.1% and 3.15% (December 31, 2012: 2.5% to 3.1%; January 1, 2011: 2.45% to 2.85%) per annum and will mature in January 2013 and July 2013.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012 (CONT'D)

27. CASH AND BANK BALANCES

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

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	RM	RM	RM	RM	RM	RM
United States Dollar	11,554,508	10,145,412	15,309,263	—	—	—
Ringgit Malaysia	3,682,087	3,434,807	4,742,775	40,151	78,526	25,548
Thai Baht	3,188,796	4,060,768	7,527,589	—	—	—
Japanese Yen	443,639	155,446	10,200	—	—	—
Singapore Dollar	361,362	86,502	222,398	—	—	—
Euro	34,355	408,621	163,861	—	—	—
Pound Sterling	681	1,697	2,028	—	—	—
	19,265,428	18,293,253	27,978,114	40,151	78,526	25,548

As of December 31, 2012, certain bank balances of the Group with a total carrying value of RM35,964 (December 31, 2011: RM36,036; January 1, 2011: RM57,288) 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.

28. SHARE CAPITAL

	The Company		
	December 31, 2012	December 31, 2011	January 1, 2011
	RM	RM	RM
Authorised:			
100,000,000 shares of RM1 each	100,000,000	100,000,000	100,000,000
Issued and fully paid:			
64,007,000 ordinary shares of RM1 each	64,007,000	64,007,000	64,007,000

At an Annual General Meeting held on May 18, 2012, 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 ended December 31, 2011, the Company repurchased 600 of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM3.97 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, 2012, out of the total 64,007,000 (December 31, 2011: 64,007,000; January 1, 2011: 64,007,000) issued and paid-up share capital, 27,300 (December 31, 2011: 27,300; January 1, 2011: 26,700) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,979,700 (December 31, 2011: 63,979,700; January 1, 2011: 63,980,300) ordinary shares of RM1 each.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

29. RESERVES

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Non-distributable:						
Share premium	18,993,049	18,993,049	18,993,049	18,993,049	18,993,049	18,993,049
Foreign currency translation reserve	509,010	620,949	1,398,846	–	–	–
Merger reserve	–	–	–	16,408,221	16,408,221	16,408,221
	19,502,059	19,613,998	20,391,895	35,401,270	35,401,270	35,401,270

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

The movement in foreign currency translation reserve is as follows:

	The Group December 31, 2012 RM	December 31, 2011 RM
Balance at beginning of the year	620,949	1,398,846
Exchange differences arising on translating the net assets of foreign operations	(111,939)	(777,897)
Balance at end of the year	509,010	620,949

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

30. RETAINED EARNINGS

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous full imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies with Section 108 tax credit are given an irrevocable option to disregard the tax credit or to continue to utilise such tax credits until the tax credits are fully utilised or upon the expiry of the 6 years transitional period on December 31, 2013, whichever is earlier. During the transitional period, the Section 108 tax credit will be reduced by any tax credits utilised and any tax paid will not be added to this account.

As of the reporting date, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, the Company has Section 108 tax credit and the balance in the tax exempt account to frank dividends of approximately RM39,293,000 out of its retained earnings, a distributable reserve.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

31. TRADE AND OTHER PAYABLES

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Trade payables	32,020,799	36,874,277	27,881,025	–	–	–
Amount owing to ultimate holding company	47,640	5,280	11,501	–	–	–
Amount owing to a director	–	–	152	–	–	152
Other payables	10,306,294	7,924,838	2,112,050	–	–	–
Accrued expenses	16,624,304	17,092,649	13,582,885	2,962,212	3,189,688	2,460,007
	58,999,037	61,897,044	43,587,613	2,962,212	3,189,688	2,460,159

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

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
United States Dollar	33,388,273	34,085,894	17,129,834	–	–	–
Ringgit Malaysia	20,573,636	24,552,730	20,599,838	2,962,212	3,189,688	2,460,159
Euro	2,708,824	526,365	2,348,826	–	–	–
Thai Baht	2,114,535	2,476,822	3,153,577	–	–	–
Japanese Yen	139,906	125,142	230,903	–	–	–
Singapore Dollar	72,754	129,135	121,491	–	–	–
Pound Sterling	1,109	956	3,144	–	–	–
	58,999,037	61,897,044	43,587,613	2,962,212	3,189,688	2,460,159

Included in trade payables as of December 31, 2012 is an amount of RM1,413,921 (December 31, 2011: RM809,952; January 1, 2011: RM14,962) 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 periods granted to the Group for trade purchases range from 10 to 90 days (December 31, 2011: 10 to 90 days; January 1, 2011: 10 to 90 days). No interest is charged on trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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 120 days (December 31, 2011: 30 days; January 1, 2011: 30 days). No interest is charged on amount owing to ultimate holding company.

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

Included in other payables of the Group as of December 31, 2012 is an amount of RM212,324 (December 31, 2011: Nil; January 1, 2011: Nil) owing to Foxconn Precision Electronics (Langfang) Co., Ltd., a subsidiary of Hon Hai Precision Industries Co. Ltd., a shareholder of the Company's ultimate holding company. This amount comprise amount payable for purchase of machinery.

The other amounts of other payables comprise mainly amounts outstanding for ongoing costs.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

32. BORROWING

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Unsecured:			
Foreign currency trade loans	–	20,477,306	–

The foreign currency trade loans as of December 31, 2011 were denominated in United States Dollar and bear interests at rates of 0.4% and 0.5% per annum above the lending banks' cost of funds. The effective interest rates per annum of foreign currency trade loans as of December 31, 2011 ranged from 1.47% to 1.9%.

The foreign currency trade loans as of December 31, 2011 were repayable within January 2012 to March 2012.

As of December 31, 2012, the Group has unused bank overdrafts and other credit facilities as follows:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Secured	999,000	1,001,000	1,023,000
Unsecured	51,680,500	16,193,970	18,650,000
	52,679,500	17,194,970	19,673,000

The unused bank overdrafts and other credit facilities bear interests at rates ranging from 0.5% to 1% (December 31, 2011: 0.5% to 1%; January 1, 2011: 0.4% to 1.5%) per annum above the lending banks' base lending rates and a fixed rate of 7.38% (December 31, 2011: 7.5%; January 1, 2011: 6.63%) per annum.

The secured unused credit facilities are secured by a charge over a subsidiary's freehold land, buildings and investment properties. The unsecured unused credit facilities are guaranteed by the Company for RM60,543,000 (December 31, 2011: RM47,308,000; January 1, 2011: RM40,950,000).

