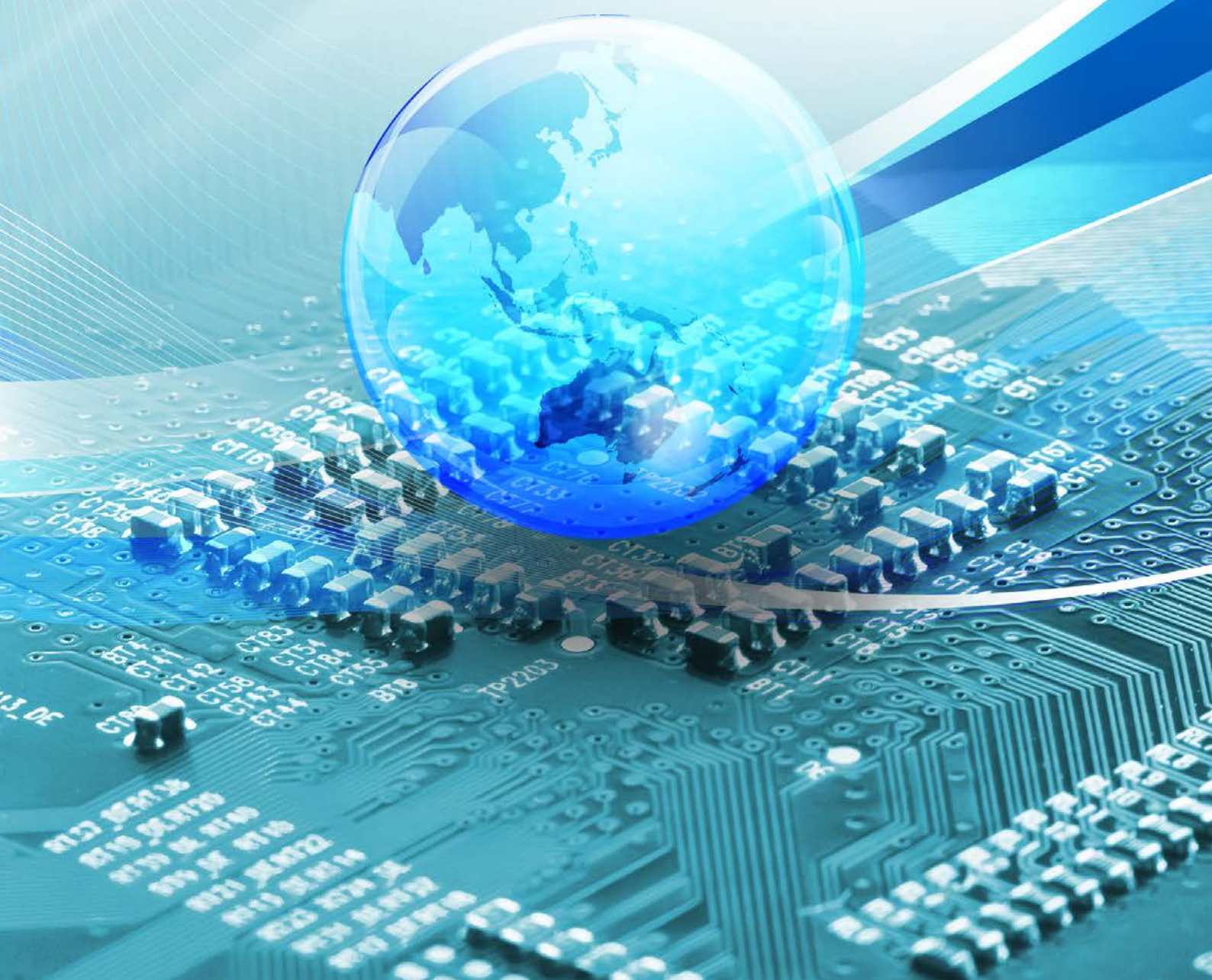




**P. I. E. INDUSTRIAL BERHAD**

(424086-X)

# ANNUAL REPORT 2018



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## BOARD OF DIRECTORS

Khoo Lay Tatt  
*Chairman / Independent Non-Executive Director*

Mui Chung Meng  
*Managing Director*

Chen, Chih-Wen  
*Executive Director*

Loo Hooi Beng  
*Independent Non-Executive Director*

Lee Cheow Kooi  
*Non-Independent, Non-Executive Director*

Koay San San  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Loo Hooi Beng  
*Chairman / Independent Non-Executive Director*

Khoo Lay Tatt  
*Independent Non-Executive Director*

Koay San San  
*Independent Non-Executive Director*

## NOMINATING COMMITTEE

Khoo Lay Tatt  
*Chairman / Independent Non-Executive Director*

Loo Hooi Beng  
*Independent Non-Executive Director*

Lee Cheow Kooi  
*Non-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)

## INTERNET HOMEPAGE

[www.pieib.com.my](http://www.pieib.com.my)

## PRINCIPAL BANKERS

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

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Sector: Industrial Products & Services (*sector renamed w.e.f. 24 September 2018*)  
Stock Name: PIE  
Stock Code: 7095  
(Listed since 7 July 2000)

## REGISTERED OFFICE

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

Tel : 04-640 8933  
Fax : 04-643 8911

## SHARE REGISTRAR

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

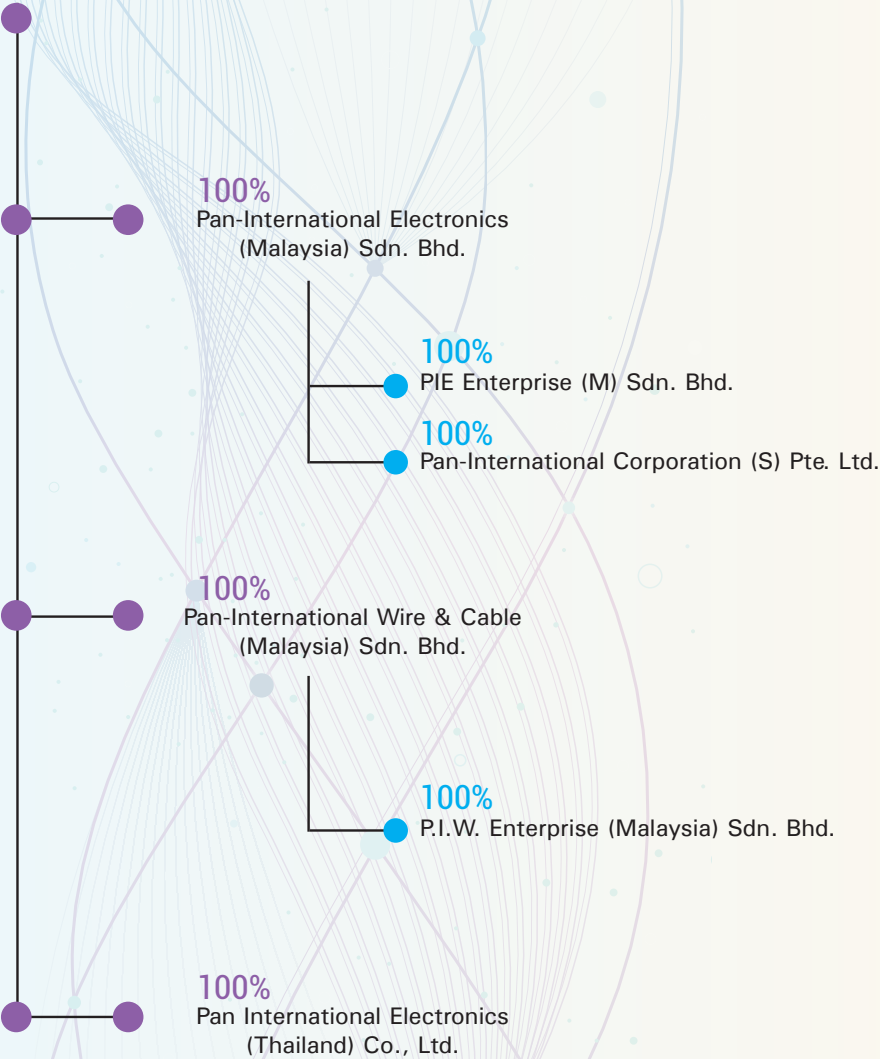
Tel : 04-228 2321  
Fax : 04-227 2391





**P. I. E. INDUSTRIAL BERHAD**

(424086-X)



## GROUP FINANCIAL HIGHLIGHTS

### FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2014 RM	2015 (Restated) RM	2016 RM	2017 RM	2018 RM
Revenue	561,727,156	662,241,280	579,285,255	679,282,536	661,256,531
Profit before tax	50,773,777	79,956,329	45,731,687	63,442,988	55,827,397
Net profit after tax	38,510,555	57,590,177	36,066,161	48,011,011	43,142,040
Shareholders' equity	317,662,660	362,608,423	373,585,363	402,030,162	429,702,491
Net assets	317,662,660	362,608,423	373,585,363	402,030,162	429,702,491
Number of ordinary shares issued as of Dec 31	76,808,397 <sup>∞</sup>	76,808,397 <sup>∞</sup>	384,041,985 <sup>*</sup>	384,041,985 <sup>*</sup>	384,041,985 <sup>*</sup>
Net assets per share	0.83 \$	0.94 \$	0.97	1.05	1.12
Proforma weighted average number of shares	383,871,920 \$	384,041,985 \$	384,041,985	384,041,985	384,041,985
Basic earnings per ordinary share (Sen)	10.03 \$	15.00 \$	9.39	12.50	11.23
Bonus share	1 for 5	-	-	-	-
Net dividend per share (Sen)	25	35	5	6	5 @

<sup>∞</sup> The issued share capital of RM76,808,397 is divided into 76,808,397 Ordinary Shares

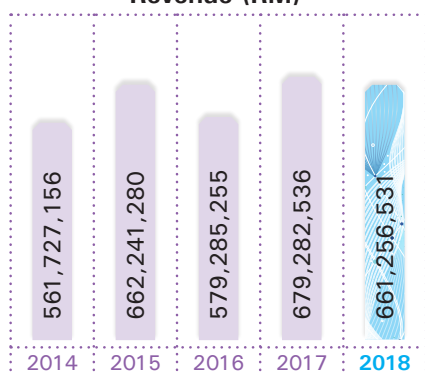
<sup>\*</sup> The issued share capital of RM76,808,397 is divided into 384,041,985 Ordinary Shares

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

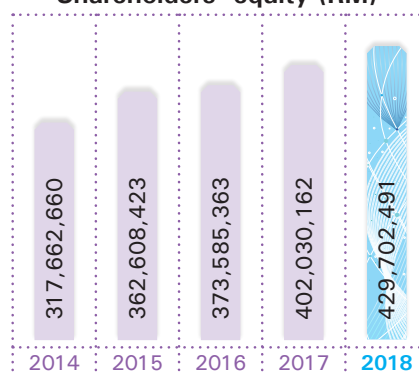
<sup>§</sup> Restated to reflect the followings:

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

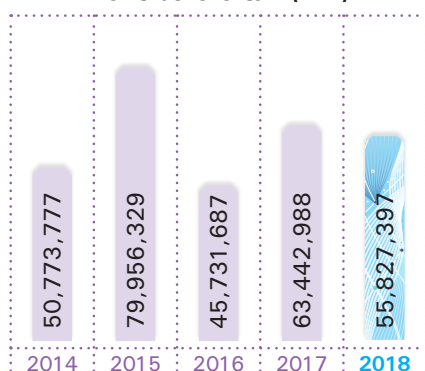
Revenue (RM)



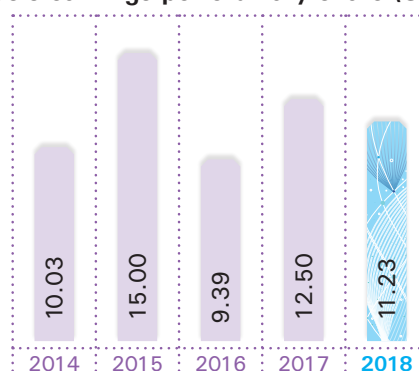
Shareholders' equity (RM)



Profit before tax (RM)



Basic earnings per ordinary share (Sen)



## DIRECTORS' PROFILE

### KHOO LAY TATT

- Chairman / Independent, Non-Executive Director
- Malaysian
- Aged 46
- Male

Khoo Lay Tatt, was appointed to the Board on 2 November 2009 and was redesignated as Chairman of the Company on 1 March 2018. He graduated from Tunku Abdul Rahman College with an Institute of Chartered Secretaries and Administrators (ICSA) Professional Degree and a Diploma in Commerce (Business Management) in 1996.

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

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

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

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

### MUI CHUNG MENG

- Managing Director
- Malaysian
- Aged 67
- 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 62
- Male

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

## LOO HOOI BENG

- Independent, Non-Executive Director
- Malaysian
- Aged 53
- 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, Master Degree of Advanced Business Practice from University of South Australia in 2011 and COSO Internal Control Certificate in 2017. After his graduation in 1992, Mr. Loo began his career in an audit firm until year 1995 and later attached to several companies as senior executive.

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

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

## KOAY SAN SAN

- Independent, Non-Executive Director
- Malaysian
- Aged 36
- Female

Koay San San, was appointed to the Board on 1 March 2018. She graduated from University of Hertfordshire with Bachelor of Accounting and subsequently obtained her Master Degree in International Business from University of Sunderland in December 2008. Upon graduation, she started her career in June 2005 as Company Auditor in an Audit firm and she left the audit firm as Senior Associate. She joined a public listed company as an Accountant. During her tenure, she was involved in numerous corporate exercises undertaken by the said listed company. She left the said listed company and worked in a multi-national company for a short stint.

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

She is also a member of the Audit Committee.

## LEE CHEOW KOOI

- Non-Independent, Non-Executive Director
- Malaysian
- Aged 52
- Male

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

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

He is also a member of the Nominating Committee.

### ADDITIONAL INFORMATION ON THE DIRECTORS

#### *Family relationship with any director and/or major shareholder*

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

#### *Convictions for offences (within the past 5 years other than traffic offences, if any)*

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

#### *Particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any*

None of the Directors were penalized or sanctioned by any regulatory bodies during the financial year.

#### *Conflict of Interest*

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

#### *Securities held in the Company*

The details are disclosed on page 112 of this Annual Report.

## DIRECTORS' PROFILE (cont'd)

### BOARD MEETINGS

The number of Board meetings attended by the respective Directors during the financial year ended 31 December 2018 (FY2018) are as follows:

Name of Directors	Number of Board Meetings Attended / Held	Percentage of Attendance
Khoo Lay Tatt	5 / 5	100%
Mui Chung Meng	5 / 5	100%
Chen, Chih-Wen	5 / 5	100%
Loo Hooi Beng	5 / 5	100%
Lee Cheow Kooi	5 / 5	100%
Koay San San ( <i>Appointed w.e.f. 1 March 2018</i> )	4 / 4	100%

### TRAINING PROGRAMMES

During the FY2018, the training programmes or seminars attended by the Directors (save for Mr. Mui Chung Meng and Mr. Lee Cheow Kooi) are as follows:

Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent
Khoo Lay Tatt	• ISO 9001:2015 QMS Standard Interpretation and Context of Organisation (22 March 2018)	Workshop	1 day
	• Corporate Training: Managing An Effective Environmental, Occupational Safety And Health Committee Training (19 & 26 April 2018)	Workshop	2 day
	• Seminar Percukaian Kebangsaan 2018 (19 November 2018)	Seminar	1 day
Chen, Chih-Wen	• Sales & Service Tax : Impact on Business Operation (23 August 2018)	Seminar	4.5 Hours
	• Industrial 4.0 Smart Factory and Innovation (2 October 2018)	Seminar	5 Hours
Loo Hooi Beng	• Gemba Kaizen organised by PT Japfa Comfeed Indonesia Tbk. (7 & 8 March 2018)	Workshop	16 Hours
	• Internal Audit ISO 9001:2015 organised by PT Japfa Comfeed Indonesia Tbk. (14 & 15 March 2018)	Workshop	16 Hours
	• Adoption of Toyota Management Principles in PT Vale Indonesia Tbk. (25 July 2018)	Seminar	2 Hours
	• Understanding IFRS 9, 15 & 16 (25 October 2018)	Seminar	4 Hours
	• New Online Single Submission (OSS) Registration Rules & Tax Holidays (14 November 2018)	Seminar	2 Hours
Koay San San	• Mandatory Accreditation Programme (12 & 13 February 2018)	Workshop	2 days
	• ISO 9001:2015 QMS Standard Interpretation and Context of Organisation (22 March 2018)	Workshop	1 day
	• Surviving in the coming Financial Crisis (9 August 2018)	Seminar	½ day
	• Exclusive GST to SST Transition (24 August 2018)	Seminar	1 day
	• Sustainability Engagement Series for Directors/Chief Executive Officers (6 September 2018)	Seminar	½ day
	• Seminar Percukaian Kebangsaan 2018 (19 November 2018)	Seminar	1 day
	• Anti Money Laundering & Counter Financing of Terrorism (10 & 12 December 2018)	Workshop	2 days

Mr. Mui Chung Meng and Mr. Lee Cheow Kooi were unable to attend any training in 2018 due to their tight schedule and travel commitments. Nevertheless, they continue to keep themselves abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.



## REMUNERATION

During the FY2018, the detailed disclosure of remuneration breakdown of each Director is as follows:

Name of Directors	Remuneration received from the Company						Remuneration received from Subsidiary Companies				
	Salary (RM'000)	Fees (RM'000)	Bonus (RM'000)	EPF (RM'000)	Other Emoluments (RM'000)	Total (RM'000)	Salary (RM'000)	Bonus (RM'000)	EPF (RM'000)	Benefits-in-kind (RM'000)	Group Total (RM'000)
Khoo Lay Tatt	-	24	-	-	4	28	-	-	-	-	28
Mui Chung Meng	256	-	907	221	3	1,387	86	19	20	10	1,522
Chen, Chih-Wen	70	-	262	63	3	398	37	3	3	7	448
Loo Hooi Beng	-	24	-	-	5	29	-	-	-	-	29
Koay San San (Appointed w.e.f. 1 March 2018)	-	20	-	-	3	23	-	-	-	-	23
Lee Cheow Kooi	-	-	-	-	3	3	-	-	-	-	3
Ahmad Murad Bin Abdul Aziz (Resigned w.e.f. 1 March 2018)	-	4	-	-	1	5	-	-	-	-	5

## KEY SENIOR MANAGEMENT INFORMATION

### HONG YONG PENG

- Assistant General Manager  
*Contract Electronic Manufacturing ("CEM") – Converter Division*
- Malaysian
- Aged 63
- 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 nine (39) 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 47
- Male

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

### CHEAH HENG LYE

- MIS Manager  
*CEM – Electronic Division*
- Malaysian
- Aged 55
- 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 eight (28) 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 58
- Female

Ms. Saw holds a diploma in accounting. She joined PIESB in 1989. She has thirty seven (37) years of experience in accounting, financing and HR's process and compliance. She was appointed as Administration Manager on 1 January 1996.

