P. I. E. INDUSTRIAL BERHAD

(co.no. 424086-X)

ANNUAL REPORT 2016

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mui Chung Meng
Managing Director

Chen, Chih-Wen
Executive Director

Cheung Ho Leung
Executive Director

Loo Hooi Beng
Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

Lee Cheow Kooi
Non-Independent, Non-Executive Director

AUDIT COMMITTEE

Loo Hooi Beng
Chairman/Independent Non-Executive Director

Ahmad Murad Bin Abdul Aziz
Senior Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

NOMINATING COMMITTEE

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

Loo Hooi Beng
Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

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)

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.

INTERNET HOMEPAGE

www.pieib.com.my

REGISTERED OFFICE

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

STOCK EXCHANGE LISTING

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
(Company No. 11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

GROUP CORPORATE STRUCTURE

P. I. E. INDUSTRIAL BERHAD
(co.no. 424086-X)

- **100%** 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.

GROUP FINANCIAL HIGHLIGHTS

Five Years Financial Summary

	Year ended 31 December				
	2012 RM	2013 RM	2014 RM	2015 (Restated) RM	2016 RM
Revenue	348,816,057	449,042,738	561,727,156	662,241,280	579,285,255
Profit before taxation	44,215,174	49,230,910	50,773,777	79,956,329	45,731,687
Net profit after taxation	34,349,701	38,031,597	38,510,555	57,590,177	36,066,161
Shareholders' equity	265,612,078	287,933,659	317,662,660	362,608,423	373,585,363
Net assets	265,612,078	287,933,659	317,662,660	362,608,423	373,585,363
Number of ordinary shares issued as of Dec 31	64,007,000[^] of RM1.00 each	64,007,000[ð] of RM1.00 each	76,808,397[∞] of RM1.00 each	76,808,397[∞] of RM1.00 each	384,041,985[*] of RM0.20 each
Net assets per share	0.69[§]	0.75[§]	0.83[§]	0.94[§]	0.97
Proforma weighted average number of shares	383,878,200[§]	383,781,680[§]	383,871,920[§]	384,041,985[§]	384,041,985
Basic earnings per ordinary share (Sen)	8.95[§]	9.91[§]	10.03[§]	15.00[§]	9.39
Bonus Share	-	-	1 for 5	-	-
Net dividend per share:					
Gross of ordinary share of RM 1.00 each (Sen)	24	20	25	35	not applicable
Gross of ordinary share of RM 0.20 each (Sen)	not applicable	not applicable	not applicable	not applicable	5[@]

^ The issued share capital of RM64,007,000 is divided into 64,007,000 Ordinary Shares including 27,300 shares held as treasury shares.σ

ð 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 of RM1.00 each on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held, completed in financial year ended 2014.

b. subdivision of 76,808,397 ordinary shares of RM1.00 each into 384,041,985 new ordinary shares of RM0.20 each on the basis of five (5) new ordinary shares of RM0.20 each for every one (1) existing ordinary share of RM1.00 each held, completed in financial year ended 2016.

DIRECTORS' PROFILE

AHMAD MURAD BIN ABDUL AZIZ
Chairman/Senior Independent, Non-Executive Director
Malaysian, aged 58, Male

Ahmad Murad Bin Abdul Aziz, appointed to the Board on 2 June 1997, was re-designated as Senior Independent Non-Executive Chairman on 2 November 2009. He graduated with a law degree from University of Malaya in 1982. He is a lawyer by profession and has more than thirty four (34) years of working experience in legal practice. He was a Senior Partner of Murad & Foo from 1990 to 1999. Prior to that, he worked as a legal assistant with Kadir, Tan & Ramlee from 1983 to 1985 and a partner of Murad and Leong from 1985 to 1989. He is currently a partner of Murad Yee Partnership.

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

MUI CHUNG MENG
Managing Director
Malaysian, aged 65, 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 60, 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.

CHEUNG HO LEUNG
Executive Director
American, aged 60, Male

Cheung Ho Leung, was appointed to the Board on 15 March 2005. He graduated with a Bachelor of Science Degree with Honors Class II in Electrical Engineering from University of Birmingham, UK in 1979. Upon graduation, Mr. Cheung began his career in 1979 as an Engineer in Lucas CAV Ltd. in London, England. In 1981, he joined Apple Computer International Ltd. in Singapore as a Test Engineer. He worked for Apple for 16 years and left in 1997 as a Senior Vice President & General Manager of Apple Performa Division.

Subsequently, he had attached to several companies from 1997 to 2002 before joining Hon Hai Precision Co., Ltd. (Hon Hai). Hon Hai is the world largest electronics manufacturing service (EMS) provider and is the major contract manufacturer for customers such as HP, Apple, Sony, Dell, Ciso and Sun Microsystem.

He was the General Manger of Integrated Digital Products Business Group (iDPBG) and responsible for building up the Apple contract manufacturing business for Hon Hai. Apple products built included iPhone, Ipod, iMac and Macbook. Under his leadership, iDPBG has become the world's No.1 manufacturer, in term of volume, of the digital photo frame. Subsequently, he was promoted to Corp Vice President and General Manager of the newly formed Technology Merging Services Business Group (TMSBG) under Hon Hai. TMSBG is formed to provide services beyond traditional EMS.

He is currently a co-founder of NxEra and the company's charter is to leverage Powerall Networks' inter-cloud technology as a foundation to integrate strategic partner's business model to become market leader in their field of play.

LOO HOOI BENG
Independent, Non-Executive Director
Malaysian, aged 51, 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, Certified Member of Financial Planning Association of Malaysia and Certified Practicing Accountant of CPA Australia.

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

KHOO LAY TATT
Independent, Non-Executive Director
Malaysian, aged 44, Male

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

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

He is a Chartered Secretary by profession and 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 a Non-Independent, Non-Executive Chairman of Saudee Group Berhad.

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

LEE CHEOW KOOI
Non-Independent, Non-Executive Director
Malaysian, aged 50, 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.

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.

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 105 of this Annual Report.

KEY SENIOR MANAGEMENT INFORMATION

HONG YONG PENG
Assistant General Manager, Contract Electronic Manufacturing ("CEM") – Converter Division
Malaysian, aged 61, 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 seven (37) 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 45, 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.

LIM SENG CHOON
Division Manager - Business and Supply Chain, CEM – Electronics Division
Malaysian, aged 45, Male

Mr. Lim holds a Higher Diploma in Business Computing. He joined PIESB in 1996. He has twenty two (22) years of experience in Sales and Marketing. He was appointed as Head of Business Development and Supply Chain Management in 2002 and 2011 respectively. He then promoted to Division Manager on 1 July 2011.

CHEAH HENG LYE
MIS Manager, CEM – Electronic Division
Malaysian, aged 53, 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 six (26) 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 56, Female

Ms. Saw holds diploma in accounting. She joined PIESB in 1989. She has thirty five (35) years of experience in accounting, financing and HR's process and compliance. She was appointed as Administration Manager on 1 January 1996. She is also a director of PIESB.

CHEN, MENG-LUNG
Assistant General Manager, Raw Wire & Cable Division
Taiwanese, aged 61, 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 five (35) 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).

LIAO, YUEH-CHEN
Factory Manager, Raw Wire & Cable Division
Taiwanese, aged 54, 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 six (36) 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

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 and etc. Besides being 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 also lever with strong purchasing power in raw material 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 approximately 98% of the Group's total revenue in the past few 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 and etc. The Group exports almost 90% of 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

The financial statements of the prior year have been restated due to a change of the functional currency of its subsidiary, Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) from United States Dollar (USD) to Ringgit Malaysia (RM) after further analysis of the provisions of *MFRS 121 The Effects of Changes in Foreign Exchange Rates*. Notwithstanding that PIESB had just changed its functional currency from RM to USD in the prior financial year, the management of PIESB having carefully reassessing the quantitative and qualitative factors surrounding its operating environment determined that RM is the primary functional currency. The details of the comparative adjustments are disclosed in Note 32 to the financial statements.

Financial Results and Condition (cont'd)

For the financial year ended (FYE) 2016, the Group recorded revenue of RM579.3 million. If compared to restated figure of RM662.2 million recorded in the FYE 2015, the revenue recorded a decrease of RM83.0 million, which is mainly attributable to the loss of set-top box business approximately of RM120.0 million by a major customer from UK due to special business consideration by its end customer with new supplier but partly recovered by higher orders from other EMS activities, raw wires and cables and wire harness assembly.

The Group recorded profit before tax (PBT) of RM45.7 million in the FYE 2016. If compared to restated figure of RM80.0 million in FYE 2015, PBT decrease by RM34.3 million or 42.9%. The lower PBT in the FYE 2016 was mainly attributable to lower revenue and unfavourable gross margin of product mix, higher selling and distribution expenses (RM2.8 million) and lower interest income (RM1.1 million), but partly off-set by higher foreign exchange gain (RM5.0 million), higher rental income (RM1.5 million) and reversal of impairment loss on receivables (RM1.3 million). During mid of FYE 2016, PIESB, the main EMS provider in the Group, suffered higher quality rejection rate and incurred additional production cost due to raw material wastage and over-consumption of indirect cost caused by high absence and poor performance of legalised foreign workers with low productivity and efficiency. The unexpected factor as mentioned previously seriously affected gross margin in FYE 2016. The labour shortage issue has improved gradually in the fourth quarter.

The Group's total assets reduced by RM110.8 million from restated figure of RM632.7 million in FYE 2015 to RM521.9 million in FYE 2016. This was mainly due to lower fixed asset (RM2.1 million), lower cash and cash equivalents (RM32.6 million), lower trade and other receivables (RM91.0 million) and higher other current asset (RM14.9 million). The fund received from prior year's resources are mainly used in FYE 2016 to conduct full settlement of onshore foreign currency loans (RM106.6 million) and to pay off trade debts and liabilities (RM15.0 million). During the financial year, the Group capitalise RM14.3 million of fixed assets mainly on purchase of machinery and equipment to expand our production capacity and enhance our operational efficiency and effectiveness.

The Group's current capital structure as at 31 December 2016 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 FYE 2016 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 2016. Earnings generated from core operational activities are the main sources to the Group's capital accumulation.

The Group's total equity increased by 3% to RM373.6 million in the FYE 2016 from restated figure of RM362.6 million in the FYE 2015. The Group's net assets per share reduced to RM0.97 in the FYE 2016 from the restated figure of RM4.72 per share in the FYE 2015. This is due to the share split exercise undertaken and completed by the Group in mid of FYE 2016 involving the share split of 76,808,397 ordinary shares of RM1.00 each into 384,041,985 new ordinary shares of RM0.20 each. The adjusted net assets per share in FYE 2015 is therefore RM0.94 based on the new ordinary shares in issue. Meanwhile, the basic earnings per share for FYE 2016 and FYE 2015 are 9.39 sen and 15 sen respectively after taking into consideration the share split exercise.

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 (98.4%)

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.

Review of Operating Activities (cont'd)

Manufacturing of Industrial Electronic Products (98.4%) (cont'd)

Manufacturing of industrial electronic products generated a revenue of RM570.1 million, which contributed 98% of the Group's total revenue in the FYE 2016 (restated FYE 2015 : RM654.6 million or 99%). The decrease of revenue of RM84.5 million or 13% was mainly attributable to loss of set-top box business by a UK customer in the EMS activities and partly recovered by higher orders obtained from raw wire and cable products and wire harness products.

The decrease of PBT by RM32.8 million or 42% was mainly due to lower revenue and interest income received, lower profit margin of product mix and higher operating expenses, however, it was partially narrowed by higher rental income and gains from foreign exchange transactions, lower inventories written down value and reversal of impairment loss on receivables. PIESB faced labour shortage issue and higher quality rejection rate which resulted in lower product margin in FYE 2016. The impact of the labour shortage issue has been mitigated after the successful hiring of a few hundred of new foreign workers in the fourth quarter of 2016.