33. DIVIDENDS

	The Group and the Company	
	2012 RM	2011 RM
Declared in respect of financial year ended December 31, 2010:		
Special dividend of 23 sen gross per ordinary share, less tax	–	11,036,602
First and final dividend of 12 sen gross per ordinary share, less tax	–	5,758,227
Declared in respect of financial year ended December 31, 2011:		
Special dividend of 27 sen gross per ordinary share, less tax	12,955,889	–
First and final dividend of 12 sen gross per ordinary share, less tax	5,758,173	–
	18,714,062	16,794,829

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

34. CASH AND CASH EQUIVALENTS

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

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	RM	RM	RM	RM	RM	RM
Short-term deposits with licensed banks	79,155,382	85,781,133	75,194,984	101,061	6,721,028	1,451,000
Cash and bank balances	19,265,428	18,293,253	27,978,114	40,151	78,526	25,548
	98,420,810	104,074,386	103,173,098	141,212	6,799,554	1,476,548
Less: Bank balances pledged as security	(35,964)	(36,036)	(57,288)	–	–	–
	98,384,846	104,038,350	103,115,810	141,212	6,799,554	1,476,548

35. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment and buy back issued shares. Management monitors capital based on ability of the Group to generate sustainable profits and availability of retained earnings for dividend payments to shareholders. The Group's overall strategy remains unchanged from 2011.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

b. Financial risk management objectives

The operations of the Group are subject to a variety of financial risks, including market risk, foreign currency risk, credit risk, interest rate 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.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

i. Market risk management

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

ii. Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

35. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives (Cont'd)

ii. Foreign currency risk management (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Assets			
United States Dollar	116,086,595	96,604,776	100,474,685
Thai Baht	28,674,873	33,733,853	31,552,976
Euro	6,650,357	9,111,699	4,662,225
Singapore Dollar	752,934	220,135	2,195,594
Japanese Yen	443,639	155,446	10,200
Pound Sterling	681	1,697	2,028
Liabilities			
United States Dollar	33,388,273	54,563,200	17,129,834
Euro	2,708,824	526,365	2,348,826
Thai Baht	2,114,535	2,476,822	3,153,577
Japanese Yen	139,906	125,142	230,903
Singapore Dollar	72,754	129,135	121,491
Pound Sterling	1,109	956	3,144

The following table details the Group's sensitivity to a 10% (December 31, 2011: 10%; January 1, 2011: 10%) increase and decrease in the RM against the relevant foreign currencies. 10% (December 31, 2011: 10%; January 1, 2011: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the RM weakens 10% (December 31, 2011: 10%; January 1, 2011: 10%) against the relevant currency. For a 10% strengthening of the RM against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Impact on profit or loss:			
United States Dollar	8,269,832	4,204,158	8,334,485
Thai Baht	2,656,034	3,125,703	2,839,940
Euro	394,153	858,533	231,340
Singapore Dollar	68,018	9,100	207,410
Japanese Yen	30,373	3,030	(22,070)
Pound Sterling	(43)	74	(112)

iii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

35. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives (Cont'd)

iii. Credit risk management (Cont'd)

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

At the reporting date, approximately 51% (December 31, 2011: 62%; January 1, 2011: 51%) of the Group's trade receivables were due from a major customer and its related companies, and approximately 11% (December 31, 2011: 9%; January 1, 2011: 8%) of the Group's trade receivables were due from another major customer and its related companies. Apart from these two major customers and its related companies, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 11% (December 31, 2011: 9%; January 1, 2011: 8%) of gross trade receivables at the end of reporting date.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are reputable banks.

The carrying amounts of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

iv. Interest rate risk management

The Group's exposure to changes in interest rates relates primarily to the Group's short-term deposits with licensed banks. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits.

No sensitivity analysis prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of reporting period.

v. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 32 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Foreign currency trade loans:			
Not later than one year	–	20,477,306	–

Details of undrawn financing facilities that the Company has at its disposal to further reduce liquidity risk are set out in Note 32.

Further details of derivative financial instruments are disclosed in Note 24, including foreign currency forward contracts.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

35. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives (Cont'd)

vi. Cash flow risk management

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

c. Forward foreign currency contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the foreign currency forward contracts outstanding as at the end of the reporting date:

The Group

Outstanding contract	Average exchange rate	Foreign currency USD	Contract value RM	Fair value gain RM
January 1, 2011:				
Sell USD				
Less than 3 months	3.17 - 3.22	1,700,000	5,411,500	200,300

d. Fair value of financial assets and liabilities

The fair value of financial assets carried at fair value through profit or loss is set out in Note 24.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

i. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of derivative instrument was calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

ii. Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

35. FINANCIAL INSTRUMENTS (Cont'd)

d. Fair value of financial assets and liabilities (Cont'd)

ii. Fair value measurements recognised in the statements of financial position(Cont'd)

The Group

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
January 1, 2011:				
Financial assets at fair value through profit or loss:				
Derivative financial assets	–	200,300	–	200,300

There was no transfer between Levels 1 and 2 in the period.

The fair value of contingent liability in respect of corporate guarantees given by the Company to local banks for credit facilities granted to certain subsidiaries as of December 31, 2011 was Nil, as the directors of the Company consider that the probability of the subsidiaries to default in repayments of the credit facilities was unlikely.

36. 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	
	2012 RM	2011 RM	2012 RM	2011 RM
With ultimate holding company:				
Purchase of raw materials	64,344	22,119	–	–
Inspection fee paid	5,145	4,809	–	–
Sale of finished goods	1,327	3,040	–	–
With subsidiaries:				
Pan-International Electronics (Malaysia) Sdn. Bhd.				
Management fee received	–	–	1,740,000	1,740,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.				
Management fee received	–	–	720,000	720,000
With jointly controlled entity:				
Infra-Info Telecommunications Sdn. Bhd.				
Telecommunication fee paid	–	8,796	–	–
With other related parties:				
Hon Hai Precision Industries Co. Ltd. ^(a)				
Purchase of raw materials	12,303,636	1,726,812	–	–
Foxconn Precision Electronics (Langfang) Co., Ltd. ^(b)				
Purchase of machinery	212,324	–	–	–

^(a) A shareholder of the Company's ultimate holding company.

