P. I. E. INDUSTRIAL BERHAD
(424086-X)

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Khoo Lay Tatt
Chairman / Independent Non-Executive Director
(Redesignated w.e.f. 1 March 2018)

Mui Chung Meng
Managing Director

Chen, Chih-Wen
Executive Director

Loo Hooi Beng
Independent Non-Executive Director

Lee Cheow Kooi
Non-Independent, Non-Executive Director

Koay San San
Independent Non-Executive Director
(Appointed w.e.f. 1 March 2018)

Ahmad Murad Bin Abdul Aziz
Chairman / Senior Independent Non-Executive Director
(Resigned w.e.f. 1 March 2018)

Cheung Ho Leung
Executive Director
(Resigned w.e.f. 1 March 2018)

AUDIT COMMITTEE

Loo Hooi Beng
Chairman / Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

Koay San San
Independent Non-Executive Director
(Appointed w.e.f. 1 March 2018)

Ahmad Murad Bin Abdul Aziz
Chairman / Senior Independent Non-Executive Director
(Resigned w.e.f. 1 March 2018)

NOMINATING COMMITTEE

Khoo Lay Tatt
Chairman / Independent Non-Executive Director
(Redesignated w.e.f. 1 March 2018)

Loo Hooi Beng
Independent Non-Executive Director

Lee Cheow Kooi
Non-Independent, Non-Executive Director
(Appointed w.e.f. 1 March 2018)

Ahmad Murad Bin Abdul Aziz
Chairman / Senior Independent Non-Executive Director
(Resigned w.e.f. 1 March 2018)

RISK MANAGEMENT COMMITTEE

Loo Hooi Beng
Chairman / Independent Non-Executive Director

AUDITORS

Grant Thornton
(Chartered Accountants)

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)
Ooi Ean Hoon (MAICSA 7057078)

INTERNET HOMEPAGE

www.pieib.com.my

PRINCIPAL BANKERS

Public Bank Berhad
Citibank Berhad
RHB Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Bangkok Bank Public Company Limited
United Overseas Bank Limited Co.

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

Agriteum Share Registration Services Sdn. Bhd.
(Company No. 578473-T)
2nd Floor Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang

Tel : 04-228 2321
Fax : 04-227 2391

GROUP CORPORATE STRUCTURE

P. I. E. INDUSTRIAL BERHAD
(424086-X)

- Pan-International Electronics (Malaysia) Sdn. Bhd. — 100%
  - PIE Enterprise (M) Sdn. Bhd. — 100%
  - Pan-International Corporation (S) Pte. Ltd. — 100%
- Pan-International Wire & Cable (Malaysia) Sdn. Bhd. — 100%
  - P.I.W. Enterprise (Malaysia) Sdn. Bhd. — 100%
- Pan International Electronics (Thailand) Co., Ltd. — 100%

GROUP FINANCIAL HIGHLIGHTS

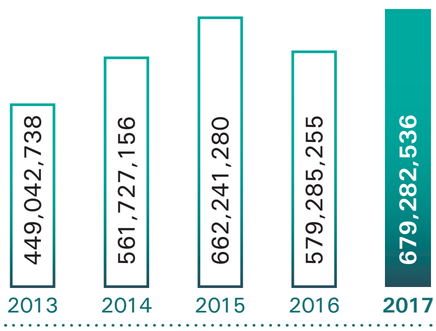
FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2013 RM	2014 RM	2015 (Restated) RM	2016 RM	2017 RM
Revenue	449,042,738	561,727,156	662,241,280	579,285,255	679,282,536
Profit before tax	49,230,910	50,773,777	79,956,329	45,731,687	63,442,988
Net profit after tax	38,031,597	38,510,555	57,590,177	36,066,161	48,011,011
Shareholders' equity	287,933,659	317,662,660	362,608,423	373,585,363	402,030,162
Net assets	287,933,659	317,662,660	362,608,423	373,585,363	402,030,162
Number of ordinary shares issued as of Dec 31	64,007,000 σ	76,808,397 ∞	76,808,397 ∞	384,041,985 *	384,041,985 *
Net assets per share	0.75 §	0.83 §	0.94 §	0.97	1.05
Proforma weighted average number of shares	383,781,680 §	383,871,920 §	384,041,985 §	384,041,985	384,041,985
Basic earnings per ordinary share (Sen)	9.91 §	10.03 §	15.00 §	9.39	12.50
Bonus share	-	1 for 5	-	-	-
Net dividend per share (Sen)	20	25	35	5	6 @

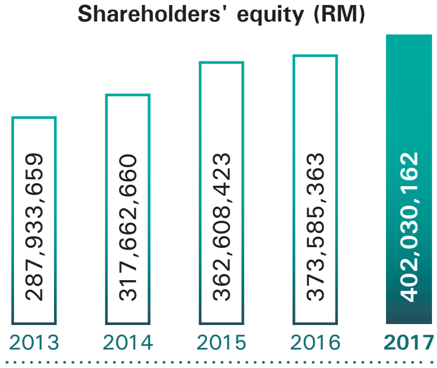
σ The issued share capital of RM64,007,000 is divided into 64,007,000 Ordinary Shares including 73,900 shares held as treasury shares.
∞ The issued share capital of RM76,808,397 is divided into 76,808,397 Ordinary Shares
* The issued share capital of RM76,808,397 is divided into 384,041,985 Ordinary Shares
@ Subject to shareholders' approval at the forthcoming Annual General Meeting

§ Restated to reflect the followings:
a. bonus issue of 12,801,397 new ordinary shares on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held, completed in financial year ended 2014.
b. subdivision of 76,808,397 ordinary shares into 384,041,985 new ordinary shares on the basis of five (5) new ordinary shares for every one (1) existing ordinary share held, completed in financial year ended 2016.

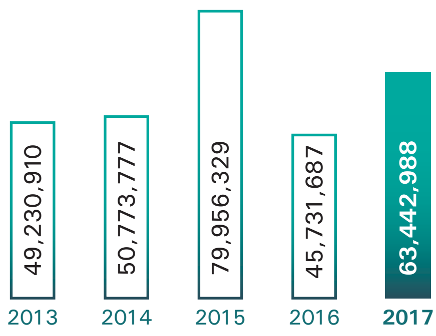
Revenue (RM)



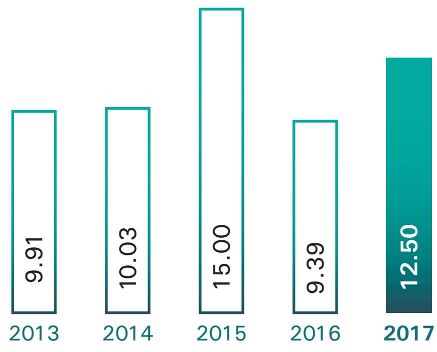
Shareholders' equity (RM)



Profit before tax (RM)



Basic earnings per ordinary share (Sen)



DIRECTORS' PROFILE

KHOO LAY TATT
Chairman / Independent, Non-Executive Director
Malaysian, aged 45, Male

Khoo Lay Tatt, was appointed to the Board on 2 November 2009 and was redesignated as Chairman of the Company on 1 March 2018. 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 a Fellow member of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA). He is also a Certified Financial Planner (CFP) and a Certified Member of the Financial Planning Association of Malaysia (FPAM).

Currently, he is also the Executive Chairman of Saudee Group Berhad.

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

MUI CHUNG MENG
Managing Director
Malaysian, aged 66, Male

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 61, Male

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.

LOO HOOI BENG
Independent, Non-Executive Director
Malaysian, aged 52, Male

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 as senior executive.

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

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

DIRECTORS' PROFILE (cont'd)

KOAY SAN SAN
Independent, Non-Executive Director
Malaysian, aged 35, Female

Koay San San, was appointed to the Board on 1 March 2018. She graduated from University of Hertfordshire with Bachelor of Accounting and subsequently obtained her Master Degree in International Business from University of Sunderland in December 2008. Upon graduation, she started her career in June 2005 as Company Auditor in an Audit firm and she left the audit firm as Senior Associate. She joined a public listed company as an Accountant. During her tenure, she was involved in numerous corporate exercises undertaken by the said listed company. She left the said listed company and worked in a multi-national company for a short stint. Currently, she is an Executive Director of Trinity Avenue Sdn. Bhd., a consultancy practice providing outsourcing services in relation to accounting, GST solutions, training, etc.

She is also an Independent Non-Executive Director of Saudee Group Berhad.

She is also a member of the Audit Committee.

LEE CHEOW KOOI
Non-Independent, Non-Executive Director
Malaysian, aged 51, Male

Lee Cheow Kooi, was appointed to the Board on 7 November 2016. He graduated from Tunku Abdul Rahman College with advanced Diploma in Mechanical and Manufacturing Engineering. He is a professional expert in implementing comprehensive business plans to facilitate achievement by planning cost effective operations.

He started his career with Supernet Sdn. Bhd. in 1991 and as an operation head in 1998. He joined Foxconn Malaysia Sdn. Bhd. in 1998 as a Sales/Engineer Manager. With demonstrable experience in developing strategic/business plan and adequate knowledge of organizational effectiveness and operation management, he is promoted as Regional Director since 2009.

He is also a member of the Nominating Committee.

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 5 years other that traffic offences, if any)
None of the Directors have any convictions for offences other than traffic offences within the past 5 years.

Particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any
None of the Directors were penalized or sanctioned by any regulatory bodies during the financial year.

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 97 of this Annual Report.

BOARD MEETINGS

The number of Board meetings attended by the respective Directors during the financial year ended 31 December 2017 (FY2017) are as follows:

Name of Directors	Number of Board Meetings Attended / Held	Percentage of Attendance
Khoo Lay Tatt	4 / 4	100%
Mui Chung Meng	4 / 4	100%
Chen, Chih-Wen	4 / 4	100%
Loo Hooi Beng	4 / 4	100%
Lee Cheow Kooi	4 / 4	100%
Koay San San *(Appointed w.e.f. 1 March 2018)*	-	-
Ahmad Murad Bin Abdul Aziz *(Resigned w.e.f. 1 March 2018)*	4 / 4	100%
Cheung Ho Leung *(Resigned w.e.f. 1 March 2018)*	4 / 4	100%

TRAINING PROGRAMMES

During the FY2017, the training programmes or seminars attended by the Directors (save for En. Ahmad Murad Bin Abdul Aziz, Mr. Mui Chung Meng, Mr. Cheung Ho Leung and Mr. Lee Cheow Kooi) are as follows:

Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent
Khoo Lay Tatt	• Release of the Malaysian Code on Corporate Governance (26 April 2017)	Seminar	½ day
	• Bankers meet Businesses and MIDA Penang Investment briefing (26 July 2017)	Briefing	½ day
	• Overview on Companies Act 2016 (28 July 2017)	Seminar	½ day
	• Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committees (1 August 2017)	Workshop	1 day
	• In-House Training organised by Saudee Group Berhad – Halal Awareness Programme (15 November 2017)	Seminar	1 day
Chen, Chih-Wen	• Bank Negara Malaysia's Financial Stability and Payment System Report (28 March 2017)	Seminar	5 Hours
	• GST 2.0 Update & Beyond ERP 2017 (11 May 2017)	Seminar	7 Hours
Loo Hooi Beng	• COSO Inernal Control Certification (10 – 12 April 2017)	Workshop	24 Hours
	• Strategi Mencegah Terjadinya Kecurangan di Perusahaan (7 June 2017)	Seminar	8 Hours
	• Strategic Business Plan & Futuristic Thinking (23 – 27 October 2017)	Workshop	40 Hours

En. Ahmad Murad Bin Abdul Aziz, Mr. Mui Chung Meng, Mr. Cheung Ho Leung and Mr. Lee Cheow Kooi were unable to attend any training in 2017 due to their tight schedule and travel commitments. Nevertheless, they continue to keep themselves abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.

REMUNERATION

During the FY2017, the detailed disclosure of remuneration breakdown of each Director is as follows:

Name of Directors	Remuneration received from the Company					Remuneration received from Subsidiary Companies		Group Total (RM'000)
	Salary (RM'000)	Fees (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)	Salary (RM'000)	Benefits-in-kind (RM'000)	
Khoo Lay Tatt	-	24	-	4	28	-	-	28
Mui Chung Meng	231	-	903	3	1,137	86	10	1,233
Chen, Chih-Wen	61	-	263	3	327	37	7	371
Loo Hooi Beng	-	24	-	4	28	-	-	28
Lee Cheow Kooi	-	-	-	3	3	-	-	3
Koay San San *(Appointed w.e.f. 1 March 2018)*	-	-	-	-	-	-	-	-
Ahmad Murad Bin Abdul Aziz *(Resigned w.e.f. 1 March 2018)*	-	24	-	6	30	-	-	30
Cheung Ho Leong *(Resigned w.e.f. 1 March 2018)*	-	-	-	-	-	-	-	-

KEY SENIOR MANAGEMENT INFORMATION

HONG YONG PENG
Assistant General Manager, Contract Electronic Manufacturing ("CEM") – Converter Division
Malaysian, aged 62, Male

Mr. Hong holds a Master's degree in Business Administration. He joined Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) in 2011. He has thirty eight (38) years of working experience in Semi-Conductor and Electronics companies. He was appointed as Assistant General Manager in the division of CEM – Converter on 1 February 2011.

LAW TONG HAN
Division Manager - Operation, CEM - Electronic Division
Malaysian, aged 46, Male

Mr. Law holds a Master of Science (MSc) in Manufacturing Engineering degree from University of Warwick. He joined PIESB as Engineering Manager in 2007. He experienced in both process engineering and Research and Development section before joining PIESB. He was appointed as Division Manager mainly responsible for operation in CEM - Electronic on 1 July 2011. He was appointed as a director of PIESB on 12 March 2018.

TEH HOW CHEE
Division Manager - Engineering, Quality Operations and Human Resources, CEM – Electronics Division
Malaysian, aged 49, Male

Mr. Teh holds a Bachelor of Science (BSc) in Computer Engineering degree from Oregon State University. He joined PIESB on 11 December 2017. He has twenty five (25) years of working experience in Mission Critical Telecommunication, Electronics and Manufacturing industries.

CHEAH HENG LYE
MIS Manager, CEM – Electronic Division
Malaysian, aged 54, Male

Mr. Cheah holds a Bachelor of Economics degree from Chung Hsing University. He started his working career as System Analyst in Pan-International Industrial Corporation (PIIC) in 1990 and joined PIESB in 1994. He has twenty seven (27) years of experience in Manufacturing Industries Computerization. He was appointed as MIS Manager on 1 January 1997 to set up IT integration system in the group. He is also a director of PIE Enterprise (M) Sdn. Bhd. (PIEE).

SAW SIEW HONG
Administration Manager, CEM – Electronics Division
Malaysian, aged 57, Female

Ms. Saw holds diploma in accounting. She joined PIESB in 1989. She has thirty six (36) years of experience in accounting, financing and HR's process and compliance. She was appointed as Administration Manager on 1 January 1996.

CHEN, MING-LUNG
Assistant General Manager, Raw Wire & Cable Division
Taiwanese, aged 62, Male

Mr. Chen completed his high school education and started his working career in PIIC in 1980 and then transferred to a subsidiary of the Group, Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) as the Factory Manager in 1989. He has thirty six (36) years of working experience in the manufacturing of wire and cable. He was appointed as Assistant General Manager in the division of raw wire and cable on 1 June 1997. He is also a director of PIW and P.I.W. Enterprise (Malaysia) Sdn. Bhd. (PIWE).

KEY SENIOR MANAGEMENT INFORMATION (cont'd)

LIAO, YUEH-CHEN
Factory Manager, Raw Wire & Cable Division
Taiwanese, aged 55, Female

After completing her high school education, Ms. Liao started her working career in PIIC in 1979 and then transferred to PIW as the Production Manager in 1989. She has thirty seven (37) years of working experience in the manufacturing of wire and cable. She was appointed as Factory Manager in division of raw wire and cable on 1 June 1997. She is also a director of PIW and PIWE.

ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

None of the Key Senior Management has:

- any family relationship with any Director and/or major shareholder of PIE
- any conflict interest with PIE
- any conviction for offences within the past five (5) years other than traffic offences
- any directorship in public company and listed issuer
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

This statement is made pursuant to Appendix 9C, Part A (7) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR), public listed companies is required to include a statement in their annual reports for management discussion and analysis on its business, operations and performance including financial and non-financial performance during the financial year.

BUSINESS REVIEW

P.I.E. Industrial Berhad ("PIE" or the "Company") was incorporated in Malaysia on 21 March 1997 and listed on main market of Bursa Malaysia since 7 July 2000. The principal activities of the Company are investment holding and provision of management services. The current Company's objective is to become an excellent global Electronics Manufacturing Services (EMS) player, providing quality-reliable and price-competitive electronic products to worldwide customers. PIE with its subsidiaries (the Group) mainly operating its business activities in Seberang Jaya Industrial Estate, Penang and Prachinburi province, Thailand, are primarily involved in manufacturing of industrial electronic products.