### LEE CHIN BAN

- Senior Manager – New Product Introduction (NPI)/Engineering/Manufacturing  
*CEM – Electronics Division*
- Malaysian
- Aged 50
- Male

Mr. Lee holds a Bachelor of Electrical and Electronic Engineering degree from University of Malaya. He joined PIESB on 5 March 2018. He has sixteen (16) years of working experience in manufacturing processes particularly on test systems and process engineering.

### ONG TIEW LING

- Head of Supply Chain Support  
*CEM – Electronic Division*
- Malaysian
- Aged 51
- Male

Mr. Ong holds a Bachelor of Business Administration degree from Chung Yuan Christian University. He joined PIESB on 27 June 2018. He has twenty seven (27) years of working experience in production, supply chain management, plant operation and Business Unit Head.



## KEY SENIOR MANAGEMENT INFORMATION (cont'd)

### YONG WENG KIN

- Senior Manager – Business Development  
*CEM – Electronics Division*
- Malaysian
- Aged 49
- Male

Mr. Yong holds a Bachelor of Physics degree from University of Science Malaysia. He joined PIESB on 13 August 2018. He has twenty-three (23) years working experience in Business, Program & Manufacturing Management.

### CHEN, MING-LUNG

- Assistant General Manager  
*Raw Wire & Cable Division*
- Taiwanese
- Aged 63
- 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 seven (37) 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 56
- 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 eight (38) years of working experience in the manufacturing of wire and cable. She was appointed as Factory Manager in division of raw wire and cable on 1 June 1997. She is also a director of PIW and PIWE.

#### ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

None of the Key Senior Management has:

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

### OVERVIEW

P.I.E. Industrial Berhad (“PIE” or the “Company”) was incorporated in Malaysia. PIE and its subsidiaries (the Group) with approximately 30 years of experience specialise in fully vertically integrated “one-stop” Electronics Manufacturing Services (EMS) as well as manufacturing of wires and cables for various industrial applications. The Group has grown steadily to be an excellent global EMS player where we export directly to or indirectly through multinational companies our quality-reliable and price-competitive electronics products and wires and cables to countries in America, Europe, Asia and Asia Pacific.

### FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2018 (FY2018), the Group recorded revenue of RM661.26 million. If compared to RM679.28 million recorded in the financial year ended 31 December 2017 (FY2017), the revenue decreased slightly by 2.7% or RM18.02 million, which is mainly attributable to the loss of scanner project approximately of RM8 million by a major customer who has progressively relocated their assembly plant to Vietnam.

In terms of revenue contribution by geographical locations of the Group's operating entities, Malaysia remained the primary revenue contributor for PIE which generating 94% of the Group turnover, followed by Thailand (3.4%) and Singapore (2.6%). Revenue from local operations decreased 4.6% in FY2018 to RM621.38 million due to transferring of sales from a local trading subsidiary to a subsidiary in Singapore. On the other hand, turnover from operations in Thailand increased 24.3% in FY2018 to RM22.57 million.

The Group recorded profit before tax (PBT) of RM55.83 million in the FY2018. If compared to RM63.44 million in FY2017, PBT decreased by RM7.61 million or 12.0%. The lower PBT in FY2018 was mainly attributable to lower revenue (RM18.02 million), lower reversal of provision for slow moving inventory (RM10.37 million) and lower scrap sales income (RM1.21 million), but was partially offset by higher fair value gain on investment properties (RM5.24 million), higher foreign exchange gain (RM5.18 million), higher interest income (RM0.90 million) and lower operating expenses (RM11.3 million).

In term of segmental PBT, profitability of EMS and manufacturing of wires and cables in Malaysia dropped RM10.05 million or 16.5% in FY2018. Nevertheless, the cable assembly and wire harness in Thailand registered a PBT of RM4.59 million in FY2018, an increase of RM0.86 million or 23.0% as compared to FY2017. It was mainly due to the growth of 24.3% in the wire harness segment.

Consequently, the Group profit after tax (PAT) was RM43.14 million, a decrease of RM4.87 million against FY2017 of RM48.01 million. The decrease of PAT was attributed to the above mentioned reasons.

### CAPITAL STRUCTURE AND RESOURCES

The Group's total assets increased by 13.3% or RM69.45 million to RM592.93 million from RM523.48 million in FY2017. The growth was largely due to additional placement of fixed deposits with licensed banks and short terms money market investment (RM41.41 million) and higher trade receivables (RM9.06 million). The increase of cash holdings arose from financing activities with the short term borrowing of RM36.21 million while the trade receivables was higher as a results of increasing sales during the last quarter in FY2018. Furthermore, the Group generated a strong net cash flow from operating activities. The net cash generating from operating activities jumped almost 6.8-fold from RM7.67 million in FY2017 to RM52.0 million in FY2018.

During the financial year, the Group incurred capital expenditures (CAPEX) amounting to RM20.78 million against RM12.46 million invested in FY2017. In FY2018, CAPEX invested included the purchase of machinery and equipment as well as expansion of factory building to expand production capacity and enhance operational efficiency and effectiveness. In addition, renovation costs were incurred for investment properties to enhance rental value of investment properties.



## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### CAPITAL STRUCTURE AND RESOURCES (cont'd)

The Group's total equity slightly increased by 6.9% or RM27.67 million to RM429.70 million in FY2018 as compared to RM402.03 million in FY2017. The increase in total equity is mainly attributed to higher distributable retained profits as a result of net profit of RM43.14 million and the impact of adopting MFRS 9 to the opening balances by RM6.82 million from the reversal of impairment loss on accounts receivable for the current financial period under review and payment of dividends amounting to RM23.04 million. During the financial period under review, non-distributable reserves also increased by RM0.76 million due to changes in foreign exchange translation reserve. The Group's net assets per share increased to RM1.12 per share in FY2018 from RM1.05 per share in FY2017. Meanwhile, the basic earnings per share for FY2018 and FY2017 are 11.23 sen and 12.5 sen respectively.

In FY2018, the Group's total liabilities increased by 34.4% or RM41.77 million to RM163.22 million from RM121.45 million in FY2017, mostly due to outstanding short term borrowing. Net assets was higher at RM429.70 million in FY2018 as compared to RM402.03 million in FY2017.

The Group's current capital structure as at 31 December 2018 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. Earnings generated from core operational activities are the main sources to the Group's capital accumulation.

### BUSINESS AND OPERATIONAL REVIEW

The EMS department, with 75.5% revenue contribution to the Group, mainly engaged in low volume-high mix production activities for its Original Equipment Manufacturer (OEM) customers, where it needs a variety of electronic components to build complete products for on-time shipments. The global shortage of electronics components started from 2H/2017 and continued in a worse manner to spread over the whole year of 2018. Due to this abrupt issue and slow approval process by customers to change alternate parts, EMS department cannot acquire enough electronic components from customer-approved makers to assemble products for its customers. Therefore on one hand, this department is not able to fully utilize its capacity, on the other hand, it have to pay additional cost in overtime and transportation to cover up delay in delivery commitment. That is the main reason its revenue drop by RM22.4 million or 4.3% if compared with proceeding year and gross margin of products decrease tremendously as well from 7.5% to 5.8% for the year under review. The global shortage of electronic material has recovered gradually by end of 2018 and is expected to further lower its pressure to the global electronics industry in 1H/2019. To ensure a more competitive pricing structure and shorter delivery time for customers, this department continue to apply full scale of Lean Manufacturing technology to production lines for strengthening of its manufacturing efficiency. Through on-going business negotiations with new customers from beginning of 2018 and potential opportunities of business transfer from China due to USA-China trade war, we foresee many new projects will probably be realized from 2019 onwards. So from Q3/2018, we started to expand additional 10 Surface-Mount-Technology (SMT) production lines for future shipment demand. The expansion is expected to be completed before May of 2019 to own a total capacity of 24 SMT production lines in current factory.

The raw wire and cable manufacturing department in Malaysia contribute 18.3% revenue to the Group. This department runs its operations mainly by machines intensified model and use of skilled workers in a relatively stable and manageable environment. Due to its design capability and satisfactory product quality, it can always pass on increasing cost of raw material, mainly Copper and PVC, to its customers. To be fully compliant with recent zero-reject quality requirement under UL certification, this department has incurred additional operational cost in 2018 and therefore transferred such cost by increasing their selling price to their customers. It also had an investment in new Twin Screw PVC Compounding machine to increase its capacity by 30% and enhance its product quality and satisfaction to customers. In 2018, this department has increased indirect sale to supply chain of an electrical product manufacturer in Singapore from 5% in 2017 to 15%. This also continues to improve its product margin from 8.8% of 2017 to 11.7% for the year under review and coming years.

The wire harness and cable assembly in Thailand contribute 3.4% revenue to the Group. With investment in plastic injection machines and SMT production lines from 2017, this department has diversified its products to plastic parts for Thai customers and print-circuit-board assembly (PCBA) to strengthen shipment flexibility for Group's EMS activities. Even though faced with strengthening of Thai Baht vs USD in 2018, it strives to improve manufacturing process with innovative correction plan to solve delivery commitment. Given steady revenue growth from its existing customers, this department registered a 24.3% and 23.0% growth in revenue and PBT respectively if compared with preceding year. This department aims to get more orders of plastic parts and PCBA in coming years from Thai market after it gets enough drill and training in related area and overcome learning curve for material requirement planning.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### BUSINESS AND OPERATIONAL REVIEW (cont'd)

For trading activities mainly handled by marketing subsidiary in Singapore contributes 2.8% revenue to the Group in 2018. Its current operations are to promote products of ultimate holding company to customers in Malaysia and consolidate purchase of electronic material for Group wire harness and cable assembly in Thailand. Due to lack of attractive products from parent company, this department can expect very flat performance in coming years, just as it did in 2018.

### ANTICIPATED OR KNOWN RISKS AND MITIGATION

#### *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 customers' internal requirements, failure to fulfil customer's expectation in terms of pricing and quality, growing of capable competitor and so on.

The risk of dependence of key customers is mitigated by our continuous effort to improve our full integration of "one-stop" EMS hardware and 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, Japan 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 lead to significant impact to the Group's bottom line. 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 the impact from foreign currency exchange. To minimise the risk exposure, the Group's finance team will closely monitor the movement of foreign currency and optimising the account receivables and account payables denominated in USD with aid of financial institutions.

### OUTLOOK, PROSPECTS AND FUTURE CHALLENGES

With the prospect of more orders 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 in both revenue and profit. Moreover, the Group benefits from the trade war between USA and China as lots of enquiries received especially from China market. The Group strive to expand its customer base to China in the coming years with these opportunities arising from USA-China trade war.

To further improve production efficiency and productivity, the Group plans to incorporate process of automation project and invest in automated machinery where economically feasible. By integrating the automation process in the production for the coming years, the Group expects lower labour cost incurred which is in line with reducing number of direct labour in the Group's workforce.

The uncertainties in the fluctuation of foreign currency exchange, most particularly USD against RM and foreign workers hiring policy such as minimum wages, levies on hiring foreign workers and so on remain as the major challenges to the Group. The Group will gradually transfer some of the production lines in Malaysia to Thailand in order to mitigate the risk of uncertainties in the foreign workers hiring policy.

We endeavour to further enhancing innovation and extending our vertical integration capabilities while enhancing more automation to deliver the best value to our customers, employees, shareholders as well as other stakeholders. Barring any unforeseen circumstances, the Group is optimistic to achieve better performance in both revenue and profit for the financial year 2019 compared to FY2018.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### DIVIDEND

The Board of Directors (Board) of the Company has recommended the following dividends, in respect of the FY2018 for the approval of shareholders at the coming 22<sup>nd</sup> 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.

This statement was made in accordance with a resolution of the Board dated 15 April 2019.

## AUDIT COMMITTEE REPORT

The Board of Directors (Board) is pleased to present the Audit Committee (Committee) Report for the financial year ended 31 December 2018 (FY2018).

### COMPOSITION

The present members of the Committee comprise:

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

**Member :** Khoo Lay Tatt (Independent Non-Executive Director)  
Koay San San (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.

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

### ATTENDANCE OF MEETINGS

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

Name of Director	Number of Meetings Attended / Held	Percentage of Attendance
Loo Hooi Beng	5/5	100%
Khoo Lay Tatt	5/5	100%
Koay San San (Appointed w.e.f. 1 March 2018)	4/4	100%

### SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

The activities carried out by the Committee during the FY2018 in the discharge of its duties and responsibilities are as follows:

#### 1. Financial Reporting

- a. In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of 2018 and noted the annual audited financial statements of 2018 at its meeting held on 27 February 2019 and 22 March 2019 respectively.

The quarterly financial statements for the first, second and third quarters of 2018, 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 25 May 2018, 17 August 2018 and 5 November 2018 respectively. On 27 February 2019, the Committee reviewed the quarterly financial statements for the fourth quarter of 2018. The Committee's recommendations were presented for approval at the subsequent Board meeting.



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

#### 1. Financial Reporting (cont'd)

- b. To safeguard the integrity of information, the Group Financial Controller of the Company, who is also the director primarily responsible for the financial management of the Group had, on 25 May 2018, 17 August 2018, 5 November 2018 and 27 February 2019, gave assurance to the Committee that:
- Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IASs and Main LR; and
  - The Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2018.

#### 2. External Audit

The Committee had on 23 February 2018, 30 March 2018, 5 November 2018, 27 February 2019 and 22 March 2019 respectively met with Messrs. Grant Thornton (GT), the External Auditors without the presence Executive Members.

On 23 February 2018, the Committee noted that the identified Key audit matters by the External Auditors, to be presented in its Independent Auditors' Report. The External Auditors continued present to the Committee on the fundamental change with the adoption of *MFRS 15 Revenue on Contracts with Customers* and *MFRS 9 Financial Instruments* effective from 1 January 2018.

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

On 5 November 2018, the External Auditors tabled the Audit Planning Report prior to the commencement of audit of financial statements for FY2018, more particularly outlined the nature and scope of audit, audit timetable, recent development of the Group, list of management communication term and audit engagement team to the Committee. The Committee deliberated on key areas of audit focus raised by the External Auditors and the action plans required during the audit. Besides, the Committee noted the updates of Main LR and Financial Reporting Standards which are applicable to the Group.

On 27 February 2019, the External Auditors presented the Audit Findings Report for the FY2018 (AFR) for the Committee's notation and discussion, inter alia, updating the status of audit findings for FY2018 and also, some pending information/documents in relation thereto. The Committee deliberated on audit issues raised by the External Auditors and the action plans required to address those issues. During the same meeting, the External Auditors confirmed that the engagement team and others in the firm, as appropriate, the firm, and when applicable, network firms have complied with the relevant ethical requirements regarding independence, including the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities. At the same meeting, the External Auditors also briefed the Committee on the Status of Audit Exit Meeting FY2018 of the Group.

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

#### 2. External Audit (cont'd)

On 22 March 2019, the Management together with the External Auditors briefed the Committee on the Draft Audited Financial Statements FY2018 before the same being proposed for the Board's approval. The External Auditors also informed the standards which effective for financial periods beginning on or after 1 January 2019, amongst others, *MFRS 16 Leases* and *MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement*. Also, at a separate session held together with the Internal Auditors (without the presence of the Executive Members), the External Auditors noted the Internal Audit Plan 2019 was approved by the Committee and also shared the areas of concern with the aim of further strengthening the Group's controls and improving efficiencies.

At the same Meeting, copies of the External Auditors Evaluation Form in respect for the FY2018 were being distributed at the Meeting for review (the Assessment). The Assessment was guided by the External Auditors Evaluation Form as recommended by CG Guide the 3<sup>rd</sup> edition. Evaluation aspect in relation to the re-appointment including Calibre of the External Audit Firm, Quality Processes/ Performance, Audit Team, Independence and Objectivity, Audit Scope and Planning, Audit Fees and Audit Communications.

The Committee concluded that based on the Assessment, amongst others as set out below, the External Auditors Performance for year 2018 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 22<sup>nd</sup> AGM:

- after having satisfied with its audit independence and the performance of GT throughout its course of audit FY2018;
- satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of GT and audit engagements.

#### 3. Co-ordination between the Internal and External Auditors

Via the meeting held on 23 February 2018, the Committee had agreed and requested that the Internal Auditors and External Auditors to meet at least once yearly to discuss the audit areas to further strengthen the Group's control measures. The first meeting between the Internal Auditors, External Auditors and the Committee was held on 30 March 2018. At the Meeting, the Committee was informed that the External Auditors has gone through all the Internal Audit Report for FY2017 and noted the status of the audited areas as well as the follow-up findings of previous audits.

On 22 March 2019, the Committee was informed that the External Auditors noted the approved Internal Audit Plan 2019 and also shared the areas of concern with the Internal Auditors.

### SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The Group has engaged the services of an independent professional accounting and consulting firm throughout FY2018 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. On 5 November 2018, BDO Governance Advisory Sdn. Bhd. (BDO GA) was appointed by the Committee to perform the Internal Audit function for the Group in place of Finfield Corporate Services Sdn. Bhd. (FCS). FCS/BDO GA 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 Group's internal audit function for FY2018 was RM39,160.

FCS presented its findings together with recommendation and management action plan to the Committee for review on 23 February 2018, 25 May 2018 and 17 August 2018 respectively. Besides, the Committee also follow up from time to time the updates and corrective actions by the Management on weaknesses reported in the prior quarters. FCS also was invited on 30 March 2018, for the meeting with the Committee and the External Auditors.

## AUDIT COMMITTEE REPORT (cont'd)

### SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION (cont'd)

FCS performed the followings during its engagement period for the Group:

- Prepared the risk management reports, discussion with the management and Committee Chairman on corrective actions to mitigate such risks.
- Performed annual internal 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. Principal business processes and areas audited comprised revenue, purchasing, treasury, inventory management, human resource and information technology.
- Reported directly to the Committee the 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.