^(b) A subsidiary of Hon Hai Precision Industries Co. Ltd., a shareholder of the Company's ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

37. 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 investment properties contracted for as of the end of the reporting period but not recognised as receivables, are as follows:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Not later than one year	505,784	1,339,164	1,599,468
Later than one year and not later than five years	161,838	668,378	1,759,662
	667,622	2,007,542	3,359,130

The Group has entered into operating lease agreements for the use of premises and office equipment. The future aggregate minimum lease payments under operating leases contracted for as of the end of the reporting period but not recognised as liabilities are as follows:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Not later than one year	137,910	97,720	112,290
Later than one year and not later than five years	31,240	29,930	44,150
	169,150	127,650	156,440

38. CAPITAL COMMITMENTS

As of December 31, 2012, the Group has the following commitments in respect of capital expenditure on property, plant and equipment:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Approved but not contracted for	2,214,139	–	5,372,240

39. CONTINGENT LIABILITIES

	December 31, 2012 RM	The Company December 31, 2011 RM	January 1, 2011 RM
Unsecured:			
Corporate guarantees given by the Company to local banks for credit facilities granted to a subsidiary	–	20,477,306	–

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs

This is the first year that the Group's and the Company's financial statements are prepared and presented in accordance with MFRSs. The last financial statements under FRSs were for the year ended December 31, 2011 and the date of transition to MFRSs was therefore, January 1, 2011.

An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 3. The transition to MFRSs has been accounted for in accordance with MFRS 1, as disclosed in Note 2.

The disclosures set out below explain how the transition from FRSs to MFRSs have affected the financial position, financial performance and cash flows of the Group. The changes in accounting policies as a consequence of transition to MFRSs are as described in the notes following the aforementioned disclosures. The transition to MFRSs does not have any impact on the reported financial position, financial performance and cash flows of the Company.

a. Effect of MFRSs adoption for the statement of financial position

As of January 1, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	Opening MFRSs statement of financial position RM
Assets			
Non-current assets			
Property, plant and equipment	32,624,919	–	32,624,919
Investment properties	27,442,310	–	27,442,310
Prepaid lease payments on leasehold land	12,743,872	(5,817,271)	6,926,601
Goodwill	1,721,665	–	1,721,665
Investment in jointly controlled entity	371,982	–	371,982
Deferred tax assets	2,598,000	(2,294,000)	304,000
Total non-current assets	77,502,748	(8,111,271)	69,391,477
Current assets			
Inventories	27,073,422	–	27,073,422
Trade and other receivables	71,545,565	–	71,545,565
Other financial assets	200,300	–	200,300
Current tax assets	937,429	–	937,429
Other assets	2,100,850	–	2,100,850
Short-term deposits with licensed banks	75,194,984	–	75,194,984
Cash and bank balances	27,978,114	–	27,978,114
Total current assets	205,030,664	–	205,030,664
Total assets	282,533,412	(8,111,271)	274,422,141

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

a. Effect of MFRSs adoption for the statement of financial position (Cont'd)

As of January 1, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	Opening MFRSs statement of financial position RM
Equity and liabilities			
Capital and reserves			
Share capital	64,007,000	–	64,007,000
Treasury shares	(99,051)	–	(99,051)
Reserves	33,381,921	(12,990,026)	20,391,895
Retained earnings	136,196,121	8,968,659	145,164,780
Total equity attributable to owners of the Company	233,485,991	(4,021,367)	229,464,624
Non-current liabilities			
Deferred tax liabilities	4,331,952	(4,089,904)	242,048
Current liabilities			
Trade and other payables	43,587,613	–	43,587,613
Current tax liabilities	1,127,856	–	1,127,856
Total current liabilities	44,715,469	–	44,715,469
Total liabilities	49,047,421	(4,089,904)	44,957,517
Total equity and liabilities	282,533,412	(8,111,271)	274,422,141

As of December 31, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Assets			
Non-current assets			
Property, plant and equipment	46,049,399	–	46,049,399
Investment properties	27,335,559	–	27,335,559
Prepaid lease payments on leasehold land	12,413,217	(5,659,033)	6,754,184
Goodwill	1,721,665	–	1,721,665
Investment in jointly controlled entity	124,883	–	124,883
Deferred tax assets	2,859,000	(1,855,525)	1,003,475
Total non-current assets	90,503,723	(7,514,558)	82,989,165

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

a. Effect of MFRSs adoption for the statement of financial position (Cont'd)

As of December 31, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Current assets			
Inventories	42,482,100	–	42,482,100
Trade and other receivables	103,930,029	–	103,930,029
Other financial assets	509,302	–	509,302
Current tax assets	1,163,610	–	1,163,610
Other assets	1,181,483	–	1,181,483
Short-term deposits with licensed banks	85,781,133	–	85,781,133
Cash and bank balances	18,293,253	–	18,293,253
Total current assets	253,340,910	–	253,340,910
Total assets	343,844,633	(7,514,558)	336,330,075
Equity and liabilities			
Capital and reserves			
Share capital	64,007,000	–	64,007,000
Treasury shares	(101,433)	–	(101,433)
Reserves	32,210,539	(12,596,541)	19,613,998
Retained earnings	157,871,272	8,697,541	166,568,813
Total equity attributable to owners of the Company	253,987,378	(3,899,000)	250,088,378
Non-current liabilities			
Deferred tax liabilities	4,201,518	(3,615,558)	585,960
Current liabilities			
Trade and other payables	61,897,044	–	61,897,044
Borrowing	20,477,306	–	20,477,306
Current tax liabilities	3,281,387	–	3,281,387
Total current liabilities	85,655,737	–	85,655,737
Total liabilities	89,857,255	(3,615,558)	86,241,697
Total equity and liabilities	343,844,633	(7,514,558)	336,330,075