To achieve its organisational objective, the main operational strategy adopted by the Group is to build up a fully vertically integrated "one-stop" EMS facilities and services including in-house Raw Cable Manufacturing, Cables Assembly and Wire Harness, PCB Assembly by SMT & Through Hole AI, LCD-Module Back End Assembly, Flexible Printed Circuits Assembly, Product Configuration/IC Programming & Testing, Die Cut & Lens Milling, 10K & 100K Clean Room Electronic Product Assembly, Plastic Injection Moulding, Metal Stamping, C & C Centre for Mould & Die Fabrication, etc. Besides being a one-stop multi manufacturing discipline setup, the Group also strives to improve its quality reliability by implementing Manufacturing Execution System (MES) and related production software to build an intelligent factory within concept of industrial standard 4.0 in the future. With such varieties of manufacturing facilities, the Group is able to provide for its customers a broad range of services ranging from component level to semi-products and final box-built product. The Group's operational strategy is to leverage on the strong purchasing power in raw materials and technical support from its ultimate holding company, i.e. Hon Hai Precision Industry Co., Ltd. (Hon Hai), the biggest EMS player in the world.

The yearly revenue from manufacturing activities accounts for an average of 95% of the Group's total revenue in the past ten years. To secure product margin and minimise impact from labour shortage in Malaysia, the Group defines its marketing strategy to look for global customers who continue to outsource their industrial electronic products with longer lifespan and require production model of low-to-medium-volume and high-mix. The Group's customers are mainly leading multinational companies, who are involved in the supply of niche telecommunications product, POS equipment, medical devices, automotive electronic parts, sophisticated industrial tools and instruments, etc. The Group exports its products directly or indirectly through these multinational companies to United States of America (USA), Europe, Japan and Asia Pacific region.

FINANCIAL RESULTS AND CONDITION

For the financial year ended 31 December 2017 (FY2017), the Group recorded revenue of RM679.3 million. If compared to RM579.3 million recorded in the financial year ended 31 December 2016 (FY2016), the revenue recorded an increase of RM100.0 million, which is mainly attributable to increased orders received from both new and existing customers from EMS activities, raw wires and cables and trading activities. The ratio increased by 11.4%, 43.2% and 85.7% respectively as compared to FY2016.

The Group recorded profit before tax (PBT) of RM63.4 million in the FY2017. If compared to RM45.7 million in FY2016, PBT increased by RM17.7 million or 38.7%. Higher PBT in FY2017 was mainly attributable to higher revenue, higher interest income (RM0.3 million), higher rental income (RM0.5 million), higher scrap sales income (RM2.4 million), lower administrative and distribution expenses (RM8.9 million) and reversal of provision for slow moving inventory (RM14.9 million), the improvement was partially offset against a net impairment loss on receivable (RM6.7 million) and lower foreign exchanges gain (RM3.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL RESULTS AND CONDITION (cont'd)

In March 2017, one major customer of our EMS segment changed its receiving system. As there was a major technical glitch discovered in their new system, the customer is unable to process their payments to the Group. Based on our Group's policy on credit control, we are required to provide impairment for doubtful debts which are overdue over a certain period. At the end of FY2017, the impairment for doubtful debts was partially reversed mainly due to successful collection of overdue debts from this customer. However, provision for this customer has increased by RM5.4 million year over year. Furthermore, the impact of shortage of labour and certain electronics component as well as drastic fluctuation of Ringgit Malaysia against USD are the main factors affecting the Group's performance in FY2017.

The Group's total assets increased by RM1.5 million from RM521.9 million in FY2016 to RM523.4 million in FY2017. This was mainly due to lower fixed asset (RM3.7 million), lower cash and cash equivalents (RM25.8 million), lower trade and other receivables (RM6.8 million) and higher inventory (RM40 million). The fund received from prior year's resources are mainly used in FY2017 to pay off its liabilities (RM22.3 million) and also placement of short-term investments (RM5.6 million). During the financial year, the Group capitalised RM12.5 million of fixed assets mainly on purchase of machinery and equipment to expand production capacity and enhance operational efficiency and effectiveness.

The Group's current capital structure as at 31 December 2017 is deemed appropriate to safeguard its ability to continue as going concern in order to generate satisfactory returns to shareholders and reduce cost of capital. The Group had no borrowings during FY2017 and continued to maintain a debt free capital structure with the same current paid-up share capital and number of shares as at 31 December 2017. Earnings generated from core operational activities are the main sources to the Group's capital accumulation.

The Group's total equity increased by RM28.4 million or 7.6% to RM402.0 million in FY2017 from RM373.6 million in FY2016. The Group's net assets per share increased to RM1.05 per share in FY2017 from RM0.97 per share in FY2016. Meanwhile, the basic earnings per share for FY2017 and FY2016 are 12.50 sen and 9.39 sen respectively.

REVIEW OF OPERATING ACTIVITIES

The Group has three reportable business segments, identified based on engagement in different function of activity, namely manufacturing of industrial electronic products, trading of electrical products and investment holding.

Manufacturing of Industrial Electronic Products (97%)

This segment is operated mainly by three subsidiaries of the Group:

i) Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB): mainly undertakes full range of EMS activities for multinational companies;
ii) Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW): manufactures raw cables and wires for electronic-related products; and
iii) Pan-International Electronics (Thailand) Co., Ltd. (PIT): mainly undertakes cables assembly and wire harness to computer, communication and consumer electronic industry.

Manufacturing of industrial electronic products segment generated revenue from external customers of RM662.2 million, which contributed 97% of the Group's total revenue in FY2017 (FY2016: RM570.1 million or 98%). The increase of revenue of RM92.1 million or 16% was mainly attributable to increased orders received from both new and existing customers from EMS activities and raw wires products and partly set off by lower orders for wire harness products. This segment steadily increases its order from existing customers and potential customers through its fully built-up vertical integrated manufacturing facilities which have been in operation for the past 5 years.

The increase of PBT by RM14.1 million or 31.8% was mainly due to higher revenue and investment income, lower administrative and distribution expenses and reversal of provision for slow moving inventory, however, it was partially narrowed by impairment loss on receivables and lower gain from foreign exchange transactions. Shortage of labour and certain electronics component as well as drastic fluctuation of Ringgit Malaysia against USD are the main factors which affected PIESB's performance in FY2017.

REVIEW OF OPERATING ACTIVITIES (cont'd)

Manufacturing of Industrial Electronic Products (97%) (cont'd)

This segment started off manufacturing of raw wires and cables and wire harness assembly as core activities and has since developed into a fully vertically integrated EMS provider with one-stop facilities over the past 20 years. The revenue contribution by cable related business vs. box-build related business in this segment have been changed from 90% vs.10% in 1996 to current ratio of 18% vs 79%.

Together with its purchasing and technical leverage from Hon Hai and with various high standard quality assurance certification awarded, the Group is well qualified now and has the proven capabilities to work effectively in EMS activities and therefore are able to build long term relationships with its business partners.

Box-build related EMS activities in this segment will continue to be the most important source to drive the Group continuous growth with higher revenue and profitability in the coming years.

Trading of Electrical Products (3%)

The trading activities in the Group are mainly executed through two subsidiaries of PIESB i.e. PIE Enterprise (M) Sdn. Bhd. and Pan-International Corporation (Singapore) Pte. Ltd.

The revenue of RM17.0 million in FY2017 has increased by RM7.9 million or 86.8% from RM9.1 million recorded in prior year. The increase is mainly attributable to more trading business on supply of Hon-Hai connectors to customer in Malaysia.

The PBT of RM0.2 million in FY2017 decrease by RM0.1 million from RM0.3 million recorded in prior year. The decrease is mainly due to lower margin of product mix and higher operating expenses.

This segment started off its operations to promote consumer electronic and electrical products produced by related companies of our HQ. Due to rapid technology changes and strong competition in the prevailing marketplace, new products of good popularity were not forthcoming from our related companies as such the contribution from this segment will not continue to grow.

Investment Holding (0%)

The investment holding segment is mainly involved in providing management services to entities within our Group by our holding company and therefore collects management fee. All the revenue and profit generated thereof are considered internal transactions and eliminated at consolidation level.

Other than the provision of management service to our subsidiaries, this segment is not involved in any other investment activities, other than investment in Islamic income fund.

ANTICIPATED RISKS AND THE STRATEGIES TO MITIGATE RISKS

Overdependence on particular customers

The Group is dependent on certain key customers who contribute substantially to the Group's total revenue. The Group acknowledges that there could be a risk of losing these key customers due to termination of contract because of internal requirements or failure to fulfil customer's expectation in terms of pricing and quality, growing of capable competitor and so on.

The risk of dependence of key customers is mitigated by our continuous effort to improve our full integration of "one-stop" EMS hardware & software facilities not only to better serve our existing major customers with higher quality assurance system and competitive pricing advantage, but also to attract new clients to enlarge our customer base. Besides the mentioned mitigating factor, the Group is also considering to strengthen its network with foreign sales representatives, especially in the USA and European Region.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

ANTICIPATED RISKS AND THE STRATEGIES TO MITIGATE RISKS (cont'd)

Fluctuation of foreign currency exchange

The Group is exposed to fluctuation of foreign currency exchange as our sales of end products and purchase of raw material are mainly traded in USD. Any drastic fluctuation of foreign currency exchange will have material impact to the Group's final earning. The fluctuation of foreign currency exchange is beyond the control of the Group. However, as a countermeasure, the Group will follow natural hedging policy between its sales and purchases in USD to mitigate impact from foreign currency exchange. The exchange rate of the Ringgit Malaysia against USD has strengthened significantly in 2017, from 4.42 at the beginning of the year to 4.06 at the end of the year. The Group anticipates a moderate appreciation of Ringgit Malaysia against USD will continue in 2018. To minimise its impact on our earning, the Group's financial team will closely monitor the movement of foreign currency with aid of financial institutions.

FORWARD-LOOKING STATEMENT

With the prospect of more order allocation from existing customers and on-going deal negotiation with new customers, both mainly facilitated by the provision of full vertical integration of one-stop manufacturing facilities, the Group expects the manufacturing segment of industrial electronic products will continue to grow both of in revenue and in profit. To ensure a more competitive pricing structure and shorter delivery time for our customers, PIESB will further implement full scale of Lean Manufacturing method to strengthen its production efficiency.

Due to lack of a new catalyst to spur growth, the trading segment is expected to remain flat compared to prior year.

Barring any unforeseen circumstances, the Group is optimistic to achieve better performance both in revenue and profit for the financial year 2018 compared to FY2017.

DIVIDEND POLICY

The Board of Directors (Board) of the Company has recommended the following dividends, in respect of the FY2017 for the approval of shareholders at the coming 21st Annual General Meeting. The entitlement and payment date of the dividends are as disclosed in this Annual Report:

1) A Special Single Tier Dividend of 3.6 sen per share; and
2) A First and Final Single Tier Dividend of 2.4 sen per share.

The Group will continue to adopt a balanced dividend policy which will not only conserve adequate funds to meet the Group's future investment and expansion programme, but also reward our shareholders with satisfactory dividend payout in line with performance of the Group.

CONCLUSION

The Management is pleased to provide their knowledge and prospect towards the Company's objective in order to help investors in making informed investment decisions and to give shareholders a better understanding on the Group's business operations and financial performance.

This statement was made in accordance with a resolution of the Board dated 18 April 2018.

AUDIT COMMITTEE REPORT

The Board of Directors (Board) is pleased to present the Audit Committee (Committee) Report for the financial year ended 31 December 2017 (FY2017).

COMPOSITION

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

Chairman : Loo Hooi Beng (Independent Non-Executive Director)

Member : Khoo Lay Tatt (Independent Non-Executive Director)
Koay San San (Independent Non-Executive Director)
(Appointed w.e.f. 1 March 2018)
Ahmad Murad Bin Abdul Aziz (Senior Independent Non-Executive Chairman)
(Resigned w.e.f. 1 March 2018)

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Bursa Securities Main Market Listing Requirements (Main LR). Mr. Loo Hooi Beng, the Chairman of the Committee is a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

Details of the Terms of Reference for Committee are available on the Company's corporate website.

ATTENDANCE OF MEETINGS

The details of attendance of each member at the 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	5	5
Khoo Lay Tatt	5	5
Koay San San *(Appointed w.e.f. 1 March 2018)*	-	-
Ahmad Murad Bin Abdul Aziz *(Resigned w.e.f. 1 March 2018)*	5	5

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

The activities carried out by the Committee during the FY2017 in the discharge of its duties and responsibilities are as follows:

1. Financial Reporting

   a. In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of 2017 and noted the annual audited financial statements of 2017 at its meeting held on 23 February 2018 and 30 March 2018 respectively.

      The quarterly financial statements for the first, second and third quarters of 2017, which were prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main LR and in compliance with Malaysian Financial Reporting Standards (MFRSs) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), were reviewed at the Committee meetings held on 26 May 2017, 7 August 2017 and 6 November 2017 respectively. On 23 February 2018, the Committee reviewed the quarterly financial statements for the fourth quarter of 2017. The Committee's recommendations were presented for approval at the subsequent Board meeting.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE (cont'd)

1. Financial Reporting (cont'd)

   b. To safeguard the integrity of information, the Group Financial Controller of the Company, who is also the director primarily responsible for the financial management of the Group had, on 26 May 2017, 7 August 2017, 6 November 2017 and 23 February 2018, given assurance to the Committee that:

   - Appropriate accounting policies had been adopted and applied consistently;
   - The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
   - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
   - Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IASs and Main LR; and
   - The Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2017.

2. External Audit

The Committee had on 6 March 2017, 6 November 2017, 23 February 2018 and 30 March 2018 respectively met with the External Auditors without the presence of the Executive Members.

On 6 March 2017, the External Auditors met up with the Committee to update the status of audit progress for financial year ended 31 December 2016 (FY2016) and some pending information/documents in relation to the audit. The Committee also deliberated on the action plans required to address the issues raised by the External Auditor.

On 6 November 2017, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FY2017, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Committee. The Committee also noted the updates i.e. Main LR, Companies Act 2016 and Financial Reporting Standards which are applicable to the Group. Further to the concern raised by the External Auditors, the Committee deliberated on key areas of the Group that requires improvement in promoting the effectiveness of audit review of the Group's financial statements.

On 23 February 2018, the Committee noted that the identified Key audit matters by the External Auditors, to be presented in its Independent Auditors' Report. The External Auditor continued present to the Committee on the fundamental change with the adoption of MFRS 15 *Revenue on Contracts with Customers* effective from January 1, 2018.

During the Meeting held on 30 March 2018, the External Auditors briefed the Committee on the Status of Audit Exit Meeting FY2017 of the Group. The External Auditors also informed the assessment on the potential impact on the adoption of MFRS 15 and 9 of the Group as reported under Note 2.5 of the Standards Issued But Not Yet Effective in Notes to the audited financial statement, for notation. Also, at a separate session held together with the Internal Auditors (without the presence of the Executive Members), the External Auditors reported that they had gone through all the Internal Audit Report for the year ended 2017 and noted the status of the audited areas as well as the follow-up findings of previous audits.

At the same Meeting, copies of the External Auditors Performance and Independence Checklist in respect for the FY2017 were being distributed at the Meeting for review (the Assessment). The Assessment was guided by the External Auditors Performance and Independence Checklist as recommended by CG Guide the 2nd edition. Evaluation aspect in relation to the re-appointment including Calibre of the External Audit Firm, Quality Processes/ Performance, Audit Team, Independence and Objectivity, Audit Scope and Planning, Audit Fees and Audit Communications.

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE (cont'd)

2. External Audit (cont'd)

The Committee concluded that based on the Assessment, amongst others as set out below, the External Auditors Performance for year 2017 was found adequate and thereby recommended the re-appointment of Messrs. Grant Thornton (GT) as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming 21st AGM:

- after having satisfied with its audit independence and the performance of GT throughout its course of audit FY2017;
- satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of GT and audit engagements.

3. Co-ordination between the Internal and External Auditors

Via the meeting held on 23 February 2018, the Committee had agreed and requested that the Internal Auditors and External Auditors to meet at least once yearly to discuss the audit areas to further strengthen the Group's control measures. The said meeting between the Internal Auditor, External auditors and the Committee was held on 30 March 2018.

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The Group has engaged the services of an independent professional accounting and consulting firm, Finfield Corporate Services Sdn. Bhd. (FCS) to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. FCS reports directly to the Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. The costs incurred for the internal audit function for FY2017 was RM27,441.

The Internal Auditors presented its findings together with recommendation and management action plan to the Committee for review on 27 February 2017, 26 May 2017, 7 August 2017 and 6 November 2017 respectively. Besides, the Committee also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

Throughout the year, FCS performed the followings:

- Prepared the risk management reports, discussion with the management and Committee Chairman on corrective actions to mitigate such risks.
- Performed annual audit plan which focus on the areas derived from the results of risk management reports.
- Identified auditable areas and performed reviews based on the risk levels assessed. The areas that were audited comprised sales, purchasing, treasury, inventory management and human resource.
- Reported audit findings and recommended improvements on internal controls system together with corrective actions to be taken.
- Closely monitored the timeliness and effectiveness of the implementation of corrective actions by Management in addressing reported audit observations.
- Updated the Committee that on Malaysian Code on Corporate Governance 2017 and the Sustainability Statement to be included in the upcoming Annual Report.
- Reviewed the Group's status of compliance with established policies, practices, and statutory requirements.
- Reviewed the related party transactions and conflict of interest situations that may arise within the Group.