BDO GA presented its findings together with recommendation and management action plan to the Committee for review on 27 February 2019. At the same Meeting, the Committee also approved the main audit cycles of the Internal Audit Plan 2019 as tabled by BDO GA, for adoption.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

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

The Board of Directors of PIE (Board) is required to address Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance ("MCCG" or the "Code") in the Statement on Risk Management and Internal Control for the financial year ended 31 December 2018 (FY2018) which was prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the Guidelines) which is issued by the Taskforce on Internal Control.

## BOARD RESPONSIBILITY

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

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

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

The Board has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) to oversee all matters with regards to risk and control. Risk-related and internal control matters which require the attention of the Board were recommended by the RMC and AC to the Board for its deliberation and approval.

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

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

## RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of business operations and continuously identifies various risk factors that could have a potentially significant impact on the Group's business objectives and the management of its daily operations.

The Board has adopted the Enterprise Risk Management (ERM) framework for all major subsidiaries to ensure that the Group's assets are well protected and shareholders' value is enhanced. The Board is assisted by the RMC in ensuring that there is an on-going risk management process undertaken to identify, assess and evaluate the risks. The RMC consists of an Independence Non-Executive Director, Mr. Loo Hooi Beng and Department/Section Heads from each major business units of the respective major subsidiaries.



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

### RISK MANAGEMENT FRAMEWORK (cont'd)

The management of the respective major subsidiaries have identified and evaluated the significant risks faced by the Group concerning their respective business units and ensure that appropriate risk treatments were established into their business processes to mitigate those risks affecting the achievement of the Group's business objectives. After the RMC meeting, a risk management report was provided to the management of the respective major subsidiaries to enable them to review and monitor the risk profiles and implement the action plans as discussed in the meeting. The risk profiles and status of the action plans are reviewed by the RMC on a yearly basis.

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

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

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

1. Information gathering	<ul style="list-style-type: none"><li>To obtain relevant information through the following methods:<ul style="list-style-type: none"><li>a) Interviews and discussion conducted with the Managers and Officers of the major subsidiaries to gather information on and to gain insight of the operating environment of the company.</li><li>b) Audited and draft financial statements.</li><li>c) Previous risk management reports.</li></ul></li></ul>																																													
2. Risk identification	<ul style="list-style-type: none"><li>Identify risks that affect the Group in business activities from the information gathered.</li><li>Enable early detection of risk and ensure sound risk management practices are in place to manage the risk and appropriate actions are taken to mitigate the Group’s exposure to risk.</li><li>Four risk categories such as strategic, operational, financial and compliance.</li></ul>																																													
3. Risk quantification	<ul style="list-style-type: none"><li>The risks identified are then quantified for their impact on the organization.</li><li>The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, medium risk and low risk.</li><li>A risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores.</li><li>The risk will be mapped into the following risk heat-chart:</li></ul> <table><tr><td rowspan="5">LIKELIHOOD</td><td>5</td><td>M</td><td>M</td><td>H</td><td>H</td><td>H</td></tr><tr><td>4</td><td>M</td><td>M</td><td>M</td><td>H</td><td>H</td></tr><tr><td>3</td><td>L</td><td>M</td><td>M</td><td>M</td><td>H</td></tr><tr><td>2</td><td>L</td><td>L</td><td>M</td><td>M</td><td>M</td></tr><tr><td>1</td><td>L</td><td>L</td><td>L</td><td>M</td><td>M</td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td></td><td></td><td colspan="5">IMPACT</td></tr></table>	LIKELIHOOD	5	M	M	H	H	H	4	M	M	M	H	H	3	L	M	M	M	H	2	L	L	M	M	M	1	L	L	L	M	M			1	2	3	4	5			IMPACT				
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## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### RISK MANAGEMENT FRAMEWORK (cont'd)

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

4. Risk responses	<ul style="list-style-type: none"> <li>For each risk identified, the management will have one or more of the following response options:               <ol style="list-style-type: none"> <li><u>AVOID</u> the risk by not proceeding with an activity which generates the risk.</li> <li><u>TREAT</u> the risk by applying controls to minimize the likelihood or impact of the risk.</li> <li><u>TRANSFER</u> the risk by sharing the impact of the risk with outside parties such as insurance or joint venture.</li> <li><u>TOLERATE</u> the residue (balance) risk if it is within the organization's risk appetite.</li> </ol> </li> </ul>
5. Control strategies – identify, develop and implement	<ul style="list-style-type: none"> <li>The relevant control strategies are identified for each type of risk response applied.</li> <li>Develop quantitative and qualitative controls including risk limits and thresholds to oversee and manage the risk identified.</li> <li>Implement risk mitigation actions aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.</li> </ul>

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

### KEY ELEMENTS OF INTERNAL CONTROL

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

- Group Organisational Structure**

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

- Oversight by Respective Board Committee**

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

- Limits of Authority**

Appropriate authority limits imposed on management as well as executive directors in respect of the day-to-day operation, investment, acquisitions and disposal of assets. This provides a sound framework of authority and accountability within the Group.

- Standard Operating Policies and Procedures**

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

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

### KEY ELEMENTS OF INTERNAL CONTROL (cont'd)

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

- **Periodical Meetings**

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

The Managing Director and Chief Financial Controller are required to provide reasonable assurance to the Board that Group's risk management and internal control system are operating adequately and effectively in all aspects, based on the risk management and internal control system of the Group.

The Executive Directors are also responsible for ensuring that the appropriate accounting policies are adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements of the Group is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the MFRSs, IASs and Main LR to ensure that the Quarterly Condensed Consolidated Financial Statements of the Group do not contain material misstatements and give a true and fair view of the financial position of the Group.

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

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

- **Human Resource Guidelines**

There are guidelines for hiring and termination of employment and annual performance appraisal on employees of the Group. Appraisal is helpful to make informed decision on promotion, increment, job changes or termination and further improve the productivities of the Group. Employees are encouraged to attend formal training and development programmes to ensure that employees acquire the necessary competencies to carry out their respective duties and responsibilities in achieving the Group's business objective.

- **Whistleblowing Policy**

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

- **Internal Audit Function**

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

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

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

### ASSURANCE FROM MANAGEMENT

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

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Main LR and pursuant to the scope set out in the Recommended Practice Guides (RPG) 5 (Revised 2015) issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FY2018. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems within the Group.

### CONCLUSION

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

This statement was made in accordance with a resolution of the Board dated 15 April 2019.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (Board) of P.I.E. Industrial Berhad ("PIE" or the "Company") presents this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices of the Company under the leadership of the Board throughout the financial year ended 31 December 2018 (FY2018). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance ("MCCG" or the "Code").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and it is to be read together with the CG Report 2018 of the Company (CG Report) which is available on PIE's website at [www.pieib.com.my](http://www.pieib.com.my).

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the FY2018.

### EMBRACING THE CG CULTURE

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

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

The Board is pleased to disclose the key focus areas in which the Company has applied throughout the FY2018 in relation to the 3 Principles as set out in the Code:

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

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

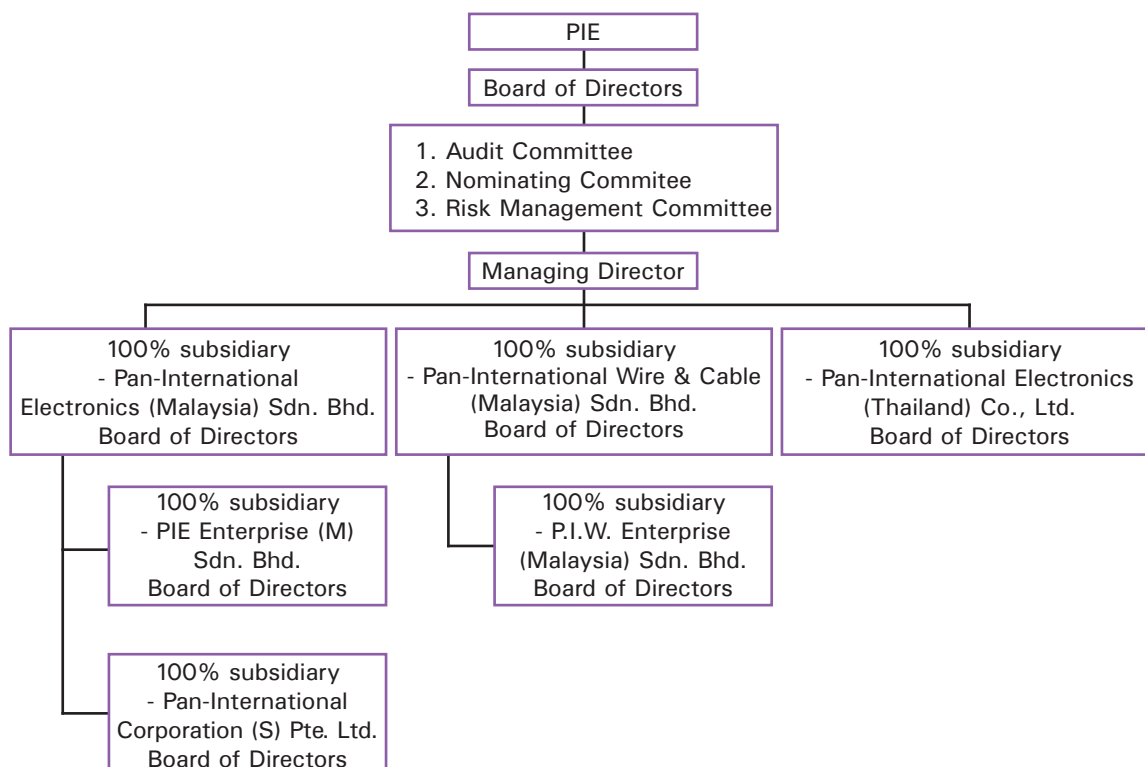
#### I. Board Responsibilities

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

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

**I. Board Responsibilities (cont'd)**

In order to ensure effective discharge of the functions and responsibilities of the Board, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees i.e. the Audit Committee, Nominating Committee and Risk Management Committee, the Managing Director (MD) and the Senior Management of the Company, as depicted below:



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

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

The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance and compliance. During the year 2018, the Company continued the practice of conducting Audit Committee meeting before Board Meeting to allow discussion on any issues raised by the External Auditors and/or Internal Auditor for the Board's attention. All members of the Board and Board Committee received complete agenda and documents relevant to the meetings at least 7 days in advance to allow them to have sufficient time to review for effective discussion and decision making during the meetings. To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year. The meeting calendar for the proposed Board meetings in the year 2019 was circulated on 11 December 2018.

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

**I. Board Responsibilities (cont'd)**

The positions of the Chairman and MD are held by different individuals with clear and distinct roles which are documented in the Board Charter of PIE. The Board Charter serves as a primary reference for perspective and existing Board members of their fiduciary duties as Directors of the Company, the responsibilities of the Board Committees and the leadership function of the Board. The Board Charter will be reviewed periodically to ensure its relevance and compliance. The Board last reviewed its Charter on 27 February 2019 and the revised Board charter is available at its corporate website.

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

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

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

**II. Board Composition**

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

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

- Vide an assessment conducted on 23 February 2018, the Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively and the size of the Board remain relevant in the current size of the Group.
- On 27 February 2019, an assessment of the effectiveness of the Board, respective Board Committee and Independence were carried out in respect of the FY2018. 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.

The Board is of the view that the appointment of Board member or management should be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background as well as gender. The Board will maintain or appoint more female board and key senior management representation in future which to be in line with the Code.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

#### II. Board Composition (cont'd)

The skillsets and diversity of the Board are as follows:

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

As of 31 December 2018, the Board composition is as follows:

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

Tenure of Independent Non-Executive Directors	Composition
9 - 12 years	2
> 1 year	1

Gender	Composition
Male	5
Female	1

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

#### II. Board Composition (cont'd)

As of 31 December 2018, the Board composition is as follows (cont'd):

Race / Ethnicity	Composition
Bumiputra	0
Chinese	5
Foreign	1

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

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs.

#### III. Remuneration

The Board has in place policies and procedures to determine the remuneration of Directors. Given the present size of the Board, the Board has decided not to set up a remuneration committee as recommended by the Code. The Remuneration Policy is available on the Company's corporate website at [www.pieib.com.my](http://www.pieib.com.my).

The detailed disclosure on named basis for the remuneration of individual Directors and Top Five Senior Management of the Group for the FY2018 are disclosed in the Directors' Profile of this Annual Report and CG Report respectively.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit Committee

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

The Board noted on the practice that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. Nonetheless, there was no former key audit partner being appointed as an Independent Director or member of Audit Committee. To be in line with the Code, Practice 8.2 of the MCCG was incorporated in the Terms of Reference of the Audit Committee on 30 March 2018.

The Audit Committee has adopted the policies and procedures to access the suitability and independence of External Auditor. The Audit Committee is guided by, amongst others, External Auditors Evaluation Form recommended by MCCG Guide 3<sup>rd</sup> Edition and Paragraph 15.21 of the Main LR.



**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)**

**II. Risk Management and Internal Control Framework**

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

A Risk Management Committee's Meeting chaired by Mr. Loo Hooi Beng was held on 23 February 2018, to discuss and review on the risks of the major subsidiaries with the Department Heads or Sections Heads and the internal auditors, and the said discussion/review are as set out in the Risk Management Report dated 28 February 2018. The Company has engaged an external professional firm to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the risk management and internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors.

On 22 March 2019, the Board received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system in place during 2018, is operating adequately and effectively to safeguard the Group's assets, as well as shareholders' investments, and the interests of other stakeholders.

Further details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

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

**I. Communication with Stakeholders**

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

**II. Conduct of General Meetings**

The Board acknowledges that Annual General Meeting (AGM) is an important means of communicating with its shareholders. Therefore, PIE dispatched its notice of the 21<sup>st</sup> AGM to shareholders at least 28-days before the AGM, which is in line with Practice 12.1 of the Code. Shareholders are given sufficient time to make arrangement to attend the general meeting either in person or by corporate representatives, proxies or attorneys.

At the 21<sup>st</sup> AGM of the Company held on 25 May 2018, all members of the Board, representatives of the Management and external auditor attended the meeting to respond to the questions raised by the shareholders or proxies.

At the same AGM, PIE leveraged on technology to facilitate electronic voting (e-voting) for the conduct of poll on all resolutions proposed. Announcement of the detailed results of the poll voting had been made to the public via Bursa LINK on the same day for the benefit of all shareholders.

This statement was made in accordance with a resolution of the Board dated 15 April 2019.

## SUSTAINABILITY STATEMENT

P.I.E. Industrial Berhad (“PIE” or the “Group”) recognises that all businesses play a critical role to bring about impactful changes on the economic conditions of stakeholders and economic systems at local, national as well as global levels, the natural environment including land, air and water, and the communities within which we operate. Our Sustainability Statement (the Statement) communicates our initiatives in addressing sustainability matters to our shareholders and stakeholders.

The Statement will cover the business operation of two of its Malaysian subsidiaries, namely Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) (collectively known as “PIE” or the “Group” in this Statement), as these subsidiaries contribute approximately 94% of the Group’s total revenue. The scope of the Statement covers the period from 1 January 2018 to 31 December 2018, unless otherwise stated.

This Statement is prepared in accordance with the Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and guided by the Sustainability Reporting Guide and Toolkits issued by Bursa Securities.

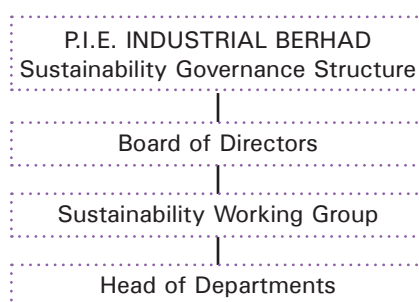
### SUSTAINABILITY WITHIN OUR BUSINESS

PIE recognises the importance of developing its business in good faith, innovations and pursuing of excellence. As a responsible organisation, PIE ensures high standards of governance across our entire operations, promote ethical business practices, maintain a safe and healthy working environment for our employees, provide customers with excellent products and services, work with suppliers in reducing resource consumption and satisfy the social needs of the community and nation.

Materiality assessment was initiated by PIE’s Sustainability Working Group (SWG) to determine the areas that matter most to our business and stakeholders. There are thirteen (13) material matters have been categorised according to their impact on the Sustainability Pillars of Economic Growth, Environmental Management and Social Contribution. PIE is guided by the Sustainability Pillars which is integrated into the Group’s strategy. Hence, we are able to incorporate sustainability practices and initiatives into our day-to-day business operations and contribute to achieve sustainable development globally through the 17 Global Goals set by the United Nations, without compromising the Group’s ability to carry out our business.

### SUSTAINABILITY GOVERNANCE STRUCTURE

Our sustainability governance structure is depicted as follow:



Setting the tone from the top, the Board of Directors of PIE (the Board) is responsible for setting the sustainability strategies and overseeing the management of sustainability matters to ensure our goals are met through the sustainable manners integrated into our business operations.

SWG was formed in year 2017 and chaired by the Group Financial Controller. SWG oversees the implementation of sustainability strategies and evaluates overall sustainability related risks and opportunities.

SWG is supported by the Head of Departments from various functions within the Group such as human resources, finance, supply chain, warehouse, quality control, business development and productions. They are responsible for monitoring of sustainability initiatives and reporting on the performance of processes and controls associated with managing the sustainability matters.