This segment started off manufacturing of raw wires and cables and wire harness assembly as core activities and have 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 15% vs. 85%.

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 (1.6%)

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 RM9.1 million in FYE 2016 has slightly increased by RM1.5 million or 20% from RM7.6 million recorded in prior year. The increase is mainly attributable to more trading business on refurbished products of low margin from a France based customer.

The PBT of RM0.3 million in FYE 2016 decrease by RM1.6 million from RM1.9 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 was not forthcoming from our related companies as such the contribution from this segment faced continuous decline at a rate of 8% to 10% per annum since 2006.

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 collect 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.

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 our failure to fulfill customer's expectation in terms of pricing and quality, growing of capable competitor and so on.

Anticipated Risks and the Strategies to Mitigate Risks (cont'd)

Overdependence on particular customers (cont'd)

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.

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 Group expects the foreign currency risk to be more apparent in the coming financial year due to implementation of new Foreign Exchange Administration (FEA) Rules imposed by the Bank Negara Malaysia with effect from 5 December 2016. Under the FEA Rules, 25% of the new export proceeds will be allowed to be retained in foreign currency account with onshore bank, while the remaining 75% shall be converted into RM. The Group may incur additional conversion cost as a result of this measure. 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 Finance department of the Group will also closely monitor the movement of foreign currency exchange.

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 purchase high-precision CNC machines to strengthen its capabilities on Mould & Die fabrication.

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 FYE 2017 compared to FYE 2016.

Dividend Policy

The Board of Directors (Board) of the Company has recommended the following dividends, in respect of the FYE 31 December 2016 for the approval of shareholders at the coming 20th 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 2.6 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 2017.

AUDIT COMMITTEE REPORT

The Board of Directors (Board) is pleased to present the Audit Committee (Committee) Report for the Financial Year Ended (FYE) 31 December 2016.

COMPOSITION

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

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

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

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.

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	6	6
Ahmad Murad Bin Abdul Aziz	6	5
Khoo Lay Tatt	6	6

SUMMARY OF WORK PERFORMED BY AUDIT COMMITTEE

The activities carried out by the Committee during the FYE 2016 in the discharge of its duties and responsibilities are as follows:-

1. Financial Reporting

   In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of 2016 and the annual audited financial statements of 2016 at its meeting held on 27 February 2017 and 6 March 2017 respectively.

   The quarterly financial statements for the first, second and third quarters of 2016, 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 27 May 2016, 8 August 2016 and 7 November 2016 respectively. On 27 February 2017, the Committee reviewed the quarterly financial statements for the fourth quarter of 2016. The Committee's recommendations were presented for approval at the subsequent Board meeting.

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

2. External Audit

The Committee had on 7 March 2016, 15 April 2016, 7 November 2016 and 6 March 2017 respectively met with the External Auditors without the presence of the Executive Members.

On 7 March 2016, the then External Auditors, Messrs. KPMG met up with the Committee to update the status of audit progress for FYE 2015 and also, some pending information/documents in relation to the audit.

The Committee noted a letter of nomination of auditors from Pan Global Holding Co. Ltd dated 12 April 2016 was received on 13 April 2016. Such nomination letter was given pursuant to Section 172(11) of the Companies Act, 1965 nominating Messrs. Grant Thornton (AF:0042) [GT] as Auditors for the Company in place of the retiring auditors, Messrs. KPMG at the 19th Annual General Meeting (AGM) of the Company (Proposed Appointment). On 15 April 2016, GT was invited by the Committee in relation to the Proposed Appointment. After having considered the following factors, amongst others, the Committee recommended to the Board the Proposed Appointment:-

- the adequacy of the experience and resources of the accounting firm;
- the persons assigned to the audit; and
- the accounting firm's audit engagements.

On 7 November 2016, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2016, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Committee.

During the Meeting held on 6 March 2017, the External Auditors briefed the Committee on the Status of Audit Completion Briefing FYE 2016 of the Group. The Committee also noted that the identified Key audit matters by the External Auditors, to be presented in its Independent Auditors' Report. The Committee also enquired whether the Auditors encountered any matter/concern/issue during the course of audit that warrant the Committee's attention. The External Auditors confirmed that they have not, up to the date of 6 March 2017, identified any significant accounting and audit issues during the course of the audit. At the same Meeting, copies of the External Auditors Performance and Independence Checklist in respect for the FYE 2016 was being distributed at the Meeting for review (the Assessment). The Committee concluded that based on the Assessment, amongst others as set out below, the External Auditors Performance for year 2016 was found adequate and thereby recommended the re-appointment of GT as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming 20th AGM:-

- after having satisfied with its audit independence and the performance of GT throughout its course of audit FYE 2016;
- highly 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.

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 FYE 2016 was RM30,080.

On 29 February 2016, FCS was invited by the Committee to brief on the Risk Management of Pan-International Electronics (M) Sdn. Bhd. and Pan-International Wire & Cable (M) Sdn. Bhd..

The Internal Auditors also presented its findings together with recommendation and management action plan to the Committee for review on 29 February 2016, 27 May 2016, 8 August 2016 and 7 November 2016 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.
- 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 the Group.

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

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

Responsibility

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

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

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

The Board had received assurance from the 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, based on the risk management and internal control system of the Group. 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.

System of Risk Management and Internal Control

The Group's system of risk management and internal control comprised of the following key elements:-

- The Group has adopted the Enterprise Risk Management (ERM) framework for all major subsidiaries. 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.

System of Risk Management and Internal Control (cont'd)

The Group's system of risk management and internal control comprised of the following key elements (cont'd):-

- The risk profiles and status of the action plans are reviewed on a yearly basis by the Risk Management Committee with the business/operations heads.
- The Group's Audit Committee reviews internal control issues identified by the internal auditors, the external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of their risk management and internal control systems. The minutes of the Audit Committee meetings are tabled to the Board on periodic basis. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee Report.
- Professional service firm is engaged by the Board as internal auditors to review compliance with policies and procedures and the effectiveness of their risk management and internal control systems and report any significant non-compliance. Audits are carried out on major subsidiaries, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these subsidiaries. The annual audit plan is reviewed and approved by the Audit Committee. The audit findings are submitted to the Audit Committee for review at its periodic meetings. The system of risk management and internal control is reviewed regularly to ensure that its functions are carried out as planned and remains effective and applicable given the passage in time and change in business scenarios. The cost incurred for the internal audit function for Financial Year Ended (FYE) 2016 was RM30,080.
- There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities.
- The Board receives and reviews reports from management on a regular basis. These reports include the accounts and financial information reports which are tabled to Board at its periodic meetings.
- There are authority limits imposed on executive directors and management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.
- Policies and procedures are set out in operations manuals, guidelines and directives issued by the Group which are updated from time to time to ensure compliance with internal controls and the relevant laws and regulations.

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.

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 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 Guide (RPG) 5 issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the FYE 31 December 2016, and has 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.

This statement was made in accordance with a resolution of the Board dated 18 April 2017.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this Statement, the Group has complied with all the principles and recommended best practices throughout the Financial Year Ended (FYE) 31 December 2016.

1) Establish Clear Roles and Responsibilities

i) Board Roles and Responsibilities

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

In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

The Board delegates the day-to-day management to the MD and Senior Management, but reserves for its consideration significant matters such as following:-

- Approval of financial results
- Declaration of dividends

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

1) **Establish Clear Roles and Responsibilities** (cont'd)

i) **Board Roles and Responsibilities** (cont'd)

The Board will review the Board Charter periodically to ensure their relevance and compliance. The Board has made available its Board Charter on the corporate website. The Board reviewed its Charter on 27 February 2017 and the revised Board charter is available at its corporate website.

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

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

ii) **The Balance and Composition of the Board**

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

- 3 Executive Directors
- 1 Non-Independent, Non-Executive Director
- 2 Independent, Non-Executive Directors and 1 Senior Independent, Non-Executive Director

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

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

The profiles of the members of the Board are set out on pages 5 to 7 of this Annual Report.

iii) **Directors' Code of Ethics**

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

PIE is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, PIE had implemented the Whistleblowing Policy (WPP) to provide an avenue for all employees to disclose any improper conduct with the Company.

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

iii) Directors' Code of Ethics (cont'd)

The WPP sets out the internal channel/procedures for all employees of the Company to disclose any irregularities and the protection accorded to employees who disclose such allegations.

The WPP of PIE is available at its corporate website.

iv) Board Meetings

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

Agenda and documents relevant to the Board meetings are circulated at least 7 days in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

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

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

Name of Director	Number of Board Meetings Attended / Held	Percentage of Attendance
Ahmad Murad Bin Abdul Aziz	4 / 4	100%
Mui Chung Meng	4 / 4	100%
Chen, Chih-Wen	4 / 4	100%
Cheung Ho Leung	2 / 4	50%
Loo Hooi Beng	4 / 4	100%
Khoo Lay Tatt	4 / 4	100%
Lee Cheow Kooi *(Appointed on 7 November 2016)*	-	-
Cheng Shing Tsung *(Resigned on 7 November 2016)*	1/ 3	33%

1) **Establish Clear Roles and Responsibilities** (cont'd)

v) **Board Committees**

a) ***Audit Committee***

The Audit Committee of PIE is comprised of:-

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

The Audit Committee meets at least once every quarter.

The terms of reference (ToR) of the Audit Committee available on the corporate website. The report of Audit Committee is as set out on pages 14 to 16 of this Annual Report.

b) ***Nominating Committee***

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

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

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

c) ***Risk Management Committee***

The Company has on 23 May 2014 established the Risk Management Committee and its members comprised of:-

Chairman	:	Loo Hooi Beng
Member	:	representative from each major business units to be identified by the Management from time to time
Secretary	:	to be assumed by the Internal Auditors

Details of the framework for Risk Management Committee are available at its corporate website.

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

vi) Supply of Information

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

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

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

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

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

2) Strengthen Composition

i) Nominating Committee

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

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the Nominating Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The Nominating Committee also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidates. The Nominating Committee had via its Meeting held on 7 November 2016, recommended the following and also approved by the Board as follows:-

- the resignation of Mr. Cheng Shing Tsung as Non-Independent Non-Executive Director of the Company with effect from 7 November 2016 due to his health problem; and
- Mr. Lee Cheow Kooi was recommended the appointment as Non-Independent Non-Executive Director of the Company with effect from 7 November 2016.

2) Strengthen Composition (cont'd)

i) Nominating Committee (cont'd)

The Nominating Committee has also established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

On 27 February 2017, an assessment of the effectiveness of the Board, respective Board Committee and Independence (the Assessment) were carried out in respect of the FYE 31 December 2016. 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.

ii) Appointment and Re-election of Director

a) Appointment of Directors

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

The Nominating Committee had been established on 22 February 2013 by the Board. The Nominating Committee is responsible for assessing the nominee(s) for directorship and Board Committee membership and thereupon submitting their recommendation to the Board for decision. Procedures and criteria for appointment of new directors are disclosed in item 2 (i) aforesaid. During the meeting held on 7 November 2016, the Profile of Mr. Lee Cheow Kooi comprising his particulars, qualifications, working experience etc was tabled for notation and Mr. Lee also was present at the Meeting for the Committee's interview.

b) Re-election of Directors

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

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

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

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

2) Strengthen Composition (cont'd)

ii) Appointment and Re-election of Director (cont'd)

b) Re-election of Directors (cont'd)

Also, during the Assessment, the Nominating Committee recommended to the Board on those Directors who retire pursuant to respective Articles 98 (1) and 105 of the Articles, being eligible, to seek re-election during the Annual General Meeting to be held on 26 May 2017.