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

b. Reconciliation of retained earnings

The Group

	As at January 1, 2011 (date of transition) RM	As at December 31, 2011 (end of the last period presented under FRSs) RM
Total retained earnings under FRSs	136,196,121	157,871,272
Restatement of prepaid lease payments on leasehold land to historical cost in accordance with MFRS 117	(5,817,271)	(5,659,033)
Tax effect of restatement of prepaid lease payments on leasehold land to historical cost	1,427,973	1,391,374
	(4,389,298)	(4,267,659)
Transfer of properties revaluation reserve as of date of transition/ end of the last period presented under FRSs	12,990,026	12,596,541
Reversal of deferred tax liabilities on fair value adjustments of investment properties presumed to be recovered through sale in accordance with MFRS 112	367,931	368,659
Total retained earnings under MFRSs	145,164,780	166,568,813

c. Effect of MFRSs adoption for the statement of comprehensive income for the year ended December 31, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Revenue	349,649,703	–	349,649,703
Investment revenue	4,000,872	–	4,000,872
Other gains and losses	5,724,215	–	5,724,215
Other income	6,988,811	–	6,988,811
Changes in inventories of finished goods and work-in-progress	8,846,011	–	8,846,011
Purchase of trading goods	(3,567,074)	–	(3,567,074)
Raw materials consumed	(263,974,717)	–	(263,974,717)
Employee benefits expense	(33,591,763)	–	(33,591,763)
Depreciation and amortisation expenses	(5,490,180)	158,238	(5,331,942)
Finance cost	(51,513)	–	(51,513)
Other expenses	(21,261,263)	–	(21,261,263)
Share of loss of jointly controlled entity	(247,099)	–	(247,099)
Profit before tax	47,026,003	158,238	47,184,241
Tax expense	(8,949,508)	(35,871)	(8,985,379)
Profit for the year	38,076,495	122,367	38,198,862
Other comprehensive income			
Exchange differences on translating foreign operations	(777,897)	–	(777,897)
Total comprehensive income for the year	37,298,598	122,367	37,420,965
Earnings per share:			
Basic (sen per share)	60	–	60

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

d. Effect of MFRSs adoption for the statement of cash flows for the year ended December 31, 2011

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Cash flows from operating activities			
Profit for the year	38,076,495	122,367	38,198,862
Tax expense recognised in profit or loss	8,949,508	35,871	8,985,379
Depreciation and amortisation of non-current assets	5,490,180	(158,238)	5,331,942
Impairment loss recognised on trade receivables	1,090,774	–	1,090,774
Share of loss of jointly controlled entity	247,099	–	247,099
Loss on fair value adjustments of investment properties	63,106	–	63,106
Finance cost recognised in profit or loss	51,513	–	51,513
Property, plant and equipment written off	377	–	377
Unrealised gain on foreign exchange	(2,029,572)	–	(2,029,572)
Interest income recognised in profit or loss	(1,502,799)	–	(1,502,799)
Reversal of inventories written down	(518,148)	–	(518,148)
Reversal of impairment loss on trade receivables	(138,817)	–	(138,817)
Gain on disposal of property, plant and equipment	(118,754)	–	(118,754)
Investment income earned on financial asset at fair value through profit or loss	(8,716)	–	(8,716)
Fair value gain on financial asset at fair value through profit or loss	(568)	–	(568)
	49,651,678	–	49,651,678
Movements in working capital:			
Increase in inventories	(14,945,942)	–	(14,945,942)
Increase in trade and other receivables	(31,509,616)	–	(31,509,616)
Decrease in other financial assets	200,300	–	200,300
Decrease in other assets	916,763	–	916,763
Increase in trade and other payables	18,316,867	–	18,316,867
Cash generated from operations	22,630,050	–	22,630,050
Income taxes refunded	699,351	–	699,351
Income taxes paid	(8,104,474)	–	(8,104,474)
Net cash generated by operating activities	15,224,927	–	15,224,927
Cash flows from investing activities			
Interest received	1,502,133	–	1,502,133
Proceeds from disposal of property, plant and equipment	126,768	–	126,768
Repayment by jointly controlled entity	125,000	–	125,000
Payments for property, plant and equipment	(18,625,406)	–	(18,625,406)
Payment to acquire financial asset at fair value through profit or loss	(500,018)	–	(500,018)
Net cash used in investing activities	(17,371,523)	–	(17,371,523)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

d. Effect of MFRSs adoption for the statement of cash flows for the year ended December 31, 2011 (Cont'd)

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Cash flows from financing activities			
Increase in short-term borrowing	20,477,306	–	20,477,306
Short-term deposit released as security	19,960	–	19,960
Dividends paid to owners of the Company	(16,794,829)	–	(16,794,829)
Interest paid	(51,513)	–	(51,513)
Payments for buy-back of shares	(2,382)	–	(2,382)
Net cash generated by financing activities	3,648,542	–	3,648,542
Net increase in cash and cash equivalents	1,501,946	–	1,501,946
Cash and cash equivalents at the beginning of the year	103,115,810	–	103,115,810
Effects of exchange rates changes on the balances of cash held in foreign currencies	(579,406)	–	(579,406)
Cash and cash equivalents at the end of the year	104,038,350	–	104,038,350

e. Notes to the reconciliations

Property, plant and equipment

Under FRSs, the Group measured its freehold land, buildings and leasehold flats at valuation. The last valuation was carried out on November 30, 2010.

Upon transition to MFRSs, the Group had decided to measure the freehold land, buildings and leasehold flats using the cost model under MFRS 116 Property, Plant and Equipment. Thus, at the date of transition to MFRSs, the optional exemption in MFRS 1 was applied to regard the revalued amounts of the revalued properties in December 31, 2010 as deemed cost under MFRSs as this revalued amounts was broadly comparable to fair value at that date. The revaluation surplus of RM12,990,026 as at January 1, 2011 was transferred to retained earnings, with the corresponding deferred tax liabilities being reclassified and presented as temporary difference arising in respect of property, plant and equipment.

The aggregate fair value of the revalued properties of the Group as of January 1, 2011 was determined to be RM24,477,825 compared to the then carrying amount of RM24,477,825 under FRSs.

Investment properties

Under MFRS 112 Income Taxes, investment properties that are measured using the fair value model in accordance with MFRS 140 Investment Property, are presumed to be recovered entirely through sale for the purposes of measuring deferred tax unless the presumption is rebutted.

The Group's investment properties are measured using the fair value model. Upon transition to MFRSs, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the presumption set out in MFRS 112 is not rebutted. Accordingly, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group will not incur any tax consequences on disposal of its investment properties.

In contrast, under FRSs, the Group recognised deferred taxes on changes in fair value of investment properties using the applicable tax rate based on the manner in which the carrying amounts are expected to be recovered. The change in accounting policy has been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by RM367,931 as at January 1, 2011 with the corresponding adjustment being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by RM368,659 as at December 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

e. Notes to the reconciliations (Cont'd)

Prepaid lease payments on leasehold land

Under FRSs, the Group measured certain of its prepaid lease payments on leasehold land in accordance with the transitional provision in FRS 117 Leases. The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised revalued amount when the Group first applied FRS 117 in 2006. The transitional provision is not available under MFRS 117.