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 (Main LR), which requires public listed companies to include a statement in their annual reports on the state of risk management and internal control within P.I.E. Industrial Berhad and its subsidiaries (the Group).

The Board is required to address Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance ("MCCG" or the "Code") in the Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 (FY2017) which was prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the Guidelines) which is issued by the Taskforce on Internal Control.

BOARD 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 Group's internal control system is designed to cater for the Group's needs and manage the risks to which the Group is exposed. It should be noted that such system is designed to manage, rather than eliminate, the risk of failure to achieve business 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 has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) to oversee all matters with regard to risk and control. Risk-related and internal control matters which required the attention of the Board were recommended by the RMC and AC to the Board for its deliberation and approval.

The RMC provides oversight on risk management matters relating to the business activities and operations of the Group. Chairman of RMC reviews and discusses the risks of the major subsidiaries with the respective business/operations heads and Internal Auditor. The RMC also reviews the progress of action plans taken by management, recommends the risk management strategies and risk mitigation actions as well as raises issues of concern to manage and control the material risk components impacting the businesses of the Group.

The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the audits conducted by Internal Auditor during the year. Audit issues and actions taken by Management to address the issues tabled by Internal Auditor were deliberated during the AC meetings. The minutes of the AC meetings are tabled to the Board on periodic basis. Further details of the activities undertaken by the AC are set out in the AC Report of this Annual Report.

RISK MANAGEMENT

The Group acknowledges the identification and the management of risks play an important and integral part in achieving the Group's business objectives and the management of its daily operations.

The Board has adopted the Enterprise Risk Management (ERM) framework for all major subsidiaries to ensure that the Group's assets are well protected and shareholders' value is enhanced. With the ERM, departments of the said subsidiaries are required to identify risks and evaluate control within key functions/activities of their business processes. A report has been provided to the management of the respective subsidiaries to enable them to review, discuss and monitor the risk profiles and implementation of action plans. The risk profiles and status of the action plans are reviewed on a yearly basis by the RMC with the business/operations heads.

RISK MANAGEMENT (cont'd)

The Board through its RMC, is entrusted with the responsibility of implementing and maintaining the ERM framework to achieve the following objectives:

- identify, assess, report and monitor significant risks in an effective manner;
- enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and
- promote risk-aware culture and provide the necessary knowledge for risk management at every level of management within the Group.

The Group's risk assessment process is described in the following table:

1. Information gathering	• To obtain relevant information through the following methods: a) Interviews and discussion conducted with the Managers and Officers of the major subsidiaries to gather information on and to gain insight of the operating environment of the company. b) Audited and draft financial statements. c) Previous risk management reports.
2. Risk identification	• Identify risks that affect the Group in business activities from the information gathered. • Enable early detection of risk and ensure sound risk management practices are in place to manage the risk and appropriate actions are taken to mitigate the Group's exposure to risk. • Four risk categories such as strategic, operational, financial and compliance.
3. Risk quantification	• The risks identified are then quantified for their impact on the organization. • The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, medium risk and low risk. • A risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores. • The risk will be mapped into the following risk heat-chart:

LIKELIHOOD					
5	M	M	H	H	H
4	M	M	M	H	H
3	L	M	M	M	H
2	L	L	M	M	M
1	L	L	L	M	M
	1	2	3	4	5
			IMPACT		

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

RISK MANAGEMENT (cont'd)

The Group's risk assessment process is described in the following table (cont'd):

4. Risk responses	• For each risk identified, the management will have one or more of the following response options: a) AVOID the risk by not proceeding with an activity which generates the risk. b) TREAT the risk by applying controls to minimize the likelihood or impact of the risk. c) TRANSFER the risk by sharing the impact of the risk with outside parties such as insurance or joint venture. d) TOLERATE the residue (balance) risk if it is within the organization's risk appetite.
5. Control strategies – identify, develop and implement	• The relevant control strategies are identified for each type of risk response applied. • Develop quantitative and qualitative controls including risk limits and thresholds to oversee and manage the risk identified. • Implement risk mitigation actions aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.

Principally, the Group's key risks identified during the year are overdependence on particular customers and fluctuation of foreign currency exchange. Further information on the Group's key risks and the control strategies in place to mitigate or manage those risks can be found on pages 13 and 14 under the Management Discussion and Analysis of this Annual Report.

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Group Organisation Structure**

  The Board has established a clear organisation structure with defined lines of responsibility and accountability aligned to the Group's business and operations requirements.

- **Oversight by Respective Board Committee**

  The Board has delegated specific duties, roles and responsibilities to respective Board Committee, namely AC, RMC and Nominating Committee (NC). These Committees have the authority to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board. NC reviews the effectiveness of the Board and performance of each individual director to ensure that the Board has the right size and appropriate mix of skills and experience to achieving the Group's objectives and goals.

- **Limit of Authorities**

  Limit of authorities imposed on executive directors and management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.

- **Standard Operating Policies and Procedures**

  Policies and procedures are set out in operations manuals, guidelines and directives issued by the Group that govern the key business processes such as production, business development, procurement, finance, information technology and etc. which are updated from time to time to ensure compliance with internal controls and the relevant laws and regulations.

- **Human Resource Guidelines**

  There are guidelines within the Group for hiring and termination of staff, formal training and development programmes for staff and annual performance appraisals to ensure that the staff are kept up to date with the necessary competencies in carrying out their duties and responsibilities.

KEY ELEMENTS OF INTERNAL CONTROL (cont'd)

- **Code of Ethics for Director and Employee Handbook**

  Code of ethics provides guidance for establishing a standard of ethical behaviour for Directors. All employees of the Group are bound to follow employee handbook where employment issues are dealt with fairly and consistently. To ensure that all employees of the Group are clear on the ethical values in the Company, compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices are also covered under employee handbook.

- **Whistleblowing Policy**

  Whistleblowing policy to provide an avenue for employees to report any suspected fraud, unethical behaviour and improper conduct in the workplace in a safe and confidential manner.

- **Periodical Meetings**

  Management meetings are conducted regularly to review and discuss on the current progress against the targeted results to ensure timely responses and corrective actions to be taken. The Board receives and reviews reports from management on a regular basis to assess the Group's performance. These reports include the accounts and financial information reports which are tabled to Board for approval. Release of quarterly financial results to the public is made after they are reviewed by the AC and approved by the Board at their periodic meetings.

- **Internal Audit Function**

  Internal audit function provides assurance of the effectiveness of internal control systems within the Group. Regular internal audit visits to review compliance with policies and procedures and report any significant non-compliance. Audits are carried out on major subsidiaries towards areas with significant risks as identified by RMC, 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 audit findings are submitted to the AC for review at its periodic meetings. The internal control system is reviewed regularly to ensure that its functions are carried out as planned and remains effective, and risk management process is being audited provide assurance on the management of risks.

The Board confirms that the above elements are 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.

ASSURANCE FROM MANAGEMENT

The Board had received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review. The representations made by the Group's subsidiaries in respect of their risk management and internal control systems have been taken into consideration by the Board in issuing this statement. Based on the assurance and the representations, the Board is of the view that the Group's risk management and internal control system is satisfactory to meet the Group's needs and has not resulted in any material losses, contingencies or uncertainties that require disclosure in the Group's annual report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Main LR and pursuant to the scope set out in the Recommended Practice Guides (RPG) 5 (Revised 2015) issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FY2017. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems within the Group.

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 18 April 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (Board) of P.I.E. Industrial Berhad ("PIE" or the "Company") presents this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices of the Company under the leadership of the Board throughout the financial year ended 31 December 2017 (FY2017). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance ("MCCG" or the "Code").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and it is to be read together with the CG Report 2017 of the Company (CG Report) which is available on PIE's website at www.pieib.com.my.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the FY2017.

EMBRACING THE CG CULTURE

The Board is committed to ensure that good corporate governance practices instill in the Group's vision, processes and structures that create long term value for shareholders and safeguard the interest of other stakeholders.

The Board was aware of the spirit of MCCG and determined an action plan which includes reviewing of the identified CG practices, setting the appropriate timeframe in the CG activities and preparing disclosures on the Company's practices to ensure they are implemented in substance to achieve the intended outcomes of building a good corporate governance culture throughout the Group.

The Board is pleased to disclose the key focus areas in which the Company has applied throughout the FY2017 in relation to the 3 Principles as set out in the Code:

A. Board Leadership and Effectiveness;
B. Effective Audit and Risk Management; and
C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

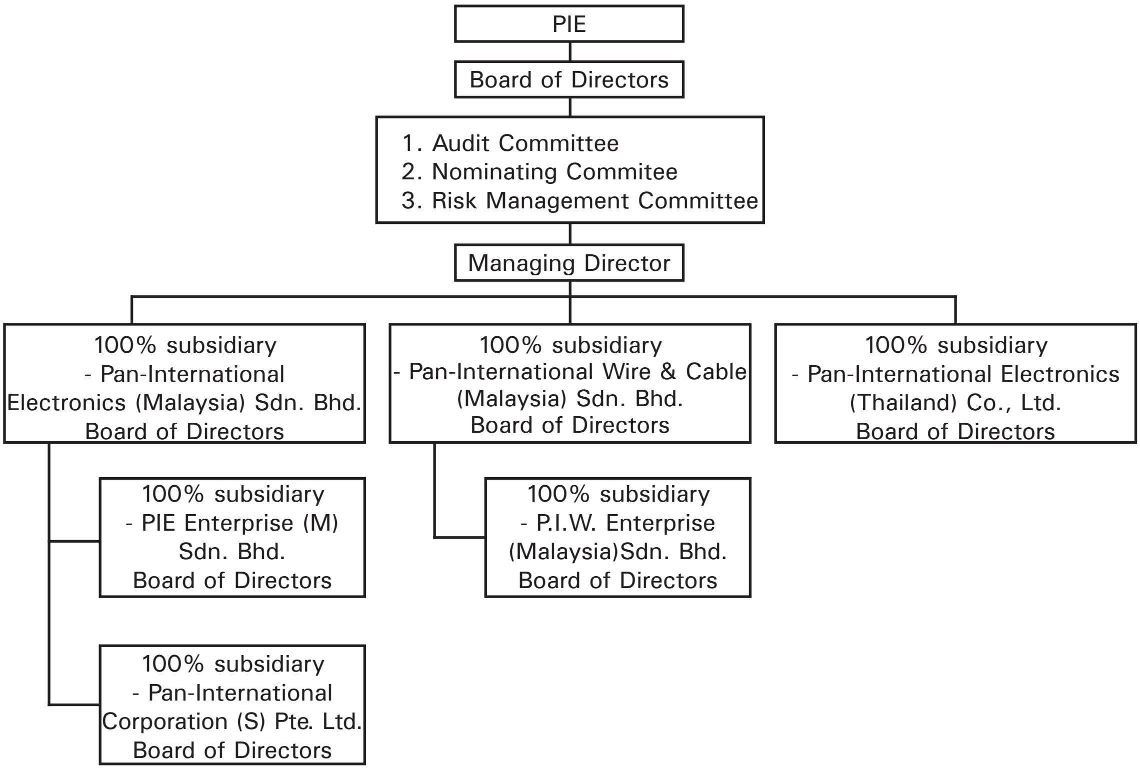
I. Board Responsibilities

The Board recognises its stewardship to lead the Group towards achieving the goals and objectives of the Company. The Board is mainly responsible for formulating and reviewing the strategic direction of the Company while providing effective oversight on Management's performance in carrying out the delegated duties for the sustainable growth of the Group and the creation of long term value to shareholders and various stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

In order to ensure effective discharge of the functions and responsibilities of the Board, 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, as depicted below:



Responsibilities between the Board, Board Committees, individual directors and Management within the Group are distinctly different to ensure they perform their duties more effectively and efficiently. The Board, Management as well as employees shall understand PIE's acceptable manner and behaviour practiced in their daily operations to strengthen ethics, integrity and transparency.

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 participated in the subsidiaries' management meeting to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

During the year 2017, the Company continued the practice of conducting Audit Committee meeting before Board Meeting to allow discussion on any issues raised by the External Auditors and/or Internal Auditor for the Board's attention. All members of the Board and Board Committee received complete agenda and documents relevant to the meetings at least 7 days in advance to allow them to have sufficient time to review for effective discussion and decision making during the meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

The positions of the Chairman and MD are held by different individuals with clear and distinct roles which are documented in the Board Charter of PIE. The Board Charter 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 responsibilities, 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 Charter will be reviewed periodically to ensure its relevance and compliance. The Board reviewed its Charter on 27 February 2017 and 23 February 2018 respectively and the revised Board charter is available at its corporate website.

The Board has established a Code of Ethics for Directors. It includes principles relating to Directors' duties, conflict of interest and dealings in securities. Meanwhile, all employees of the Group are bound to the employee handbook which promotes integrity and ethical behaviour in all aspect of the Company's operations. This is to ensure that good standards of behaviour permeate all levels of the Group, and would help to prevent misconduct and unethical practices. Besides, PIE has implemented the Whistleblowing Policy to provide an avenue for employees or any external party to disclose any improper conduct or wrongdoing within the Group.

Further details relating to the Board Charter, Code of Ethics and Whistleblowing Policy are set out in the CG report and also available on Company's corporate website at www.pieib.com.my.

All Directors have direct access to the advisory services of the two (2) Company Secretaries who are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. In addition to the administrative matters, Company Secretaries also advised the Board on CG issues, compliance with the relevant policies and procedures, laws and regulatory requirements.

II. Board Composition

The Board acknowledges that an appropriate mix of knowledge, skills, industry experience, gender, ethnicity and age is fundamental to the right board composition to ensure that diverse perspectives and insights are expressed in the decision making process for the best interest of the Company.

The Board is assisted by Nominating Committee which is chaired by an Independent Director to review, amongst other, the size and composition of the Board. Nominating Committee reviews the effectiveness of the Board and performance of each individual director and assesses the independence of Non-Executive Directors of the Company on an annual basis to determine if the Board has the right size and sufficient diversity with independence elements that meet the Company's objectives and strategic goals:

- Vide an assessment conducted on 27 February 2017, the Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively and the size of the Board remain relevant in the current size of the Group.
- On 23 February 2018, an assessment of the effectiveness of the Board, respective Board Committee and Independence were carried out in respect of the FY2017. Appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee, were being circulated at the Meeting for assessment. The Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively.

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 Independent Non-Executive 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Board Composition FY2017

The skillsets and diversity of the Board are as follows:

			Industry / Background Experience							By Composition								
										Age				Ethnic			Gender	
Directors	Nationality	Designation	Technology	Marketing	Industrial	Corporate	Accounting / Finance	Governance Risk and Compliance	Law / legal	30 – 39 years	40 – 49 years	50 – 59 years	60 – 70 years	Bumiputra	Chinese	Foreign	Male	Female
Ahmad Murad Bin Abdul Aziz	Malaysian	Chairman/ Senior Independent Non-Executive Director				√			√			√		√			√	
Mui Chung Meng	Malaysian	Managing Director	√	√	√	√							√		√		√	
Chen, Chih-Wen	Taiwanese	Executive Director				√	√						√			√	√	
Cheung Ho Leung	American	Executive Director	√	√	√	√							√			√	√	
Lee Cheow Kooi	Malaysian	Non-Independent, Non-Executive Director	√	√	√	√						√			√		√	
Loo Hooi Beng	Malaysian	Independent Non-Executive Director				√	√	√				√			√		√	
Khoo Lay Tatt	Malaysian	Independent Non-Executive Director		√		√	√	√			√				√		√	

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

As of the date of this Annual report

Following the resignation of En. Ahmad Murad Bin Abdul Aziz as a Senior Independent, Non-Executive Director, Mr. Cheung Ho Leung as an Executive Director and the appointment of Ms. Koay San San as an Independent, Non-Executive Director on 1 March 2018, the composition of the Board is as follows:

Directorate	Composition
Independent Non-Executive Directors	3
Non-Independent Non-Executive Director	1
Executive Directors	2

Tenure of Independent Non-Executive Directors	Composition
7-9 years	2
< I year	1

Gender	Composition
Male	5
Female	1

Age	Composition
30-39	1
40-49	1
50-59	2
60-70	2

Race / Ethnicity	Composition
Bumiputra	0
Chinese	5
Foreign	1

The Board size was reduced from seven (7) members on 31 December 2017 to six (6) members. The percentage of women representation on the Board of PIE was increased from 0% to 17% in March 2018. Also, the independence elements of the Board was increased from 43% (FY2017) to 50% as of March 2018 which is in line with Practice 4.1 of the Code.

III. Remuneration

The Board has in place 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. The Remuneration Policy is set out in the Board Charter and also available on the Company's corporate website at www.pieib.com.my.