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

c) Directors' Remuneration

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

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

1. Determination of remuneration of Directors remained a collective decision of the Board.
2. The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and the contribution by each individual Director.
3. All Directors are entitled to directors' fee that is subject to shareholders' approval.
4. Other than directors' fee, Executive Directors shall be entitled to salary and bonus, statutory contribution and other allowances incidental to the performance of their duties.
5. In determining the remuneration package of the Non-Executive Directors, the Director concerned will abstain from the discussion.
6. The Board may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of Directors' remuneration for the FYE 2016 are as follows:-

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

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Other (RM)	Total (RM)
Executive Directors	0	275,346	1,346,580	58,845	1,680,771
Non-Executive Directors	72,000	0	0	18,000	90,000
Total	72,000	275,346	1,346,580	76,845	1,770,771

2) Strengthen Composition (cont'd)

ii) Appointment and Re-election of Director (cont'd)

c) Directors' Remuneration (cont'd)

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	1	5
RM250,001 to RM300,000	1	0
RM1,350,001 to RM1,400,000	1	0

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

3) Reinforce Independence

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

The Nominating Committee played an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. The Nominating Committee develops the criteria to assess independence of Independent Director, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group. Each of the 3 Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nominating Committee and the Board in FYE 2016.

Based on the Assessment conducted by the Nominating Committee, the Board is generally satisfied and concluded that each of the 3 Independent Non-Executive Directors continues to demonstrate conduct and behavior that are essential indicator of independence, and that each of them continues to fulfill the definition of independence as set out in Main LR.

En. Ahmad Murad Bin Abdul Aziz is the Senior Independent Non-Executive Director and Chairman of the Company who has served the Company for more than nine years. In accordance with the Code, the tenure of an independent director should not exceed a cumulative term of nine years. After having assessed the independence of En. Ahmad Murad and also the assessment by the Nominating Committee, the Board is satisfied that En. Ahmad Murad during his tenure as Senior Independent Non-Executive Director and Chairman of the Company has neither clouded his judgment nor his assessment, and has not prejudiced his objectivity in the discharge of his role and responsibilities as an Independent Director. The length of his service on the Board does not in any way interfere with his exercise of independent judgment and ability to act in the best interests of the Group. En. Ahmad Murad has been demonstrably independent in carrying out his roles as Member of the Audit Committee, notably in fulfilling his roles as Chairman of the Board and Nominating Committee. In addition, he also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and participate actively

3) Reinforce Independence (cont'd)

and contribute positively during deliberations or discussions at Board Meetings. The Board has assessed and with the recommendation of the Nominating Committee, strongly recommend to the members of the Company to vote in favour of the resolution for Ahmad Murad Bin Abdul Aziz to continue to serve as Senior Independent Non-Executive Director of the Company.

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

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

4) Foster Commitment

i) Discharged of Duties

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

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

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in Q4 to all Directors before the beginning of every year.

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Main LR, a Director of the Company must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to the Company.

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

4) Foster Commitment (cont'd)

ii) Directors' Training

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

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

In FYE 2016, the members of the Board had attained training on areas relevant to their duties and responsibilities as Directors by attending external seminars/talks and internally facilitated sessions and through reading materials.

En. Ahmad Murad Bin Abdul Aziz, Mr. Cheung Ho Leung and Mr. Lee Cheow Kooi were unable to attend any training in 2016 due to their tight schedule and travel commitments. Seminars and training programmes attended by the rest of Directors in 2016 are as per below:-

Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent
Mui Chung Meng	• Fx & Economic Outlook Briefing • Dialogue Session with Public Listed Companies : "Capitalising on the Growth of Shariah Investing"	Briefing Seminar	½ day ½ day
Chen, Chih-Wen	• Fx & Economic Outlook Briefing • UOB Global Market Outlook	Briefing Briefing	½ day ½ day
Loo Hooi Beng	• International HR • Strategic Workshop : Stakeholder Engagement Program Schedule	Online course Workshop	4 days 2 days
Khoo Lay Tatt	• Citi Markets Economic Seminar and Luncheon 2016 • BDO Executive Briefing – Staying Ahead on Global Transfer Pricing Development • Risk Management and Internal Control Workshop: Is Our Line of Defence Adequate and Effective? • Corporate Governance Statement Reporting Workshop • UOB Global Market Outlook 2016 • Affin Hwang Capital Dinner and Market Insights 2016 • Fraud Risk Management Workshop • Enhance Understanding of Risk Management and Internal Control • BDO Tax Forum Series: Managing Your Tax Affairs in the Current Economic Environment	Seminar Briefing Workshop Workshop Briefing Briefing Workshop Workshop Seminar	½ day ½ day 1 day 1 day ½ day ½ day ½ day 1 day 1 day

5) Uphold Integrity in Financial Reporting

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

In this regard, the main activities, amongst others, undertaken by the Audit Committee during the financial year are detailed in pages 14 and 15 of this Annual Report.

The Board maintains a transparent relationship with external auditors. Members of the Audit Committee meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit. Three discussion sessions between the Audit Committee and the external auditors were held on 7 March 2016, 15 April 2016 and 7 November 2016 respectively.

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

After having satisfied with the performance of Messrs. Grant Thornton and its audit independence (details of which is stated in Item 2 of the Audit Committee Report), the Audit Committee recommended the re-appointment of Messrs. Grant Thornton to the Board for approval by its shareholders at the forthcoming 20th AGM.

Details of the Directors' Responsibility in the preparation of the Group's Financial Statement are disclosed in page 32 of this Annual Report.

6) Recognise and Manage Risks

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

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

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

A Risk Management Committee's Meeting chaired by Mr. Loo Hooi Beng was held on 3 February 2016, to discuss and review on the risks of the major subsidiaries as set out in the Risk Management Report dated February 2016, with the business/operations heads and the internal auditors.

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

6) Recognise and Manage Risks (cont'd)

On 26 January 2017, the Board 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, based on the risk management and internal control system of the Group.

The Statement on Risk Management and Internal Control set out on pages 17 and 18 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

7) Ensure Timely and High Quality Disclosure

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

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

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

8) Strengthen Relationship Between Company and Shareholders

PIE dispatches its notice of AGM to shareholders more than 21-days before the AGM, in advance of the notice period as required under the Companies Act 2016 and LR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

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

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

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

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

8) Strengthen Relationship Between Company and Shareholders (cont'd)

At the 19th AGM of the Company held on 27 May 2016, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands.

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

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

P.I.E. Industrial Berhad
Plot 4, Jalan Jelawat 1
Seberang Jaya Industrial Estate
13700 Prai, Penang, Malaysia
Tel: 04-399 0401 Fax: 04-399 5669

This statement was made in accordance with a resolution of the Board dated 18 April 2017.

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

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements 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 2016 had been approved by the Board on 23 March 2017.

This statement was made in accordance with a resolution of Board dated 18 April 2017.

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 (FYE) 31 December 2016 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	30,000	43,000[1]
Subsidiaries	87,000	-
Total	117,000	43,000

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

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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FYE 31 December 2016 are disclosed on pages 83 to 85 of the Annual Report.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016**.

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 year attributable to owners of the Company	**36,066,161**	**26,272,198**

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2016** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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 2015:	
A first and final single tier dividend of RM0.12 per share	**9,217,008**
A special single tier dividend of RM0.23 per share	**17,665,931**
	26,882,939

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

There were no changes in the issued and paid-up capital of the Company during the financial year, other than the sub-division of ordinary shares from every one (1) existing ordinary share of RM1.00 each into five (5) ordinary shares of RM0.20 each in the Company which was carried out on 15 July 2016. As at the end of the reporting period, the issued and paid up share capital of the Company remains at RM76,808,397 comprising 384,041,985 ordinary shares of RM0.20 each.

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

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

Ahmad Murad Bin Abdul Aziz
Mui Chung Meng
Chen, Chin-Wen
Cheung Ho Leung
Loo Hooi Beng
Khoo Lay Tatt
Lee Cheow Kooi (appointed on 7 November 2016)
Cheng Shing Tsung (resigned on 7 November 2016)

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 of RM1/RM0.20 each -------				
	Balance at 1.1.16	**Bought**	**Sold**	**Effects of share split** (ii)	**Balance at 31.12.16**
Interest in the Company					
Direct Interest:					
Ahmad Murad Bin Abdul Aziz	1	-	-	4	5
Cheng Shing Tsung	12,000	-	(60,000)	48,000	-
Loo Hooi Beng	16,400	-	(6,400)	40,000	50,000
Indirect Interest:					
Mui Chung Meng (i)	492,000	-	-	1,968,000	2,460,000
Chen, Chih-Wen (i)	123,000	-	(81,100)	167,600	209,500

(i) Deemed interest pursuant to Section 134(12)(c) of the Companies Act, 1965 by virtue of shares held through spouse.

(ii) Share split involving sub-division of ordinary shares from every one (1) existing ordinary share of RM1.00 each into five (5) new ordinary shares of RM0.20 each.

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' BENEFITS

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 in the financial statements) 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 render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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.

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

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The subsequent event after the reporting period is disclosed in Note 31 to the financial statements.

AUDITORS

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: 23 March 2017

DIRECTORS' STATEMENT

In the opinion of the Directors, the financial statements set out on pages 45 to 101 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2016** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 102 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....
Mui Chung Meng
Date: 23 March 2017

....
Chen, Chih-Wen

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 45 to 101 and the supplementary information set out on page 102 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 **23rd**)
day of **March 2017**.)
)

....
Chen, Chih-Wen

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 2016** 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 45 to 101.

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 2016, 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, 1965 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
Change of functional currency *(Refer to Note 2.3 and 32 to the financial statements)* During the financial year, the management of the Company have further reviewed MFRS 121 The Effects of Changes in Foreign Exchange Rates to determine the functional currency of its subsidiary, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIE"). The management after careful consideration of the quantitative and qualitative aspect, have determined that the functional currency of the said subsidiary to be Ringgit Malaysia instead of United States Dollar. Consequently, the functional currency of PIE was changed from United States Dollar to Ringgit Malaysia with effect from the beginning of the financial year under review. As a result, the comparatives are restated and exchange differences are recognised in the statement of comprehensive income of prior year.	Our audit procedures in relation to the changes of functional currency include: • Obtain management's basis used in determining their functional currency. • Checking the accuracy of the quantitative data used in management's assessment. • Independently assess the primary and secondary factors surrounding determination of PIE's functional currency. • Determine the accuracy of the restatement of the prior year financial information of PIE.

Key audit matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Contingent liabilities on indirect tax dispute *(Refer to Note 30 to the financial statements)* A subsidiary, PIE, is involved in a dispute with the Royal Malaysian Customs (RMC) who is claiming for unpaid import duties and sales tax amounting to RM8,432,283 and RM841,342 respectively. PIE has engaged professional specialists to advise them on this dispute and to assess whether the risk of loss is remote, possible or probable. Such assessment requires significant judgement given the complexities involved.	Our audit procedures in relation to the contingent liabilities included: • Obtaining legal opinion from PIE's legal counsel. • Obtained a copy of the appeal letter submitted by the legal counsel on behalf of PIE to the Ministry of Finance ("MOF"). • Read the facts and defence established by PIE in its appeal letter to the MOF. • Based on the appeal letter and the legal opinion obtained, we have engaged in a discussion with the legal counsel on the possible outcome of the RMC's claim. • Check the completeness of the contingent liabilities disclosed in the note to the financial statements.
Valuation of investment properties ("IP") *(Refer to Note 5 to the financial statements)* The management has determined that the Group's investment properties to be RM22 million as at 31 December 2016 with a fair value gain adjustment of RM75,000 recorded in the consolidated statement of profit and loss. Independent external valuers were engaged to obtain the desktop appraisal of the investment properties. The valuation is dependent on certain key input and the most significant input used in this approach is comparison of selling price per square feet of properties which were recently transacted within the same locality of the investment properties adjusting for difference such as tenure, size and other relevant factors, where necessary.	Our audit procedures in relation to management's valuation of investment properties included: • Evaluation of the independent external valuer's competence, capabilities and objectivity. • Assessing the methodologies used and the appropriateness of the key assumptions used by the external valuers. • Checked the accuracy and relevance of the input data used.