Upon transition to MFRSs, the revalued prepaid lease payments on leasehold land was restated to its original cost.

Deferred tax liabilities

The impact upon transition to MFRSs as described above have resulted in the following changes to the deferred tax liabilities:

The Group

	As at January 1, 2011 (date of transition) RM	As at December 31, 2011 (end of the last period presented under FRSs) RM
Restatement of prepaid lease payments on leasehold land to historical cost	1,427,973	1,391,374
Reversal of deferred tax liabilities on fair value adjustments of investment properties presumed to be recovered through sale in accordance with MFRS 112	367,931	368,659
Decrease in net deferred tax liabilities	1,795,904	1,760,033

The impact arising upon transition to MFRSs is summarised as follows:

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
As of January 1, 2011:			
Property, plant and equipment	32,624,919	–	32,624,919
Investment properties	27,442,310	–	27,442,310
Prepaid lease payment on leasehold land	12,743,872	(5,817,271)	6,926,601
Deferred tax assets	2,598,000	(2,294,000)	304,000
Properties revaluation reserve	12,990,026	(12,990,026)	–
Retained earnings	136,196,121	8,968,659	145,164,780
Deferred tax liabilities	4,331,952	(4,089,904)	242,048
As of December 31, 2011:			
Property, plant and equipment	46,049,399	–	46,049,399
Investment properties	27,335,559	–	27,335,559
Prepaid lease payments on leasehold land	12,413,217	(5,659,033)	6,754,184
Deferred tax assets	2,859,000	(1,855,525)	1,003,475
Properties revaluation reserve	12,596,541	(12,596,541)	–
Retained earnings	157,871,272	8,697,541	166,568,813
Deferred tax liabilities	4,201,518	(3,615,558)	585,960

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

40. EXPLANATION ON TRANSITION TO MFRSs (Cont'd)

e. Notes to the reconciliations (Cont'd)

The impact arising upon transition to MFRSs is summarised as follows: (Cont'd)

The Group

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
For the year ended December 31, 2011:			
Depreciation and amortisation expenses	5,490,180	(158,238)	5,331,942
Income tax expense	8,949,508	35,871	8,985,379
Net profit for the year	38,076,495	122,367	38,198,862
Cost of sales	301,122,426	(142,413)	300,980,013

41. SEGMENT INFORMATION

Product and services from which reportable segments derive their revenue.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under MFRS 8 Operating Segments are therefore as follows:

- manufacturing of industrial products (includes cables and wires for electronic devices, cable moulding compounds and PCB assemblies, cable and wireharness to computer, communication, consumer electronic industry and cable assemblies);
- trading of electrical products (includes peripheral products of computers, telecommunication, consumer electronics and cable assembly products); and
- investment holdings.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2012:					
Revenue					
External sales	343,755,499	5,045,165	15,393	–	348,816,057
Inter-segment revenue	5,010,054	1,666,611	2,460,000	(9,136,665)	–
Total revenue	348,765,553	6,711,776	2,475,393	(9,136,665)	348,816,057

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

41. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2012:					
Results					
Segment profit/ (loss)	34,960,159	(610)	(1,479,360)	121,746	33,601,935
Investment revenue					3,750,016
Other gains and losses					7,156,907
Finance cost					(189,756)
Share of loss of jointly controlled entity					(79,611)
Share of loss of associate					(24,317)
Profit before tax					44,215,174
Tax expense					(9,865,473)
Profit for the year					34,349,701
2011:					
Revenue					
External revenue	347,308,757	2,332,230	8,716	–	349,649,703
Inter-segment revenue	2,223,385	1,318,569	21,070,000	(24,611,954)	–
Total revenue	349,532,142	3,650,799	21,078,716	(24,611,954)	349,649,703
Results					
Segment profit/ (loss)	39,201,967	(6,997)	16,953,355	(18,390,559)	37,757,766
Investment revenue					4,000,872
Other gains and losses					5,724,215
Finance cost					(51,513)
Share of loss of jointly controlled entity					(247,099)
Profit before tax					47,184,241
Tax expense					(8,985,379)
Profit for the year					38,198,862

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit/ loss represents the profit earned/ loss suffered by each segment without investment revenue, other gains and losses, finance cost and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

41. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
December 31, 2012:					
Assets					
Segment assets	212,928,257	5,499,044	56,161	1,372,739	219,856,201
Income producing assets					106,466,920
Investment in associate					26,049
Income tax assets					2,090,147
Other financial assets					525,013
Consolidated total assets					328,964,330
Liabilities					
Segment liabilities	55,970,405	66,420	2,962,212	–	58,999,037
Income tax liabilities					4,353,215
Consolidated total liabilities					63,352,252
December 31, 2011:					
Assets					
Segment assets	217,159,987	1,777,292	97,092	1,377,742	220,412,113
Income producing assets					113,116,692
Investment in jointly controlled entity					124,883
Income tax assets					2,167,085
Other financial assets					509,302
Consolidated total assets					336,330,075
Liabilities					
Segment liabilities	58,562,007	145,349	3,189,688	–	61,897,044
Borrowing					20,477,306
Income tax liabilities					3,867,347
Consolidated total liabilities					86,241,697

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

41. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
January 1, 2011:					
Assets					
Segment assets	164,473,046	4,008,483	169,140	1,320,467	169,971,136
Income producing assets					102,637,294
Investment in jointly controlled entity					371,982
Income tax assets					1,241,429
Other financial assets					200,300
Consolidated total assets					<u>274,422,141</u>
Liabilities					
Segment liabilities	41,095,432	32,022	2,460,159	–	43,587,613
Income tax liabilities					<u>1,369,904</u>
Consolidated total liabilities					<u>44,957,517</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, investment in jointly controlled entity, investment in associate, short-term deposits, current and deferred tax assets, and other financial assets. Goodwill is allocated to reportable segments; and
- all liabilities are allocated to reportable segments other than borrowing and current and deferred tax liabilities.

Other segment information

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2012:					
Other information					
Additions to non-current assets	17,950,869	–	–	–	17,950,869
Interest revenue	1,785,201	–	–	–	1,785,201
Interest expense	189,756	–	–	–	189,756
Depreciation and amortisation expenses	6,712,130	–	–	1,368	6,713,498
Non-cash expenses other than depreciation and amortisation	171,387	–	–	20,102	191,489

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

41. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
2011:					
Other information					
Additions to non-current assets	18,625,406	–	–	–	18,625,406
Interest revenue	1,502,799	–	–	–	1,502,799
Interest expense	51,513	–	–	–	51,513
Depreciation and amortisation expenses	5,354,167	–	–	(22,225)	5,331,942
Non-cash expenses other than depreciation and amortisation	1,091,151	–	–	63,106	1,154,257

Revenue from major products and services

Analysis of revenue from major products and services was not disclosed due to it is not practical to analyse these information without incurring excessive cost.