The detailed disclosure on named basis for the remuneration of individual directors and Top Five Senior Management of the Group for the FY2017 are disclosed in the Directors' Profile of this Annual Report and CG report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee comprises three (3) members, all of whom are Independent Directors and is chaired by an Independent Non-Executive Director, Mr. Loo Hooi Beng who is not the Chairman of the Board to ensure the effectiveness and independence of the Committee. Mr. Loo is a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

The Board noted on the practice that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. Nonetheless, there was no former key audit partner being appointed as an Independent Director or member of Audit Committee. To be in line with the Code, Practice 8.2 of the MCCG was incorporated in the Terms of Reference of the Audit Committee on 30 March 2018. In the annual assessment on the suitability, objectivity and independence of the External Auditor, the Audit Committee is guided by, amongst others, External Auditors Performance and Independence Checklist recommended by MCCG Guide 2nd Edition and Paragraph 15.21 of the Main LR.

II. Risk Management and Internal Control Framework

The Board meets its responsibilities in the risk governance and oversight functions through its Risk Management Committee in order to manage the overall risk exposure of the Group.

A Risk Management Committee's Meeting chaired by Mr. Loo Hooi Beng was held on 26 January 2017, to discuss and review on the risks of the major subsidiaries with the Department Heads or Sections Heads and the internal auditors, and the said discussion/review are as set out in the Risk Management Report dated 20 February 2017. The Company has engaged an external professional firm, Finfield Corporate Services Sdn. Bhd. to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the risk management and internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors.

On 30 March 2018, the Board received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system in place during 2017, is operating adequately and effectively to safeguard the Group's assets, as well as shareholders' investments, and the interests of other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

PIE ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on PIE's website and engagement through the investor relations function.

II. Conduct of General Meetings

The Board acknowledges that Annual General Meeting (AGM) is an important means of communicating with its shareholders. Therefore, PIE dispatched its notice of the 20th AGM to shareholders more than 21-days before the AGM, in advance of the notice period as required under the Companies Act 2016 and Main LR. The Code was issued in April 2017 and in line with the CG practice, the notice of the 21st AGM will be issued to the shareholders at least 28 days before the AGM date.

At the 20th AGM of the Company held on 26 May 2017, all members of the Board, representatives of the Management and external auditor attended the meeting to respond to the questions raised by the shareholders or proxies.

At the same AGM, all resolutions had put for manual poll-voting. Announcement of the detailed results of the poll voting had been made to the public accordingly. PIE will adopt electronic voting at the forthcoming 21st AGM, to expedite the voting and tabulation process.

This statement was made in accordance with a resolution of the Board dated 18 April 2018.

The Board of Directors is pleased to present the Sustainability Statement of the Group.

Sustainability in the context of this Statement is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To sustain its operations for the long term, the Board recognizes that it is important for the Group to be sustainable in the way we carry out our business. In this regard, the Board and the Managing Director are responsible for setting the Group's sustainability strategies. In fact, sustainability practices are embedded in the Group's day to day operations. In this report, the Board has set the key elements of the Group's practices with respect to economic, environmental and social sustainability matters.

A. GOVERNANCE STRUCTURE

The Group is presently at Phase 2 of the governance structure as prescribed by the Bursa Malaysia Sustainability Reporting Guide. The governance structure for the Group's Sustainability is as per below:

Board of Directors	The Board sets the sustainability strategy of the Group. It ensures that the Group's business strategies consider sustainability.
Sustainability Working Group	The Sustainability Working Group oversees the implementation of sustainability strategy. It evaluates overall sustainability risks and opportunities.
Head of Departments	The Heads of Department support implementation of Sustainability Strategies. It reports on the Key Sustainability Indicators.

B. SCOPE

This Sustainability Statement covers the Malaysian subsidiaries, namely Pan-International Electronics (Malaysia) Sdn Bhd ("PIE") and Pan-International Wire & Cable (Malaysia) Sdn Bhd ("PIW") as they are the two most significant subsidiaries of the Group, together contributing approximately 95% of the Group's total revenue.

The Group may then extend the its reporting scope to cover Pan-International Electronics (Thailand) Co. Ltd when the Board is satisfied that the Sustainability Working Group there has been properly established and trained.

C. STAKEHOLDERS ENGAGEMENT

The Group believes that stakeholders are important to its continued success and the sustainability of the business. By continuously engaging stakeholders, the Group has a better understanding of stakeholders' interest and concerns. The Board has identified the key stakeholders as follows. They are ranked in the order of their impact and significance to the Group.

C. STAKEHOLDERS ENGAGEMENT (cont'd)

Internal Stakeholders	External Stakeholders
1. Investors	1. Customers
2. Employees	2. Suppliers
	3. Regulators
	4. Government
	5. Local communities

D. MATERIAL SUSTAINABILITY MATTERS

The principal businesses of the Group are contract electronic manufacturing by PIE and manufacturing of wire and cables by PIW. These businesses require hiring of many production workers.

Production operations of the PIE and PIW do not release harmful emissions into the air or discharging hazardous effluent into the drainage system. By their business nature, there are minimal industrial wastes generated from the production operations which send to landfill for disposal. For example, copper scraps generated from the production of cables and wires are fully recyclable.

In view of the significance of human capital to the Group, the Board has placed the highest priority on social sustainability matters, followed by economic and environmental. The Board has identified the Material Sustainability Matters of the Group as follows:

Areas	Material Sustainability Matters
Social	• Labour practices • Safety & health • Diversity
Economic	• Procurement practices
Environmental	• Solid wastes • Energy consumption • Raw material use

The key sustainability efforts of the Group are set out below:

(1) The Board and Management are committed to human resource development. Employees form an integral part of the Group and they are the key to sustainable success of the business. In this respect, the Group has always ensured that labour laws and regulations are fully complied with. There is a Safety & Health Committee set up to oversee workplace safety matters.

The Management provides better workplace with good employee welfare and equal career opportunities for all employees within the Group.

(2) For economic sustainability, the Group places priority in buying from local suppliers where possible.

(3) In the areas of environmental sustainability, PIE complies with the sustainability conditions set by its customers, which include not using environmentally harmful raw materials in its products. As for PIW, copper scraps arising from wire and cable production are sold to approved scrap dealers for recycling.

In the goal of saving resources, all employees are required to play a role in optimizing the use of electricity and water during their daily operations.

E. KEY SUSTAINABILITY INDICATORS

The Sustainability Working Group has identified the Key Sustainability Indicators (KSI) for each of the above Material Sustainability Matters. The KSI will be compiled and reported in the Annual Report for financial year ended 31 December 2018.

This statement was made in accordance with a resolution of the Board dated 18 April 2018.

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, 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements 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 MFRSs 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 present 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 2017 had been approved by the Board on 16 March 2018.

This statement was made in accordance with a resolution of Board dated 18 April 2018.

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.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2017 (FY2017) by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follow:

Category	Audit Fees (RM)	Non-Audit Fees (RM)
Company	32,000	44,500[1]
Subsidiaries	95,000	17,900[2]
Total	**127,000**	**62,400**

[1] Non–audit fees were mainly paid for the advisory services on review of quarterly financial information, Statement on Risk Management and Internal Control and taxation fee.

[2] Non–audit fees were mainly paid for the advisory services on taxation fee.

EMPLOYEE SHARE SCHEME

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

MATERIAL CONTRACT

There were no material contract entered into by the Company and its subsidiary companies involving directors', chief executive's (who is not a director or major shareholders) and major shareholders' interest other than those entered into in the ordinary course of business as disclosed in the financial statements.

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FY2017 are disclosed on pages 81 and 82 of the Annual Report.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2017**.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year attributable to owners of the Company	48,011,011	13,814,861

DIVIDENDS

Since the end of the previous financial year, the Company has paid the following dividends:

	RM
In respect of the financial year ended 31 December 2016:	
A first and final single tier dividend of RM0.024 per share	9,217,007
A special single tier dividend of RM0.026 per share	9,985,092
	19,202,099

The Directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

HOLDING COMPANY

The immediate and ultimate holding companies of the Company are Pan Global Holding Co. Ltd. and Pan-International Industrial Corp., corporations incorporated in British Virgin Islands and Taiwan respectively.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

DIRECTORS

The Directors who served since the date of the last report are:

Directors of the Company:

Mui Chung Meng
Chen, Chin-Wen
Loo Hooi Beng
Khoo Lay Tatt
Lee Cheow Kooi
Koay San San (appointed on 1.3.18)
Ahmad Murad Bin Abdul Aziz (resigned on 1.3.18)
Cheung Ho Leung (resigned on 1.3.18)

Directors of the Subsidiaries:

Huang, Feng-An
Yu, Wen-Ling
Cheah Heng Lye
Chen, Ming-Lung
Liao, Yueh-Chen
Tay Siew Noi
Supida Saekow
Tsai, Ming-Feng (appointed on 25.10.17)
Law Tong Han (appointed on 12.3.18)
Law Pin Ehian (appointed on 18.1.18, deceased on 12.3.18)
Kevin Lin, Hsing-Yang (resigned on 25.10.17)
Saw Siew Hong (resigned on 25.10.17)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.1.17	**Bought**	**Sold**	**Balance at 31.12.17**
Interest in the Company				
Direct Interest:				
Ahmad Murad Bin Abdul Aziz	5	-	-	5
Loo Hooi Beng	50,000	-	(50,000)	-
Indirect Interest:				
Mui Chung Meng [(i)]	2,460,000	-	-	2,460,000
Chen, Chih-Wen [(i)]	209,500	-	(100,000)	109,500

(i) Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held through spouse.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' FEES AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Directors of the Company:			
Salaries, allowances and bonus	1,481,384	122,868	1,604,252
Defined contribution plan	277,207	21,252	298,459
Fees	72,000	-	72,000
Benefits-in-kind	-	16,500	16,500
Indemnity given to or insurance effected for any director	15,500	-	15,500
	1,846,091	160,620	2,006,711

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transaction disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

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

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

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

(i) no contingent liability 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due,

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

There was no indemnity given to or insurance effected for the officers of the Company.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2017 were RM126,000 and RM32,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

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

....

Mui Chung Meng **Chen, Chih-Wen**

Penang

Date: 16 March 2018

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 42 to 95 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2017** and of their financial performance and cash flows for the financial year then ended.

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

....

Mui Chung Meng

....

Chen, Chih-Wen

Date: 16 March 2018

STATUTORY DECLARATION

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 financial statements set out on pages 42 to 95 are to the best of my knowledge and belief, 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 at Penang, this **16th**)
day of **March 2018**.)
)

....

Chen, Chih-Wen
(Passport No. 315785256)

Before me,

....

Goh Suan Bee (No. P125)
Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD

Report on the Financial Statements

Opinion

We have audited the financial statements of **P.I.E. Industrial Berhad**, which comprise the statements of financial position as at **31 December 2017** of the Group and of the Company, 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 financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 42 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2017**, and of their financial performance and their 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 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *(Refer to Note 18 to the financial statements)* The Group's revenue is derived from contract electronic manufacturing, cable and printed circuit board assemblies and manufacturing of cable and wires for electronic devices. We focus on revenue recognition as a key audit matter as revenue recognition depends on the contractual arrangement with the Group's customers as different customers have different deliverable arrangements and this could impact the point at which the risk and rewards of ownership is passed on to the customer. Also, management focuses on revenue as a key performance measure.	Our audit procedures in relation to revenue recognition included: • Obtaining an understanding of the Group's revenue recognition process and application and thereafter testing controls on the occurrence of revenue. • Performing analytical procedures on the trend of revenue recognised to identify for any abnormalities. • Substantive testing on sales transactions by substantiating revenue recognised to relevant supporting documents. • Assessing whether revenue are recognised in the correct period by testing cut-off through assessing sales transactions taking place at either side of the balance sheet date as well as reviewing credit notes and sales returns issued after the balance sheet date.

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

Key audit matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables *(Refer to Note 12 to the financial statements)* The Group has significant trade receivables as at 31 December 2017 and it is subject to credit risk exposure. We focus on this area as the assessment of recoverability of receivables involves management judgement and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.	Our audit procedures in relation to impairment of trade receivables included: • Obtaining an understanding of: - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the impairment of trade receivables; and - how the Group makes the accounting estimates for impairment. • Reviewing the consistency of the application of management's methodology for calculating impairment from year to year. • Considering the ageing of the trade receivables and testing the reliability thereon. • Reviewing subsequent collections for major customers and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue balances. • Examining other evidence including customer correspondences. • Reviewing the adequacy of the impairment estimated and provided in the financial statements.
Provision for inventories write-downs *(Refer to Note 11 to the financial statements)* The Group holds significant inventories as at 31 December 2017 which exposes the Group to risk that inventories may become slow moving or obsolete and eventually non-saleable or recoverable below their carrying values. We focused on this area as it involves estimation uncertainty by the directors in determining the accuracy of provision for inventory obsolescence and in assessing the adequacy of inventory not stated at the lower of cost and market value.	Our audit procedures in relation to the provision for inventories write-downs included: • Obtaining an understanding of: - the Group's inventory management process; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. • Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year. • Reviewing and testing the reliability of the ageing report of inventories provided by management. • Reviewing and testing the net realisable value of inventories on a sampling basis. • Evaluating the reasonableness and adequacy of the inventories write-down recognised for identified exposures.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As at the date of our report, we have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of these 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 2016 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.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
No. AF: 0042
Chartered Accountants

Terence Lau Han Wen
No. 03298/04/2019 J
Chartered Accountant

Penang

Date: 16 March 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTE	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**86,491,764**	90,072,995	-	-
Investment properties	5	**22,047,191**	21,850,280	-	-
Prepaid lease payments	6	**10,429,881**	10,745,729	-	-
Investment in subsidiaries	7	-	-	**79,918,805**	79,918,805
Investment in an associate	8	-	-	**25,000**	25,000
Goodwill on condolidation	9	**1,721,665**	1,721,665	-	-
Deferred tax assets	10	**1,701,562**	1,701,834	**1,664,000**	1,664,000
		122,392,063	126,092,503	**81,607,805**	81,607,805
Current assets					
Inventories	11	**145,907,801**	105,557,196	-	-
Trade and other receivables	12	**165,658,643**	172,463,599	**33,872,340**	40,010,139
Current tax assets		**1,987,588**	10,086,777	-	-
Short-term investments	13	**9,448,221**	3,820,198	**9,448,221**	3,820,198
Cash and cash equivalents	14	**78,084,965**	103,892,033	**84,233**	5,864,271
		401,087,218	395,819,803	**43,404,794**	49,694,608
TOTAL ASSETS		**523,479,281**	521,912,306	**125,012,599**	131,302,413
EQUITY AND LIABILITIES					
Share capital	15	**83,202,902**	76,808,397	**83,202,902**	76,808,397
Reserves	16	**318,827,260**	296,776,966	**39,386,786**	51,168,529
Total equity		**402,030,162**	373,585,363	**122,589,688**	127,976,926
Non-current liabilities					
Deferred tax liabilities	10	**3,161,870**	3,015,003	-	-
Current liabilities					
Trade and other payables	17	**111,663,516**	133,988,550	**2,422,911**	3,325,487
Current tax liabilities		**6,623,733**	11,323,390	-	-
		118,287,249	145,311,940	**2,422,911**	3,325,487
Total liabilities		**121,449,119**	148,326,943	**2,422,911**	3,325,487
TOTAL EQUITY AND LIABILITIES		**523,479,281**	521,912,306	**125,012,599**	131,302,413

The notes set out on pages 48 to 95 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Revenue	18	**679,282,536**	579,285,255	**22,907,506**	34,246,502
Cost of sales		**(607,898,851)**	(520,629,906)	-	-
Gross profit		**71,383,685**	58,655,349	**22,907,506**	34,246,502
Other operating income		**34,078,707**	20,901,549	**45,755**	1,228,614
Administrative expenses		**(35,379,285)**	(28,225,500)	**(8,968,030)**	(7,916,447)
Selling and distribution expenses		**(2,741,057)**	(6,197,614)	-	-
Other operating expenses		**(5,109,468)**	(18,452)	**(171,494)**	(1,287,441)
Result from operating activities		**62,232,582**	45,115,332	**13,813,737**	26,271,228
Interest income		**1,299,476**	1,043,019	**1,124**	970
Interest expense		**(89,070)**	(426,664)	-	-
Profit before tax	19	**63,442,988**	45,731,687	**13,814,861**	26,272,198
Income tax expense	21	**(15,431,977)**	(9,665,526)	-	-
Profit for the financial year		**48,011,011**	36,066,161	**13,814,861**	26,272,198
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		**(364,113)**	1,793,718	-	-
Total comprehensive income for the financial year		**47,646,898**	37,859,879	**13,814,861**	26,272,198
Profit attributable to owners of the Company		**48,011,011**	36,066,161	**13,814,861**	26,272,198
Total comprehensive income attributable to owners of the Company		**47,646,898**	37,859,879	**13,814,861**	26,272,198
Basic/Diluted earnings per ordinary share (sen)	22	**12.50**	9.39		