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 2016 and it is subject to credit risk exposure. The calculation of the year end impairment provisions requires management to estimate the collectability of the debt considering the ageing of receivable and historical loss experience for receivables with similar characteristics.	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 assess 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 the impairment from year to year. • Considering the ageing of the trade receivables. • Reviewing collections received after the financial year end. • 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 has significant inventories as at 31 December 2016. The Group provides for slow moving or obsolete inventories based on assessment of the net realisable value of the inventories. Deriving the net realisable value of inventories requires management's estimation of future level of product sales and the ageing of the inventories at the end of the reporting period.	Our audit procedures in relation to the provision for inventories write-downs included: • Obtaining an understanding of: - how the Group identifies and assess 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 for calculating the provision from year to year. • Considering the ageing of the inventories. • On a sampling basis, we have independently reviewed the net realisable value of inventories. • Reviewing the adequacy of the provision estimated and provided in the financial statements.

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.

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, except for the Directors' Report, the remaining other information has not been made available to us for our reading and accordingly we are unable to report in this regard.

However, if after reading the other information when available and we conclude there is a material misstatement therein, we will communicate same to the directors of the Company.

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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

- 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.

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, 1965 in Malaysia, we also report the following:

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

(b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 7 to the financial statements,

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

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements for the preceding year 31 December 2015 were audited by another firm of auditors whose report dated 23 March 2016, expressed an unmodified opinion on those statements.

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua
No. 1107/03/18 (J)
Chartered Accountant

Penang
Date: 23 March 2017

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTE	GROUP 2016 RM	GROUP (Restated) 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**90,072,995**	91,938,449	**-**	-
Investment properties	5	**21,850,280**	21,680,618	**-**	-
Prepaid lease payments	6	**10,745,729**	11,107,741	**-**	-
Investment in subsidiaries	7	**-**	-	**79,918,805**	79,918,805
Investment in an associate	8	**-**	-	**25,000**	25,000
Goodwill on consolidation	9	**1,721,665**	1,721,665	**-**	-
Deferred tax assets	10	**1,701,834**	1,700,021	**1,664,000**	1,664,000
		126,092,503	128,148,494	**81,607,805**	81,607,805
Current assets					
Inventories	11	**105,557,196**	100,667,002	**-**	-
Trade and other receivables	12	**172,463,599**	263,486,955	**40,010,139**	39,391,320
Current tax assets		**10,086,777**	100,203	**-**	-
Short-term investments	13	**3,820,198**	19,246,766	**3,820,198**	3,159,423
Cash and cash equivalents	14	**103,892,033**	121,036,013	**5,864,271**	8,252,364
		395,819,803	504,536,939	**49,694,608**	50,803,107
TOTAL ASSETS		**521,912,306**	632,685,433	**131,302,413**	132,410,912
EQUITY AND LIABILITIES					
Share capital	15	**76,808,397**	76,808,397	**76,808,397**	76,808,397
Reserves	16	**296,776,966**	285,800,026	**51,168,529**	51,779,270
Total equity		**373,585,363**	362,608,423	**127,976,926**	128,587,667
Non-current liabilities					
Deferred tax liabilities	10	**3,015,003**	3,117,637	**-**	-
Current liabilities					
Trade and other payables	17	**133,988,550**	150,551,827	**3,325,487**	3,823,245
Current tax liabilities		**11,323,390**	9,787,585	**-**	-
Borrowings	18	**-**	106,619,961	**-**	-
		145,311,940	266,959,373	**3,325,487**	3,823,245
Total liabilities		**148,326,943**	270,077,010	**3,325,487**	3,823,245
TOTAL EQUITY AND LIABILITIES		**521,912,306**	632,685,433	**131,302,413**	132,410,912

The notes set out on pages 51 to 101 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	GROUP 2016 RM	GROUP (Restated) 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
Revenue	19	**579,285,255**	662,241,280	**34,246,502**	30,738,913
Cost of sales		**(520,629,906)**	(562,814,089)	**-**	-
Gross profit		**58,655,349**	99,427,191	**34,246,502**	30,738,913
Other operating income		**20,901,549**	14,578,162	**1,228,614**	1,497,914
Administrative expenses		**(28,225,500)**	(28,430,546)	**(7,916,447)**	(8,354,899)
Selling and distribution expenses		**(6,197,614)**	(3,378,207)	**-**	-
Other operating expenses		**(18,452)**	(3,974,324)	**(1,287,441)**	(1,098,000)
Result from operating activities		**45,115,332**	78,222,276	**26,271,228**	22,783,928
Interest income		**1,043,019**	2,136,015	**970**	40,961
Interest expense		**(426,664)**	(399,196)	**-**	-
Operating profit		**45,731,687**	79,959,095	**26,272,198**	22,824,889
Share of results in an associate		**-**	(2,766)	**-**	-
Profit before tax	20	**45,731,687**	79,956,329	**26,272,198**	22,824,889
Income tax expense	22	**(9,665,526)**	(22,366,152)	**-**	328,000
Profit for the year		**36,066,161**	57,590,177	**26,272,198**	23,152,889
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		**1,793,718**	6,557,685	**-**	-
Total comprehensive income for the year		**37,859,879**	64,147,862	**26,272,198**	23,152,889
Profit attributable to owners of the Company		**36,066,161**	57,590,177	**26,272,198**	23,152,889
Total comprehensive income attributable to owners of the Company		**37,859,879**	64,147,862	**26,272,198**	23,152,889
Basic/Diluted earnings per ordinary share (sen)	23	**9.39**	15.00		

The notes set out on pages 51 to 101 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Total Equity RM
		[------Attributable to Owners of the Company------]				
			[------Non-distributable------]		Distributable	
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 year:						
- Foreign currency translation differences		**-**	**-**	**1,793,718**	**-**	**1,793,718**
Total comprehensive income for the year		**-**	**-**	**1,793,718**	**36,066,161**	**37,859,879**
Transactions with owners:						
Dividends	**24**	**-**	**-**	**-**	**(26,882,939)**	**(26,882,939)**
Balance at end		**76,808,397**	**6,394,505**	**12,221,085**	**278,161,376**	**373,585,363**
(Restated) 2015						
Balance at beginning		76,808,397	6,394,505	3,869,682	230,590,076	317,662,660
Profit for the year		-	-	-	57,590,177	57,590,177
Other comprehensive income for the year :						
- Foreign currency translation differences		-	-	6,557,685	-	6,557,685
Total comprehensive income for the year		-	-	6,557,685	57,590,177	64,147,862
Transactions with owners:						
Dividends	24	-	-	-	(19,202,099)	(19,202,099)
Balance at end		76,808,397	6,394,505	10,427,367	268,978,154	362,608,423

The notes set out on pages 51 to 101 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		[------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
2016						
Balance at beginning		**76,808,397**	**6,394,505**	**16,408,221**	**28,976,544**	**128,587,667**
Profit for the financial year, representing total comprehensive income for the financial year		**-**	**-**	**-**	**26,272,198**	**26,272,198**
Transactions with owners:						
Dividends	**24**	**-**	**-**	**-**	**(26,882,939)**	**(26,882,939)**
Balance at end		**76,808,397**	**6,394,505**	**16,408,221**	**28,365,803**	**127,976,926**
2015						
Balance at beginning		76,808,397	6,394,505	16,408,221	25,025,754	124,636,877
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	23,152,889	23,152,889
Transactions with owners:						
Dividends	24	-	-	-	(19,202,099)	(19,202,099)
Balance at end		76,808,397	6,394,505	16,408,221	28,976,544	128,587,667

The notes set out on pages 51 to 101 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**45,731,687**	79,956,329	**26,272,198**	22,824,889
Adjustments for:				
Amortisation of prepaid lease payments	**362,012**	205,047	**-**	-
Bad debts	**322,924**	-	**-**	-
Depreciation	**15,752,580**	12,872,483	**-**	-
Dividend income	**-**	-	**(26,605,000)**	(24,466,910)
Fair value loss/(gain) on financial asset at fair value through profit or loss	**7,821**	(9,048)	**7,821**	(9,048)
Fair value gain on investment properties	**(75,000)**	(38,562)	**-**	-
Finance costs	**426,664**	399,196	**-**	-
Gain on disposal of short-term investments	**(12,142)**	-	**(12,142)**	-
Gain on disposal of property, plant and equipment	**(2,078)**	(38,980)	**-**	-
Interest income	**(1,043,019)**	(2,136,015)	**(969)**	(40,961)
Inventories written down	**3,823,780**	7,381,486	**-**	-
Investment income earned on financial asset at fair value through profit or loss	**(33,502)**	(56,003)	**(33,502)**	(56,003)
Property, plant and equipment written off	**4**	4	**-**	-
Rental income	**(2,835,471)**	(1,372,104)	**-**	-
(Reversal of)/Impairment loss on receivables	**(1,301,729)**	2,507,436	**-**	-
Share of loss of an equity-accounted associate	**-**	2,766	**-**	-
Unrealised (gain)/loss on foreign exchange	**(3,450,451)**	1,466,888	**(1,268,451)**	(1,326,848)
Operating profit/(loss) before working capital changes	**57,674,080**	101,140,923	**(1,640,045)**	(3,074,881)
Increase in inventories	**(8,713,974)**	(31,260,046)	**-**	-
Decrease/(Increase) in receivables	**89,242,774**	(102,574,283)	**(618,819)**	4,944,805
(Decrease)/Increase in payables	**(8,888,908)**	17,720,711	**(497,758)**	30,774
Cash from/(used in) operations	**129,313,972**	(14,972,695)	**(2,756,622)**	1,900,698
Income tax paid	**(18,220,742)**	(15,934,196)	**-**	-
Income tax refunded	**-**	-	**-**	1,129,781
Interest received	**1,138,035**	2,230,836	**969**	40,961
Dividend received	**-**	-	**26,605,000**	24,466,910
Net cash from/(used in) operating activities	**112,231,265**	(28,676,055)	**23,849,347**	27,538,350
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment property	**-**	(1,461,438)	**-**	-
Acquisition of property, plant and equipment	**(14,267,361)**	(36,037,372)	**-**	-
Additions to prepaid lease payment	**-**	(3,878,000)	**-**	-
Decrease/(Increase) in short-term investments	**15,464,391**	15,710,624	**(622,952)**	(2,535,505)
Proceeds from disposal of property, plant and equipment	**774,228**	58,071	**-**	-
Rental income	**2,835,471**	1,372,104	**-**	-
Net cash from/(used in) investing activities	**4,806,729**	(24,236,011)	**(622,952)**	(2,535,505)
Balance carried forward	**117,037,994**	(52,912,066)	**23,226,395**	25,002,845

The notes set out on pages 51 to 101 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	GROUP		COMPANY	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Balance brought forward	**117,037,994**	(52,912,066)	**23,226,395**	25,002,845
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	**(26,882,939)**	(19,202,099)	**(26,882,939)**	(19,202,099)
Finance cost	**(426,664)**	(399,196)	**-**	-
Placement of bank balances pledged	**(4,560)**	(52,324)	**-**	-
(Repayment)/Drawdown of short-term loans	**(103,096,026)**	10,406,690	**-**	-
Net cash used in financing activities	**(130,410,189)**	(9,246,929)	**(26,882,939)**	(19,202,099)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,372,195)**	(62,158,995)	**(3,656,544)**	5,800,746
Effects of exchange rate fluctuations on cash held	**(3,776,345)**	7,537,649	**1,268,451**	1,326,848
CASH AND CASH EQUIVALENTS AT BEGINNING	**120,945,421**	175,566,767	**8,252,364**	1,124,770
CASH AND CASH EQUIVALENTS AT END	**103,796,881**	120,945,421	**5,864,271**	8,252,364

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	
		2016	2015	**2016**	2015
	NOTE	**RM**	RM	**RM**	RM
Cash and cash equivalents	**14**	**103,892,033**	121,036,013	**5,864,271**	8,252,364
Less: Bank balances pledged as security	**14**	**(95,152)**	(90,592)	**-**	-
		103,796,881	120,945,421	**5,864,271**	8,252,364

The notes set out on pages 51 to 101 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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 23 March 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 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, 1965 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.