Geographical information

The Group operates in three principal geographical areas, Malaysia, Thailand and Singapore.

The Group's revenue from external customers attributed to countries of domicile of the Company and its subsidiaries are detailed below:

	The Group	
	2012 RM	2011 RM
Malaysia	321,076,871	321,071,423
Thailand	22,694,021	26,246,050
Singapore	5,045,165	2,332,230
	348,816,057	349,649,703

The Group's revenue from external customers attributed to countries from which the Company and its subsidiaries derive revenue are detailed below:

	The Group	
	2012 RM	2011 RM
Malaysia	85,369,381	59,420,512
Other Asia Pacific countries	119,751,767	64,876,508
Europe	83,010,539	139,376,988
United States of America	60,684,370	85,975,695
	348,816,057	349,649,703

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

41. SEGMENT INFORMATION (Cont'd)

Geographical information (Cont'd)

Information about the Group's non-current assets by locations are detailed below:

	December 31, 2012 RM	The Group December 31, 2011 RM	January 1, 2011 RM
Malaysia	86,987,956	76,919,673	63,383,593
Thailand	4,364,347	3,219,469	3,610,237
	91,352,303	80,139,142	66,993,830

Non-current assets exclude goodwill, deferred tax assets and financial instruments.

Information about major customers

Included in revenue of the Group are revenue of RM130,360,367 (2011: RM164,348,604) and RM45,067,515 (2011: RM44,217,095) which arose from sales to the Group's first and second largest customers respectively.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 (CONT'D)

42. SUPPLEMENTARY INFORMATION – DISCLOSURE ON REALISED AND UNREALISED PROFITS/ LOSSES

On March 25, 2010, Bursa Malaysia Securities Berhad issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia Securities Berhad further issued guidance on the disclosure and the prescribed format required.

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2012 into realised and unrealised amounts, pursuant to the directive, is as follows:

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	RM	RM	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiaries						
Realised	207,492,438	138,786,034	168,662,049	46,840,886	66,949,158	70,628,567
Unrealised	16,851,976	19,658,028	18,169,502	782,886	450,568	–
	224,344,414	158,444,062	186,831,551	47,623,772	67,399,726	70,628,567
Total share of retained earnings of jointly controlled entity						
Realised	–	99,883	346,982	–	–	–
Unrealised	–	–	–	–	–	–
	–	99,883	346,982	–	–	–
Total share of retained earnings of associate						
Realised	1,049	–	–	–	–	–
Unrealised	–	–	–	–	–	–
	1,049	–	–	–	–	–
Less: Consolidation adjustments	(42,141,011)	8,024,868	(42,013,753)	–	–	–
Total retained earnings as per statements of financial position	182,204,452	166,568,813	145,164,780	47,623,772	67,399,726	70,628,567

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The supplementary information have been made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

STATEMENT BY DIRECTORS

The directors of **P.I.E. INDUSTRIAL BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of 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, 2012 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 42, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

March 25, 2013

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 financial statements 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 25, 2013

Before me,

DATO' DR. CHELVARAI@SELVARAJOOA/LERULANDY
DBBS, PhD (HONS)
No. P099
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Location/ Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2012 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) HBM2 P.T. No. 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 99 years (expire on 13.4.2091)	Built up : 1,801 sq. meters	Staff housing - 24 units of medium-cost apartments	1,851,132	18	2010 (R)
H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land : 7.0 acres Built up : 10,448 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre	9,096,961	20	1990 (A) & 2010 (R)
H.S.(D) 31801, PT 3245 Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang ^	Leasehold – 60 years (expire on 3.6.2051)	Land : 5.54 acres Built up : 5,626 sq. meters	Industrial complex - 1 storey detached factory building	13,428,904	22	2010 (A) & 2010 (R)
H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang *	Leasehold – 60 years (expire on 3.12.2050)	Land : 5.0 acres Built up : 12,257 sq. meters	Industrial complex - 2 storey office - 1 storey factory	9,350,136	18	1990 (A) & 2010 (R)
T/D no. 30175 and 1018 and 1047, No.12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand @	Freehold	Land : 5.84 acres Built up : 6,514 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	1,048,894	18	2010 (R)
H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 3.12.2050)	Land : 3.08 acres Built up : 8,527 sq. meters	Industrial complex - 1 storey office - 2 storey factory - 1 storey store	8,425,000	20	2012 (R)

LIST OF PROPERTIES (CONT'D)

Location/ Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2012 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) 37959, Lot no. 3188, MK 1, Daerah Seberang Perai Tengah, Pulau Pinang. #	Leasehold – 60 years (expire on 6.6.2050)	Land : 4.44 acres Built up : 17,970 sq. meters	Industrial complex - 1 1/2 storey office cum factory - 2-storey factory complex - guard house and other out buildings	8,600,000	22	2012 (R)
H.S (D) No. 38146, P.T. No. 3227, Mukim 1, Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 5.2.2051)	Land : 4 acres Built up : 15,076 sq. meters	Industrial complex - 3 storey office - 2 storey factory complex - guard house	8,400,000	17	2012 (R)
T/D no. 10832 No.101/47/15 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.64 acres Built up : 2,251 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey store	1,067,331	23	2012 (R)
T/D no. 10051 No.101/4/1 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.44 acres Built up : 1,183 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	819,207	22	2012 (R)

Note :

- * The land is owned by Pan-International Electronics (Malaysia) Sdn. Bhd. whilst the industrial building on the land is owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
- ^ All the land and buildings are owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
- # All the land and buildings are owned by Pan-International Electronics (Malaysia) Sdn. Bhd.
- @ All the land and buildings are owned by Pan International Electronics (Thailand) Co., Ltd.