## STAKEHOLDER ENGAGEMENT

At PIE, we value the inputs of our stakeholders and continuously communicate with them to gain a better understanding of their interests and concerns in our business. We have identified the key stakeholders i.e. our investors/shareholders, employees, customers, suppliers, government and regulators and the local communities. A summary of the stakeholders we engaged with, the methods of engagement with frequency, the areas of interest and our goals is shown in the following table:

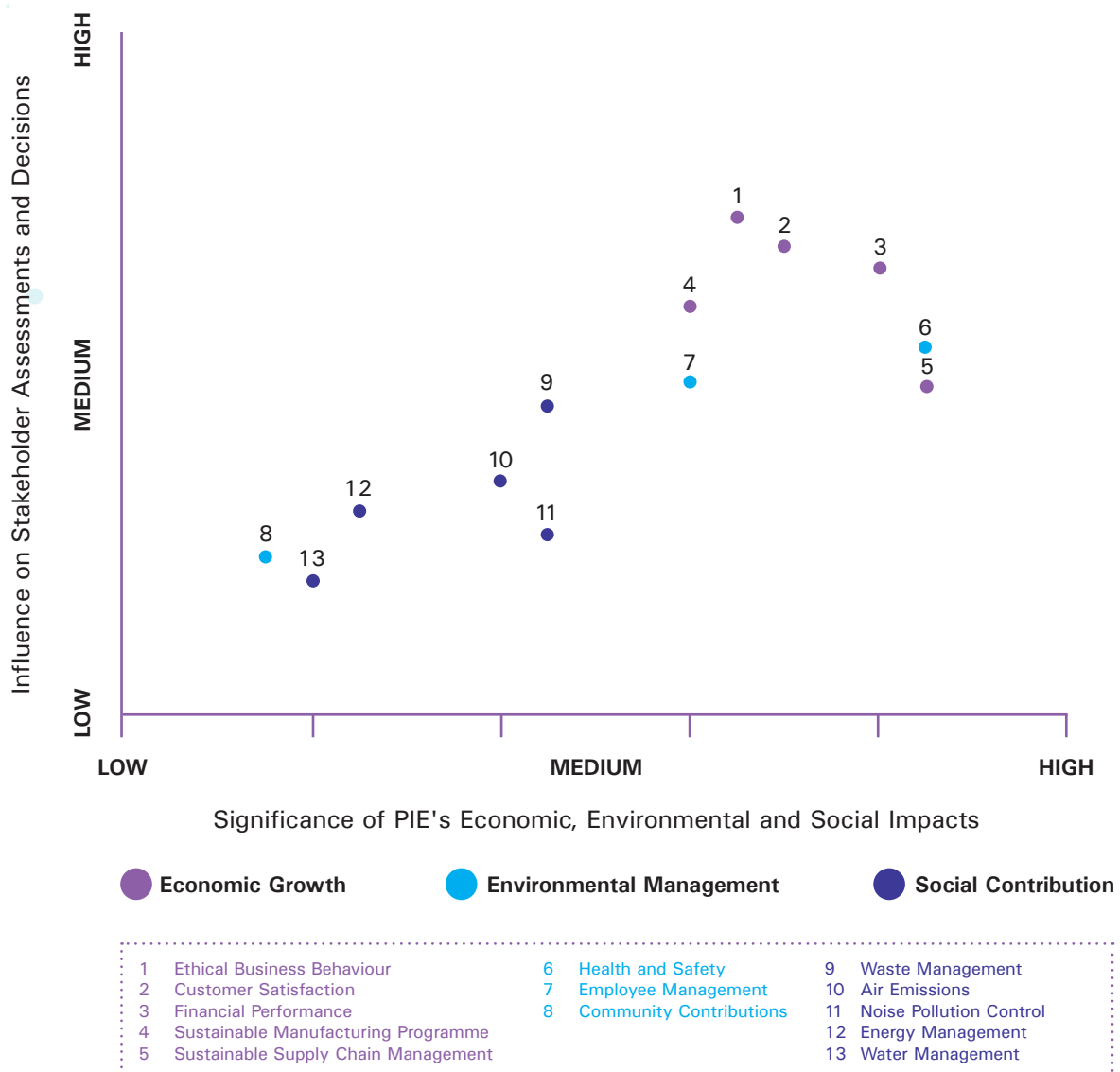
Stakeholder	Engagement Methods	Frequency	Areas of Interest	Our Goals
Investors/ Shareholders	<ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Annual Reports</li> <li>Interim results</li> <li>Public announcement</li> <li>Corporate website</li> <li>Press release</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>Ongoing</li> <li>Ongoing</li> <li>As required</li> </ul>	<ul style="list-style-type: none"> <li>Operational and financial performance</li> <li>Shareholder value (e.g. dividend and capital gain)</li> </ul>	To provide reliable disclosures on the interim financial reports that complied with relevant laws and regulatory requirements and timely updates of business performance and corporate developments.
Employees	<ul style="list-style-type: none"> <li>Performance appraisals</li> <li>Learning and development programmes</li> <li>Formal meeting and group discussion</li> <li>Corporate organised events</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration</li> <li>Career development and training opportunities</li> <li>Workplace safety and health</li> <li>Fair employment practices</li> </ul>	To provide a safe and healthy workplace with good employee welfare, equal employment opportunities and job-related training.
Customers	<ul style="list-style-type: none"> <li>Customer audits</li> <li>Customer satisfactory survey</li> <li>On-site visits at the Group's premises</li> <li>Face-to-face interactions</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Annually</li> <li>Ongoing</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Production capacity</li> <li>Customer services</li> </ul>	To build strong relationship with our customer through regularly efficient communication, ensure customer satisfaction with our products and services, seek continuous feedback and adherence to quality performance standards.
Suppliers	<ul style="list-style-type: none"> <li>Supplier selection through pre-qualification</li> <li>Key supplier audit</li> <li>Supplier survey form</li> <li>Briefings and meeting</li> </ul>	<ul style="list-style-type: none"> <li>As required</li> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Agreeable contracts</li> <li>Terms of payments</li> <li>Maintaining long term partnerships</li> </ul>	To uphold fair and responsible procurement practices across the supply chain.
Government and regulators	<ul style="list-style-type: none"> <li>Official visit and meeting</li> <li>Participation in government programmes</li> </ul>	<ul style="list-style-type: none"> <li>As required</li> <li>As required</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with applicable laws and regulations</li> <li>Economic, Environmental and Social impacts</li> </ul>	To comply with all applicable laws and regulations.
Local communities	<ul style="list-style-type: none"> <li>Donation and sponsorship</li> <li>Participation in local community activities</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Creation of employment</li> <li>Community development</li> <li>Environment protection</li> </ul>	To fulfil our responsibility as a responsible corporate citizen.

### MATERIALITY ASSESSMENT

A materiality assessment process was conducted in year 2017 by SWG to identify economic, environmental and social risks and opportunities (sustainability matters) which have significant impact on and substantively influence our stakeholders' decisions and interests. Vide the assistance of the Sustainability Reporting Guide and Toolkits issued by Bursa Securities, we have identified a list of sustainability matters relevant to the industry we operate in. Subsequently, the list of sustainability matters was prioritised by senior management in accordance with the materiality that would have greater impact on our business and stakeholders.

The results of the materiality assessment are portrayed in Materiality Matrix, as depicted in the following Diagram.



































#### MATERIALITY MATRIX



## SUSTAINABILITY STATEMENT (cont'd)

### MATERIALITY ASSESSMENT (cont'd)

Details of our sustainability initiatives towards managing these material matters are categorised across three main themes i.e. creating value through innovation, human capital development and environmental friendly awareness, as discussed in the subsequent sections of this Statement. We have also linked each material matter to the Sustainability Pillar and mapped it against the United Nations Sustainable Development Goals (SDGs) as shown in the table below.

Themes	Material Matters	United Nations Sustainable Development Goals	Sustainability Pillars
Creating Value through Innovation	Financial Performance		Economic Growth
	Customer Satisfaction	 	Economic Growth
	Ethical Business Behaviour		Economic Growth
	Sustainable Manufacturing Programme	  	Economic Growth
	Sustainable Supply Chain Management	 	Economic Growth
Human Capital Development	Employee Management	     	Social Contribution
	Health and Safety	 	Social Contribution
	Community Contributions	 	Social Contribution
Environmental Friendly Awareness	Waste Management	  	Environmental Management
	Air Emissions	  	Environmental Management
	Noise Pollution Control	 	Environmental Management
	Energy Management	   	Environmental Management
	Water Management	  	Environmental Management

### CREATING VALUE THROUGH INNOVATION

At PIE, we focus on innovation in our products, processes, workforce and technology, which gives us a competitive advantage in delivering quality products and services. Through our effort on innovation, we are able to fulfill customers' demands by offering enhanced products, developing innovative solutions for customer's operations and lowering of costs that can be beneficial to us and our customers.

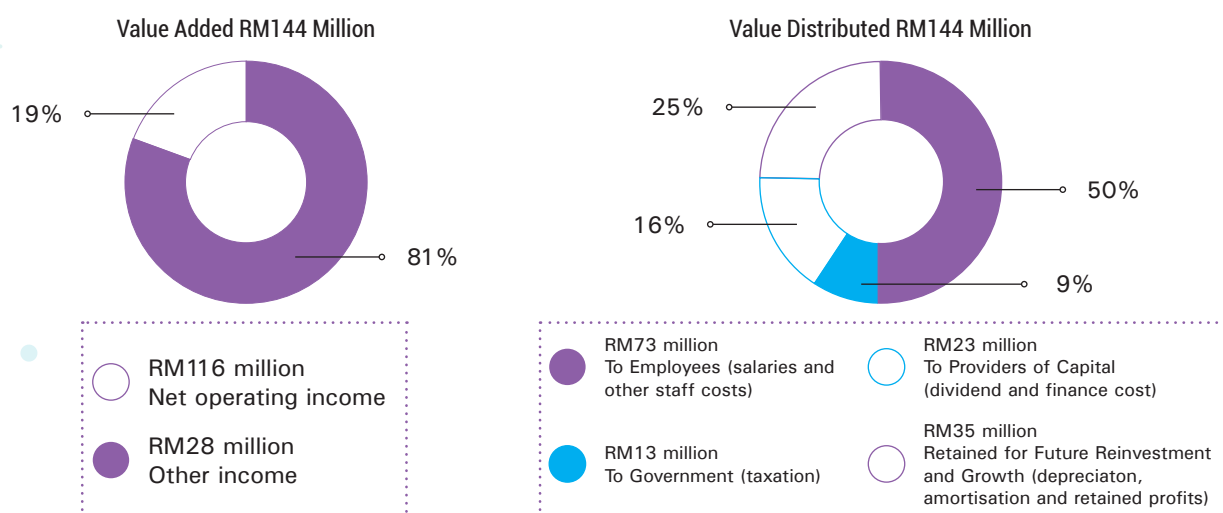


## CREATING VALUE THROUGH INNOVATION (cont'd)

### Financial Performance

Our financial growth is continuously supported by our stakeholders' confidence in our ability to create differentiated value to our investors and stakeholders through enhanced product offerings and innovative solutions. We strive to achieve long term growth and business profitability as well as maintaining our preferred supplier status by providing fully vertically integrated one-stop Electronics Manufacturing Service (EMS) facilities.

During the reporting year under review, the Group registered revenue of RM661 million, profit before tax of RM56 million, and net profit of RM43 million. Our direct economic value distributed to stakeholders are illustrated as below:



Further information on our financial performance can be found in Group Financial Highlights (Page 4) and Financial Statements (Pages 44 to 110) of this Annual Report.

### Customer Satisfaction

We understand the importance of customer satisfaction to uphold our reputation as an excellent global one-stop EMS provider and innovative wire and cable manufacturer. We strive to commit ourselves to producing high quality products and providing professional services to meet our customers' expectations in the most cost effective method whilst delivering at a timely manner.

PIESB and PIW engage their key customers biannually and annually respectively. To ensure effective communications with customers, customer satisfaction feedback is evaluated through customer satisfaction survey form. The survey form assesses key customers' perceptions mainly on our quality, delivery, cost and service.

Tables below disclose the PIESB and PIW performance in this area for the reporting year of 2017 and 2018.

PIESB	Target	2018	2017
<i>Customer feedback</i>			
Quality	A	B	B
Delivery	B	B	B
Cost	B	B	B
Service	A	B	B
<i>Internal KPI achievement</i>			
Customer complaint (DPPM)	< 100	158	737.5
Total premium freight (RM)	21,005.50	10,486.97	7,274.47
On time delivery	100%	99.62%	99.41%

PIW	Target	2018	2017
Customer satisfaction index	83%	82.63%	81.84%

**CREATING VALUE THROUGH INNOVATION (cont'd)**

**Customer Satisfaction (cont'd)**

As compared to 2017, customer complaints for PIESB had dropped in 2018, closer to our set target. When customer complaints are received, we strive to resolve the complaints and meet their requirement. PIESB achieved higher rate on delivery performance in 2018, followed by an increase in the premium freight incurred. PIW's customer satisfaction index had increased from 81.84% in 2017 to 82.63% in 2018 but is still below our target.

Customer satisfaction is also affected by our ability to adhere to a core set of requirements set out in the Responsible Business Alliance (RBA) Code of Conduct. PIESB applies the RBA Self-Assessment Questionnaire (SAQ) to assess its own facilities to ensure compliance with the RBA Code of Conduct requirements. The SAQ also facilitates the identification of social, environmental and ethical risks in our supply chain to develop corrective action plans for us to implement. In 2018, PIESB had passed the assessment of RBA audit conducted by its customer.

**Ethical Business Behaviour**

Ethical business behaviour is of great importance to us in protecting stakeholders' interest as well as to enhance shareholders' value. We are committed to maintain the highest standards of ethics, professionalism and business conduct as well as acting with integrity in strictly compliance of relevant laws, rules and regulations at all times. In line with this commitment, we have implemented several on-going initiatives and policies across all business operations.

Whistleblowing Policy are implemented to provide an internal channel/procedure for employees of the Company and any external party to report alleged unethical behaviour, improper business conduct, any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines without fear of reprisal and victimisation. This policy provides protection to the individuals who have made the allegation or reported the misconduct. There were no reported cases through the whistleblowing channel in 2017 and 2018.

PIE's Code of Ethics for Directors is based on principles of sincerity, integrity, responsibility and corporate social responsibility. This Code of Ethics provides guidance for establishing a standard of ethical behaviour for Directors and upholding the spirit of responsibility and social responsibilities.

We communicate the code of conduct components such as compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices and etc. in the employee handbook to all employees to ensure they understand and uphold our ethical standards. We encourage our employees to uphold the highest standards of integrity and accountability at all time. With our initiatives and policies in place, there were no cases of breaches in ethics and integrity conduct reported in 2017 and 2018.

More information on the Whistleblowing Policy and Code of Ethics for Directors is available on the Company's corporate website at [www.pieib.com.my](http://www.pieib.com.my).

**Sustainable Manufacturing Programme**

We understand that the current technological changes are dramatically changing our business operating environment. This drives a growth in our manufacturing activities as customers demand for innovative products. We strive to utilise our expertise in manufacturing innovative and technology-driven products to meet the needs and expectations of our customers.

We offered Lean Six Sigma in-house training to our employees. Thereafter, we implemented lean transformation programme to reduce the work-in-progress and increase the output efficiency. Throughout this programme, we are able to reduce wasteful processes and materials, detect the defects immediately and no hidden defects in production, require less supervising resources, as well as improve our overall quality and productivity.

We implement 5S workplace organisation method at our production floor. The principles of the 5S represents "Sort", "Set in Order", "Shine", "Standardise" and "Sustain". In addition of 5S, we have added another "S", namely "Safety" to enhance the role of 5S for eliminating workplace hazards and compliance of regulatory requirements. With the "5S + safety" workplace organisation method, we have increased our workflow efficiency and effectiveness by maintaining a clean, organised and safe working environment as well as standardising the best practices in our workplace. Regular audits are performed at every production floor and the audit findings will be reported during weekly operation meeting for discussion and improvement according to the 5S planning.

### CREATING VALUE THROUGH INNOVATION (cont'd)

#### Sustainable Supply Chain Management

To build up a sustainable supply chain management, several initiatives have been implemented to manage the sustainability of our supply chain. Supply Chain Management Department has the overall responsibility for managing of sourcing, purchasing and procurement control activities.

As a responsible manufacturer, our initiatives start at the supplier selection process where we expect our suppliers also comply with the RBA (formerly known as Electronics Industry Code of Conduct (EICC)) in PIESB and non-used of the REACH Candidate List of Substances of Very High Concern (SVHC) in PIW. The suppliers we work with must meet the standards of ethics and business integrity on both social and environmental criteria.

For the purpose of contributing to the local economy, we strive to purchase from local suppliers. Most of the customised materials used in the production of PIESB are purchased from the customer appointed suppliers, which is mainly from overseas and a fraction of locally authorised distributors. In addition, PIESB work closely with headquarter's strategic supply chain group in China to achieve the best pricing via volume purchases. Conversely, PIW generally purchased more than 80% of raw materials from local suppliers.

Table below shows the percentage of local and foreign purchases of raw materials in year 2017 and 2018.

Percentage of local and foreign purchases of raw materials	2018		2017	
	Local	Foreign	Local	Foreign
PIESB	23%	77%	20%	80%
PIW	87%	13%	87%	13%

Our supply chain department conducts annual supplier requalification evaluations to randomly selected suppliers. The evaluations consist of plant qualification audit and audit on suppliers' process control through checklist sent by email. Twenty-three (23) suppliers were evaluated in 2018 as compared to twelve (12) suppliers in 2017.

### HUMAN CAPITAL DEVELOPMENT

At PIE, we believe that people are the most valuable resource. The competencies and commitment of our employees help to force the Group's strategic direction which is then translated into the achievement of business objectives and ultimate success. Hence, we are committed to provide healthy and safe working environment, career development and welfare in meeting the requirements of our employees. Local communities are indirectly giving support on our business development. Therefore, we seek to build mutually beneficial relationship with the local communities where we operate through participation in local community activities.

#### Employee Management

We understand that employees are the most important asset and the key to success of an organisation as their level of engagement and productivity directly affect the Group's bottom line. We place great importance in providing a work environment that motivates our employees who then delivering quality work and making significant contribution to the Group's overall performance. We apply 3R strategy which represents "Recruit", "Retain" and "Reinforce" for the employee management approach.

##### Recruit

We seek to attract the right mixture of skill and experience employees to meet the various business needs of the Group. We also emphasise on recruiting fresh graduate or young generation while sourcing for experienced candidates. Every individual has an equal right to be elected as our employee regardless of their background in our recruitment process as we employ based on merit and not background.

As at 31 December 2018, the Group has a total workforce of 2,429 employees, a slight increase of 4.7% from 2017. This shows that the workforce of the Group has no significant changes between the year 2017 and 2018.