The notes set out on pages 48 to 95 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Owners of the Company				
		Non-distributable			Distributable	
	NOTE	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Total Equity RM
2017						
Balance at beginning		**76,808,397**	**6,394,505**	**12,221,085**	**278,161,376**	**373,585,363**
Profit for the year		-	-	-	**48,011,011**	**48,011,011**
Other comprehensive income for the financial year:						
- Foreign currency translation differences		-	-	**(364,113)**	-	**(364,113)**
Total comprehensive income for the financial year		-	-	**(364,113)**	**48,011,011**	**47,646,898**
Transactions with owners:						
Dividends	**23**	-	-	-	**(19,202,099)**	**(19,202,099)**
Transition to no-par value regime on 31 January 2017	**15/16**	**6,394,505**	**(6,394,505)**	-	-	-
Balance at end		**83,202,902**	-	**11,856,972**	**306,970,288**	**402,030,162**
2016						
Balance at beginning		76,808,397	6,394,505	10,427,367	268,978,154	362,608,423
Profit for the year		-	-	-	36,066,161	36,066,161
Other comprehensive income for the financial year:						
- Foreign currency translation differences		-	-	1,793,718	-	1,793,718
Total comprehensive income for the financial year		-	-	1,793,718	36,066,161	37,859,879
Transactions with owners:						
Dividends	23	-	-	-	(26,882,939)	(26,882,939)
Balance at end		76,808,397	6,394,505	12,221,085	278,161,376	373,585,363

The notes set out on pages 48 to 95 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Owners of the Company				
		Non-distributable			Distributable	
	NOTE	Share Capital RM	Share Premium RM	Merger Reserve RM	Retained Profits RM	Total Equity RM
2017						
Balance at beginning		**76,808,397**	**6,394,505**	**16,408,221**	**28,365,803**	**127,976,926**
Total comprehensive income for the financial year		-	-	-	**13,814,861**	**13,814,861**
Transactions with owners:						
Dividends	**23**	-	-	-	**(19,202,099)**	**(19,202,099)**
Transition to no-par value regime on 31 January 2017	**15/16**	**6,394,505**	**(6,394,505)**	-	-	-
Balance at end		**83,202,902**	-	**16,408,221**	**22,978,565**	**122,589,688**
2016						
Balance at beginning		76,808,397	6,394,505	16,408,221	28,976,544	128,587,667
Total comprehensive income for the financial year		-	-	-	26,272,198	26,272,198
Transactions with owners:						
Dividends	23	-	-	-	(26,882,939)	(26,882,939)
Balance at end		76,808,397	6,394,505	16,408,221	28,365,803	127,976,926

The notes set out on pages 48 to 95 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**63,442,988**	45,731,687	**13,814,861**	26,272,198
Adjustments for:				
Amortisation of prepaid lease payments	**315,848**	362,012	**-**	-
Bad debts	**-**	322,924	**-**	-
Depreciation	**15,443,509**	15,752,580	**-**	-
Dividend income	**-**	-	**(15,151,000)**	(26,605,000)
Fair value (gain)/loss on financial asset at fair value through profit or loss	**(37,846)**	7,821	**(37,846)**	7,821
Fair value gain on investment properties	**(211,109)**	(75,000)	**-**	-
Gain on disposal of short-term investments	**(7,909)**	(12,142)	**(7,909)**	(12,142)
Gain on disposal of property, plant and equipment	**(255,130)**	(2,078)	**-**	-
Interest expense	**89,070**	426,664	**-**	-
Interest income	**(1,299,476)**	(1,043,019)	**(1,124)**	(969)
Investment income earned on financial asset at fair value through profit or loss	**(148,506)**	(33,502)	**(148,506)**	(33,502)
Property, plant and equipment written off	**-**	4	**-**	-
Provision for/(Reversal of) impairment loss on receivables	**5,358,477**	(1,301,729)	**-**	-
Rental income	**(3,414,542)**	(2,835,471)	**-**	-
(Reversal of)/Inventories written down	**(11,054,999)**	3,823,780	**-**	-
Unrealised loss/(gain) on foreign exchange	**3,153,002**	(3,450,451)	**-**	(1,268,451)
Operating profit/(loss) before working capital changes	**81,673,089**	57,674,080	**(1,531,524)**	(1,640,045)
Increase in inventories	**(29,295,606)**	(8,713,974)	**-**	-
(Increase)/Decrease in receivables	**(3,131,237)**	89,242,774	**6,137,799**	(618,819)
Decrease in payables	**(19,305,083)**	(8,888,908)	**(902,576)**	(497,758)
Cash from/(used in) operations	**19,641,151**	129,313,972	**3,703,699**	(2,756,622)
Income tax paid	**(11,885,306)**	(18,220,742)	**-**	-
Interest received	**1,299,476**	1,138,035	**1,124**	969
Dividend received	**-**	-	**15,151,000**	26,605,000
Net cash from operating activities	**9,055,621**	112,231,265	**18,855,823**	23,849,347
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(12,462,028)**	(14,267,361)	**-**	-
(Increase)/Decrease in short-term investments	**(5,433,762)**	15,464,391	**(5,433,762)**	(622,952)
Proceeds from disposal of property, plant and equipment	**778,096**	774,228	**-**	-
Rental income	**3,414,542**	2,835,471	**-**	-
Net cash (used in)/from investing activities	**(13,703,152)**	4,806,729	**(5,433,762)**	(622,952)
Balance carried forward	**(4,647,531)**	117,037,994	**13,422,061**	23,226,395

The notes set out on pages 48 to 95 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Balance brought forward	**(4,647,531)**	117,037,994	**13,422,061**	23,226,395
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	**(19,202,099)**	(26,882,939)	**(19,202,099)**	(26,882,939)
Interest expense	**(89,070)**	(426,664)	**-**	-
Placement of bank balances pledged	**-**	(4,560)	**-**	-
Repayment of short-term loans	**-**	(103,096,026)	**-**	-
Net cash used in financing activities	**(19,291,169)**	(130,410,189)	**(19,202,099)**	(26,882,939)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,938,700)**	(13,372,195)	**(5,780,038)**	(3,656,544)
Effects of exchange rate fluctuations	**(1,867,684)**	(3,776,345)	**-**	1,268,451
CASH AND CASH EQUIVALENTS AT BEGINNING	**103,796,881**	120,945,421	**5,864,271**	8,252,364
CASH AND CASH EQUIVALENTS AT END	**77,990,497**	103,796,881	**84,233**	5,864,271

NOTE

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Cash and cash equivalents	**14**	**78,084,965**	103,892,033	**84,233**	5,864,271
Less: Bank balances pledged as security	**14**	**(94,468)**	(95,152)	**-**	-
		77,990,497	103,796,881	**84,233**	5,864,271

The notes set out on pages 48 to 95 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE INFORMATION

General

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

The immediate and ultimate holding companies of the Company are Pan Global Holding Co. Ltd. and Pan-International Industrial Corp., corporations incorporated in British Virgin Islands and Taiwan respectively.

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 1, Seberang Jaya Industrial Estate, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 March 2018.

Principal Activities

The Company is principally involved in investment holding and provision of management services.

The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain assets that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. **BASIS OF PREPARATION (cont'd)**

2.2 **Basis of Measurement (cont'd)**

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 **Functional and Presentation Currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.4 **Adoption of Amendments/Improvements to MFRS**

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 12 Disclosure of Interests in Other Entities (under Annual Improvements to MFRS 2014-2016 cycle)
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The initial application of the above standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

Amendments to MFRS 107 Disclosure Initiatives

The amendments require the Group and the Company to provide disclosures of changes in its liabilities arising from financing activities, including both changes arising from cash and no-cash transactions. The information regarding this new disclosure is disclosed in Note 29 to the financial statements. Per guidance of the amendments, comparative information for the preceding period is not required.

2.5 **Standards Issued But Not Yet Effective**

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2018
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)

2. **BASIS OF PREPARATION (cont'd)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

Effective for annual periods beginning on or after 1 January 2018 (cont'd)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019
MFRS 16 Leases
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for financial periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

Effective date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group expects that the adoption of the new standard will have no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. MFRS 9 replaces the incurred loss model in MFRS 139 with a forward looking “expected credit loss model”. The Group has performed an assessment and expects to apply the simplified approach and record lifetime expected losses on all its trade receivables using a provision matrix based on historical observed default rates which are adjusted for forward-looking estimates established.

The Group is in the progress of tabulating the provision matrix and it is expected that additional provision for impairment loss will be recognised upon adoption of MFRS 9. However the mentioned impact will be off-set against the reversal of the collective impairment provisions which the Group has adopted under the incurred loss model.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers* and *IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risk and rewards.

2. **BASIS OF PREPARATION (cont'd)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

MFRS 15 Revenue from Contracts with Customers (cont'd)

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The impact from the adoption of MFRS 15 to the Group is discussed below:

(i) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 3.10. At present, revenue arising from sale of goods is generally recognised when the risk and rewards of ownership have been passed on to the customers. Under MFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. MFRS 15 identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Under the manufacturing segment, the Group enters into manufacturing contracts with its customers to produce standard and non-standard products. Standard products are common parts/products that can be sold to various customers while non-standard products are specifically manufactured according to customer specification. In respect of non-standard products, the Group will have no alternative use for such products once production work commences. However, existing contract clauses does not provide the Group with an enforceable right to payment for performance completed to date. As such, the Group expects to continue recognising revenue from such non-standard products at a point in time.

Future manufacturing contracts entered by the Group may contain elements which will trigger revenue from sale of such goods to be recognised over time.

(ii) Volume rebates

The Group provides retrospective volume rebates to certain customers on products purchased once the quantity ordered during a given period exceeds the threshold specified in the contract. This amount may subsequently be repaid in cash or is offset against the amount owing by the customer. At present, the Group accounts for the volume rebates at the end of the financial year once data on the quantities shipped is assessed.

Under MFRS 15, retrospective volume rebates give rise to a variable consideration. Variable consideration is estimated using either an expected value or most likely outcome method whichever provides the best estimate. Going forward, volume rebates will affect the Group's transaction price at contract inception if it is highly probable that a significant reversal in the cumulative revenue recognised will occur when the uncertainty is resolved (i.e. when the total amount of purchases is known).

2. **BASIS OF PREPARATION (cont'd)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle as in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

2.6 **Significant Accounting Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

2.6.1 **Judgements made in applying accounting policies**

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.2 **Key sources of estimation uncertainty**

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 are discussed below:

(i) **Useful lives of depreciable assets**

Plant and machinery are depreciated on a straight-line basis over their estimated useful lives. Management estimates that the useful lives of the plant and machinery to be between 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery. Therefore future depreciation charges could be revised.

2. BASIS OF PREPARATION (cont'd)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty (cont'd)

(ii) **Impairment of plant, machinery and equipment**

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant, machinery and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

(iii) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 9 to the financial statements.

(iv) **Inventories**

The Group reviews for slow-moving and obsolete inventories. This review requires management to estimate the potentially excess and obsolete inventories after considering forecasted demand for the products as well as technical obsolescence. Possible changes in these estimates could result in revision to the valuation of inventories.

(v) **Impairment of loans and receivables**

The Group assesses at the end of each reporting period 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.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below:

3.1 Basis of Consolidation

(i) **Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The financial statements of all subsidiaries are consolidated under the acquisition method, except for the financial statements of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. with agreement dated before 1 July 2009 that meets the conditions of a merger as set out in MFRS 3, Business Combinations, which are accounted for using the merger method of accounting in accordance with Malaysian Accounting Standard No 2, "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time. The Group has applied MFRS 3 prospectively. Accordingly, the business combination entered into prior to 1 January 2009 has not been restated to comply with the aforesaid MFRS.

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

Upon disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.1 **Basis of Consolidation (cont'd)**

(iii) **Goodwill**

Goodwill acquired through business combination is initially measured at cost being the excess of the cost of business acquired over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) **Associates**

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.1 **Basis of Consolidation (cont'd)**

(vi) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 **Property, Plant and Equipment**

3.2.1 **Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

3.2.2 **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.2.3 **Depreciation**

Depreciation is calculated based on the cost of an asset less its residual value, if any.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.2 **Property, Plant and Equipment (cont'd)**

3.2.3 **Depreciation (cont'd)**

The annual depreciation rates are as follows:

	%
Buildings and structures	2.22 - 10
Plant and machinery, furniture, fixtures and office equipment	10 - 33.3
Production tools and equipment, mechanical and electrical installation	10 - 20
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

3.3 **Investment Properties**

3.3.1 **Investment properties carried at fair value**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

3.3.2 **Reclassification to/from investment properties**

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.4 **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.4 **Leases (cont'd)**

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.5 **Impairment of Non-Financial Assets**

The carrying amounts of other assets (except for inventories, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which the goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of Non-Financial Assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.6 Financial Instruments

3.6.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.6.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(i) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.6 **Financial Instruments (cont'd)**

3.6.2 **Financial instrument categories and subsequent measurement (cont'd)**

Financial assets (cont'd)

(ii) **Fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

These financial assets are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Derivatives are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

The Group and the Company do not have any financial liabilities that are measured at fair value through profit or loss.

Subsequent to initial recognition, all financial liabilities comprising payables and borrowings are measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.6.3 **Offsetting of financial instrument**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6.4 **Derecognition**

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.6 **Financial Instruments (cont'd)**

3.6.5 **Impairment of financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3.7 **Inventories**

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.9 **Provisions**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.10 **Income Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured on the following bases:

(i) **Sales of goods**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) **Dividend income**

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is ex-dividend date.

(iii) **Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) **Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) **Other income**

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

3.11 **Employee Benefits**

Short term benefits

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

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group and the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.11 **Employee Benefits (cont'd)**

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group's foreign subsidiaries also make contributions to their respective country's statutory pension schemes. The Group has no legal or constructive obligation to pay contribution in addition to its fixed contributions which are recognised as an expense in the period that relevant employee services are received.

3.12 **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.3, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

3.13 **Goods and Services Tax**

Goods and Services Tax ("GST") is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.13 **Goods and Services Tax (cont'd)**

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.14 **Foreign Currency**

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve ("FTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Share Capital, Share Issuance Expenses and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Prior to Companies Act 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

3.16 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.17 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.18 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the Group.
- (iii) Both the Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
- (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold land RM	Buildings and structures RM	Plant and machinery RM	Production tools and equipment RM	Furniture, fixtures and office equipment RM	Mechanical and electrical installation RM	Motor vehicles RM	Capital work in progress RM	Total RM
GROUP										
2017										
At cost										
Balance at beginning	851,723	3,530,739	47,523,768	126,513,899	10,382,664	2,884,580	2,084,241	2,067,227	5,301,321	201,140,162
Additions	-	-	1,009,415	8,373,797	1,759,151	288,359	-	507,712	523,594	12,462,028
Disposals/write off	-	-	-	(1,387,486)	-	(26,041)	-	(345,634)	-	(1,759,161)
Reclassification	-	-	-	861,966	-	44,543	-	-	(906,509)	-
Effects of movements in exchange rate	(6,123)	-	(10,806)	(40,078)	-	(7,805)	(733)	(3,801)	(39,953)	(109,299)
Balance at end	845,600	3,530,739	48,522,377	134,322,098	12,141,815	3,183,636	2,083,508	2,225,504	4,878,453	211,733,730
Accumulated depreciation										
Balance at beginning	-	1,537,753	8,332,431	90,093,549	5,098,765	2,573,937	1,654,926	1,775,806	-	111,067,167
Current charge	-	58,845	1,860,044	11,693,768	1,439,980	150,570	59,996	180,306	-	15,443,509
Disposals/write off	-	-	-	(871,104)	-	(25,789)	-	(339,302)	-	(1,236,195)
Effects of movements in exchange rate	-	-	(9,105)	(17,656)	-	(3,141)	(454)	(2,159)	-	(32,515)
Balance at end	-	1,596,598	10,183,370	100,898,557	6,538,745	2,695,577	1,714,468	1,614,651	-	125,241,966
Carrying amount	845,600	1,934,141	38,339,007	33,423,541	5,603,070	488,059	369,040	610,853	4,878,453	86,491,764

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Leasehold land RM	Buildings and structures RM	Plant and machinery RM	Production tools and equipment RM	Furniture, fixtures and office equipment RM	Mechanical and electrical installation RM	Motor vehicles RM	Capital work in progress RM	Total RM
2016										
At cost										
Balance at beginning	810,905	3,530,739	42,885,464	117,446,154	8,706,268	2,654,549	1,984,753	2,097,407	7,247,894	187,364,133
Additions	-	-	2,426,661	9,846,541	1,686,396	214,502	93,261	-	-	14,267,361
Disposals/write off	-	-	-	(927,901)	(10,000)	(8,723)	-	(55,500)	(62,345)	(1,064,469)
Reclassification	-	-	2,137,860	-	-	-	-	-	(2,137,860)	-
Effects of movements in exchange rate	40,818	-	73,783	149,105	-	24,252	6,227	25,320	253,632	573,137
Balance at end	851,723	3,530,739	47,523,768	126,513,899	10,382,664	2,884,580	2,084,241	2,067,227	5,301,321	201,140,162
Accumulated depreciation										
Balance at beginning	-	1,478,908	6,611,068	77,818,622	3,874,853	2,454,953	1,605,231	1,582,049	-	95,425,684
Current charge	-	58,845	1,662,997	12,410,988	1,226,273	115,100	48,988	229,389	-	15,752,580
Disposals/write off	-	-	-	(225,734)	(2,361)	(8,721)	-	(55,499)	-	(292,315)
Effects of movements in exchange rate	-	-	58,366	89,673	-	12,605	707	19,867	-	181,218
Balance at end	-	1,537,753	8,332,431	90,093,549	5,098,765	2,573,937	1,654,926	1,775,806	-	111,067,167
Carrying amount	851,723	1,992,986	39,191,337	36,420,350	5,283,899	310,643	429,315	291,421	5,301,321	90,072,995

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

4.1 The carrying amount of freehold land and building charged to licensed banks for banking facilities granted to the Group amounted to **RM1,117,397** (2016: RM1,149,317).