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

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

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.

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 Group's and the Company's functional currency.

At the beginning of the financial year, a subsidiary of the Group, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIE") changed its functional currency from United States Dollar ("USD") to Ringgit Malaysia ("RM") after further analysis of the provisions of *MFRS 121 The Effects of Changes in Foreign Exchange Rates*. Notwithstanding that the said subsidiary had only changed its functional currency from RM to USD in the prior financial year, the management having carefully reassessing the quantitative and qualitative factors surrounding the operating environment of the said subsidiary determined that RM is the primary functional currency. Consequently, the functional currency of PIE was changed from USD to RM with the comparative figures being restated to reflect so. The comparative adjustments are further disclosed in Note 32 to the financial statements.

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 2016
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Annual Improvements to MFRS 2012-2014 Cycle

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company.

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

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 financial 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

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019
MFRS 16 Leases

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 *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous version of *MFRS 9*. This new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of *MFRS 9*, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's investment in unquoted shares, if any, will be measured at fair value through other comprehensive income.

The adoption of *MFRS 9* will result in a change in accounting policy, but it is anticipated that the adoption will not have any material impact to the financial statements of the Group and of the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of *MFRS 15*, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

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*.

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure to be provided by the Group.

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

2.6 **Significant Accounting Estimates and Judgements** (cont'd)

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.

(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.

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.

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

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

(v) **Associates** (cont'd)

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.

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

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

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.

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

3.3 **Investment Properties** (cont'd)

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.

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

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.

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

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

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.

(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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

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.

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

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 obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount is recognised as finance cost.

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 Group's or 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. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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.

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 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.13 **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.

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

3.13 **Income Tax** (cont'd)

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.

3.14 **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.

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.

3.15 **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.

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

3.15 **Foreign Currency** (cont'd)

Foreign currency transactions (cont'd)

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.

3.16 **Share Capital, Share Issuance Expenses and Dividends**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

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.

Share premium includes any premiums received upon issuance of share capital.

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

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

3.17 **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.

3.18 **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.

3.19 **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 other entity.
(iii) Both entities are joint ventures of the same third party.
(iv) The entity is a joint venture of a third entity and the other entity is an associate of the 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**

Group	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**
(Restated) 2015										
At cost										
Balance at beginning	723,147	3,530,739	35,351,984	97,266,953	5,338,391	2,625,119	1,648,813	2,474,396	2,249,171	151,208,713
Additions	-	-	7,397,353	20,184,694	3,367,877	28,867	335,689	100,000	4,622,892	36,037,372
Disposals/write off	-	-	-	(204,434)	-	(29,059)	-	(531,429)	-	(764,922)
Effects of movements in exchange rate	87,758	-	136,127	198,941	-	29,622	251	54,440	375,831	882,970
Balance at end	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
Accumulated depreciation										
Balance at beginning	-	1,420,062	5,129,524	67,596,986	3,111,637	2,332,158	1,586,603	1,849,224	-	83,026,194
Current charge	-	58,846	1,368,116	10,296,050	763,216	132,235	18,402	235,618	-	12,872,483
Disposals/write off	-	-	-	(185,473)	-	(28,928)	-	(531,426)	-	(745,827)
Effects of movements in exchange rate	-	-	113,428	111,059	-	19,488	226	28,633	-	272,834
Balance at end	-	1,478,908	6,611,068	77,818,622	3,874,853	2,454,953	1,605,231	1,582,049	-	95,425,684
Carrying amount	810,905	2,051,831	36,274,396	39,627,532	4,831,415	199,596	379,522	515,358	7,247,894	91,938,449

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 **RM1,149,317** (2015: RM1,013,244).

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

5. **INVESTMENT PROPERTIES**

	GROUP	
		(Restated)
	2016	2015
	RM	RM
Balance at beginning	**21,680,618**	19,977,095
Additions	**-**	1,461,438
Change in fair value recognised in profit or loss	**75,000**	38,562
Effect of movements in exchange rates	**94,662**	203,523
Balance at end	**21,850,280**	21,680,618
Included in the above are:		
At fair value		
Freehold land and buildings	**1,975,280**	1,880,618
Leasehold land and buildings	**19,875,000**	19,800,000
	21,850,280	21,680,618

Investment properties of the Group amounting to **RM1,975,280** (2015: RM1,880,618) 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:

	2016	2015
	RM	RM
Rental income from rental generating properties	**2,803,471**	1,372,104
Direct operating expenses:		
- income generating investment properties	**245,881**	670,991
- non-income generating investment properties	**89,563**	-

Fair value measurement information

Fair value of investment properties are categorised as follows:

	Level 3	
	2016	2015
	RM	RM
Freehold land and buildings	**1,975,280**	1,880,618
Leasehold land and buildings	**19,875,000**	19,800,000
	21,850,280	21,680,618

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 2016, the fair value of the Group's investment properties of leasehold land and buildings of **RM19,875,000** (2015: RM19,800,000) 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 **RM1,975,280** (2015: RM1,880,618) 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 are 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	
		(Restated)
	2016	2015
	RM	RM
Unexpired lease period of less than 50 years		
At cost		
Balance at beginning	**11,877,468**	7,999,468
Additions	**-**	3,878,000
Balance at end	**11,877,468**	11,877,468
Accumulated amortisation		
Balance at beginning	**769,727**	564,680
Current amortisation	**362,012**	205,047
Balance at end	**1,131,739**	769,727
Carrying amounts	**10,745,729**	11,107,741

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016	2015
	RM	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 2016 %	2015 %	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
Indirectly held through Pan-International Electronics (Malaysia) Sdn. Bhd.				
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
Indirectly held through Pan-International Wire & Cable (Malaysia) Sdn. Bhd.				
P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	**100**	100	Dormant

* Not audited by Grant Thornton

8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	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 2016 %	2015 %	Principal Activities
Infra-Info Telecommunications Sdn. Bhd.	Malaysia	**49**	49	Provision of wireless broadband services and sale of telecommunication products

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.

	Infra-Info Telecommunications Sdn. Bhd.	
	2016	2015
	RM	RM
Group		
Summarised financial information		
As at 31 December		
Non-current assets	**38**	8,784
Current assets	**687**	1,037
Current liabilities	**(28,281)**	(24,592)
Net assets	**(27,556)**	(14,771)
Year ended 31 December		
Loss from continuing operations	**(12,785)**	(21,415)
Group's share of results		
Year ended 31 December		
Group's share of loss from continuing operations/ total comprehensive loss	**-**	2,766

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2016	2015
	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.

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%** (2015: 0%) and a discount rate of **9.45%** (2015: 10%) 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	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Deferred tax assets	**1,701,834**	1,700,021	**1,664,000**	1,664,000
Deferred tax liabilities	**(3,015,003)**	(3,117,637)	**-**	-
	(1,313,169)	(1,417,616)	**1,664,000**	1,664,000

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

	GROUP		COMPANY	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Property, plant and equipment	**(7,998,570)**	(10,132,785)	**-**	-
Inventories	**3,291,418**	3,267,000	**-**	-
Receivables	**1,495,740**	1,455,000	**-**	-
Accruals	**1,876,440**	3,495,000	**887,000**	887,000
Unutilised tax losses	**777,000**	777,000	**777,000**	777,000
Other deductible temporary differences	**(755,197)**	(278,831)	**-**	-
	(1,313,169)	(1,417,616)	**1,664,000**	1,664,000

10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	GROUP		COMPANY	
	2016 RM	2015 RM	**2016 RM**	2015 RM
Unutilised tax losses	**-**	217,000	**-**	217,000

The unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

11. INVENTORIES

	GROUP	
	2016 RM	2015 RM
Raw materials	**47,301,055**	44,983,123
Work-in-progress	**23,598,055**	26,380,443
Finished goods	**23,951,552**	26,315,460
Goods-in-transit	**10,706,534**	2,987,976
	105,557,196	100,667,002
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**516,806,126**	555,432,603
Inventories written down		
- Current year	**3,855,523**	7,476,705
- Reversal	**(31,743)**	(95,219)

12. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	NOTE	**2016 RM**	2015 RM	**2016 RM**	2015 RM
Trade					
Third parties	**12.1**	**168,957,840**	261,327,279	**-**	-
Related parties	**12.2**	**2,882**	21,770	**-**	-
		168,960,722	261,349,049	**-**	-
Non-trade					
Ultimate holding company	**12.3**	**31,266**	-	**-**	-
Subsidiaries	**12.3**	**-**	-	**39,978,380**	39,375,460
Related parties	**12.3**	**310**	257	**-**	-
Other receivables		**2,032,503**	1,030,122	**16**	16
Deposits		**297,551**	264,891	**2,000**	2,000
Prepayments		**1,141,247**	842,636	**29,743**	13,844
		3,502,877	2,137,906	**40,010,139**	39,391,320
		172,463,599	263,486,955	**40,010,139**	39,391,320

12. **TRADE AND OTHER RECEIVABLES** (cont'd)

12.1 The normal credit terms granted to trade receivables range from **30 to 120 days** (2015: 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	
	NOTE	**2016 RM**	2015 RM	**2016 RM**	2015 RM
Short-term deposits with licensed banks	**13.1**	**-**	16,087,343	**-**	-
Investment in Islamic income fund	**13.2**	**3,820,198**	3,159,423	**3,820,198**	3,159,423
		3,820,198	19,246,766	**3,820,198**	3,159,423

13.1 The average effective interest rates and maturities of the fixed deposits as at the end of the reporting period were 1.70% to 1.875% per annum and 4 to 7 months respectively.

13.2 The effective interest rate for the short-term investment is **3.58%** (2015: 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	
	NOTE	**2016 RM**	2015 RM	**2016 RM**	2015 RM
Cash and bank balances	**14.1**	**42,430,973**	73,460,350	**5,863,107**	8,251,200
Fixed deposits with a licensed bank	**14.2**	**13,391,810**	10,077,103	**1,164**	1,164
Repo	**14.3**	**48,069,250**	37,498,560	**-**	-
		103,892,033	121,036,013	**5,864,271**	8,252,364

14.1 Included in the cash and bank balances is **RM95,152** (2015: RM90,592) pledged as securities for credit facilities granted to the Group.

14.2 The effective interest rates and maturities of the fixed deposits as at the end of the reporting period range from **2.55%** to **3.30%** (2015: 2.70% to 3.30%) per annum and **28** to **32 days** (2015: 28 to 31 days) respectively.

14.3 The average effective interest rates and maturities of the repo as at the end of the reporting period range from **0.125%** to **3.10%** (2015: 0.33% to 3.10%) per annum and **4** to **90 days** (2015: 4 to 30 days) respectively.

15. SHARE CAPITAL

	Number of ordinary shares of RM0.20 each		Amount	
	2016	2015	**2016 RM**	2015 RM
Authorised	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Issued and fully paid:				
Balance at beginning	**76,808,397**	76,808,397	**76,808,397**	76,808,397
Effects of share split	**307,233,588**	-	**-**	-
Balance at end	**384,041,985**	76,808,397	**76,808,397**	76,808,397

During the financial year, the Company carried out a share split exercise involving the sub-division of ordinary shares from every one (1) existing ordinary share of RM1.00 each into five (5) new ordinary shares of RM0.20 each.