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT MARCH 29, 2013

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM63,979,700.00*
Class of Share	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	2,690

* Excluding 27,300 Ordinary Shares held as Treasury Shares

DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 29, 2013

Holdings	No. of Holders	Total Holdings	%
1 - 99	7	201	0.00
100 - 1,000	1,055	982,300	1.54
1,001 - 10,000	1,307	5,341,500	8.35
10,001 - 100,000	282	7,637,901	11.94
100,001 - 3,198,984	37	13,700,600	21.41
3,198,985 and above	2	36,317,198	56.76
Total	2,690	63,979,700	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 29, 2013

Name	Shareholdings	%
1. Pan Global Holding Co. Ltd.	32,909,998	51.44
2. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Qualifier: icapital.biz Berhad</i>	3,407,200	5.33
3. Outstanding Growth Technology Limited	1,180,000	1.84
4. Goh Thong Beng	1,124,200	1.76
5. Amanahraya Trustees Berhad <i>Qualifier: Public Smallcap Fund</i>	1,006,700	1.57
6. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Opportunities Fund</i>	894,500	1.40
7. Public Invest Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)</i>	638,000	1.00
8. Best Skill Technology Limited	630,000	0.98
9. Kao, Te-Pei @ Edward Kao	510,900	0.80
10. Public Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)</i>	500,000	0.78
11. Cimsec Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank for Mak Tian Meng (MY0343)</i>	472,100	0.74
12. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	442,800	0.69
13. Chung Lean Hwa	410,000	0.64
14. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Growth And Income Focus Trust (4892)</i>	386,800	0.60
15. Operate Technology Limited	377,000	0.59
16. Neoh Choo Ee & Company, Sdn. Berhad	346,500	0.54
17. Lim Soon Huat	338,000	0.53
18. Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY for Dimensional Emerging Markets Value Fund</i>	323,600	0.51

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 29, 2013 (Cont'd)

Name	Shareholdings	%
19. Wong Kin Cheong	303,400	0.47
20. UOBM Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (6110553745-T232)</i>	300,000	0.47
21. Denver Corporation Sdn Bhd	297,700	0.47
22. Ace Synergy Insurance Berhad	296,900	0.46
23. Cartaban Nominees (Tempatan) Sdn Bhd <i>Qualifier: OSK Trustees Berhad for MAAKL-HW Shariah Progress Fund</i>	270,000	0.42
24. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Select Treasures Fund</i>	266,800	0.42
25. Wong Yoon Tet	265,000	0.41
26. Wong Yoke Fong @ Wong Nyok Fing	229,500	0.36
27. Khor Bee Kiow	202,600	0.32
28. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Fong Siling (CEB)</i>	200,000	0.31
29. Wong Yoon Chyuan	194,000	0.30
30. Koperasi Permodalan Melayu Negeri Johor Berhad	182,700	0.29

SUBSTANTIAL SHAREHOLDERS AS AT MARCH 29, 2013

Name	Direct No. of shares held	%	Indirect No. of shares held	%
1. Pan Global Holding Co. Ltd.	32,909,998	51.44	—	—
2. icapital.biz Berhad	3,407,200	5.33	—	—
3. Pan-International Industrial Corporation	—	—	32,909,998*	51.44

Note:

* By virtue of its substantial interest in Pan Global Holding Co. Ltd.

DIRECTORS' SHAREHOLDINGS AS AT MARCH 29, 2013

Name	Direct Shareholding	%	Indirect Shareholding	%
1. Ahmad Murad bin Abdul Aziz	1	negligible	—	—
2. Mui Chung Meng	—	—	—	—
3. Cheng Shing Tsung	10,000	0.02	—	—
4. Chen, Chih-Wen	—	—	—	—
5. Cheung Ho Leung	—	—	—	—
6. Loo Hooi Beng	15,000	0.02	—	—
7. Khoo Lay Tatt	—	—	—	—

Note: No indirect shareholdings.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at Nyatoh, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Thursday, 23 May 2013 at 9.00 a.m.

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2012 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To declare the following Dividends for the year ended 31 December 2012:-
 - a) A Special Dividend of 20 sen per share less income tax at 25%; *(Resolution 1)*
 - b) A First and Final Dividend of 12 sen per share less income tax at 25%. *(Resolution 2)*
3. To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2012. *(Resolution 3)*
4. To re-elect the following directors retiring under the Article 98 (1) of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-
 - a. Loo Hooi Beng *(Resolution 4)*
 - b. Khoo Lay Tatt *(Resolution 5)*
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129 (6) of the Companies Act, 1965:-

"That Cheng Shing Tsung, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."

(Resolution 6)
6. To appoint Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration:- *(Resolution 7)*

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs. KPMG for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Deloitte KassimChan and of the intention to move the following motion to be passed as an Ordinary Resolution:-

"THAT Messrs. KPMG be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Deloitte KassimChan to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration."

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution:-

ORDINARY RESOLUTIONS

a) Authority to Issue Shares

- "That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."
- (Resolution 8)*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

b) Renewal of Authority to Purchase its own Shares

(Resolution 9)

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2012, the audited retained profits and share premium account of the Company stood at RM47,623,772 and RM18,993,049 respectively;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date: 29 April 2013

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*
1. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 15 May 2013. Only a depositor whose name appears on the Record of Depositors as at 15 May 2013 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.
 2. A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
 3. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
 4. The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
 5. The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

Explanatory Note On Special Business:

1. Resolution pursuant to the Authority to issue Shares

The proposed Resolution No. 8 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2013) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2013 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Fifteenth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

2. Resolution pursuant to the Authority to Purchase its own Shares

The proposed Resolution No. 9 [Item 7(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2012, if approved, will be paid on 18 June 2013 to depositors registered in the Records of Depositors on 29 May 2013:-

- a) A Special Dividend of 20 sen per share less income tax at 25%; and
- b) A First and Final Dividend of 12 sen per share less income tax at 25%.

A Depositor shall qualify for entitlement to the Dividends in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 29 May 2013 in respect of ordinary transfers;
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date: 29 April 2013

ANNEXURE A

Pan Global Holding Co. Ltd.

Reg No. 156001

C/O P.I.E. Industrial Berhad, Plot 4 Jln Jelawat Satu
Kaw Perusahaan Sbg Jaya, 13700 Sbg Perai Pulau Pinang

Date: 15 APRIL 2013

The Board of Directors
P.I.E. INDUSTRIAL BERHAD
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

Dear Sirs,

NOMINATION OF AUDITORS

We, Pan Global Holding Co. Ltd. being a Shareholder of the Company hereby wish to nominate Messrs. KPMG of 1st Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 Penang as Auditors for P.I.E. INDUSTRIAL BERHAD

Yours faithfully
For and on behalf of Pan Global Holding Co. Ltd.