4.2 Leasehold land of the Group is with unexpired lease period of less than 50 years.

5. **INVESTMENT PROPERTIES**

	GROUP	
	2017	2016
	RM	RM
Balance at beginning	**21,850,280**	21,680,618
Change in fair value recognised in profit or loss	**211,109**	75,000
Effects of movements in exchange rates	**(14,198)**	94,662
Balance at end	**22,047,191**	21,850,280
Included in the above are:		
At fair value		
Freehold land and buildings	**2,097,191**	1,975,280
Leasehold land and buildings	**19,950,000**	19,875,000
	22,047,191	21,850,280

Investment properties of the Group amounting to **RM2,097,191** (2016: RM1,975,280) are charged to a bank as securities for credit facilities granted to the Group.

The following are recognised in profit or loss in respect of investment properties:

	2017	2016
	RM	RM
Rental income from income generating properties	**3,162,456**	2,803,471
Direct operating expenses:		
- income generating investment properties	**290,129**	245,881
- non-income generating investment properties	**-**	89,563

Fair value measurement information

Fair value of investment properties are categorised as follows:

	Level 3	
	2017	2016
	RM	RM
Freehold land and buildings	**2,097,191**	1,975,280
Leasehold land and buildings	**19,950,000**	19,875,000
	22,047,191	21,850,280

5. INVESTMENT PROPERTIES (cont'd)

Fair value measurement information (cont'd)

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of similar property in the locality are adjusted for differences in key attributes such as location, time, size, tenure, neighbourhood and other relevant factors. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM22-RM65)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

Valuation process applied by the Company for level 3 fair value

At 31 December 2017, the fair value of the Group's investment properties of leasehold land and buildings of **RM19,950,000** (2016: RM19,875,000) 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 company provides the fair value of the Group's investment properties portfolio annually. Changes in Level 3 fair value are analysed by the management annually after obtaining valuation report from the valuation company.

The fair value of the Group's investment properties of freehold land and buildings of **RM2,097,191** (2016: RM1,975,280) was determined by the Directors by reference to market evidence of transaction prices for similar properties.

Highest and best use

The Group's investment properties comprise of factory land and buildings located within an area designated for industrial use. Accordingly, industrial use has been adopted as the highest and best use for the valuation purpose.

6. PREPAID LEASE PAYMENTS

	GROUP	
	2017	2016
	RM	RM
Unexpired lease period of less than 50 years		
At cost	**11,877,468**	11,877,468
Accumulated amortisation		
Balance at beginning	**1,131,739**	769,727
Current amortisation	**315,848**	362,012
Balance at end	**1,447,587**	1,131,739
Carrying amounts	**10,429,881**	10,745,729

7. INVESTMENT IN SUBSIDIARIES

	COMPANY 2017 RM	COMPANY 2016 RM
Unquoted shares, at cost	**79,918,805**	79,918,805

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	**100**	100	Contract electronic manufacturing, cable assemblies and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly
Pan International Electronics (Thailand) Co., Ltd. *	Thailand	**100**	100	Manufacturing and providing of cable and wire harness to computer, communication and consumer electronic industry
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	**100**	100	Manufacture of cables and wires for electronic devices and cable moulding compounds
<u>Indirectly held through Pan-International Electronics (Malaysia) Sdn. Bhd.</u>				
Pan-International Corporation (S) Pte. Ltd. *	Singapore	**100**	100	Marketing and trading of electronic and telecommunication components and equipment
PIE Enterprise (M) Sdn. Bhd.	Malaysia	**100**	100	Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products and manufacture, refurbishment and sale of electronics appliances
<u>Indirectly held through Pan-International Wire & Cable (Malaysia) Sdn. Bhd.</u>				
P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	**100**	100	Dormant

* Not audited by Grant Thornton

8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Unquoted shares, at cost	**25,000**	25,000	**25,000**	25,000
Share of post-acquisition reserves	**(25,000)**	(25,000)	**-**	-
	-	-	**25,000**	25,000

Details of the associate are as follows:

Name of entity	Country of incorporation	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
I2 Skyway Sdn. Bhd. (formerly known as Infra-Info Telecommunications Sdn. Bhd.)	Malaysia	**49**	49	Provision of consultancy services and operation of a restaurant

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	I2 Skyway Sdn. Bhd.	
	2017	2016
	RM	RM
Group		
Summarised financial information		
As at 31 December		
Non-current assets	**49,456**	38
Current assets	**15,978**	687
Current liabilities	**(137,593)**	(28,281)
Net liabilities	**(72,159)**	(27,556)
Year ended 31 December		
Loss from continuing operations	**(44,603)**	(12,785)

Contingent liabilities and capital commitments

The associate has no contingent liabilities or capital commitments as at the end of the reporting period.

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2017	2016
	RM	RM
At cost	**1,721,665**	1,721,665

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that no impairment was necessary.

9. GOODWILL ON CONSOLIDATION (cont'd)

Goodwill has been allocated for impairment testing purposes to manufacturing activities of 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 Management covering a period of 3 years with an estimated growth rate of **0%** (2016: 0%) and a discount rate of **9.45%** (2016: 9.45%) 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 management 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.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

The recognised deferred tax assets and liabilities, after appropriate offsetting, are as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Deferred tax assets	**1,701,562**	1,701,834	**1,664,000**	1,664,000
Deferred tax liabilities	**(3,161,870)**	(3,015,003)	-	-
	(1,460,308)	(1,313,169)	**1,664,000**	1,664,000

The deferred tax assets/(liabilities) are represented by taxable temporary differences arising from:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Property, plant and equipment	**(8,206,956)**	(7,998,570)	-	-
Inventories	**2,205,047**	3,291,418	-	-
Receivables	**2,028,295**	1,495,740	-	-
Accruals	**2,303,503**	1,876,440	**887,000**	887,000
Unutilised tax losses	**777,000**	777,000	**777,000**	777,000
Other taxable temporary differences	**(567,197)**	(755,197)	-	-
	(1,460,308)	(1,313,169)	**1,664,000**	1,664,000

11. INVENTORIES

	GROUP	
	2017	2016
	RM	RM
Raw materials	**84,662,845**	47,301,055
Work-in-progress	**32,144,803**	23,598,055
Finished goods	**18,757,418**	23,951,552
Goods-in-transit	**10,342,735**	10,706,534
	145,907,801	105,557,196

11. INVENTORIES (cont'd)

	GROUP	
	2017	2016
	RM	RM
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**618,953,850**	516,806,126
Inventories written down		
- Current year	**49,354**	3,855,523
- Reversal	**(11,104,353)**	(31,743)

The reversal of inventories written down was made during the financial year when the related inventories were sold above their carrying amounts.

12. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Trade					
Third parties	12.1	**158,487,705**	168,957,840	-	-
Related parties	12.2	**4,673**	2,882	-	-
		158,492,378	168,960,722	-	-
Non-trade					
Ultimate holding company	12.3	-	31,266	-	-
Subsidiaries	12.3	-	-	**33,856,480**	39,978,380
Related parties	12.3	-	310	-	-
Other receivables		**1,610,480**	1,461,885	**16**	16
Deposits		**300,449**	297,551	**2,000**	2,000
Prepayments		**3,093,726**	1,141,247	**13,844**	29,743
GST receivables		**2,161,610**	570,618	-	-
		7,166,265	3,502,877	**33,872,340**	40,010,139
		165,658,643	172,463,599	**33,872,340**	40,010,139

12.1 The normal credit terms granted to trade receivables range from **30 to 120 days** (2016: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12.2 The trade amount due from related parties is subject to normal trade terms.

12.3 The non-trade amounts due from ultimate holding company, subsidiaries and related parties are unsecured, non-interest bearing and repayable on demand.

13. SHORT-TERM INVESTMENTS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Investment in Islamic income fund	**9,448,221**	3,820,198	**9,448,221**	3,820,198

13. **SHORT-TERM INVESTMENTS (cont'd)**

The effective interest rate for the short-term investment is **1.29%** to **3.48%** (2016: 3.58%) per annum and can be redeemed at any time upon notice given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of Islamic money market instruments and fixed deposits with different maturity period.

14. **CASH AND CASH EQUIVALENTS**

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Cash and bank balances	**14.1**	**27,375,692**	42,430,973	**83,069**	5,863,107
Fixed deposits with a licensed bank	**14.2**	**29,959,273**	13,391,810	**1,164**	1,164
Short term money market	**14.3**	**20,750,000**	48,069,250	-	-
		78,084,965	103,892,033	**84,233**	5,864,271

14.1 Included in the cash and bank balances is **RM94,468** (2016: RM95,152) pledged as securities for credit facilities granted to the Group.

14.2 The effective interest rates of the fixed deposits as at the end of the reporting period range from **1.45%** to **3.70%** (2016: 2.55% to 3.30%) per annum.

14.3 The average effective interest rates of the short term money market as at the end of the reporting period range from **2.10%** to **3.60%** (2016: 0.125% to 3.10%) per annum.

15. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2017	2016	**2017**	2016
			RM	RM
Issued and fully paid:				
Balance at beginning	**384,041,985**	76,808,397	**76,808,397**	76,808,397
Effects of share split	-	307,233,588	-	-
Transition to no-par value regime on 31 January 2017	-	-	**6,394,505**	-
Balance at end	**384,041,985**	384,041,985	**83,202,902**	76,808,397

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,394,505 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the last financial year, the Company carried out a share split exercise involving the sub-division of ordinary shares from every one (1) existing ordinary share into five (5) new ordinary shares.

16. RESERVES

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Non-distributable					
Share premium	**16.1**	-	6,394,505	-	6,394,505
Foreign currency translation reserve	**16.2**	**11,856,972**	12,221,085	-	-
Merger reserve	**16.3**	-	-	**16,408,221**	16,408,221
		11,856,972	18,615,590	**16,408,221**	22,802,726
Distributable					
Retained profits	**16.4**	**306,970,288**	278,161,376	**22,978,565**	28,365,803
		318,827,260	296,776,966	**39,386,786**	51,168,529

16.1 Share premium

	GROUP AND COMPANY	
	2017	2016
	RM	RM
Balance at beginning	**6,394,505**	6,394,505
Transition to share capital	**(6,394,505)**	-
Balance at end	-	6,394,505

The share premium arose from the issuance of shares at premium and sale of treasury shares, net of share issue expenses. It was transferred to share capital in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017.

16.2 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries which functional currency is not Ringgit Malaysia.

16.3 Merger reserve

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

16.4 Retained profits

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

17. TRADE AND OTHER PAYABLES

	NOTE	GROUP **2017** **RM**	GROUP 2016 RM	COMPANY **2017** **RM**	COMPANY 2016 RM
Trade					
Third parties	**17.1**	**78,194,362**	90,886,384	-	-
Related parties	**17.2**	**1,261,978**	11,083,931	-	-
		79,456,340	101,970,315	-	-
Non-trade					
Ultimate holding company	**17.3**	**351,420**	78,870	-	-
Other payables		**14,265,719**	11,888,912	**378**	-
Accruals		**17,456,694**	20,240,590	**2,310,979**	3,152,126
GST payable		**133,343**	(190,137)	**111,554**	173,361
		32,207,176	32,018,235	**2,422,911**	3,325,487
		111,663,516	133,988,550	**2,422,911**	3,325,487

17.1 The normal credit terms granted by trade payables range from **30 to 90 days** (2016: 30 to 90 days).

17.2 The trade amounts due to related parties are subject to normal trade terms.

17.3 The non-trade amount due to ultimate holding company is unsecured, non-interest bearing and repayable on demand.

18. REVENUE

	GROUP **2017** **RM**	GROUP 2016 RM	COMPANY **2017** **RM**	COMPANY 2016 RM
Sale of goods	**679,134,030**	579,251,753	-	-
Investment income earned on financial asset at fair value through profit or loss	**148,506**	33,502	**148,506**	33,502
Management fee	-	-	**7,608,000**	7,608,000
Dividend income from subsidiaries	-	-	**15,151,000**	26,605,000
	679,282,536	579,285,255	**22,907,506**	34,246,502

19. **PROFIT BEFORE TAX**

This is arrived at:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
After charging:				
Amortisation of prepaid lease payment	**315,848**	362,012	-	-
Audit fee				
- Grant Thornton				
- current year	**126,000**	117,000	**32,000**	30,000
- under provision in prior year	**1,000**	-	-	-
- Other auditors				
- current year	**61,918**	51,357	-	-
- under provision in prior year	-	5,500	-	3,000
Non-audit fees				
- Grant Thornton				
- current year	**62,400**	43,000	**44,500**	43,000
- Other auditors				
- current year	**27,441**	29,600	-	-
Bad debts	-	322,924	-	-
Depreciation of property, plant and equipment	**15,443,509**	15,752,580	-	-
Fair value loss on financial asset at fair value through profit or loss	-	7,821	-	7,821
Impairment loss on trade receivables				
- Current year	**5,378,586**	18,452	-	-
- Reversal	**(20,109)**	(1,320,181)	-	-
Interest expense	**89,070**	426,664	-	-
Inventories written down				
- Current year	**49,354**	3,855,523	-	-
- Reversal	**(11,104,353)**	(31,743)	-	-
Loss on foreign exchange:				
- Realised	**171,494**	1,216,983	**52,894**	44,157
- Unrealised	**3,180,969**	1,225,460	-	-
Rental of premises	**387,386**	355,788	-	-
Rental of office equipment	**20,569**	17,144	-	-
Property, plant and equipment written off	-	4	-	-

19. **PROFIT BEFORE TAX (cont'd)**

This is arrived at (cont'd):

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
And crediting:				
Fair value gain on financial asset at fair value through profit or loss	**37,846**	-	**37,846**	-
Fair value gain on investment properties	**211,109**	75,000	-	-
Gain on disposal of property, plant and equipment	**255,130**	2,078	-	-
Gain on disposal of short-term investment	**7,909**	12,142	**7,909**	12,142
Gain on foreign exchange:				
- Realised	**10,640,904**	8,411,865	-	-
- Unrealised	**27,967**	4,675,911	-	1,268,451
Investment income earned on financial assets at fair value through profit or loss	**148,506**	33,502	**148,506**	33,502
Interest income	**1,299,476**	1,043,019	**1,124**	969
Rental income from				
- Investment properties	**3,162,456**	2,803,471	-	-
- Prepaid lease payments	**252,086**	32,000	-	-

20. **STAFF COSTS**

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**62,629,094**	59,754,144	**2,145,236**	2,368,770
- EPF and SOCSO	**2,182,117**	2,115,303	**492,674**	110,013
	64,811,211	61,869,447	**2,637,910**	2,478,783

Included in the staff costs of the Group and of the Company is directors' remuneration as shown below:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**1,587,652**	1,628,326	**1,464,784**	1,628,326
- EPF	**298,459**	52,445	**277,207**	52,445
- Benefits-in-kind	**16,500**	-	**-**	-
Balance carried forward	**1,902,611**	1,680,771	**1,741,991**	1,680,771

20. **STAFF COSTS (cont'd)**

Included in the staff costs of the Group and of the Company is directors' remuneration as shown below (cont'd):

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Balance brought forward	**1,902,611**	1,680,771	**1,741,991**	1,680,771
Non-Executive:				
- Fees	**72,000**	72,000	**72,000**	72,000
- Allowances	**16,600**	18,000	**16,600**	18,000
	88,600	90,000	**88,600**	90,000
	1,991,211	1,770,771	**1,830,591**	1,770,771
Directors of subsidiaries:				
Executive:				
- Salaries, allowances and bonus	**1,463,244**	1,614,137	-	-
- EPF	**92,910**	98,529	-	-
	1,556,154	1,712,666	-	-
	3,547,365	3,843,437	**1,830,591**	1,770,771

There are no other key management personnel, other than all the Directors of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

21. **INCOME TAX EXPENSE**

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Based on results for the financial year				
Current tax expense				
- Malaysia	**(16,078,000)**	(11,295,308)	-	-
- Overseas	-	(132,220)	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	**(1,257,296)**	830,805	-	-
	(17,335,296)	(10,596,723)	-	-
Over/(Under) provision in prior year				
- Current tax	**793,162**	1,657,555	-	-
- Deferred tax	**1,110,157**	(726,358)	-	-
	1,903,319	931,197	-	-
	(15,431,977)	(9,665,526)	-	-

21. INCOME TAX EXPENSE (cont'd)

The reconciliation of the tax expense of the Company is as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Profit before tax	**63,442,988**	45,731,687	**13,814,861**	26,272,198
Income tax at Malaysian tax rate of 24%	**(15,226,317)**	(10,975,605)	**(3,315,566)**	(6,305,328)
Effect of tax rates in foreign jurisdictions	**157,645**	231,771	-	-
Non-deductible expenses	**(3,215,866)**	(1,120,136)	**(431,314)**	(87,913)
Income not subject to tax	**40,531**	62,795	**3,682,863**	6,341,161
Effect of tax incentives	**746,003**	1,059,043	-	-
Effect of deferred tax assets not recognised	**69,739**	52,080	**64,017**	52,080
Annual crystallisation of deferred tax on previous revaluation surplus	**92,969**	93,329	-	-
	(17,335,296)	(10,596,723)	-	-
Over/(Under) provision in prior year	**1,903,319**	931,197	-	-
	(15,431,977)	(9,665,526)	-	-

A subsidiary in Thailand is enjoying investment promotion incentive in the 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 10% 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-qualifying investment promotion incentive, tax is charged at 20% on those income.