16. RESERVES

	NOTE	GROUP 2016 RM	GROUP (Restated) 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
Non-distributable					
Share premium	**16.1**	**6,394,505**	6,394,505	**6,394,505**	6,394,505
Foreign currency translation reserve	**16.2**	**12,221,085**	10,427,367	**-**	-
Merger reserve	**16.3**	**-**	-	**16,408,221**	16,408,221
		18,615,590	16,821,872	**22,802,726**	22,802,726
Distributable					
Retained profits	**16.4**	**278,161,376**	268,978,154	**28,365,803**	28,976,544
		296,776,966	285,800,026	**51,168,529**	51,779,270

16.1 Share premium

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

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. **RESERVES** (cont'd)

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**

		GROUP		COMPANY	
	NOTE	2016 RM	2015 RM	2016 RM	2015 RM
Trade					
Third parties	17.1	90,886,384	71,416,061	-	-
Ultimate holding company	17.2	-	6,961	-	-
Related parties	17.2	11,083,931	51,016,175	-	-
		101,970,315	122,439,197	-	-
Non-trade					
Ultimate holding company	17.3	78,870	-	-	-
Other payables		11,698,775	5,365,661	-	91,195
Accruals		20,240,590	22,746,969	3,325,487	3,732,050
		32,018,235	28,112,630	3,325,487	3,823,245
		133,988,550	150,551,827	3,325,487	3,823,245

17.1 The normal credit terms granted by trade payables range from **30** to **90 days** (2015: 30 to 90 days).

17.2 The trade amounts due to ultimate holding company and 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. **BORROWINGS**

	GROUP	
	2016 RM	2015 RM
Unsecured		
Onshore foreign currency loans	-	106,619,961

19. REVENUE

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Sale of goods	**579,251,753**	662,185,277	**-**	-
Investment income earned on financial asset at fair value through profit or loss	**33,502**	56,003	**33,502**	56,003
Management fee	**-**	-	**7,608,000**	6,216,000
Dividend income from subsidiaries	**-**	-	**26,605,000**	24,466,910
	579,285,255	662,241,280	**34,246,502**	30,738,913

20. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
After charging:				
Amortisation of prepaid lease payment	**362,012**	205,047	**-**	-
Audit fee				
- Grant Thornton				
- current year	**117,000**	-	**30,000**	-
- Other auditors				
- current year	**51,357**	146,688	**-**	36,500
- under provision in prior year	**5,500**	-	**3,000**	-
Non-audit fees				
- Grant Thornton				
- current year	**43,000**	39,000	**43,000**	39,000
- Other auditors				
- current year	**29,600**	74,900	**-**	23,400
- under provision in prior year	**-**	6,300	**-**	-
Bad debts	**322,924**	-	**-**	-
Depreciation of property, plant and equipment	**15,752,580**	12,872,483	**-**	-
Fair value loss on financial asset at fair value through profit or loss	**7,821**	-	**7,821**	-
Finance cost	**426,664**	399,196	**-**	-
Impairment loss on trade receivables				
- Current year	**18,452**	2,507,436	**-**	-
- Reversal	**(1,320,181)**	-	**-**	-
Inventories written down				
- Current year	**3,855,523**	7,476,705	**-**	-
- Reversal	**(31,743)**	(95,219)	**-**	-

20. PROFIT BEFORE TAX (cont'd)

This is arrived at (cont'd):

	GROUP		COMPANY	
		(Restated)		
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
After charging (cont'd):				
Loss on foreign exchange:				
- Realised	**1,216,983**	657,649	**44,157**	-
- Unrealised	**1,225,460**	3,022,425	**-**	-
Rental of premises	**355,788**	329,093	**-**	-
Rental of office equipment	**17,144**	24,389	**-**	-
Property, plant and equipment written off	**4**	4	**-**	-
And crediting:				
Fair value gain on financial asset at fair value through profit or loss	**-**	9,048	**-**	9,048
Fair value gain on investment properties	**75,000**	38,562	**-**	-
Gain on disposal of property, plant and equipment	**2,078**	38,980	**-**	-
Gain on disposal of short-term investment	**12,142**	-	**12,142**	-
Gain on foreign exchange:				
- Realised	**8,411,865**	7,770,680	**-**	162,017
- Unrealised	**4,675,911**	1,555,537	**1,268,451**	1,326,848
Investment income earned on financial assets at fair value through profit or loss	**33,502**	56,003	**33,502**	56,003
Interest income	**1,043,019**	2,136,015	**969**	40,961
Rental income from				
- Investment properties	**2,803,471**	1,372,104	**-**	-
- Prepaid lease payments	**32,000**	-	**-**	-

21. STAFF COSTS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**59,754,144**	56,560,864	**2,368,770**	4,104,951
- EPF and SOCSO	**2,115,303**	1,448,371	**110,013**	102,852
	61,869,447	58,009,235	**2,478,783**	4,207,803

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

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

	GROUP		COMPANY	
	2016 RM	2015 RM	**2016 RM**	2015 RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**1,628,326**	3,000,167	**1,628,326**	3,000,167
- EPF	**52,445**	50,544	**52,445**	50,544
	1,680,771	3,050,711	**1,680,771**	3,050,711
Non-Executive:				
- Fees	**72,000**	72,000	**72,000**	72,000
- Allowances	**18,000**	8,000	**18,000**	8,000
	90,000	80,000	**90,000**	80,000
	1,770,771	3,130,711	**1,770,771**	3,130,711
Directors of subsidiaries:				
Executive:				
- Salaries, allowances and bonus	**1,614,137**	1,435,583	**-**	-
- EPF	**98,529**	84,351	**-**	-
	1,712,666	1,519,934	**-**	-
	3,483,437	4,650,645	**1,770,771**	3,130,711

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.

22. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2016 RM	(Restated) 2015 RM	**2016 RM**	2015 RM
Based on results for the financial year				
Current tax expense				
- Malaysia	**(11,295,308)**	(22,523,004)	**-**	-
- Overseas	**(132,220)**	(205,635)	**-**	-
Deferred tax expense				
- Origination and reversal of temporary differences	**830,805**	1,098,711	**-**	328,000
	(10,596,723)	(21,629,928)	**-**	328,000
Over/(Under) provision in prior year				
- Current tax	**1,657,555**	292,776	**-**	-
- Deferred tax	**(726,358)**	(1,029,000)	**-**	-
	931,197	(736,224)	**-**	-
	(9,665,526)	(22,366,152)	**-**	328,000

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

	GROUP		COMPANY	
	2016 RM	(Restated) 2015 RM	**2016 RM**	2015 RM
Profit before tax	**45,731,687**	79,956,329	**26,272,198**	22,824,889
Income tax at Malaysian tax rate of **24%** (2015: 25%)	**(10,975,605)**	(19,989,082)	**(6,305,328)**	(5,706,223)
Effect of tax rates in foreign jurisdictions	**231,771**	233,633	**-**	-
Non-deductible expenses	**(1,120,136)**	(2,800,093)	**(87,913)**	(317,782)
Income not subject to tax	**62,795**	9,641	**6,341,161**	6,475,005
Effect of tax incentives	**1,059,043**	759,411	**-**	-
Effect of deferred tax assets not recognised	**52,080**	62,000	**52,080**	(54,250)
Annual crystallisation of deferred tax on previous revaluation surplus	**93,329**	94,562	**-**	(68,750)
	(10,596,723)	(21,629,928)	**-**	328,000
Over/(Under) provision in prior year	**931,197**	(736,224)	**-**	-
	(9,665,526)	(22,366,152)	**-**	328,000

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.

23. 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 **RM36,066,161** (2015: RM57,590,177) by the weighted average number of ordinary shares in issue during the financial year of **384,041,985** (2015: 384,041,985). The basic earnings per ordinary share for the financial year ended 31 December 2015 has been recomputed to take into consideration the share split as disclosed in Note 15 to the financial statements.

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.

24. DIVIDENDS

	GROUP AND COMPANY	
	2016	2015
	RM	RM
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**	-
In respect of the financial year ended 31 December 2014		
First and final single tier dividend of RM0.12 per share	**-**	9,217,008
Special single tier dividend of RM0.13 per share	**-**	9,985,091
	26,882,939	19,202,099

25. 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	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Management fee received from subsidiaries	**-**	-	**7,608,000**	6,216,000
Dividend received from subsidiaries	**-**	-	**26,605,000**	24,466,910

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

(iii) **Related party transactions**

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Sales to:				
- Funing Precision Component Co., Ltd.	**-**	20,773	**-**	-
- Foxconn Interconnect Technology Singapore Pte. Ltd.	**-**	5,553	**-**	-
Purchase from:				
- Pan-International Industrial Corp.	**174,441**	123,668	**-**	-
- Pan-International Electronics (USA) Inc.	**-**	925	**-**	-
- Hon Hai Precision Industries Co., Ltd.	**12,883,303**	65,595,563	**-**	-
- FIH (Hong Kong) Ltd.	**26,033**	269,212	**-**	-
- Iris World Enterprise Ltd.	**-**	1,111,382	**-**	-
- Foxconn Interconnect Technology Singapore Pte. Ltd.	**4,180,952**	25,953,289	**-**	-
- View Great Limited	**850,512**	209,529	**-**	-
- ShenZhen Futaihong Precision Ind. Co., Ltd.	**4,468,358**	4,124,395	**-**	-
Purchase of machinery from:				
- Hon Hai Precision Ind. Co., Ltd.	**-**	342,298	**-**	-
- FIH Precision Electronics (LangFang) Co., Ltd.	**296,322**	358,501	**-**	-
- HongFuJin Precision Industry (ShenZhen) Co., Ltd.	**-**	823,451	**-**	-
Purchase of factory supplies:				
- ShenZhen Futaihong Precision Ind. Co., Ltd.	**-**	9,019	**-**	-
Forwarder fee paid to:				
- Foxconn Slokovia, spol s.r.o.	**-**	1,557	**-**	-
Inspection fee paid to:				
- Pan-International Industrial Corp.	**116,020**	179,353	**-**	-

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

(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 21 to the financial statements.

26. **CAPITAL COMMITMENTS**

	GROUP	
	2016	2015
	RM	RM
Contracted and not provided for:		
- Property, plant and equipment	**336,315**	-

27. **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.

(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.

27. OPERATING SEGMENTS (cont'd)

By business segments

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holding RM	Elimination 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 year					**36,066,161**
(Restated) 2015					
Revenue					
External sales	654,586,770	7,598,507	56,003	-	662,241,280
Inter- segment revenue	523,387	1,241,224	30,682,910	(32,447,521)	-
Total revenue	655,110,157	8,839,731	30,738,913	(32,447,521)	662,241,280
Results					
Segment profit	77,294,333	1,889,501	22,783,928	(25,117,590)	76,850,172
Rental income					1,372,104
Interest income					2,136,015
Interest expense					(399,196)
Share of loss of an associate					(2,766)
Profit before tax					79,956,329
Income tax expense					(22,366,152)
Profit for the year					57,590,177

27. OPERATING SEGMENTS (cont'd)

By business segments (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holding RM	Total RM
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**
(Restated) 2015				
Assets				
Segment assets	527,678,172	5,844,028	8,859,960	542,382,160
Income producing assets				85,343,626
Income tax assets				1,800,224
Investment in Islamic income fund				3,159,423
Total assets				632,685,433

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holding RM	Total RM
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**
(Restated) 2015				
Other information				
Additions to non-current assets	41,376,810	-	-	41,376,810
Depreciation and amortisation expenses	(13,441,555)	-	-	(13,441,555)
Fair value gain on financial asset at fair value through profit or loss	-	-	9,048	9,048
Fair value gain on investment properties	38,562	-	-	38,562
Impairment loss on trade receivables	(2,504,303)	(3,133)	-	(2,507,436)
Interest expense	(399,196)	-	-	(399,196)
Interest income	2,092,095	2,959	40,961	2,136,015
Inventories written down				
- Current year	(7,476,705)	-	-	(7,476,705)
- Reversal	95,219	-	-	95,219
Loss on disposal of property, plant and equipment	(9,048)	-	-	(9,048)
Property, plant and equipment written off	(4)	-	-	(4)
Unrealised (loss)/gain on foreign exchange	(2,966,125)	172,389	1,326,848	(1,466,888)