HUANG, FENG-AN
Authorised Signatory/Director

SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. RATIONALE FOR THE PROPOSED PURCHASED BY P.I.E. INDUSTRIAL BERHAD ("PIE" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES OF RM1.00 EACH ("SHARES") REPRESENTING UP TO 10% OF THE EXISTING ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

- i) The Proposed Share Buy-Back would enable the Company to utilize its surplus financial resources to purchase Shares when appropriate, and at prices which the Board of Directors of the Company ("the Board") view as favourable to the Company;
- ii) The Proposed Share Buy-Back would effectively reduce the number of Shares carrying voting and participation rights (unless the Purchased Shares are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share ("EPS") of the PIE Group ("the Group") may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and
- iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realizing a potential gain in reserves without affecting the total issued and paid-up share capital of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

3. RETAINED PROFITS AND SHARE PREMIUM

Based on the audited financial statements of PIE as at 31 December 2012, the retained profits and share premium of the Company stood at RM47,623,772 and RM18,993,049 respectively.

4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM141,000 based on the audited financial statements of PIE as at 31 December 2012. Any funds utilized by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of PIE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

SHARE BUY-BACK STATEMENT (CONT'D)

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (Cont'd)

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 29 March 2013 and assuming that PIE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of PIE are as follows:-

Directors

Name	Existing as at 29 March 2013				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Ahmad Murad Bin Abdul Aziz	1	negligible	—	—	1	negligible	—	—
Mui Chung Meng ²	—	—	—	—	—	—	—	—
Chen, Chih-Wen ³	—	—	—	—	—	—	—	—
Cheng Shing Tsung	10,000	0.02	—	—	10,000	0.02	—	—
Cheung Ho Leung	—	—	—	—	—	—	—	—
Loo Hooi Beng	15,000	0.02	—	—	15,000	0.03	—	—
Khoo Lay Tatt	—	—	—	—	—	—	—	—

Substantial Shareholders

Name	Existing as at 29 March 2013				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Pan Global Holding Co. Ltd.	32,909,998	51.44	—	—	32,909,998	57.13	—	—
icapital.biz Berhad	3,407,200	5.33	—	—	3,407,200	5.91	—	—
Pan-International Industrial Corporation	—	—	32,909,998 ¹	51.44	—	—	32,909,998 ¹	57.13

Person Connected To Director

Name	Existing as at 29 March 2013				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Chung Lean Hwa ²	410,000	0.64	—	—	410,000	0.71	—	—
Khor Bee Kiow ³	202,600	0.32	—	—	202,600	0.35	—	—

Note :

* Percentage shareholding computed based on 63,979,700 PIE Shares excluding 27,300 shares held as treasury shares from the total issued and paid-up share capital of 64,007,000 Ordinary Shares of RM1.00 each

^ Percentage shareholding computed based on 57,606,300 PIE Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

¹ By virtue of its substantial interest in Pan Global Holding Co. Ltd.

^{2,3} Being spouse of the Director

SHARE BUY-BACK STATEMENT (CONT'D)

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

- i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and
- ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of PIE in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of PIE in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in PIE are set out below:

7.1 Share Capital

As at 29 March 2013, the issued and paid-up capital of PIE was RM64,007,000 comprising 64,007,000 Shares including 27,300 shares held as treasury shares. In the event that the 6,400,700 Shares representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows :-

	No. of Shares
Issued and fully paid-up share capital as at 29 March 2013	64,007,000
Assumed the Shares purchased and cancelled	(6,400,700)*
Resultant issued and paid-up capital	57,606,300

* Inclusive of the 27,300 Shares already purchased and retained as Treasury Shares as at 29 March 2013.

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the Purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

SHARE BUY-BACK STATEMENT (CONT'D)

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2013.

Should the Purchased Shares be resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of PIE (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2013 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by PIE in the future would depend on, *inter-alia*, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

SHARE BUY-BACK STATEMENT (CONT'D)

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (THE "CODE")

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person* obtains controls in a company as a result of a buy back scheme by the company;
- (b) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

"a person" includes persons acting in concert.

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of PIE Shares pursuant to the Proposed Share Buy-Back.

9. PURCHASES MADE BY THE COMPANY OF ITS OWN SHARES IN THE LAST FINANCIAL YEAR

The information on the purchases made by the Company of its own shares during the financial year ended 31 December 2012 is as set out on the page 22 of this Annual Report.

10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 29 March 2013, approximately 30,387,101 Shares representing 47.49% of the issued and paid-up share capital of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of PIE shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements (LR).

11. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

12. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Sixteenth Annual General Meeting to give effect to the Proposed Share Buy-Back.

13. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

PROXY FORM

I/We, _____
of _____ being a Member of the above
Company hereby appoint (Proxy 1) _____ of _____
and*/or failing him* (Proxy 2),
of _____

and*/or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the **SIXTEENTH ANNUAL GENERAL MEETING** of the Company to be held at Nyatoh, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Thursday, 23 May 2013 at 9.00 a.m. and at any adjournment thereof.

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1 - _____ % In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.
Proxy 2 - _____ %
100%

* Strike out whichever is inapplicable

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

Resolutions	For	Against
1. To declare a Special Dividend of 20 sen per share less income tax at 25% for the year ended 31 December 2012.		
2. To declare a First and Final Dividend of 12 sen per share less income tax at 25% for the year ended 31 December 2012.		
3. To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2012.		
To re-elect the following directors retiring under the Article 98 (1) of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-		
4. Loo Hooi Beng		
5. Khoo Lay Tatt		
6. To re-elect Cheng Shing Tsung, a Director retiring under Section 129(2) of the Companies Act, 1965.		
7. To appoint Messrs. KPMG as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
Special Business		
Ordinary Resolutions		
8. To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		
9. To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		

Signature of Member:

Signed this:

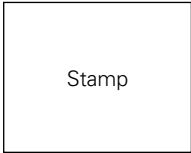
Number of shares held:

Notes

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 15 May 2013. Only a depositor whose name appears on the Record of Depositors as at 15 May 2013 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

Fold here

Fold here



The Company Secretaries
P.I.E. INDUSTRIAL BERHAD (424086-X)
(Incorporated in Malaysia)

Registered Office
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Malaysia.

Fold here



P. I. E. INDUSTRIAL BERHAD

(co.no. 424086-X)

Plot 4, Jalan Jelawat 1, Seberang Jaya Industrial Estate,
13700 Prai, Penang, Malaysia.

Tel : 604-399 0401 Fax : 604-399 0403