## HUMAN CAPITAL DEVELOPMENT (cont'd)

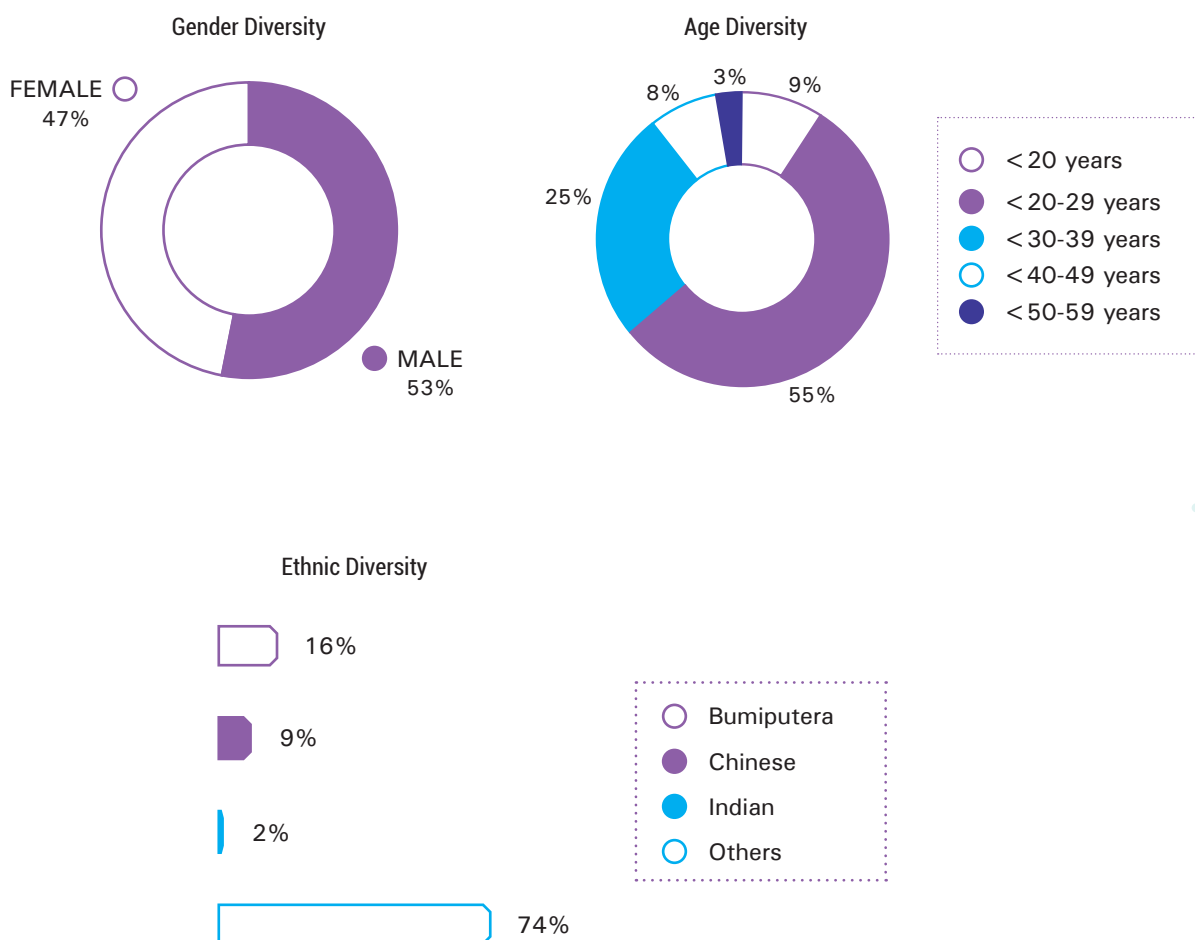
### Employee Management (cont'd)

#### Recruit (cont'd)

During the reporting year, the combined number of full-time employees of PIESB and PIW comprised of 26% Malaysians with 59% Bumiputera, 35% Chinese and 6% Indian and the remaining 74% from other countries including China, Taiwan, Myanmar, Indonesia, Vietnam, Nepal and Bangladesh. Stemming from the nature of our business operations, majority of our direct labors are semi-skilled workers. They are 78% of the combined number of full-time employees of PIESB and PIW work as production operators in 2018.

As stated in our Labour Policy, we prohibit all forms of discrimination in our workplace and therefore nurture an environment that does not discriminate upon race, age, gender, religion, expression, national origin, pregnancy, marital status or any disability. To comply with all appropriate local and international regulations on the restriction on the employment of child labour and the protection of young workers, we will only employ individuals with the age of 18 and above.

We also seek to strengthen our human capital through a diverse workforce. We believe that diversity and inclusion enriches our knowledge base and experience by harnessing different insights and perspectives among our people. In 2018, our workforce in PIESB and PIW was represented by 53% male and 47% female. Their ethnic composition is fairly representative of that of the Malaysia. The largest proportion with 64% of our employees is aged below 29. The demographics of our diverse workforce in 2018 are illustrated as below:



### HUMAN CAPITAL DEVELOPMENT (cont'd)

#### Employee Management (cont'd)

##### Retain

We retain our employees by creating a supportive work environment and offering attractive remuneration package. We adhere to the applicable local statutory and regulatory requirements with regards to wages and benefits such as the Minimum Wages Order, Employees' Provident Fund, Social Security, Employment Insurance System, Foreign Workers Hospitalisation and Surgical Scheme as well as leaves provision.

Other employee welfare such as personal accident insurance, medical insurance, annual medical check-up, meal allowance, transport allowance, panel clinics or medical fee and car park facility are also provided by the Group. Apart from these, annual increment and bonus are offered to all employees based on their performance, position and service length.

We acknowledge all federal and state holidays. Our employees are also entitled to annual leaves, sick or hospitalisation leave, wedding leave, maternity leave and compassionate leave. To foster stronger fellowship and improve team communication, employees take part in various engagement activities such as fundraising events, team building activities and annual dinner organised by the Group.

##### Reinforce

We seek to reinforce training, meaningful learning and career development for our employees to broaden their knowledge, skills and competencies. We acknowledge that these benefits are not only for the employees' current roles or personal growth and development, but their future responsibility towards the expansion in operation of the Group. We also encourage our employees to expand their knowledge by exposing to a range of functions in the Group which help them to be more competitive in today's dynamic work environment.

With this in mind, we provide a variety of technical trainings and cross-functional trainings. Participants will obtain on-hands experience during our day to day work training for machine operators. There also has induction training conducted by the Group for every new hires.

#### Health and Safety

We place emphasis on the importance of health and safety in our daily operations as we strive to safeguard all our employees, customers, suppliers or contractors and local communities. There was zero workplace fatality recorded by the Group over the years. Hence, we target to achieve zero accident reported through the effective implementation of Environment, Health and Safety (EHS) management system.

We has implemented Safety and Health Policy with the objectives of improving EHS management system, providing adequate training on environmental protection, workplace safety and health hazards, using safety management techniques to minimize EHS incident and achieving the highest EHS performance. EHS management system outline the relevant processes and procedures to continuously improve the sustainability of our operations by providing high quality, cost effective, safe and environmentally friendly products. Periodically review of the Safety and Health Policy to ensure that they remain relevant, appropriate and aligned with our business objectives.

We have established the Safety and Health Committee to record the number of health and safety related accidents on a monthly basis for the purpose of monitoring our EHS performance. There was one accident reported in both 2017 and 2018. Investigation and improvement actions were taken by the Safety and Health Committee to improve health and safety awareness in workplace and concentrate on preventing incidents in the future.

During the year, our initiatives in addressing health and safety matters included but not limited to:

- All injuries regardless of the severity, any chemical spillage, any finding of unsafe condition must be reported to Safety and Health Committee members for their immediate further investigation.
- Implementation of 5S by removing all unnecessary items, keeping the tools, equipments and facilities in its place when not in use, cleaning the work area before going back home, standardising the safe practices i.e. keep fire escape route, firefighting equipment and walkway free of obstruction and maintaining the 5S procedures at all time.
- Smoke only at designated area.
- All employees have access to utilise the necessary Personal Protection Equipment (PPE) such as safety shoes, safety helmet, safety glasses, ear plugs, respirators, face shields, gloves and etc.



### HUMAN CAPITAL DEVELOPMENT (cont'd)

#### Health and Safety (cont'd)

During the year, our initiatives in addressing health and safety matters included but not limited to (cont'd):

- Warning signs and labels or signage of chemical substance are posted at production and chemical store.
- Vehicle speed limit inside our premise is not more than at 20 km/hr.
- Portable extinguisher and sprinkler valves are available and ensure they are in good condition by conducting quarterly internal safety audit and monthly inspection by fire protection contractor respectively.
- Emergency response plans such as annual fire drill exercise.
- Safety briefings are provided to all visitors or contractors who work temporarily in our premises and educate them on potential hazards and precautionary measures.
- First-aid kits are available for treatment of work-related injuries.
- Weekly 5S and safety audits are conducted by the Safety and Health Committee.

We always seek to improve health and safety awareness among our employees. In light of this, we continuously provide safety induction course to all employees upon their joining the company. Every team manager briefs the safety guidance before running the production line. There is also yearly certified training programme (Green Card) for safety officer and first aid and Cardiopulmonary Resuscitation training for Emergency Response Team members.

#### Community Contributions

Even though our success in operations is not often so closely tied into the local community, it's our organizational duty to also remain an active participant to promote awareness of social responsibility. We encourage our organizations and employees to make the most of every opportunity to boost community involvement while finding ways to motivate our employees and network with other professionals in the community to give back certain contribution to the community we serve and operate in.

One of the best ways to support our community is to help out the businesses in the area. We set "buying local products" as often a higher priority and cross networking with non-competing companies in the local markets helps us reach more people and help out other local business owners just like us--a win-win strategy. In 2018, our local purchase reached a level of RM188 million or increase by 8% or RM13 million if compared with that of 2017. As a prominent player in local EMS industry, we have an area of expertise that is of value to others in the local community. We continue to invest in new facilities of RM21 million in 2018 and offer specialized skill of our operational to our staffs, who are mostly also local residents.

### ENVIRONMENTAL FRIENDLY AWARENESS

At PIE, we understand the importance of operating in an environmentally responsible manner without compromising the continual developments in our practices to ensure that our operations are compliant to the laws, rules and regulations within which we operate in and adhere to acceptable limits set by local authorities. If limits are not in place, we strive to operate at an acceptable level with minimal impact on environmental concern. We do not compromise on the quality and delivery of our products and services in managing our operations in an eco-friendly manner.

#### Waste Management

In view of our business nature as manufacturer, we produce plenty of waste in the production. To ensure adherence to the Environmental Quality Act and Energy Commission requirements, we monitor strictly in our waste management. Trainings are provided to Schedule Waste Handler to handle the waste in a right way and legal compliance. Our waste management is overseen by our Safety Officer and governed by our Environmental Policy and Waste Management Procedures.

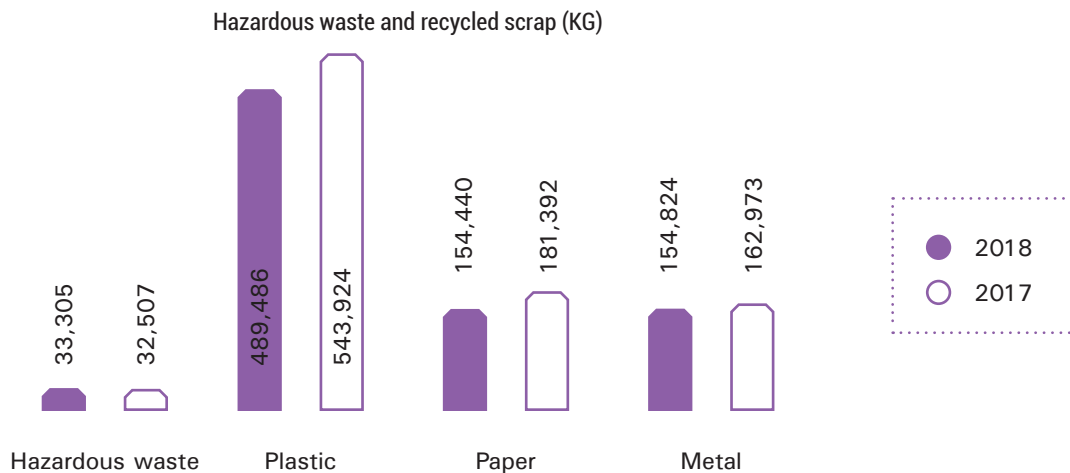
### ENVIRONMENTAL FRIENDLY AWARENESS (cont'd)

#### Waste Management (cont'd)

Waste Management Procedures are in place to standardise waste disposal practices and waste management initiatives. We categorise our waste into two types which are scheduled waste and general waste. All scheduled waste is collected by Department of Environment (DOE) approved contractor. Metal container with cover and proper label format are used and stored at sheltered scheduled waste store. There are total nine (9) and two (2) types of scheduled waste generated by PIESB and PIW respectively which have been notified to DOE. On the other hand, general waste includes recyclable scrap such as plastic, paper and metal and non-recyclable waste such as food waste. General waste is scrapped or collected by waste collectors for recycling or disposing at the landfills.

We have implemented various initiatives to monitor and manage our waste disposal and recycling initiatives. We use Restriction of Hazardous Substances (RoHS) compliant materials in our manufacturing processes and seek substitutions when feasible. We also reuse the Electrostatic Discharge (ESD) bubble sheet to save the packaging material.

The hazardous waste collected by approved contractor and recycled scrap sold for recycling in year 2017 and 2018 are presented as below:



#### Air Emissions

We have engaged outsourcing consultant to conduct on-site air emission performance and monitoring mechanism which we think of the most cost effective. Even though our business operations do not generate large amounts of air emissions, we are still regulated by DOE to meet the regulatory standards pursuant to the Environmental Quality (Clean Air) Regulations 2014.

The consultant is responsible for collecting samples from our chimneys, monitoring parameters and reporting on air emission impurities level. Our emissions are channeled through three chimneys located at the PIESB plants. Quarterly assessments are conducted on these chimneys to ensure that we are in compliance to DOE's limits by collecting and analysing the samples from each chimney.

Currently, we are monitoring Particulate Matter and Lead. Table below shows the results of the latest assessment conducted in year 2017 and 2018.

Parameter	DOE limit (mg/m <sup>3</sup> )	2018	2017
Particulate Matter	50	Complied	Complied
Lead	1.0	Complied	Complied

#### Noise Pollution Control

The management of noise is overseen by Quality Control Lab Engineer in PIESB and outsourcing consultant in PIW. We assess the noise level generated from our business operations every half yearly to ensure compliance with Factories and Machinery (Noise Exposure) Regulations 1989.

### ENVIRONMENTAL FRIENDLY AWARENESS (cont'd)

#### Noise Pollution Control (cont'd)

Generation of noise is inevitable in several production processes. To reduce the impacts of noise generated, hearing protection PPE such as ear plugs are provided to employees exposed to high noise level and “wear ear protection” warning sign are placed at areas that generate noise level at or above the limit. Our employees are aware on the harmful of noise pollution through training provided with a focus on noise safety and hazards. In addition to this, we have provided audiometry tests for machine operators to monitor their risk of detrimental exposure to noise.

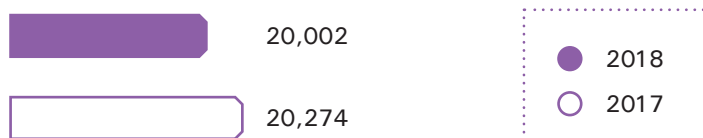
#### Energy Management

We are committed to reduce energy consumption by undertaking several energy saving initiatives. “Switch off when not in use” signs are distinctly seen around the workplace to remind our employees to minimise electricity usage by turning off the lights, air-conditioning and machines when they were not in use. We also encourage our employees to putting the computer into sleep state for power-saving purpose during break time.

We have also initiate cost effective measures by replacing broken conventional fluorescent tubes with light-emitting diode (LED) tubes in our plants instead of switching all existing lighting to the energy efficient lighting. We will progressively implement this initiative to lower electricity consumption in our plants. Furthermore, we have to ensure that all lightings and electrical equipments were properly maintained and replaced to avoid wastage. Any light bulbs burning out, switches not working properly, circuit breaker tripping or electrical shocks must be reported to Maintenance Department immediately.

In 2018, energy saving initiatives implemented led to a total savings of 272 MWh in 2018 as compared to the year 2017. We recorded the following in our energy consumption for the year of 2017 and 2018.

Electricity Consumption (MWh)



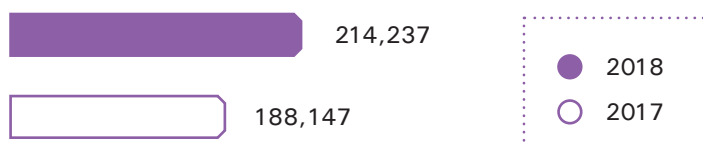
#### Water Management

We strive to improve our water efficiency by reducing water wastage at our workplace. “Turn off the taps to save water and our environment” signs are found near to the taps for the purpose of minimising water usage. We have also started to replace the lavatory fixtures by installing the self-push button taps to avoid unnecessary water wastage. Any water leakage must be reported to Maintenance Department immediately.

Additionally, we have reused water in the cooling process of extrusion section in the production. Out of the total water used, we have recycled 17% of water in 2018 as compared to 19% in 2017.

In 2018, water consumption increased 26,090 m<sup>3</sup> as compared to the year 2017 due to headcount increase and plastic injection process has been fully implemented in 2018 which incurred high water consumption. Our water usage for the year 2017 and 2018 is illustrated as below:

Water Usage (m<sup>3</sup>)



This statement was made in accordance with a resolution of the Board dated 15 April 2019.

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

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and statements of cash flows for the year then ended.

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

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

The financial statements for the year ended 31 December 2018 had been approved by the Board on 22 March 2019.

This statement was made in accordance with a resolution of Board dated 15 April 2019.

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

### UTILISATION OF PROCEEDS

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

### AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the Financial Year Ended 31 December 2018 (FY2018) 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	35,000	46,286 <sup>1</sup>
Subsidiaries	120,000	16,900 <sup>2</sup>
Total	155,000	63,186

<sup>1</sup> Non-audit fees were mainly paid for the advisory services on review of quarterly financial information, Statement on Risk Management and Internal Control and taxation fee.

<sup>2</sup> Non-audit fees were mainly paid for the advisory services on taxation fee.

### EMPLOYEE SHARE SCHEME

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

### MATERIAL CONTRACT

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

### RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FY2018 are disclosed on pages 95 and 96 of the Annual Report.



## DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018**.

### PRINCIPAL ACTIVITIES

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

### RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year attributable to owners of the Company	<u>43,142,040</u>	<u>16,823,761</u>

### 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 2017:	
A first and final single tier dividend of RM0.024 per share	9,217,008
A special single tier dividend of RM0.036 per share	<u>13,825,511</u>
	<u>23,042,519</u>

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.

### HOLDING COMPANY

The Directors regard Pan Global Holding Co. Ltd. and Pan-International Industrial Corp., corporations incorporated in British Virgin Islands and Taiwan respectively, as the immediate holding company and ultimate holding company respectively.