27. **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
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**
2015		
Malaysia	249,135,525	116,350,009
Other Asia Pacific countries	168,399,593	8,376,799
Europe	161,100,321	-
United States of America	83,605,841	-
	662,241,280	124,726,808

Information of Major Customers

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

	Revenue 2016 RM	Revenue 2015 RM	Segments
- Customer A	**94,708,014**	-	Manufacturing of industrial products
- Customer B	**80,222,794**	-	Manufacturing of industrial products
- Customer C	**-**	122,921,171	Manufacturing of industrial products
- Customer D	**-**	107,556,564	Manufacturing of industrial products
- Customer E	**-**	81,660,916	Manufacturing of industrial products
	174,930,808	312,138,651	

28. **FINANCIAL INSTRUMENTS**

28.1 **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				
2016				
Financial assets				
Trade and other receivables (excluding prepayments)	**171,322,352**	**171,322,352**	**-**	**-**
Short-term investments	**3,820,198**	**-**	**3,820,198**	**-**
Cash and cash equivalents	**103,892,033**	**103,892,033**	**-**	**-**
	279,034,583	**275,214,385**	**3,820,198**	**-**
Financial liabilities				
Trade and other payables	**133,988,550**	**-**	**-**	**133,988,550**
2015				
Financial assets				
Trade and other receivables (excluding prepayments)	262,644,319	262,644,319	-	-
Short-term investments	19,246,766	16,087,343	3,159,423	-
Cash and cash equivalents	121,036,013	121,036,013	-	-
	402,927,098	399,767,675	3,159,423	-
Financial liabilities				
Trade and other payables	150,551,827	-	-	150,551,827
Short term loan	106,619,961	-	-	106,619,961
	257,171,788	-	-	257,171,788
COMPANY				
2016				
Financial assets				
Trade and other receivables (excluding prepayments)	**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	**3,325,488**	**-**	**-**	**3,325,488**

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

28.1 **Categories of financial instruments** (cont'd)

	Carrying amount RM	L&R RM	FVTPL RM	FL RM
COMPANY				
2015				
Financial assets				
Trade and other receivables (excluding prepayments)	39,377,476	39,377,476	-	-
Short-term investments	3,159,423	-	3,159,423	-
Cash and cash equivalents	8,252,364	8,252,364	-	-
	50,789,263	47,629,840	3,159,423	-
Financial liabilities				
Trade and other payables	3,823,245	3,823,245	-	-

28.2 **Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

28.3 **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.

28.3.1 **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.

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

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

28.3.1 **Receivables** (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

At the end of the reporting period, approximately **61%** (2015: 70%) of the Group's trade receivables were due from **4** (2015: 3) 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
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**
2015			
Not past due	226,351,740	-	226,351,740
1 to 30 days past due	35,422,622	(850,091)	34,572,531
31 to 60 days past due	1,990,942	(1,566,164)	424,778
61 to 90 days past due	371,634	(371,634)	-
91 to 120 days past due	484,490	(484,490)	-
Past due more than 120 days	1,169,530	(1,169,530)	-
	39,439,218	(4,441,909)	34,997,309
	265,790,958	(4,441,909)	261,349,049

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

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

28.3.1 **Receivables** (cont'd)

Impairment losses

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

	2016 RM	2015 RM
At 1 January	**4,441,909**	1,914,940
Impairment loss recognised	**18,452**	2,507,436
Reversal of impairment	**(1,320,181)**	-
Effect of movements in exchange rates	**10,652**	19,533
At 31 December	**3,150,832**	4,441,909

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.

28.3.2 **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.

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.

28.3.3 **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. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to **RM Nil** (2015: RM106,619,961) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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 were not material.

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

28.4 **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				
2016				
Trade and other payables	**133,988,550**	**-**	**133,988,550**	**133,988,550**
2015				
Trade and other payables	150,551,827	-	150,551,827	150,551,827
Short term loan	106,619,961	0.75 – 1.05	106,619,961	106,619,961
	257,171,788		257,171,788	257,171,788
COMPANY				
2016				
Trade and other payables	**3,325,488**	**-**	**3,325,488**	**3,325,488**
2015				
Trade and other payables	3,823,245	-	3,823,245	3,823,245
Financial guarantee*	-	-	106,619,961	106,619,961
	3,823,245		110,443,206	110,443,206

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

28.5 **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.

28.5.1 **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).

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

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

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

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.

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				
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)**
2015				
Trade and other receivables	240,840,087	5,172,313	742,704	-
Trade and other payables	(117,390,586)	(2,750)	(33,296)	-
Cash and cash equivalents	68,133,057	1,014,631	541,344	94,382
Net exposure	191,582,558	6,184,194	1,250,752	94,382
COMPANY				
2016				
Cash and cash equivalents	**5,514,224**	**-**	**-**	**-**
2015				
Cash and cash equivalents	7,938,086	-	-	-

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

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

28.5.1 **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	
	2016 RM	2015 RM	**2016 RM**	2015 RM
USD	**(10,172,896)**	(19,158,256)	**(551,422)**	(793,809)
EURO	**(851,915)**	(618,419)	**-**	-
SGD	**(75,629)**	(125,075)	**-**	-
Others	**2,618**	(9,438)	**-**	-
Decrease in profit before tax	**(11,097,822)**	(19,911,188)	**(551,422)**	(793,809)

28.5.2 **Interest rate risk**

The Group's and the Company's fixed rate short term deposits placed with licensed banks and borrowings 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	
	2016 RM	2015 RM	**2016 RM**	2015 RM
Fixed rate instruments				
Short-term deposits with licensed banks	**61,461,060**	63,663,006	**1,164**	1,164
Short term loan	**-**	(106,619,961)	**-**	-
Floating rate instruments				
Investment in Islamic income fund	**3,820,198**	3,159,423	**3,820,198**	3,159,423

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

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

28.5.2 **Interest rate risk** (cont'd)

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		
2016		
Investment in Islamic income fund	**38,202**	**(38,202)**
2015		
Investment in Islamic income fund	31,594	(31,594)

28.6 **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.

28.6.1 **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).

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

28.6 **Fair value information** (cont'd)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
GROUP				
2016				
Investment in Islamic income fund	**3,820,198**	**-**	**-**	**3,820,198**
2015				
Investment in Islamic income fund	3,159,423	-	-	3,159,423

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. **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.

30. **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.

30. **CONTINGENT LIABILITIES** (cont'd)

Indirect tax dispute with Royal Malaysian Customs ("RMC") (cont'd)

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" and is currently awaiting decision from the MOF. The external legal counsel having reviewed the facts surrounding the claim, opined that PIE's appeal being allowed by the MOF to be reasonably good.

31. **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except Section 241 and Division 8 of Part III.

The financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act, 1965. Consequently, the items to be disclosed in the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for current financial year.

32. **COMPARATIVE FIGURES**

(i) As disclosed in Note 2.3, a subsidiary of the Group had changed its functional currency from USD to RM. Arising from this, the comparative figures have been restated as follows:

	Previously reported RM	Effects of changes in functional currency RM	As restated RM
Consolidated statement of financial position			
Non-current assets			
Property, plant and equipment	114,214,534	(22,276,085)	91,938,449
Investment properties	26,192,675	(4,512,057)	21,680,618
Prepaid lease payments	13,002,342	(1,894,601)	11,107,741
Goodwill on consolidation	1,721,665	-	1,721,665
Deferred tax assets	1,700,021	-	1,700,021
	156,831,237		128,148,494
Current assets			
Inventories	100,667,002	-	100,667,002
Trade and other receivables	263,486,955	-	263,486,955
Current tax assets	100,203	-	100,203
Short-term investments	19,246,766	-	19,246,766
Cash and cash equivalents	121,036,013	-	121,036,013
	504,536,939		504,536,939
TOTAL ASSETS	661,368,176		632,685,433

32. **COMPARATIVE FIGURES** (cont'd)

(i) As disclosed in Note 2.3, a subsidiary of the Group had changed its functional currency from USD to RM. Arising from this, the comparative figures have been restated as follows (cont'd):

	Previously reported RM	Effects of changes in functional currency RM	As restated RM
Consolidated statement of financial position (cont'd)			
Equity and liabilities			
Share capital	76,808,397	-	76,808,397
Reserves	47,411,701	(30,589,829)	16,821,872
Retained earnings	260,351,417	8,626,737	268,978,154
Total equity	384,571,515		362,608,423
Non-current liabilities			
Deferred tax liabilities	9,837,288	(6,719,651)	3,117,637
Current liabilities			
Trade and other payables	150,551,827	-	150,551,827
Current tax liabilities	9,787,585	-	9,787,585
Borrowings	106,619,961	-	106,619,961
	266,959,373		266,959,373
Total liabilities	276,796,661		270,077,010
TOTAL EQUITY AND LIABILITIES	661,368,176		632,685,433
Consolidated statement of comprehensive income			
Revenue	662,241,280	-	662,241,280
Cost of sales	(570,644,879)	7,830,790	(562,814,089)
Gross profit	91,596,401		99,427,191
Administrative, selling and distribution expenses	(31,813,019)	4,266	(31,808,753)
Other operating (expenses)/income	8,512,809	2,091,029	10,603,838
Interest income	2,136,015	-	2,136,015
Interest expense	(399,196)	-	(399,196)
Share of results in an associate	(2,766)	-	(2,766)
Profit before tax	70,030,244		79,956,329
Income tax expense	(21,066,804)	(1,299,348)	(22,366,152)
Profit for the year	48,963,440		57,590,177

32. **COMPARATIVE FIGURES** (cont'd)

(i) As disclosed in Note 2.3, a subsidiary of the Group had changed its functional currency from USD to RM. Arising from this, the comparative figures have been restated as follows (cont'd):

	Previously reported RM	Effects of changes in functional currency RM	As restated RM
Consolidated statement of changes in equity			
Share capital	76,808,397	-	76,808,397
Non-distributable reserve	47,411,701	(30,589,829)	16,821,872
Distributable retained profits	260,351,417	8,626,737	268,978,154
Total	384,571,515		362,608,423
Consolidated statement of cash flows (*)			
Cash flows used in operating activities	(36,938,807)	8,626,737	(28,312,070)
Cash flows used in investing activities	(25,608,115)	-	(25,608,115)
Cash flows used in financing activities	(8,264,813)	-	(8,264,813)
Effects of exchange rate fluctuations on cash held	16,190,389	(8,626,737)	7,563,652
Net changes in cash and cash equivalents	(54,621,346)		(54,621,346)

* *Refer to Note 32(ii) to the financial statements.*

(ii) The current year's statements of cash flows have been presented such that non-cash items are distinguished from operating, investing and financing activities. Accordingly the income and other comparative figures of the statements of cash flows have been restated for consistency purpose as follows:

	Restated after effects of changes in functional currency RM	Reclassification RM	As restated RM
GROUP			
Consolidated statement of cash flows			
Cash flows used in operating activities	(28,312,070)	(363,985)	(28,676,055)
Cash flows used in investing activities	(25,608,115)	1,372,104	(24,236,011)
Cash flows used in financing activities	(8,264,813)	(982,116)	(9,246,929)
Effects of exchange rate fluctuations on cash held	7,563,652	(26,003)	7,537,649
Net changes in cash and cash equivalents	(54,621,346)		(54,621,346)

32. **COMPARATIVE FIGURES** (cont'd)

(ii) The current year's statements of cash flows have been presented such that non-cash items are distinguished from operating, investing and financing activities. Accordingly the income and other comparative figures of the statements of cash flows have been restated for consistency purpose as follows (cont'd):