22. EARNINGS PER ORDINARY SHARE

GROUP

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of **RM48,011,011** (2016: RM36,066,161) by the weighted average number of ordinary shares in issue during the financial year of **384,041,985** (2016: 384,041,985).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share as there are no dilutive potential ordinary shares during the financial year.

23. DIVIDENDS

	GROUP AND COMPANY	
	2017	2016
	RM	RM
In respect of the financial year ended 31 December 2016		
First and final single tier dividend of RM0.024 per share	**9,217,007**	-
Special single tier dividend of RM0.026 per share	**9,985,092**	-
In respect of the financial year ended 31 December 2015		
First and final single tier dividend of RM0.12 per share	-	9,217,008
Special single tier dividend of RM0.23 per share	-	17,665,931
	19,202,099	26,882,939

24. RELATED PARTIES

(i) **Identity of related parties**

Related parties may be individuals or other entities and include the following:

(a) Subsidiaries as disclosed in Note 7.
(b) The immediate and ultimate holding companies.
(c) Subsidiaries of the immediate and ultimate holding companies.
(d) A shareholder of the Company's ultimate holding company, Hon Hai Precision Industries Co., Ltd. and its subsidiaries.
(e) Key management personnel.

(ii) **Related company transactions**

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Management fee received from subsidiaries	-	-	**7,608,000**	7,608,000
Dividend received from subsidiaries	-	-	**15,151,000**	26,605,000

(iii) **Related party transactions**

	GROUP		COMPANY	
Sales to:				
- Hon Hai Precision Industries Co., Ltd.	**249,582**	-	-	-
- Pan-International Precision Electronic Co. Ltd.	**696**	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

24. **RELATED PARTIES (cont'd)**

(iii) **Related party transactions (cont'd)**

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Purchases from:				
- Pan-International Industrial Corp.	**478,465**	174,441	-	-
- Hon Hai Precision Industries Co., Ltd.	**18,292,168**	12,883,303	-	-
- FIH (Hong Kong) Ltd.	-	26,033	-	-
- Foxconn Interconnect Technology Singapore Pte. Ltd.	**11,298,757**	4,180,952	-	-
- View Great Limited	**266,798**	850,512	-	-
- ShenZhen Futaihong Precision Ind. Co., Ltd.	**5,035,893**	4,468,358	-	-
Purchase of machinery from:				
- FIH Precision Electronics (LangFang) Co., Ltd.	-	296,322	-	-
Inspection fee paid to:				
- Pan-International Industrial Corp.	-	116,020	-	-

(iv) **Compensation of key management personnel**

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

There were no transactions with any key management personnel during the year other than key management personnel compensation as disclosed in Note 20 to the financial statements.

25. **CAPITAL COMMITMENTS**

	GROUP	
	2017	2016
	RM	RM
Contracted and not provided for:		
- Property, plant and equipment	**158,192**	336,315

26. **OPERATING SEGMENTS**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

26. **OPERATING SEGMENTS (cont'd)**

(a) manufacturing of industrial products (includes cables and wires for electronic devices, cable moulding compounds and PCB assemblies, cable and wire harness to computer, communication, consumer electronic industry and cable assemblies);

(b) trading of electrical products (includes peripheral products of computers, telecommunication, consumer electronics and cable assembly products); and

(c) investment holding.

Segment profit

Performance is measured based on segment profit before tax, interest, income and expense, rental income and share of loss of an equity-accounted associate as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, excluding investment properties, investment in an associate, short-term investments, short-term deposits with licensed banks and income tax assets as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence no disclosure is made on segment liability.

By business segments

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Total RM
2017					
Revenue					
External sales	662,150,913	16,983,117	148,506	-	679,282,536
Inter-segment revenue	287,688	2,026,860	22,759,000	(25,073,548)	-
Total revenue	662,438,601	19,009,977	22,907,506	(25,073,548)	679,282,536
Results					
Segment profit	58,677,205	172,757	13,813,736	(13,845,658)	58,818,040
Rental income					3,414,542
Interest income					1,299,476
Interest expense					(89,070)
Profit before tax					63,442,988
Income tax expense					(15,431,977)
Profit for the financial year					48,011,011

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

26. OPERATING SEGMENTS (cont'd)

By business segments (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Total RM
2016					
Revenue					
External sales	570,105,199	9,146,554	33,502	-	579,285,255
Inter-segment revenue	406,940	1,202,119	34,213,000	(35,822,059)	-
Total revenue	570,512,139	10,348,673	34,246,502	(35,822,059)	579,285,255
Results					
Segment profit	44,531,505	307,707	26,271,229	(28,830,580)	42,279,861
Rental income					2,835,471
Interest income					1,043,019
Interest expense					(426,664)
Profit before tax					45,731,687
Income tax expense					(9,665,526)
Profit for the financial year					36,066,161

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Total RM
2017				
Assets				
Segment assets	**428,115,761**	**7,549,091**	**1,920,594**	**437,585,446**
Income producing assets				**72,756,464**
Income tax assets				**3,689,150**
Investment in Islamic income fund				**9,448,221**
Total assets				**523,479,281**
2016				
Assets				
Segment assets	412,614,545	4,382,744	5,994,868	422,992,157
Income producing assets				83,311,340
Income tax assets				11,788,611
Investment in Islamic income fund				3,820,198
Total assets				521,912,306

26. **OPERATING SEGMENTS (cont'd)**

By business segments (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Total RM
2017				
Other information				
Additions to non-current assets	**12,462,028**	-	-	**12,462,028**
Depreciation and amortisation expenses	**(15,759,357)**	-	-	**(15,759,357)**
Fair value gain on investment properties	**211,109**	-	-	**211,109**
Fair value gain on financial asset at fair value through profit or loss	-	-	**37,846**	**37,846**
Gain on disposal of property, plant and equipment	**255,130**	-	-	**255,130**
Impairment loss on trade receivables				
- Current year	**(5,376,441)**	**(2,145)**	-	**(5,378,586)**
- Reversal	-	**20,109**	-	**20,109**
Interest expense	**(89,070)**	-	-	**(89,070)**
Interest income	**1,253,067**	**45,285**	**1,124**	**1,299,476**
Inventories written down				
- Current year	-	**(49,354)**	-	**(49,354)**
- Reversal	**11,104,353**	-	-	**11,104,353**
Unrealised loss on foreign exchange	**(3,153,002)**	-	-	**(3,153,002)**
2016				
Other information				
Additions to non-current assets	14,267,361	-	-	14,267,361
Bad debts	(322,924)	-	-	(322,924)
Depreciation and amortisation expenses	(16,114,592)	-	-	(16,114,592)
Fair value gain on investment properties	75,000	-	-	75,000
Fair value loss on financial asset at fair value through profit or loss	-	-	(7,821)	(7,821)
Gain on disposal of property, plant and equipment	2,078	-	-	2,078
Impairment loss on trade receivables				
- Current year	-	(18,452)	-	(18,452)
- Reversal	1,317,048	3,133	-	1,320,181
Interest expense	(426,664)	-	-	(426,664)
Interest income	1,014,989	27,060	970	1,043,019
Inventories written down				
- Current year	(3,855,523)	-	-	(3,855,523)
- Reversal	31,743	-	-	31,743
Property, plant and equipment written off	(4)	-	-	(4)
Unrealised gain/(loss) on foreign exchange	2,182,021	(21)	1,268,451	3,450,451

26. **OPERATING SEGMENTS (cont'd)**

Geographical information

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

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in an associate), goodwill and deferred tax assets.

	Revenue RM	Non-current assets RM
2017		
Malaysia	**292,487,842**	**109,404,176**
Other Asia Pacific countries	**148,163,817**	**9,564,660**
Europe	**76,489,725**	-
United States of America	**162,141,152**	-
	679,282,536	**118,968,836**
2016		
Malaysia	232,958,176	113,244,233
Other Asia Pacific countries	139,445,556	9,424,771
Europe	64,030,054	-
United States of America	142,851,469	-
	579,285,255	122,669,004

Information of Major Customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		
	2017 RM	2016 RM	**Segments**
- Customer A	**132,097,437**	94,708,014	Manufacturing of industrial products
- Customer B	**110,319,623**	80,222,794	Manufacturing of industrial products
	242,417,060	174,930,808	

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R"), fair value through profit or loss ("FVTPL") and financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FVTPL RM	FL RM
GROUP				
2017				
Financial assets				
Trade and other receivables	**160,403,307**	**160,403,307**	-	-
Short-term investments	**9,448,221**	-	**9,448,221**	-
Cash and cash equivalents	**78,084,965**	**78,084,965**	-	-
	247,936,493	**238,488,272**	**9,448,221**	-
Financial liabilities				
Trade and other payables	**111,530,173**	-	-	**111,530,173**
2016				
Financial assets				
Trade and other receivables	170,751,734	170,751,734	-	-
Short-term investments	3,820,198	-	3,820,198	-
Cash and cash equivalents	103,892,033	103,892,033	-	-
	278,463,965	274,643,767	3,820,198	-
Financial liabilities				
Trade and other payables	134,178,687	-	-	134,178,687
COMPANY				
2017				
Financial assets				
Trade and other receivables	**33,858,496**	**33,858,496**	-	-
Short-term investments	**9,448,221**	-	**9,448,221**	-
Cash and cash equivalents	**84,233**	**84,233**	-	-
	43,390,950	**33,942,729**	**9,448,221**	-
Financial liabilities				
Trade and other payables	**2,311,357**	-	-	**2,311,357**
2016				
Financial assets				
Trade and other receivables	39,980,396	39,980,396	-	-
Short-term investments	3,820,198	-	3,820,198	-
Cash and cash equivalents	5,864,271	5,864,271	-	-
	49,664,865	45,844,667	3,820,198	-
Financial liabilities				
Trade and other payables	3,152,126	-	-	3,152,126

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.2 **Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.3 **Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its advances to subsidiaries and financial guarantees given.

27.3.1 **Receivables**

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables (excluding prepayments) is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due which are deemed to have higher credit risk are monitored individually.

At the end of the reporting period, approximately **57%** (2016: 70%) of the Group's trade receivables were due from **2** (2016: 4) major customers and its related companies. Apart from these major customers, 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.

Ageing analysis

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period is as follows:

	Gross RM	Individual impairment RM	Net RM
2017			
Not past due	**125,021,928**	-	**125,021,928**
1 to 30 days past due	**32,569,242**	**(1,372,020)**	**31,197,222**
31 to 60 days past due	**5,271,515**	**(2,998,287)**	**2,273,228**
61 to 90 days past due	**3,948,296**	**(3,948,296)**	-
91 to 120 days past due	-	-	-
Past due more than 120 days	**187,810**	**(187,810)**	-
	41,976,863	**(8,506,413)**	**33,470,450**
	166,998,791	**(8,506,413)**	**158,492,378**

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.3 **Credit risk (cont'd)**

27.3.1 **Receivables (cont'd)**

Ageing analysis **(cont'd)**

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period is as follows (cont'd):

	Gross RM	Individual impairment RM	Net RM
2016			
Not past due	141,109,556	-	141,109,556
1 to 30 days past due	27,414,875	(413,349)	27,001,526
31 to 60 days past due	2,080,810	(1,231,170)	849,640
61 to 90 days past due	1,026,587	(1,026,587)	-
91 to 120 days past due	-	-	-
Past due more than 120 days	479,726	(479,726)	-
	31,001,998	(3,150,832)	27,851,166
	172,111,554	(3,150,832)	168,960,722

Impairment losses

The movement in the allowance for impairment losses of trade receivables during the financial year is as follows:

	2017 RM	2016 RM
At 1 January	**3,150,832**	4,441,909
Impairment loss recognised	**5,378,586**	18,452
Reversal of impairment	**(20,109)**	(1,320,181)
Effects of movements in foreign exchange rates	**(2,896)**	10,652
At 31 December	**8,506,413**	3,150,832

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

27.3.2 **Intercompany balances**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries which are repayable on demand. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (cont'd)

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.3 **Credit risk (cont'd)**

27.3.2 **Intercompany balances (cont'd)**

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the aging of the advances to the subsidiaries. Nevertheless, these advances are not considered to be overdue and are repayable on demand.

27.3.3 **Financial guarantees**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. Apart from bank guarantee facility utilised by the subsidiaries, there are no other credit lines being utilised by the subsidiaries during the financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

27.4 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within one year RM
GROUP				
2017				
Trade and other payables	**111,530,173**	-	**111,530,173**	**111,530,173**
2016				
Trade and other payables	134,178,687	-	134,178,687	134,178,687

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.4 **Liquidity risk (cont'd)**

Maturity analysis (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments (cont'd):

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within one year RM
COMPANY				
2017				
Trade and other payables	**2,311,357**	-	**2,311,357**	**2,311,357**
2016				
Trade and other payables	3,152,126	-	3,152,126	3,152,126

27.5 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

27.5.1 **Currency risk**

The Group and the Company are exposed to foreign currency risk on sales, purchases and financial instruments that are denominated in a currency other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Euro (EURO), Singapore Dollar (SGD), Japanese Yen (JPY) and Great Britain Pound (GBP).

Risk management objectives, policies and processes for managing the risk

The Group monitors development in the government's policy and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement. In addition, the Group maintains foreign denominated bank account to facilitate the deposits of the Group's revenue denominated in foreign currency as well as to pay purchases denominated in foreign currencies. This provides some form of natural hedge against adverse foreign exchange fluctuations.

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.5 **Market risk (cont'd)**

27.5.1 **Currency risk (cont'd)**

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in			
	USD RM	**EURO RM**	**SGD RM**	**OTHERS RM**
GROUP				
2017				
Trade and other receivables	**124,262,806**	**8,947,740**	**526,800**	**-**
Trade and other payables	**(66,610,636)**	**(1,818)**	**(37,613)**	**(120,763)**
Short-term investments	**343,715**	**-**	**-**	**-**
Cash and cash equivalents	**25,305,458**	**433,962**	**132,237**	**3,210**
Net exposure	**83,301,343**	**9,379,884**	**621,424**	**(117,553)**
2016				
Trade and other receivables	138,463,079	7,926,105	706,267	-
Trade and other payables	(92,154,886)	(10,186)	(41,723)	(31,117)
Cash and cash equivalents	55,420,768	603,229	91,741	4,940
Net exposure	101,728,961	8,519,148	756,285	(26,177)
COMPANY				
2017				
Short-term investments	**343,715**	**-**	**-**	**-**
Cash and cash equivalents	**3,890**	**-**	**-**	**-**
	347,605	**-**	**-**	**-**
2016				
Cash and cash equivalents	5,514,224	-	-	-

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.5 **Market risk (cont'd)**

27.5.1 **Currency risk (cont'd)**

Currency risk sensitivity analysis

Below demonstrates the sensitivity to a reasonable possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's and of the Company's profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have affected the profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP		**COMPANY**	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
USD	**(8,330,134)**	(10,172,896)	**(34,761)**	(551,422)
EURO	**(937,988)**	(851,915)	-	-
SGD	**(62,143)**	(75,629)	-	-
Others	**11,755**	2,618	-	-
Decrease in profit before tax	**(9,318,510)**	(11,097,822)	**(34,761)**	(551,422)

27.5.2 **Interest rate risk**

The Group's and the Company's fixed rate short term deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instrument is exposed to a risk of change in cash flows due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

The Group seeks to maintain flexibility in funding by maintaining adequate committed credit lines.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-earning financial instruments, based on carrying amounts as at the end of the reporting period is as follows:

	GROUP		**COMPANY**	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Fixed rate instruments				
Short-term deposits with licensed bank	**50,709,273**	61,461,060	**1,164**	1,164
Floating rate instruments				
Investment in Islamic income fund	**9,448,221**	3,820,198	**9,448,221**	3,820,198

27. **FINANCIAL INSTRUMENTS (cont'd)**

27.5 **Market risk (cont'd)**

27.5.2 **Interest rate risk**

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100bp Increase	**100bp Decrease**
GROUP AND COMPANY		
2017		
Investment in Islamic income fund	**94,482**	**(94,482)**
2016		
Investment in Islamic income fund	38,202	(38,202)

28. **FAIR VALUE INFORMATION**

GROUP AND COMPANY

Other than the other investment disclosed below, the carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short term nature.