**DIRECTORS'  
REPORT**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

**DIRECTORS**

The name of the directors of the Company in office during the financial year commencing from the end of the financial year to the date of this report are:

***Directors of the Company:***

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

***Directors of the Subsidiaries:***

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

**DIRECTORS' INTERESTS IN SHARES**

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

	Number of ordinary shares		
	Balance at 1.1.18	Bought Sold	Balance at 31.12.18
<b>Interest in the Company</b>			
<b>Indirect Interest:</b>			
Mui Chung Meng <sup>(i)</sup>	2,460,000	-	2,460,000
Chen, Chih-Wen <sup>(i)</sup>	109,500	-	109,500

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

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

## DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

### DIRECTORS' FEES AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
<b>Directors of the Company:</b>			
Salaries, allowances and bonus	1,517,392	145,114	1,662,506
Defined contribution plan	283,882	22,639	306,521
Fees	72,000	-	72,000
Benefits-in-kind	-	16,500	16,500
Insurance premium for professional indemnity effected for directors of the Company	15,500	-	15,500
	<b>1,888,774</b>	<b>184,253</b>	<b>2,073,027</b>

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related companies 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.

### INDEMNIFYING DIRECTOR, OFFICERS OR AUDITORS

The amount of insurance premium for professional indemnity paid for Directors and Officers of the Company during the financial year are amounted to RM15,550.

No indemnity has been given to or insurance effected for auditors of the Company during the financial year.

### OTHER STATUTORY INFORMATION

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

- 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 adequate provision had been made for doubtful debts and there were no bad debts to be written off; and
- 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:

- that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, and
- that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and
- that would render any amount stated in the financial statements of the Group and of the Company misleading, and
- that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION (cont'd)**

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due,
- (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

**AUDITORS**

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2018 were RM155,000 and RM35,000 respectively.

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**

**Penang**

**Date: 22 March 2019**

.....  
**Chen, Chih-Wen**

## DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 53 to 110 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2018** and of their financial performance and cash flows for the financial year then ended.

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

.....  
**Mui Chung Meng**

.....  
**Chen, Chih-Wen**

**Date: 22 March 2019**

## 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 53 to 110 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 )  
**22nd day of March 2019.** )  
)

.....  
**Chen, Chih-Wen**  
**(Passport No. 315785256)**

**Before me,**

.....  
**Commissioner for Oaths**

# 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 2018** 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 53 to 110.

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 2018**, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis of Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key audit matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Revenue recognition</b> <i>(Refer to Note 20 to the financial statements)</i>  The Group's revenue is derived from contract electronic manufacturing, cable and PCB assemblies and manufacturing of cable and wires for electronic devices.  We focus on revenue recognition as a key audit matter as revenue recognition depends on the contractual arrangement with the Group's customers as different customers have different deliverable arrangements and this could impact the point at which the control of the goods is passed on to the customer. Also, management focuses on revenue as a key performance measure.	<p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"><li>• Reviewing the assessment performed by management on compliance with revenue recognition policies.</li><li>• Obtaining an understanding of the Group's revenue recognition process and application and thereafter testing controls on the occurrence of revenue.</li><li>• Performing analytical procedures on the trend of revenue recognised to identify for any abnormalities.</li><li>• Performing substantive testing on a sampling basis to verify that revenue recognition criteria are properly applied.</li><li>• Assessing whether revenue are recognised in the correct period by testing cut-off through assessing sales transactions taking place at either side of the reporting date as well as reviewing credit notes and sales returns issued after the reporting date.</li></ul>



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

### Key audit matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment of trade receivables</b> (Refer to Note 12 to the financial statements)</p> <p>The Group has significant trade receivables as at 31 December 2018 and it is subject to credit risk exposure.</p> <p>We focus on this area as deriving the expected credit losses of receivables involves management judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures in relation to impairment of trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>- the Group's control over the trade receivables' collection process;</li> <li>- how the Group identifies and assess the impairment of trade receivables; and</li> <li>- how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing the application of the Group's policy for calculating the expected credit loss.</li> <li>• Considering the ageing of the trade receivables and testing the reliability thereon.</li> <li>• Evaluating techniques and methodology applied for the expected credit loss approach against the requirements of MFRS 9.</li> <li>• Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.</li> <li>• Comparing the assumptions used to estimate the provision for impairment with available industry data.</li> </ul>
<p><b>Valuation of inventories</b> (Refer to Note 11 to the financial statements)</p> <p>The Group holds significant inventories as at 31 December 2018 which exposes the Group to risk that inventories may become slow moving or obsolete and eventually non-saleable or recoverable below their carrying values.</p> <p>We focused on this area as it involves significant judgement and estimation in identifying inventories with net realisable value lower than their costs or potential obsolescence, with reference to the condition of the inventories, historical and current sales information.</p>	<p>Our audit procedures in relation to the valuation of inventories included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>- the Group's inventory management process;</li> <li>- how the Group accounts for the inventory costs, including material prices, production overheads absorption such as labour, utilities etc.;</li> <li>- how the Group identifies and assess inventory write-downs; and</li> <li>- how the Group makes the accounting estimates for inventory write-downs.</li> </ul> </li> <li>• Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year.</li> <li>• Evaluating of the appropriateness of the methodologies applied in determining the product costing and critically assessing the calculation.</li> <li>• Reviewing and testing the reliability of the ageing report of inventories provided by management.</li> <li>• Attending inventory counts and reconciling the count results to the inventory listings for completeness.</li> <li>• Reviewing and testing the net realisable value of inventories on a sampling basis.</li> <li>• Evaluating the reasonableness and adequacy of the inventories write-down recognised for identified exposures.</li> </ul>

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

### Key audit matters (cont'd)

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

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

### Other Matter

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

Grant Thornton  
No. AF: 0042  
Chartered Accountants

Penang

Date: 22 March 2019

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

**STATEMENTS OF  
FINANCIAL POSITION**  
AS AT 31 DECEMBER 2018

		GROUP		COMPANY	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	92,341,592	86,491,764	-	-
Investment properties	5	27,542,745	22,047,191	-	-
Prepaid lease payments	6	10,114,033	10,429,881	-	-
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	828,498	1,701,562	790,120	1,664,000
		<u>132,548,533</u>	<u>122,392,063</u>	<u>80,733,925</u>	<u>81,607,805</u>
Current assets					
Inventories	11	146,546,064	145,907,801	-	-
Trade and other receivables	12	173,594,748	165,658,643	31,411,940	33,872,340
Current tax assets		1,167,927	1,987,588	-	-
Short-term investments	13	4,476,423	9,448,221	4,476,423	9,448,221
Cash and cash equivalents	14	134,592,265	78,084,965	2,418,348	84,233
		<u>460,377,427</u>	<u>401,087,218</u>	<u>38,306,711</u>	<u>43,404,794</u>
TOTAL ASSETS		<u>592,925,960</u>	<u>523,479,281</u>	<u>119,040,636</u>	<u>125,012,599</u>
EQUITY AND LIABILITIES					
Share capital	15	83,202,902	83,202,902	83,202,902	83,202,902
Reserves	16	346,499,589	318,827,260	33,168,028	39,386,786
Total equity		<u>429,702,491</u>	<u>402,030,162</u>	<u>116,370,930</u>	<u>122,589,688</u>
Non-current liabilities					
Deferred tax liabilities	10	6,661,040	3,161,870	-	-
Current liabilities					
Trade and other payables	17	115,681,392	111,663,516	2,669,706	2,422,911
Borrowings	18	36,207,919	-	-	-
Refund liabilities	19	2,357,344	-	-	-
Current tax liabilities		2,315,774	6,623,733	-	-
		<u>156,562,429</u>	<u>118,287,249</u>	<u>2,669,706</u>	<u>2,422,911</u>
Total liabilities		<u>163,223,469</u>	<u>121,449,119</u>	<u>2,669,706</u>	<u>2,422,911</u>
TOTAL EQUITY AND LIABILITIES		<u>592,925,960</u>	<u>523,479,281</u>	<u>119,040,636</u>	<u>125,012,599</u>

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

**STATEMENTS OF  
COMPREHENSIVE INCOME**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		<b>GROUP</b>		<b>COMPANY</b>	
	<b>NOTE</b>	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Revenue	20	661,256,531	679,282,536	21,709,886	22,907,506
Cost of sales		(608,587,874)	(607,898,851)	-	-
<b>Gross profit</b>		<b>52,668,657</b>	<b>71,383,685</b>	<b>21,709,886</b>	<b>22,907,506</b>
Other operating income		33,205,893	34,078,707	641,725	45,755
Administrative expenses		(21,539,244)	(35,379,285)	(4,190,660)	(8,968,030)
Selling and distribution expenses		(2,599,763)	(2,741,057)	-	-
Other operating expenses		(7,741,342)	(5,109,468)	(31,976)	(171,494)
<b>Operating profit</b>		<b>53,994,201</b>	<b>62,232,582</b>	<b>18,128,975</b>	<b>13,813,737</b>
Interest income		2,199,189	1,299,476	11,398	1,124
Interest expense		(365,993)	(89,070)	-	-
<b>Profit before tax</b>	21	<b>55,827,397</b>	<b>63,442,988</b>	<b>18,140,373</b>	<b>13,814,861</b>
Income tax expense	23	(12,685,357)	(15,431,977)	(1,316,612)	-
<b>Profit for the financial year</b>		<b>43,142,040</b>	<b>48,011,011</b>	<b>16,823,761</b>	<b>13,814,861</b>
<b>Other comprehensive income/ (loss), net of tax</b>					
<b>Item that will be reclassified subsequently to profit or loss:</b>					
Foreign currency translation differences		756,536	(364,113)	-	-
<b>Total comprehensive income for the financial year</b>		<b>43,898,576</b>	<b>47,646,898</b>	<b>16,823,761</b>	<b>13,814,861</b>
<b>Profit attributable to owners of the Company</b>		<b>43,142,040</b>	<b>48,011,011</b>	<b>16,823,761</b>	<b>13,814,861</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>43,898,576</b>	<b>47,646,898</b>	<b>16,823,761</b>	<b>13,814,861</b>
Basic/Diluted earnings per ordinary share (sen)	24	11.23	12.50		

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

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	Attributable to Owners of the Company				Total Equity RM
		Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Retained Profits RM	
<b>2018</b>						
Balance at beginning, as previously stated		83,202,902	-	11,856,972	306,970,288	402,030,162
Adjustment on initial application of MFRS 9		-	-	-	6,816,272	6,816,272
Balance at beginning, as restated		83,202,902	-	11,856,972	313,786,560	408,846,434
Profit for the financial year		-	-	-	43,142,040	43,142,040
Other comprehensive income for the financial year:						
- Foreign currency translation differences		-	-	756,536	-	756,536
Total comprehensive income for the financial year		-	-	756,536	43,142,040	43,898,576
<b>Transactions with owners:</b>						
Dividends	25	-	-	-	(23,042,519)	(23,042,519)
Balance at end		83,202,902	-	12,613,508	333,886,081	429,702,491
<b>2017</b>						
Balance at beginning		76,808,397	6,394,505	12,221,085	278,161,376	373,585,363
Profit for the financial year		-	-	-	48,011,011	48,011,011
Other comprehensive income for the financial year:						
- Foreign currency translation differences		-	-	(364,113)	-	(364,113)
Total comprehensive income for the financial year		-	-	(364,113)	48,011,011	47,646,898
<b>Transactions with owners:</b>						
Dividends	25	-	-	-	(19,202,099)	(19,202,099)
Transition to no-par value regime on 31 January 2017	15/16	6,394,505	(6,394,505)	-	-	-
Balance at end		83,202,902	-	11,856,972	306,970,288	402,030,162

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



**STATEMENT OF  
CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	Share Capital RM	Attributable to Owners of the Company			Total Equity RM
			Non-distributable Share Premium RM	Merger Reserve RM	Distributable Retained Profits RM	
<b>2018</b>						
Balance at beginning		83,202,902	-	16,408,221	22,978,565	122,589,688
Total comprehensive income for the financial year		-	-	-	16,823,761	16,823,761
<i>Transactions with owners:</i>						
Dividends	25	-	-	-	(23,042,519)	(23,042,519)
Balance at end		<u>83,202,902</u>	<u>-</u>	<u>16,408,221</u>	<u>16,759,807</u>	<u>116,370,930</u>
<b>2017</b>						
Balance at beginning		76,808,397	6,394,505	16,408,221	28,365,803	127,976,926
Total comprehensive income for the financial year		-	-	-	13,814,861	13,814,861
<i>Transactions with owners:</i>						
Dividends	25	-	-	-	(19,202,099)	(19,202,099)
Transition to no-par value regime on 31 January 2017	15/16	6,394,505	(6,394,505)	-	-	-
Balance at end		<u>83,202,902</u>	<u>-</u>	<u>16,408,221</u>	<u>22,978,565</u>	<u>122,589,688</u>

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

**STATEMENTS OF  
CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	55,827,397	63,442,988	18,140,373	13,814,861
Adjustments for:				
Amortisation of prepaid lease payments	315,848	315,848	-	-
Depreciation of property, plant and equipment	14,842,692	15,443,509	-	-
Dividend income	-	-	(18,125,000)	(15,151,000)
Expected credit loss of trade and other receivables, net	23,584	-	-	-
Fair value loss/(gain) on financial asset at fair value through profit or loss	7,841	(37,846)	7,841	(37,846)
Fair value gain on investment properties	(5,450,000)	(211,109)	-	-
Gain on disposal of short-term investments	(40,229)	(7,909)	(40,229)	(7,909)
Gain on disposal of property, plant and equipment	(356,419)	(255,130)	-	-
Impairment loss on trade receivables, net	(280,806)	5,358,477	-	-
Interest expense	365,993	89,070	-	-
Interest income	(2,199,189)	(1,299,476)	(11,398)	(1,124)
Investment income earned on financial asset at fair value through profit or loss	(188,886)	(148,506)	(188,886)	(148,506)
Rental income	(3,513,870)	(3,414,542)	-	-
Reversal of inventories written down, net	(684,697)	(11,054,999)	-	-
Unrealised loss on foreign exchange	3,319,510	3,153,002	-	-
Operating profit/(loss) before working capital changes	61,988,769	71,373,377	(217,299)	(1,531,524)
Decrease/(Increase) in inventories	46,434	(29,295,606)	-	-
(Increase)/Decrease in receivables	(3,088,403)	(3,131,237)	2,460,400	6,137,799
Increase/(Decrease) in payables	2,861,201	(19,305,083)	246,795	(902,576)
Increase in refund liabilities	2,357,344	-	-	-
Cash generated from operations	64,165,345	19,641,451	2,489,896	3,703,699
Income tax paid	(11,358,959)	(11,885,306)	(270)	-
Interest paid	(365,993)	(89,070)	-	-
Withholding tax paid	(442,462)	-	(442,462)	-
Dividend received	-	-	18,125,000	15,151,000
Net cash from operating activities	51,997,931	7,667,075	20,172,164	18,854,699
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(20,780,549)	(12,462,028)	-	-
Decrease/(Increase) in short-term investments	5,193,072	(5,433,762)	5,193,072	(5,433,762)
Interest received	2,199,189	1,299,476	11,398	1,124
Proceeds from disposal of property, plant and equipment	614,991	778,096	-	-
Rental income	3,513,870	3,414,542	-	-
Net cash (used in)/from investing activities	(9,259,427)	(12,403,676)	5,204,470	(5,432,638)
Balance carried forward	42,738,504	(4,736,601)	25,376,634	13,422,061

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

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

	NOTE	GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
Balance brought forward		42,738,504	(4,736,601)	25,376,634	13,422,061
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid		(23,042,519)	(19,202,099)	(23,042,519)	(19,202,099)
Changes in bank borrowings	B	36,298,647	-	-	-
Net cash from/(used in) financing activities		13,256,128	(19,202,099)	(23,042,519)	(19,202,099)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		55,994,632	(23,938,700)	2,334,115	(5,780,038)
Effects of exchange rate fluctuations		510,616	(1,867,684)	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>		77,990,497	103,796,881	84,233	5,864,271
<b>CASH AND CASH EQUIVALENTS AT END</b>	A	134,495,745	77,990,497	2,418,348	84,233

### NOTE

#### A. Cash and cash equivalents

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

	NOTE	GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash and cash equivalents	14	134,592,265	78,084,965	2,418,348	84,233
Less: Bank balances pledged as security	14	(96,520)	(94,468)	-	-
		134,495,745	77,990,497	2,418,348	84,233

#### B. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

GROUP	At 1.1.18 RM	Cash flows RM	Other RM	At 31.12.18 RM
Loans and borrowings	-	36,298,647	(90,728)	36,207,919

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

**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 Directors regard Pan Global Holding Co. Ltd. and Pan-International Industrial Corp., corporations incorporated in British Virgin Islands and Taiwan respectively as the immediate holding company and ultimate holding company 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 22 March 2019.

**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.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

**2.2 Basis of Measurement**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (cont'd)

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

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

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

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

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

### 2.3 Functional and Presentation Currency

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

### 2.4 Adoption of New Standards/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 2018**

*Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions*

*MFRS 9 Financial Instruments*

*MFRS 15 Revenue from Contracts with Customers*

*Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

*Amendments to MFRS 140 Investment Property: Transfers of Investment Property*

*Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)*

*IC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

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

#### ***MFRS 9 Financial Instruments***

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained profits and other components of equity.

#### Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through Other Comprehensive Income ("OCI"). The classification is based on two criteria: the Group's and Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

### 2.4 Adoption of New Standards/Amendments/Improvements to MFRS (cont'd)

#### *MFRS 9 Financial Instruments (cont'd)*

##### Classification and measurement (cont'd)

The assessment of the Group's and Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. Trade receivables and amount due from holding company and related parties classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and Company's financial liabilities.

##### Impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of MFRS 9, the Group recognised a reversal of impairment loss on trade receivables as at 1 January 2018 amounting to RM6,816,272 and a corresponding increase in retained profits.

The cumulative effect of initially applying MFRS 9 is recognised at the date of initial application as an adjustment to the opening balance of retained profits. Set out below is the reconciliation of the ending impairment loss on receivables in accordance with MFRS 139 to the opening balances of impairment loss on receivables determined in accordance with MFRS 9:

	Under MFRS 139 as at 31 December 2017	Remeasurement	Under MFRS 9 as at 1 January 2018
Impairment loss on receivable under MFRS 139/ allowance under MFRS 9	8,506,413	(6,816,272)	1,690,141
Retained profits	306,970,288	6,816,272	313,786,560

#### *MFRS 15 Revenue from Contracts with Customers*

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



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

2.4 **Adoption of New Standards/Amendments/Improvements to MFRS (cont'd)**

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

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

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to all contracts as at 1 January 2018.