	Previously reported RM	Effects of changes in functional currency RM	As restated RM
COMPANY			
Statement of cash flows			
Cash flows from operating activities	28,865,198	(1,326,848)	27,538,350
Cash flows used in investing activities	(2,535,505)	-	(2,535,505)
Cash flows used in financing activities	(19,202,099)	-	(19,202,099)
Effects of exchange rate fluctuations on cash held	-	1,326,848	1,326,848
Net changes in cash and cash equivalents	7,127,594		7,127,594

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of retained profits of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GROUP		COMPANY	
	2016	(Restated) 2015	**2016**	2015
	RM	RM	**RM**	RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	**304,401,174**	300,876,070	**25,430,975**	25,975,497
- Unrealised	**17,840,498**	10,917,580	**2,934,828**	3,001,047
	322,241,672	311,793,650	**28,365,803**	28,976,544
Total share of retained earnings of an associate:				
- Realised	**(25,000)**	(25,000)	**-**	-
	322,216,672	311,768,650	**28,365,803**	28,976,544
Less : Consolidation adjustments	**(44,055,296)**	(42,790,496)	**-**	-
Total retained earnings	**278,161,376**	268,978,154	**28,365,803**	28,976,544

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT MARCH 21, 2017

Total number of issued shares	:	384,041,985
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	3,606

DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 21, 2017

Holdings	No. of Holders	Total Holdings	%
1 - 99	12	190	0.00
100 - 1,000	332	272,300	0.07
1,001 - 10,000	2,111	10,860,500	2.82
10,001 – 100,000	993	28,525,310	7.43
100,001 – 19,202,098	157	146,923,700	38.26
19,202,099 and above	1	197,459,985	51.42
Total	3,606	384,041,985	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2017

No.	Names	Shareholdings	%
1.	Pan Global Holding Co. Ltd	197,459,985	51.42
2.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Kidsave Trust*	14,356,400	3.74
3.	Outstanding Growth Technology Limited	7,080,000	1.84
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AMB EQ)*	6,777,500	1.76
5.	Goh Thong Beng	6,368,000	1.66
6.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Smart Treasure Fund*	6,357,200	1.66
7.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Employees Provident Fund Board (RHB INV)*	5,440,000	1.42
8.	CIMSEC Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Bank For Mak Tian Meng (MY0343)*	4,541,800	1.18
9.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Growth And Income Focus Trust*	3,980,300	1.04
10.	Public Invest Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)*	3,828,000	1.00
11.	Best Skill Technology Limited	3,780,000	0.98
12.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Smart Balanced Fund*	3,547,000	0.92
13.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Private Fund - Series 3*	3,503,600	0.91

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2017 (con't)

No.	Names	Shareholdings	%
14.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Equity Trust*	3,200,000	0.83
15.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Smart Income Fund*	3,048,000	0.79
16.	Public Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)*	3,000,000	0.78
17.	Amanahraya Trustees Berhad *Qualifier: Public Smallcap Fund*	2,953,100	0.77
18.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Small Cap Opportunity Unit Trust*	2,580,000	0.67
19.	Chung Lean Hwa	2,460,000	0.64
20.	Operate Technology Limited	2,262,000	0.59
21.	CIMB Group Nominees (Tempatan) Sdn Bhd *Qualifier: CIMB Commerce Trustee Berhad - Kenanga Growth Fund*	2,120,700	0.55
22.	Neoh Choo Ee & Company, Sdn. Berhad	2,079,000	0.54
23.	Lim Soon Huat	2,028,000	0.53
24.	Citigroup Nominees (Tempatan) Sdn Bhd *Qualifier: Employees Provident Fund Board (PHEIM)*	1,941,300	0.51
25.	UOBM Nominees (Tempatan) Sdn Bhd *Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (6110553745-T232)*	1,800,000	0.47
26.	Wong Yoke Fong @ Wong Nyok Fing	1,657,000	0.43
27.	Wong Yoon Tet	1,590,000	0.41
28.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For RHB Malaysia Dividend Fund*	1,578,500	0.41
29.	HSBC Nominees (Tempatan) Sdn Bhd *Qualifier: HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)*	1,306,800	0.34
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Qualifier: Deutsche Bank AG Singapore For IAM Traditional Asian Growth Fund*	1,298,300	0.34

SUBSTANTIAL SHAREHOLDERS AS AT MARCH 21, 2017

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, 2017

Name	Direct Shareholding	%	Indirect Shareholding	%
1. Ahmad Murad bin Abdul Aziz	5	negligible	-	-
2. Mui Chung Meng[1]	-	-	-	-
3. Lee Cheow Kooi	-	-	-	-
4. Chen, Chih-Wen[2]	-	-	-	-
5. Cheung Ho Leung	-	-	-	-
6. Loo Hooi Beng	-	-	-	-
7. Khoo Lay Tatt	-	-	-	-

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]	209,500	0.05	-	-

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

TOP 10 PROPERTIES OWNED by
P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES

as at 31 December 2016

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2016 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) 31801, PT 3245 Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang ^	Leasehold – 60 years (expire on 3.6.2051)	Land : 5.54 acres Built up : 5,626 sq. meters	Industrial complex - 1 storey detached factory building	11,344,901	26	2010 (A) & 2010 (R)
H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land : 7.0 acres Built up : 10,448 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre	10,932,179	24	1990 (A) & 2010 (R)
H.S.(D) 37959, Lot no. 3188, MK 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 6.6.2050)	Land : 5.782 acres Built up : 17,970 sq. meters	Industrial complex - 1½ storey office cum factory - 2-storey factory complex - guard house and other out buildings	10,925,000	26	2016 (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	10,362,857	26	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	9,696,745	21	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	24	2016 (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	7,371,974	22	1990 (A) & 2010 (R)

TOP 10 PROPERTIES OWNED by P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES

as at 31 December 2016 (cont'd)

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2016 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) HBM2 P.T. No . 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 99 years (expire on 13.4.2091)	Built up : 1,801 sq. meters	Staff housing - 24 units of medium-cost apartments	1,757,305	22	2010 (R)
T/D no. 30175 and 1018 and 1047, No.12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand @	Freehold	Land : 5.84 acres Built up : 6,514 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	1,149,314	22	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	1,135,814	27	2016 (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 Twentieth 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, 26 May 2017 at 9.00 a.m.

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2016 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 2016:-
   a) A Special Single Tier Dividend of 2.6 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 2016. **(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. Mui Chung Meng — Article 98(1) **(Resolution 4)**
   b. Chen, Chih-Wen — Article 98(1) **(Resolution 5)**
   c. Lee Cheow Kooi — Article 105 **(Resolution 6)**

5. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM30,000 from 31 January 2017 until the next Annual General Meeting of the Company. **(Resolution7)**

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 Senior Independent Non-Executive Director **(Resolution 9)**

   "That authority be and is hereby given to Ahmad Murad Bin Abdul Aziz who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as Senior Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

SPECIAL BUSINESS (cont'd)

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

ORDINARY RESOLUTIONS (cont'd)

b) Authority to Issue Shares **(Resolution 10)**

"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 Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the 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."

c) Renewal of Authority to Purchase its own Shares **(Resolution 11)**

"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 2016, the audited retained profits of the Company stood at RM28,365,803;

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.

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 (cont'd)

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."

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: 28 April 2017

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 17 May 2017. Only a depositor whose name appears on the Record of Depositors as at 17 May 2017 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. Resolution 9 – Continue in Office as Senior Independent Non-Executive Director

   En. Ahmad Murad Bin Abdul Aziz who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nineteen (19) years, is the Senior Independent Non-Executive Director and Chairman of the Company. After having assessed the independence of En. Ahmad Murad and also the assessment by the Nominating Committee, regards him to be independent based amongst others, he has remained objective and independent in exercising his judgment when a matter is put before him for decision, he also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings. To that, the Board with the recommendation of the Nominating Committee, recommend En. Ahmad Murad to continue to serve as Senior Independent Non-Executive Director of the Company.

   The proposed Resolution 9, if passed, enable En. Ahmad Murad to continue to act as Senior Independent Non-Executive Director of the Company. Otherwise, he will be re-designated as a Non-Independent Non-Executive Director and relinguish his position as the Senior Independent Non-Executive Director of the Company upon the conclusion of the 20th Annual General Meeting.

2. Resolution 10 - Authority to issue Shares

   The proposed Resolution No. 10, if passed, will grant a renewed general mandate (Mandate 2017) 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 Annual General Meeting of the Company.

   The Mandate 2017 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 19th Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

3. Resolution 11 - Renewal of Authority to Purchase its own Shares

   The proposed Resolution 11, 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 Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2016, if approved, will be paid on 14 June 2017 to depositors registered in the Records of Depositors on 2 June 2017:-

1) A Special Single Tier Dividend of 2.6 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 Dividends in respect of:-

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 2 June 2017 in respect of ordinary transfers;

b) shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

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

Penang
Date: 28 April 2017

SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

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

2. RATIONALE FOR THE PROPOSED PURCHASED BY P.I.E. INDUSTRIAL BERHAD ("PIE" OR THE "COMPANY") OF ITS OWN ORDINARY SHARES (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 2016, the retained profits of the Company stood at RM28,365,803.

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 RM5,864,000 based on the audited financial statements of PIE as at 31 December 2016. Any funds utilized by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

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

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

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

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 21 March 2017 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 2017				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Ahmad Murad Bin Abdul Aziz	5	negligible	-	-	5	negligible	-	-
Mui Chung Meng[2]	-	-	-	-	-	-	-	-
Chen, Chih-Wen[3]	-	-	-	-	-	-	-	-
Cheung Ho Leung	-	-	-	-	-	-	-	-
Loo Hooi Beng	-	-	-	-	-	-	-	-
Khoo Lay Tatt	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

Substantial Shareholders

	Existing as at 21 March 2017				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 2017				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]	209,500	0.05	-	-	209,500	0.06	-	-

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

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 2017, 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 2017	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. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

7.2 NTA

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

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

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

7.3 Working Capital

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

7.4 Earnings

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

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2017.

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 2017 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 MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE CODE)

Based on the Company's total number of issued shares and the current shareholdings of the substantial shareholder and/or parties acting in concert as at 21 March 2017, none of the substantial shareholder and/or parties acting in concert with it will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

PIE has no intention for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code by any of its substantial shareholder(s) and/or parties acting in concert with them, the Board will ensure that only such number of PIE Shares are purchased, retained as treasury shares or cancelled in the manner that the Code will not be triggered.

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

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

The Company had not purchased, resold or cancelled any shares during the financial year ended 31 December 2016.

10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 21 March 2017, approximately 183,867,495 Shares representing 47.88% 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.

11. DIRECTORS' STATEMENT

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

12. DIRECTORS' RECOMMENDATION

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

13. FURTHER INFORMATION

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

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PROXY FORM

P.I.E. INDUSTRIAL BERHAD (co.no. 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 TWENTIETH 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, 26 May 2017 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 2.6 sen per share for the year ended 31 December 2016.			
2	To declare a First and Final Single Tier Dividend of 2.4 sen per share for the year ended 31 December 2016.			
3	To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2016.			
	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	Mui Chung Meng	Article 98(1)		
5	Chen, Chih-Wen	Article 98(1)		
6	Lee Cheow Kooi	Article 105		
7	To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM30,000 from 31 January 2017 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.			
9	Special Business Ordinary Resolutions To authorise Ahmad Murad Bin Abdul Aziz to continue to serve as Senior Independent Non-Executive Director of the Company.			
10	To approve the resolution pursuant to Authority to Issue Shares			
11	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.			

Signature of Member: .... Signed this on the ....day of 2017

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 17 May 2017. Only a depositor whose name appears on the Record of Depositors as at 17 May 2017 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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AFFIX
STAMP

The Company Secretaries
P.I.E. INDUSTRIAL BERHAD (co.no. 424086-X)
(Incorporated In Malaysia)

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

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P.I.E. Industrial Berhad (co.no. 424086-X)
(Incorporated In Malaysia)

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