28.1 **Fair value hierarchy**

The table below analyses 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 (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
GROUP AND COMPANY				
2017				
Investment in Islamic income fund	**9,448,221**	-	-	**9,448,221**
2016				
Investment in Islamic income fund	3,820,198	-	-	3,820,198

28. **FAIR VALUE INFORMATION (cont'd)**

28.1 **Fair value hierarchy (cont'd)**

The investment in Islamic income fund which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period.

29. **RECONCILIATION OF LIABILITIES ASRISING FROM FINANCING ACTIVITIES**

As disclosed in Note 2.4, the amendments to *MFRS 107 Disclosure Initiatives* require the Group and the Company to provide disclosures of changes in its liabilities arising from financing activities, including both changes arising from cash and no-cash transactions.

	Balance at 1.1.17 RM	Cash flows RM	Others RM	Balance at 31.12.17 RM
GROUP AND COMPANY				
Dividends	-	(19,202,099)	19,202,099	-

30. **CAPITAL MANAGEMENT**

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

31. **CONTINGENT LIABILITIES**

Indirect tax dispute with Royal Malaysian Customs ("RMC")

In the year 2015, a subsidiary of the Group, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIE") received demand letters from RMC regarding unpaid import duties and sales tax amounting to RM8,432,283 and RM841,342 respectively.

The RMC had blacklisted all the Directors of PIE from leaving and entering Malaysia and arising from this, the external legal counsel of PIE had filed a judicial review application in the High Court of Malaya to challenge the condition imposed by RMC. RMC had subsequently withdrawn the blacklisting of all Directors with the condition that PIE remit a payment of 20% of the disputed sum and placed a bank guarantee with the RMC for the remaining sum. PIE had complied with the instructions of RMC without prejudice.

To date, the RMC had not filed any civil suit against PIE for the above said claim. PIE had filed an appeal with the Ministry of Finance ("MOF"), Malaysia regarding the alleged "unpaid import duties and sales tax" of which its application was rejected by the MOF on 31 October 2017. The external legal counsel of PIESB had filed a Judicial Review Application on 19 January 2018 in the High Court at Penang to review the decision of the MOF. The Judicial Review Application is fixed for hearing on 13 April 2018. The external legal counsel of PIESB believes that the chances of PIESB's Judicial Review Application against the decision of the MOF are reasonably good.

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT MARCH 21, 2018

Total number of issued shares	:	384,041,985
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	4,837

DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 21, 2018

Holdings	No. of Holders	Total Holdings	%
1 - 99	12	190	0.00
100 - 1,000	515	417,100	0.11
1,001 - 10,000	2,862	14,216,000	3.70
10,001 – 100,000	1,279	35,998,610	9.37
100,001 – 19,202,098	168	135,950,100	35.40
19,202,099 and above	1	197,459,985	51.42
Total	4,837	384,041,985	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2018

	Name	Shareholdings	%
1.	Pan Global Holding Co. Ltd	197,459,985	51.42
2.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Employees Provident Fund Board*	11,789,500	3.07
3.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Kidsave Trust*	7,467,600	1.94
4.	Goh Thong Beng	6,530,000	1.70
5.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Employees Provident Fund Board (RHB INV)*	4,750,600	1.24
6.	CIMSEC Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Bank For Mak Tian Meng (MY0343)*	4,674,600	1.22
7.	CIMB Group Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Commerce Trustee Berhad - Kenanga Growth Fund*	4,657,800	1.21
8.	Public Invest Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)*	3,828,000	1.00
9.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Smart Treasure Fund*	3,736,600	0.97
10.	Maybank Nominees (Tempatan) Sdn Bhd *Qualifier: National Trust Fund (IFM Kenanga)*	3,691,200	0.96
11.	Public Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)*	3,000,000	0.78
12.	Amanahraya Trustees Berhad *Qualifier: Public Smallcap Fund*	2,953,100	0.77
13.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Employees Provident Fund Board (PHEIM)*	2,701,800	0.70
14.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Small Cap Opportunity Unit Trust*	2,580,000	0.67
15.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Private Fund - Series 3*	2,550,700	0.66
16.	CIMB Islamic Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund*	2,485,200	0.65
17.	Chung Lean Hwa	2,460,000	0.64
18.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Equity Trust*	2,426,900	0.63
19.	Neoh Choo Ee & Company, Sdn. Berhad	2,079,000	0.54
20.	Lim Soon Huat	2,028,000	0.53

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2018 (cont'd)

	Name	Shareholdings	%
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Mak Tian Meng (7001418)*	1,845,600	0.48
22.	Wong Yoke Fong @ Wong Nyok Fing	1,836,400	0.48
23.	Wong Yoon Tet	1,590,000	0.41
24.	Outstanding Growth Technology Limited	1,240,700	0.32
25.	Mak Tian Meng	1,211,800	0.32
26.	Wong Yoon Chyuan	1,164,000	0.30
27.	CIMB Group Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Commerce Trustee Berhad – Kenanga Malaysian Inc Fund*	1,157,200	0.30
28.	Citigroup Nominees (Asing) Sdn Bhd *Qualifier: CBNY for DFA Emergig Markets Small Cap Series*	1,124,900	0.29
29.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Smart Balanced Fund*	1,114,200	0.29
30.	Citigroup Nominees (Asing) Sdn Bhd *Qualifier: CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	1,073,800	0.28

SUBSTANTIAL SHAREHOLDERS AS AT MARCH 21, 2018

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Pan Global Holding Co., Ltd	197,459,985	51.42	-	-
2.	Pan-International Industrial Corporation	-	-	197,459,985*	51.42

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

DIRECTORS' SHAREHOLDINGS AS AT MARCH 21, 2018

	Name	Direct Shareholding	%	Indirect Shareholding	%
1.	Khoo Lay Tatt	-	-	-	-
2.	Mui Chung Meng[1]	-	-	-	-
3.	Chen, Chih-Wen[2]	-	-	-	-
4.	Lee Cheow Kooi	-	-	-	-
5.	Loo Hooi Beng	-	-	-	-
6.	Koay San San	-	-	-	-

Note: No indirect shareholdings.

PERSON CONNECTED TO DIRECTOR

	Name	Direct Shareholding	%	Indirect Shareholding	%
1.	Chung Lean Hwa[1]	2,460,000	0.64	-	-
2.	Khor Bee Kiow[2]	109,500	0.03	-	-

[1,2] *Being spouse of the Director*

TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES
as at 31 December 2017

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2017 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) 37959, Lot No. 3188, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang. #	Leasehold – 60 years (expire on 6.6.2050)	Land : 5.782 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	11,000,000	27	2017 (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	10,922,202	25	1990 (A) & 2010 (R)
H.S.(D) 31801, P.T. No. 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	10,792,559	27	2010 (A) & 2010 (R)
H.S.(D) 31755, Lot No. 5019, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land : 4 acres Built up : 5,923 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey store	10,054,285	27	2015 (A)
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	9,886,646	22	2012 (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	8,950,000	25	2017 (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	6,877,434	23	1990 (A) & 2010 (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	1,733,848	23	2010 (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	1,208,196	28	2017 (R)

TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES
as at 31 December 2017 (cont'd)

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2017 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (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	1,117,397	23	2010 (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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of the Company will be held at Function Room 4, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya,13600 Perai, Penang on Friday, 25 May 2018 at 9.00 a.m.

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2017 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 2017:
   a) A Special Single Tier Dividend of 3.6 sen per share; (Resolution 1)
   b) A First and Final Single Tier Dividend of 2.4 sen per share. (Resolution 2)

3. To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2017. (Resolution 3)

4. To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:
   a. Loo Hooi Beng — Article 98(1) (Resolution 4)
   b. Khoo Lay Tatt — Article 98(1) (Resolution 5)
   c. Koay San San — Article 105 (Resolution 6)

5. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM40,000 from 1 June 2018 until the next Annual General Meeting (AGM) of the Company. (Resolution 7)

6. To re-appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 8)

SPECIAL BUSINESS

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

   ORDINARY RESOLUTIONS

   a) Continue in Office as Independent Non-Executive Director(s)

   (i) "That subject to the passing of Resolution 4, authority be and is hereby given to Loo Hooi Beng to continue to serve as Independent Non-Executive Director of the Company upon expiry of his tenure of nine years as Independent Non-Executive Director on 30 June 2018." (Resolution 9)

   (ii) "That subject to the passing of Resolution 5, authority be and is hereby given to Khoo Lay Tatt to continue to serve as Independent Non-Executive Director of the Company upon expiry of his tenure of nine years as Independent Non-Executive Director on 1 November 2018." (Resolution 10)

   b) Authority to Issue Shares (Resolution 11)

   "That pursuant to Companies Act 2016 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 AGM 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 total number of issued shares (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."

SPECIAL BUSINESS (cont'd)

7. To consider and if thought fit, to pass the following resolutions (cont'd):

ORDINARY RESOLUTIONS (cont'd)

c) Renewal of Authority to Purchase its own Shares (Resolution 12)

"That subject to the Companies Act 2016, 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 total number of issued shares in the 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 of the Company. As at the latest financial year ended 31 December 2017, the audited retained profits of the Company stood at RM22,978,565;

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 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

d) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Resolution 13)

"That, approval be and is hereby given for the purpose of Chapter 10 of Bursa Securities Main Market Listing Requirements for the Company and its group of companies to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as listed in Section 3 of the Circular to the shareholders dated 26 April 2018, provided that such transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the Mandated Related Parties than those generally available to the public, are not to the detriment of the minority shareholders and disclosures on the breakdown of the aggregate value of these transactions conducted pursuant to the shareholders' mandate shall be made available in the Annual Report for the year ending 31 December 2018 ("the Mandate") and the Directors of the Company are hereby authorized to give effect to the various arrangements and/or transactions related to the above transactions and this shareholders' mandate.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

SPECIAL BUSINESS (cont'd)

7. To consider and if thought fit, to pass the following resolutions (cont'd):

ORDINARY RESOLUTIONS (cont'd)

d) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (cont'd)

And That the approval given above shall continue in force until:

(a) the conclusion of the next AGM of the Company following the general meeting at which the Mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

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

Penang
Date: 26 April 2018

Notes:

A. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 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, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/ her stead.

2. A Member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his place. 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 authorised 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 appointer. 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, not less than 24 hours before the time appointed for holding the meeting.

Explanatory Note On Special Business:

1. Resolutions 9 and 10 – Continue in Office as Independent Non-Executive Director(s)

Mr. Loo Hooi Beng has served on the Board since 1 July 2009. His term of office as an Independent Non-Executive Director will be 9 years cumulatively on 30 June 2018.

Mr. Khoo Lay Tatt has served on the Board since 2 November 2009. His term of office as an Independent Non-Executive Director will be 9 years cumulatively on 1 November 2018.

The Board had assessed the performance and independence of the aforesaid Directors and recommended that the approval of the shareholders be sought for the aforesaid Directors to continue to serve as the Independent Non-Executive Directors of the Company, based on the following justification:

i) had fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities (Main LR);
ii) had demonstrated throughout the terms of their office to be independent by exercising independent judgment when a matter is put before them for decision. Thus, they would be able to function as check and balance, provide broader view and brings an element of objectivity to the Board;
iii) had participated actively and contributed positively during deliberations or discussions at Board Meetings; and
iv) had performed their duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.

The proposed Resolutions 9 and 10, if passed, enable Mr. Loo Beng Hooi and Mr. Khoo Lay Tatt to continue to act as Independent Non-Executive Director of the Company. Otherwise, they will be re-designated as a Non-Independent Non-Executive Director and relinguish their position as an Independent Non-Executive Director of the Company upon the conclusion of the 21st AGM.

2. Resolution 11 - Authority to issue Shares

The proposed Resolution No. 11, if passed, will grant a renewed general mandate (Mandate 2018) 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 total number of issued shares 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 AGM of the Company.

The Mandate 2018 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for 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 20th AGM. 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.

3. Resolution 12 - Renewal of Authority to Purchase its own Shares

The proposed Resolution 12, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares 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 AGM.

4. Resolution 13 - Renewal of Proposed Shareholders' Mandate

The proposed Resolution 13, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to shareholders dated 26 April 2018.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2017, if approved, will be paid on 13 June 2018 to depositors registered in the Records of Depositors on 1 June 2018:

1) A Special Single Tier Dividend of 3.6 sen per share; and
2) A First and Final Single Tier Dividend of 2.4 sen per share.

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

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 1 June 2018 in respect of transfers;

b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and

c) shares bought on 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: 26 April 2018

1. **DISCLAIMER STATEMENT**

This Share Buy-back Statement (Statement) is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (Bursa Securities) has not perused this 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 (SHARES) REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES AT ANY GIVEN POINT IN TIME (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 number of issued shares 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**

Based on the audited financial statements of PIE as at 31 December 2017, the retained profits of the Company stood at RM22,978,565. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

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 RM83,000 based on the audited financial statements of PIE as at 31 December 2017. 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, MAJOR SHAREHOLDER(S) 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 Major 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, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM (cont'd)**

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 21 March 2018 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

	Existing as at 21 March 2018				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Khoo Lay Tatt	-	-	-	-	-	-	-	-
Mui Chung Meng[2]	-	-	-	-	-	-	-	-
Chen, Chih-Wen[3]	-	-	-	-	-	-	-	-
Loo Hooi Beng	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

Substantial Shareholders

	Existing as at 21 March 2018				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Pan Global Holding Co. Ltd.	197,459,985	51.42	-	-	197,459,985	57.13	-	-
Pan-International Industrial Corporation	-	-	197,459,985[1]	51.42	-	-	197,459,985[1]	57.13

Person Connected To Director

	Existing as at 21 March 2018				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Chung Lean Hwa[2]	2,460,000	0.64	-	-	2,460,000	0.71	-	-
Khor Bee Kiow[3]	109,500	0.03	-	-	109,500	0.03	-	-

Note:
* Percentage shareholding computed based on 384,041,985 PIE Shares in issue
^ Percentage shareholding computed based on 345,637,787 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

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

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK (cont'd)

6.2 Potential disadvantages of the Proposed Share Buy-Back (cont'd)

The potential disadvantages of the Proposed Share Buy-Back are as follows (cont'd):

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 21 March 2018, the total number of issued shares was 384,041,985 Shares. In the event that the 38,404,198 Shares representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:

	No. of Shares
Total number of issued shares as at 21 March 2018	384,041,985
Assumed the Shares purchased and cancelled	(38,404,198)
Resultant total number of issued shares	345,637,787

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

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 and cash flow 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. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

7.3 Working Capital (cont'd)

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

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.

Assuming 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 2018.

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 total number of issued shares 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 2018 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.

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE RULES OF TAKE-OVERS, MERGER AND COMPULSORY ACQUISITIONS (THE RULES)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. PURCHASES, RESOLD, CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

There was no treasury share held and the Company had not purchased, resold or cancelled any shares in the preceding 12 months.

10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

The Proposed Share Buy-Back, if exercised, 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.

11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 21 March 2018, approximately 184,012,500 Shares representing 47.91% of the total number of issued shares 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 total number of issued shares 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.

12. 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.

13. DIRECTORS' RECOMMENDATION

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

14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of PIE Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
2017		
April	2.41	2.26
May	2.52	2.27
June	2.37	2.28
July	2.37	2.29
August	2.34	2.20
September	2.36	2.22
October	2.27	2.09
November	2.18	1.89
December	2.05	1.94
2018		
January	2.03	1.73
February	1.78	1.39
March	1.68	1.34
Last transacted market price as at 13 April 2018 (being the latest practical date prior to the printing of this Statement) was RM1.43. (Source: Bursa Malaysia)		

SHARE BUY-BACK STATEMENT (cont'd)

15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

(i) Memorandum and Articles of Association of PIE; and

(ii) The audited consolidated financial statements of PIE for the past two (2) financial years ended 31 December 2016 and 2017 respectively.

17. 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

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

No. of Ordinary Shares Held

*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 TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held at Function Room 4, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 25 May 2018 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	-	%
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 Single Tier Dividend of 3.6 sen per share for the year ended 31 December 2017.			
2.	To declare a First and Final Single Tier Dividend of 2.4 sen per share for the year ended 31 December 2017.			
3.	To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2017.			
	To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:			
4.	Loo Hooi Beng	Article 98(1)		
5.	Khoo Lay Tatt	Article 98(1)		
6.	Koay San San	Article 105		
7.	To approve the benefits payable to the Non-Executive Directors up to an amount of RM40,000 from 1 June 2018 until the next Annual General Meeting of the Company.			
8.	To appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.			
	Special Business Ordinary Resolutions			
9.	To authorise Loo Hooi Beng to continue to serve as Independent Non-Executive Director of the Company.			
10.	To authorise Khoo Lay Tatt to continue to serve as Independent Non-Executive Director of the Company.			
11.	To approve the resolution pursuant to Authority to Issue Shares			
12.	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.			
13.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.			

Signature of Member: ....   Signed this on the ....day of 2018

Notes

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/her stead.*
2. *A Member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his place. 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 authorised 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 appointer. 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, not less than 24 hours before the time appointed for holding the meeting.*

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Stamp

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.

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(424086-X)

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