There is no material cumulative effect of initially applying MFRS 15 to be adjusted against the opening balance of retained profits at the date of initial application. Therefore, the comparative information was not restated and continues to be reported under MFRS 118 Revenue.

Effective from 1 January 2018, the Group's volume rebate payable was reclassified from trade and other payable to refund liabilities by RM2,357,344 to conform with the presentation requirements of MFRS 15.

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 2019**

***MFRS 16 Leases***

***Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation***

***Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement***

***Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures***

***IC Interpretation 23 Uncertainty over Income Tax Treatments***

***Annual Improvements to MFRS Standards 2015-2017 Cycle***

**Effective for annual periods beginning on or after 1 January 2020**

***Amendments to References to the Conceptual Framework in MFRS Standards***

**Effective for financial periods beginning on or after 1 January 2021**

***MFRS 17 Insurance Contracts***

**Effective date yet to be confirmed**

***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – 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:

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

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

#### ***MFRS 16 Leases***

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. 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 also 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 lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 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.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt MFRS 16 on the required effective date using the modified retrospective approach.

### 2.6 Significant Accounting Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### **2.6.1 Judgements made in applying accounting policies**

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

#### **2.6.2 Key sources of estimation uncertainty**

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

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

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

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

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

#### 2.6.2 Key sources of estimation uncertainty (cont'd)

##### (ii) Impairment of 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.

##### (iii) 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.

##### (iv) Provision for expected credit loss ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of Consolidation

#### (i) Subsidiaries

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

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

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

(i) **Subsidiaries (cont'd)**

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

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

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

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

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

(ii) **Business combination**

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

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

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

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

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

(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.

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

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

(iii) **Goodwill (cont'd)**

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

(iv) **Loss of control**

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

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

(v) **Associates**

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

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

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

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

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

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

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

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

(vi) **Transactions eliminated on consolidation**

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

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

3.2 **Property, Plant and Equipment**

3.2.1 **Recognition and measurement**

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

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

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

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

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

3.2.2 **Subsequent costs**

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

3.2.3 **Depreciation**

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

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



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

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

##### 3.2.3 Depreciation (cont'd)

The annual depreciation rates are as follows:

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

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

#### 3.3 Investment Properties

##### 3.3.1 Investment properties carried at fair value

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

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

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

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

##### 3.3.2 Reclassification to/from investment properties

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

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

#### 3.4 Leases

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

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

3.4 **Leases (cont'd)**

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments 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 statement of profit or loss.

A leased assets 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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.4.1 **Finance Lease**

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For lease of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact the land normally has an indefinite economic life.

3.4.2 **Operating Lease**

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance are expensed as incurred.

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.

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

#### 3.5 Impairment of Non-financial Assets (cont'd)

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

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### 3.6.2 Classification and subsequent measurement of financial assets

###### Accounting policies applied from 1 January 2018:

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

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

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

**3.6.2 Classification and subsequent measurement of financial assets (cont'd)**

**Accounting policies applied from 1 January 2018 (cont'd):**

In the periods presented, the Group and the Company do not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments under MFRS 9.

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The Group's and the Company's short-term investments fall into this category and are measured at fair value with gains or losses recognised in profit or loss. The fair values of the financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Accounting policies applied before 1 January 2018:**

**(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.

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

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

##### 3.6.2 Classification and subsequent measurement of financial assets (cont'd)

###### Accounting policies applied from 1 January 2018 (cont'd):

###### (ii) Fair value through profit or loss (cont'd)

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.

##### 3.6.3 Classification and subsequent measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

###### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

###### Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

##### 3.6.4 Impairment of financial assets

###### Accounting policies applied from 1 January 2018:

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

3.6.4 Impairment of financial assets (cont'd)

**Accounting policies applied from 1 January 2018 (cont'd):**

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 29.3.1 to the financial statements for a detailed analysis of how the impairment requirements of MFRS 9 are applied.

**Accounting policies applied before 1 January 2018:**

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

**3.6.5 Offsetting of financial instrument**

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

**3.6.6 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.

**3.7 Inventories**

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

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

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

**3.8 Cash and Cash Equivalents**

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

**3.9 Provisions**

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

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

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

3.10 **Income Recognition**

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

3.10.1 **Manufacturing of industrial products**

The Group is in the business of manufacturing industrial products and revenue from contracts with customers is recognised at a point in time when control of the goods are transferred to the customer. The Group and the Company have generally concluded that it is the principal in its revenue arrangement.

3.10.1.1 **Variable consideration**

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

3.10.2 **Trading of electronic materials**

The Group is also in the business of trading of electronic materials. Revenue from contracts with customers is recognised at a point in time when control of the goods is transferred to the customers. The normal credit term is 30 to 60 days upon delivery.

3.10.3 **Dividend income**

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

3.10.4 **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.

3.10.5 **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.

3.10.6 **Other income**

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

3.10.7 **Contract balances**

**Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.6 to the financial statements.

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

3.10 **Income Recognition (cont'd)**

3.10.8 **Assets and liabilities arising from rights of return**

**Refund liabilities**

A refund liability is the obligation to refund some or all of the consideration from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to the above accounting policy on variable consideration.

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 **Income Tax**

Income tax expense comprises current tax 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)**

3.12 **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.

3.13 **Goods and Services Tax ("GST") and Sales and Services Tax ("SST")**

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

- where the GST or SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST or SST 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 or SST inclusive.

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

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.14 **Foreign Currency**

**Foreign currency transactions**

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

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

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

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

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

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

#### 3.14 Foreign Currency (cont'd)

##### 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.

#### 3.15 Share Capital, Share Issuance Expenses and Dividends

##### Classification

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

##### Share issuance costs

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

##### Dividends

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

#### 3.16 Segment Reporting

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

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

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

3.17 **Contingencies**

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

3.18 **Related Parties**

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) Has control or joint control over the Group;
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group.
  - (ii) The entity is an associate or joint venture of the Group.
  - (iii) Both the Group and the entity are joint ventures of the same third party.
  - (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
  - (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group or to the parent of the Group.



4. PROPERTY, PLANT AND EQUIPMENT

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
2018										
At cost										
Balance at beginning	845,600	3,530,739	48,522,377	134,322,098	12,141,815	3,183,636	2,083,508	2,225,504	4,878,453	211,733,730
Additions	-	-	3,607,933	13,578,985	942,855	540,216	16,238	67,417	2,026,905	20,780,549
Disposals/write off	-	-	-	(2,420,042)	-	(11,430)	-	(46,408)	(4,576)	(2,482,456)
Reclassification	-	-	-	446,784	-	-	-	-	(446,784)	-
Effects of movements in exchange rate	18,368	-	32,418	81,151	-	16,647	2,469	11,397	101,797	264,247
Balance at end	863,968	3,530,739	52,162,728	146,008,976	13,084,670	3,729,069	2,102,215	2,257,910	6,555,795	230,296,070
Accumulated depreciation										
Balance at beginning	-	1,596,598	10,183,370	100,898,557	6,538,745	2,695,577	1,714,468	1,614,651	-	125,241,966
Current charge	-	58,845	1,909,956	10,712,684	1,567,795	321,418	62,748	209,246	-	14,842,692
Disposals/write off	-	-	-	(2,166,047)	-	(11,430)	-	(46,407)	-	(2,223,884)
Effects of movements in exchange rate	-	-	26,805	47,891	-	8,966	1,074	8,968	-	93,704
Balance at end	-	1,655,443	12,120,131	109,493,085	8,106,540	3,014,531	1,778,290	1,786,458	-	137,954,478
Carrying amount	863,968	1,875,296	40,042,597	36,515,891	4,978,130	714,538	323,925	471,452	6,555,795	92,341,592
2017										
At cost										
Balance at beginning	851,723	3,530,739	47,523,768	126,513,899	10,382,664	2,884,580	2,084,241	2,067,227	5,301,321	201,140,162
Additions	-	-	1,009,415	8,373,797	1,759,151	288,359	-	507,712	523,594	12,462,028
Disposals/write off	-	-	-	(1,387,486)	-	(26,041)	-	(345,634)	-	(1,759,161)
Reclassification	-	-	-	861,966	-	44,543	-	-	(906,509)	-
Effects of movements in exchange rate	(6,123)	-	(10,806)	(40,078)	-	(7,805)	(733)	(3,801)	(39,953)	(109,299)
Balance at end	845,600	3,530,739	48,522,377	134,322,098	12,141,815	3,183,636	2,083,508	2,225,504	4,878,453	211,733,730
Accumulated depreciation										
Balance at beginning	-	1,537,753	8,332,431	90,093,549	5,098,765	2,573,937	1,654,926	1,775,806	-	111,067,167
Current charge	-	58,845	1,860,044	11,693,768	1,439,980	150,570	59,996	180,306	-	15,443,509
Disposals/write off	-	-	-	(871,104)	-	(25,789)	-	(339,302)	-	(1,236,195)
Effects of movements in exchange rate	-	-	(9,105)	(17,656)	-	(3,141)	(454)	(2,159)	-	(32,515)
Balance at end	-	1,596,598	10,183,370	100,898,557	6,538,745	2,695,577	1,714,468	1,614,651	-	125,241,966
Carrying amount	845,600	1,934,141	38,339,007	33,423,541	5,603,070	488,059	369,040	610,853	4,878,453	86,491,764

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

- 4.1 The carrying amount of freehold land and building charged to licensed banks for banking facilities granted to the Group amounted to **RM1,124,106** (2017: RM1,117,397).
- 4.2 Leasehold land of the Group is with unexpired lease period of ranging between **32 to 58 years** (2017: 33 to 59 years).

5. **INVESTMENT PROPERTIES**

	<b>GROUP</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Balance at beginning	<b>22,047,191</b>	21,850,280
Change in fair value recognised in profit or loss	<b>5,450,000</b>	211,109
Effects of movements in exchange rates	<b>45,554</b>	(14,198)
	<hr/>	<hr/>
Balance at end	<b>27,542,745</b>	22,047,191
	<hr/>	<hr/>
Included in the above are:		
At fair value		
Freehold land and buildings	<b>2,142,745</b>	2,097,191
Leasehold land and buildings	<b>25,400,000</b>	19,950,000
	<hr/>	<hr/>
	<b>27,542,745</b>	22,047,191
	<hr/>	<hr/>

Investment properties of the Group amounting to **RM2,142,745** (2017: RM2,097,191) 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:

	<b>2018 RM</b>	<b>2017 RM</b>
Rental income from income generating properties	<b>3,173,784</b>	3,162,456
Direct operating expenses:		
- income generating investment properties	<b>204,972</b>	290,129
	<hr/>	<hr/>

**Fair value measurement information**

Fair value of investment properties are categorised as follows:

	<b>Level 3</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Freehold land and buildings	<b>2,142,745</b>	2,097,191
Leasehold land and buildings	<b>25,400,000</b>	19,950,000
	<hr/>	<hr/>
	<b>27,542,745</b>	22,047,191
	<hr/>	<hr/>

5. INVESTMENT PROPERTIES (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
	2018 Price per square foot (RM26-RM77)	2017 Price per square foot (RM22-RM65)	
Comparison method of valuation: Comparing the subject site with similar industrial lands and industrial building which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, terrain of land, tenure and restrictions if any, availability of infrastructure, vacant possession and other relevant characteristics.			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 2018, the fair value of the Group's investment properties of leasehold land and buildings of **RM25,400,000** (2017: RM19,950,000) 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. Changes in Level 3 fair value are analysed by the management after obtaining the valuation report from the valuation company.

The fair value of the Group's investment properties of freehold land and buildings of **RM2,142,745** (2017: RM2,097,191) was determined by the Directors by reference to market evidence of transaction prices for similar properties.

Highest and best use

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

6. PREPAID LEASE PAYMENTS

	GROUP	
	2018 RM	2017 RM
<b>Unexpired lease period of less than 50 years</b>		
At cost	<b>11,877,468</b>	11,877,468
<b>Accumulated amortisation</b>		
Balance at beginning	1,447,587	1,131,739
Current amortisation	315,848	315,848
Balance at end	<b>1,763,435</b>	1,447,587
<b>Carrying amounts</b>	<b>10,114,033</b>	10,429,881

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018 RM	2017 RM
Unquoted shares, at cost	<b>79,918,805</b>	<b>79,918,805</b>

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Effective equity interest		Principal activities
		2018 %	2017 %	
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
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\* Not audited by Grant Thornton

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (cont'd)

## 8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post-acquisition reserves	(25,000)	(25,000)	-	-
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>

Details of the associate are as follows:

Name of entity	Country of incorporation	Effective equity interest		Principal activities
		2018 %	2017 %	
I2 Skyway Sdn. Bhd. (formerly known as Infra-Info Telecommunications Sdn. Bhd.)	Malaysia	49	49	Provision of consultancy services, trading of artificial grass and operation of a restaurant. The restaurant business had ceased operation since December 2017.

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.

	GROUP	
	2018 RM	2017 RM
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	38	49,456
Current assets	10,555	15,978
Current liabilities	(98,566)	(137,593)
Net liabilities	<u>(87,973)</u>	<u>(72,159)</u>
<b>Year ended 31 December</b>		
Loss from continuing operations	<u>(15,971)</u>	<u>(44,603)</u>

### Contingent liabilities and capital commitments

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

## 9. GOODWILL ON CONSOLIDATION

	GROUP	
	2018 RM	2017 RM
At cost	<u>1,721,665</u>	<u>1,721,665</u>

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

9. **GOODWILL ON CONSOLIDATION (cont'd)**

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

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Management covering a period of 5 years with an estimated growth rate of **0%** (2017: 0%) and a discount rate of **9.45%** (2017: 9.45%) per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The management believes 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:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	<b>828,498</b>	1,701,562	<b>790,120</b>	1,664,000
Deferred tax liabilities	<b>(6,661,040)</b>	(3,161,870)	-	-
	<b>(5,832,542)</b>	(1,460,308)	<b>790,120</b>	1,664,000

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Property, plant and equipment	<b>(11,745,578)</b>	(8,206,956)	-	-
Inventories	<b>1,485,418</b>	2,205,047	-	-
Receivables	<b>892,718</b>	2,028,295	-	-
Accruals	<b>2,429,106</b>	2,303,503	<b>628,129</b>	1,323,000
Unutilised tax losses	<b>161,991</b>	777,000	<b>161,991</b>	341,000
Other taxable/(deductible) temporary differences	<b>943,803</b>	(567,197)	-	-
	<b>(5,832,542)</b>	(1,460,308)	<b>790,120</b>	1,664,000



11. INVENTORIES

	GROUP	
	2018 RM	2017 RM
Raw materials	93,955,208	84,662,845
Work-in-progress	28,774,929	32,144,803
Finished goods	22,721,704	18,757,418
Goods-in-transit	1,094,223	10,342,735
	<b>146,546,064</b>	<b>145,907,801</b>
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	609,272,571	618,953,850
Inventories written down		
- Current year	-	49,354
- Reversal	(684,697)	(11,104,353)

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

12. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade</b>					
Third parties	12.1	167,557,012	158,487,705	-	-
Related parties	12.2	289	4,673	-	-
		<b>167,557,301</b>	<b>158,492,378</b>	<b>-</b>	<b>-</b>
<b>Non-trade</b>					
Amount due from subsidiaries	12.3	-	-	31,396,080	33,856,480
Other receivables		866,053	1,610,480	16	16
Deposits		376,734	300,449	2,000	2,000
Prepayments		1,955,519	3,093,726	13,844	13,844
GST receivables		2,839,141	2,161,610	-	-
		<b>6,037,447</b>	<b>7,166,265</b>	<b>31,411,940</b>	<b>33,872,340</b>
		<b>173,594,748</b>	<b>165,658,643</b>	<b>31,411,940</b>	<b>33,872,340</b>

12.1 The normal credit terms granted to trade receivables range from **30 to 120 days** (2017: 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 amount due from subsidiaries is non-trade, unsecured, non-interest bearing and repayable on demand.

13. SHORT-TERM INVESTMENTS

	GROUP AND COMPANY	
	2018	2017
	RM	RM
Investment in unit trusts	<b>4,476,423</b>	<b>9,448,221</b>

The effective interest rate for the short-term investments is **1.63%** to **4.02%** (2017: 1.29% to 3.48%) per annum and can be redeemed at any time upon notice given to the financial institution. 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	2018	2017	2018	2017
		RM	RM	RM	RM
Cash and bank balances	14.1	<b>42,469,656</b>	27,375,692	<b>2,417,184</b>	83,069
Fixed deposits with licensed banks	14.2	<b>51,272,609</b>	29,959,273	<b>1,164</b>	1,164
Short term money market	14.3	<b>40,850,000</b>	20,750,000	-	-
		<b>134,592,265</b>	<b>78,084,965</b>	<b>2,418,348</b>	<b>84,233</b>

14.1 Included in the cash and bank balances is **RM96,520** (2017: RM94,468) pledged as securities for credit facilities granted to the Group.

14.2 The effective interest rates of the fixed deposits with licensed banks as at the end of the reporting period range from **0.50%** to **3.40%** (2017: 1.45% to 3.70%) per annum.

14.3 The average effective interest rates of the short term money market as at the end of the reporting period range from **2.10%** to **3.70%** (2017: 2.10% to 3.60%) per annum.

15. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018	2017	2018	2017
			RM	RM
<b>Issued and fully paid:</b>				
Balance at beginning	<b>384,041,985</b>	384,041,985	<b>83,202,902</b>	76,808,397
Transition to no-par value regime on 31 January 2017	-	-	-	6,394,505
Balance at end	<b>384,041,985</b>	<b>384,041,985</b>	<b>83,202,902</b>	<b>83,202,902</b>

16. RESERVES

	NOTE	GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-distributable</b>					
Share premium	16.1	-	-	-	-
Foreign currency translation reserve	16.2	12,613,508	11,856,972	-	-
Merger reserve	16.3	-	-	16,408,221	16,408,221
		12,613,508	11,856,972	16,408,221	16,408,221
<b>Distributable</b>					
Retained profits	16.4	333,886,081	306,970,288	16,759,807	22,978,565
		<u>346,499,589</u>	<u>318,827,260</u>	<u>33,168,028</u>	<u>39,386,786</u>

16.1 Share premium

	GROUP AND COMPANY	
	2018 RM	2017 RM
Balance at beginning	-	6,394,505
Transfer to share capital	-	(6,394,505)
Balance at end	-	-

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

16.2 Foreign currency translation reserve

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

16.3 Merger reserve

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

16.4 Retained profits

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

17. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
Trade					
Third parties	17.1	74,316,749	78,194,362	-	-
Related parties	17.2	6,761,871	1,261,978	-	-
		81,078,620	79,456,340	-	-
Non-trade					
Amount due to ultimate holding company	17.3	56,690	351,420	-	-
Amount due to directors	17.4	18,000	-	18,000	-
Other payables		18,484,682	14,265,719	-	378
Accruals		16,043,400	17,456,694	2,651,706	2,310,979
GST payable		-	133,343	-	111,554
		34,602,772	32,207,176	2,669,706	2,422,911
		115,681,392	111,663,516	2,669,706	2,422,911

17.1 The normal credit terms granted by trade payables range from **30 to 90 days** (2017: 30 to 90 days).

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

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

17.4 The amount due to directors represents directors' fee payable.

18. BORROWINGS

	GROUP	
	2018 RM	2017 RM
<b>Current liabilities</b>		
Bankers' acceptance	<b>36,207,919</b>	<b>-</b>

The effective interest rates of the bankers' acceptance as at the end of the reporting period range from **2.56% to 3.09%** (2017: Nil) per annum.

The bank borrowings are secured by way of corporate guarantee by the Company.

19. REFUND LIABILITIES

Refund liabilities represent volume rebates provided to certain customers which are entitled to a rebate once the quantity of products purchased during the period exceeds the threshold specified in the sales contract. The rebates will be offset against balance owing by the customer. The volume rebates provided are expected to materialised within the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (cont'd)

## 20. REVENUE

### 20.1 Disaggregation of revenue from contracts with customer

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Types of goods or services</b>				
Manufacturing of industrial products	642,780,169	662,150,913	-	-
Trading of electronic materials	18,287,476	16,983,117	-	-
Investment income earned from financial asset at fair value through profit or loss	188,886	148,506	188,886	148,506
Management fees	-	-	3,396,000	7,608,000
Dividend income from subsidiaries	-	-	18,125,000	15,151,000
<b>Total revenue from contracts with customer</b>	<b>661,256,531</b>	<b>679,282,536</b>	<b>21,709,886</b>	<b>22,907,506</b>

The comparative figures are in accordance to *MFRS 118 Revenue* and therefore the amounts presented are not entirely comparable.

	GROUP 2018 RM	COMPANY 2018 RM
<b>Timing of revenue recognition</b>		
Goods or income transferred at a point in time	661,256,531	18,313,886
Services transferred over time	-	3,396,000
<b>Total revenue from contracts with customer</b>	<b>661,256,531</b>	<b>21,709,886</b>
<b>Geographical markets</b>		<b>GROUP 2018 RM</b>
Malaysia		269,711,662
Other Asia Pacific countries		136,788,071
Europe		71,691,042
United States of America		183,065,756
<b>Total revenue from contracts with customer</b>		<b>661,256,531</b>

### 20.2 Performance obligation

#### Group

#### (i) Manufacturing of industrial products

Revenue from manufacturing of industrial products and revenue from contracts with customers are recognised at the point in time when control of the goods is transferred to the customers.

#### (ii) Trading of electronic materials

Revenue from trading of electronic materials is recognised at a point in time when control of the goods is transferred to the customers. The normal credit term is 30 to 60 days upon delivery.

**20. REVENUE (cont'd)**

**20.2 Performance obligation (cont'd)**

**Group (cont'd)**

**(iii) Investment income**

Investment income is recognised on an accrual basis using the effective interest method.

**Company**

**Management fee**

Management fees is deemed as a single performance obligation (series of distinct services) that is satisfied over time.

**20.3 Contract balances**

	<b>GROUP 2018 RM</b>
Trade receivables (Note 12)	<b><u>167,557,301</u></b>

**21. PROFIT BEFORE TAX**

This is arrived at:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
After charging:				
Amortisation of prepaid lease payments	<b>315,848</b>	315,848	-	-
Audit fee				
- Grant Thornton				
- current year	<b>155,000</b>	126,000	<b>35,000</b>	32,000
- under provision in prior year	<b>3,000</b>	1,000	-	-
- Other auditors				
- current year	<b>54,684</b>	61,918	-	-
Non-audit fees				
- Grant Thornton				
- current year	<b>63,186</b>	62,400	<b>46,286</b>	44,500
- Other auditors				
- current year	<b>45,678</b>	27,441	-	-
Depreciation of property, plant and equipment	<b>14,842,692</b>	15,443,509	-	-
Expected credit loss on trade receivables, net	<b>23,584</b>	-	-	-
Fair value loss on financial asset at fair value through profit or loss	<b>7,841</b>	-	<b>7,841</b>	-
Impairment loss on trade receivables				
- Current year	-	5,378,586	-	-
- Reversal	<b>(280,806)</b>	(20,109)	-	-
Interest expense	<b>365,993</b>	89,070	-	-
Inventories written down				
- Current year	-	49,354	-	-
- Reversal	<b>(684,697)</b>	(11,104,353)	-	-
Loss on foreign exchange:				
- Realised	<b>32,107</b>	171,494	<b>31,976</b>	52,894
- Unrealised	<b>4,071,216</b>	3,180,969	-	-
Rental of premises	<b>387,112</b>	387,386	-	-
Rental of office equipment	<b>12,790</b>	20,569	-	-



**NOTES TO THE  
FINANCIAL STATEMENTS**  
31 December 2018 (cont'd)

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

This is arrived at (cont'd):

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
And crediting:				
Fair value gain on financial asset at fair value through profit or loss	-	37,846	-	37,846
Fair value gain on investment properties	<b>5,450,000</b>	211,109	-	-
Gain on disposal of property, plant and equipment	<b>356,419</b>	255,130	-	-
Gain on disposal of short-term investment	<b>40,229</b>	7,909	<b>40,229</b>	7,909
Gain on foreign exchange:				
- Realised	<b>15,815,646</b>	10,640,904	-	-
- Unrealised	<b>751,706</b>	27,967	<b>609,336</b>	-
Interest income	<b>2,199,189</b>	1,299,476	<b>11,398</b>	1,124
Reversal of inventories written down	<b>684,697</b>	11,104,353	-	-
Rental income from:				
- Investment properties	<b>3,173,784</b>	3,162,456	-	-
- Prepaid lease payments	<b>211,812</b>	252,086	-	-
- Others	<b>128,274</b>	-	-	-

**22. EMPLOYEE BENEFIT EXPENSES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
- Wages, salaries and others	<b>70,450,332</b>	62,629,094	<b>3,627,306</b>	2,145,236
- EPF and SOCSO	<b>2,141,278</b>	2,182,117	<b>222,167</b>	492,674
	<b>72,591,610</b>	64,811,211	<b>3,849,473</b>	2,637,910

Included in the employee benefit expenses of the Group and of the Company is directors' remuneration as shown below:

**Directors of the Company:**

**Executive:**

- Salaries, allowances and bonus	<b>1,639,106</b>	1,587,652	<b>1,493,992</b>	1,464,784
- EPF	<b>306,521</b>	298,459	<b>283,882</b>	277,207
- Benefits-in-kind	<b>16,500</b>	16,500	-	-
	<b>1,962,127</b>	1,902,611	<b>1,777,874</b>	1,741,991

**Non-Executive:**

- Fees	<b>72,000</b>	72,000	<b>72,000</b>	72,000
- Allowances	<b>23,400</b>	16,600	<b>23,400</b>	16,600
	<b>95,400</b>	88,600	<b>95,400</b>	88,600

Balance carried forward	<b>2,057,527</b>	1,991,211	<b>1,873,274</b>	1,830,591
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22. EMPLOYEE BENEFIT EXPENSES (cont'd)

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Balance brought forward	2,057,527	1,991,211	1,873,274	1,830,591
<b>Directors of subsidiaries:</b>				
Executive:				
- Salaries, allowances and bonus	1,489,832	1,463,244	-	-
- EPF	103,539	92,910	-	-
- Benefits-in-kind	23,093	-	-	-
	<u>1,616,464</u>	<u>1,556,154</u>	<u>-</u>	<u>-</u>
	<u>3,673,991</u>	<u>3,547,365</u>	<u>1,873,274</u>	<u>1,830,591</u>

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 and of the Company either directly or indirectly.

23. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Based on results for the financial year				
Current tax expense				
- Malaysia	(11,710,213)	(16,078,000)	-	-
- Withholding tax	(442,462)	-	(442,462)	-
Deferred tax expense				
- Origination and reversal of temporary differences	(4,806,950)	(1,257,296)	158,502	-
	<u>(16,959,625)</u>	<u>(17,335,296)</u>	<u>(283,960)</u>	<u>-</u>
Over/(Under) provision in prior year				
- Current tax	3,839,552	793,162	(270)	-
- Deferred tax	434,716	1,110,157	(1,032,382)	-
	<u>4,274,268</u>	<u>1,903,319</u>	<u>(1,032,652)</u>	<u>-</u>
	<u>(12,685,357)</u>	<u>(15,431,977)</u>	<u>(1,316,612)</u>	<u>-</u>

23. **INCOME TAX EXPENSE (cont'd)**

The reconciliation of the tax expense of the Group and of the Company are as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<b>55,827,397</b>	<b>63,442,988</b>	<b>18,140,373</b>	<b>13,814,861</b>
Income tax at Malaysian tax rate of 24%	<b>(13,398,575)</b>	<b>(15,226,317)</b>	<b>(4,353,689)</b>	<b>(3,315,566)</b>
Effect of tax rates in foreign jurisdictions	<b>197,209</b>	<b>157,645</b>	<b>-</b>	<b>-</b>
Non-deductible expenses	<b>(5,046,617)</b>	<b>(3,215,866)</b>	<b>(37,156)</b>	<b>(431,314)</b>
Income not subject to tax	<b>688,795</b>	<b>40,531</b>	<b>4,549,347</b>	<b>3,682,863</b>
Effect of tax incentives	<b>917,753</b>	<b>746,003</b>	<b>-</b>	<b>-</b>
Effect of deferred tax assets not recognised	<b>36,017</b>	<b>69,739</b>	<b>-</b>	<b>64,017</b>
Annual crystallisation of deferred tax on previous revaluation surplus	<b>88,255</b>	<b>92,969</b>	<b>-</b>	<b>-</b>
	<b>(16,517,163)</b>	<b>(17,335,296)</b>	<b>158,502</b>	<b>-</b>
Withholding tax	<b>(442,462)</b>	<b>-</b>	<b>(442,462)</b>	<b>-</b>
Over/(Under) provision in prior year	<b>4,274,268</b>	<b>1,903,319</b>	<b>(1,032,652)</b>	<b>-</b>
	<b>(12,685,357)</b>	<b>(15,431,977)</b>	<b>(1,316,612)</b>	<b>-</b>

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.

24. **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 **RM43,142,040** (2017: RM48,011,011) by the weighted average number of ordinary shares in issue during the financial year of **384,041,985** (2017: 384,041,985).

**Diluted earnings per ordinary share**

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

**25. DIVIDENDS**

	<b>GROUP AND COMPANY</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<u>In respect of the financial year ended 31 December 2017</u>		
First and final single tier dividend of RM0.024 per share	<b>9,217,008</b>	-
Special single tier dividend of RM0.036 per share	<b>13,825,511</b>	-
<u>In respect of the financial year ended 31 December 2016</u>		
First and final single tier dividend of RM0.024 per share	-	9,217,007
Special single tier dividend of RM0.026 per share	-	9,985,092
	<b>23,042,519</b>	<b>19,202,099</b>

**26. 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 to the financial statements.
- (b) Associate as disclosed in Note 8 to the financial statements.
- (c) The immediate and ultimate holding companies.
- (d) Subsidiaries of the immediate and ultimate holding companies.
- (e) A shareholder of the Company's ultimate holding company, Hon Hai Precision Industries Co., Ltd. and its subsidiaries.
- (f) Key management personnel.

**(ii) Related company transactions**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Management fees received from subsidiaries	-	-	<b>3,396,000</b>	7,608,000
Dividend received from subsidiaries	-	-	<b>18,125,000</b>	15,151,000

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>(iii) Related parties transactions</b>				
Sales to:				
- Hon Hai Precision Industries Co., Ltd.	-	249,582	-	-
- Pan-International Precision Electronic Co., Ltd.	-	696	-	-
Purchases from:				
- Pan-International Industrial Corp.	<b>1,154,535</b>	478,465	-	-
- Hon Hai Precision Industries Co., Ltd.	<b>1,085,300</b>	18,292,168	-	-
- Foxconn Interconnect Technology Singapore Pte. Ltd.	<b>17,047,411</b>	11,298,757	-	-
- View Great Limited	<b>8,012</b>	266,798	-	-
- ShenZhen Futaihong Precision Ind. Co., Ltd.	<b>1,516,336</b>	5,035,893	-	-
Purchase of machinery from:				
- Hongfujin Precision Ind. (Wuhan) Co., Ltd.	<b>3,449,996</b>	-	-	-
Inspection fee paid to:				
- Pan-International Industrial Corp.	<b>153,634</b>	-	-	-

**(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 Group and 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 22 to the financial statements.

**27. CAPITAL COMMITMENTS**

	<b>GROUP</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Contracted and not provided for:		
- Property, plant and equipment	<b>218,545</b>	<b>158,192</b>

28. **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 electronic materials (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.



**NOTES TO THE  
FINANCIAL STATEMENTS**  
31 December 2018 (cont'd)

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

**By business segments**

	<b>Manufacturing of industrial products RM</b>	<b>Trading of electrical materials RM</b>	<b>Investment holding RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>2018</b>					
<b>Revenue</b>					
External sales	642,780,169	18,287,476	188,886	-	661,256,531
Inter-segment revenue	99,891	2,088,550	21,521,000	(23,709,441)	-
<b>Total revenue</b>	<b>642,880,060</b>	<b>20,376,026</b>	<b>21,709,886</b>	<b>(23,709,441)</b>	<b>661,256,531</b>
<b>Results</b>					
Segment profit	57,516,688	392,789	18,128,975	(25,558,121)	50,480,331
Rental income					3,513,870
Interest income					2,199,189
Interest expense					(365,993)
Profit before tax					55,827,397
Income tax expense					(12,685,357)
<b>Profit for the financial year</b>					<b>43,142,040</b>
<b>2017</b>					
<b>Revenue</b>					
External sales	662,150,913	16,983,117	148,506	-	679,282,536
Inter-segment revenue	287,688	2,026,860	22,759,000	(25,073,548)	-
<b>Total revenue</b>	<b>662,438,601</b>	<b>19,009,977</b>	<b>22,907,506</b>	<b>(25,073,548)</b>	<b>679,282,536</b>
<b>Results</b>					
Segment profit	58,677,205	172,757	13,813,736	(13,845,658)	58,818,040
Rental income					3,414,542
Interest income					1,299,476
Interest expense					(89,070)
Profit before tax					63,442,988
Income tax expense					(15,431,977)
<b>Profit for the financial year</b>					<b>48,011,011</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (cont'd)

## 28. OPERATING SEGMENTS (cont'd)

### By business segments (cont'd)

	Manufacturing of industrial products RM	Trading of electrical materials RM	Investment holding RM	Total RM
<b>2018</b>				
<b>Assets</b>				
Segment assets	455,475,055	7,157,995	4,154,708	466,787,758
Income producing assets				119,665,354
Income tax assets				1,996,425
Investment in unit trusts				4,476,423
<b>Total assets</b>				<b>592,925,960</b>
<b>2017</b>				
<b>Assets</b>				
Segment assets	428,115,761	7,549,091	1,920,594	437,585,446
Income producing assets				72,756,464
Income tax assets				3,689,150
Investment in unit trusts				9,448,221
<b>Total assets</b>				<b>523,479,281</b>
<b>2018</b>				
<b>Other information</b>				
Additions to non-current assets	20,780,549	-	-	20,780,549
Depreciation and amortisation expenses	(15,158,540)	-	-	(15,158,540)
Expected credit loss of trade and other receivables, net	(23,584)	-	-	(23,584)
Fair value gain on investment properties	5,450,000	-	-	5,450,000
Fair value gain on financial asset at fair value through profit or loss	-	-	(7,841)	(7,841)
Gain on disposal of property, plant and equipment	356,419	-	-	356,419
Impairment loss on trade receivables, net				
- Reversal	278,784	2,022	-	280,806
Interest expense	(365,993)	-	-	(365,993)
Interest income	2,137,931	49,860	11,398	2,199,189
Inventories written down				
- Reversal	684,697	-	-	684,697
Unrealised loss on foreign exchange	3,319,510	-	-	3,319,510
<b>2017</b>				
<b>Other information</b>				
Additions to non-current assets	12,462,028	-	-	12,462,028
Depreciation and amortisation expenses	(15,759,357)	-	-	(15,759,357)
Fair value gain on investment properties	211,109	-	-	211,109
Fair value gain on financial asset at fair value through profit or loss	-	-	37,846	37,846
Gain on disposal of property, plant and equipment	255,130	-	-	255,130
Impairment loss on trade receivables				
- Current year	(5,376,441)	(2,145)	-	(5,378,586)
- Reversal	-	20,109	-	20,109
Interest expense	(89,070)	-	-	(89,070)
Interest income	1,253,067	45,285	1,124	1,299,476
Inventories written down				
- Current year	-	(49,354)	-	(49,354)
- Reversal	11,104,353	-	-	11,104,353
Unrealised loss on foreign exchange	(3,153,002)	-	-	(3,153,002)

**28. 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
<b>2018</b>		
Malaysia	269,711,662	120,099,948
Other Asia Pacific countries	136,788,071	9,898,422
Europe	71,691,042	-
United States of America	183,065,756	-
	<u>661,256,531</u>	<u>129,998,370</u>
<b>2017</b>		
Malaysia	292,487,842	109,404,176
Other Asia Pacific countries	148,163,817	9,564,660
Europe	76,489,725	-
United States of America	162,141,152	-
	<u>679,282,536</u>	<u>118,968,836</u>

**Information of Major Customers**

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

	2018 RM	2017 RM	
			Segments
- Customer A	156,759,289	132,097,437	Manufacturing of industrial products
- Customer B	115,902,118	110,319,623	Manufacturing of industrial products
	<u>272,661,407</u>	<u>242,417,060</u>	

## 29. FINANCIAL INSTRUMENTS

### 29.1 Categories of financial instruments

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

	Carrying amount RM	AC RM	FVTPL RM	FL RM
<b>GROUP</b>				
<b>2018</b>				
<b>Financial assets</b>				
Trade and other receivables, excluding prepayments and GST recoverable	168,800,088	168,800,088	-	-
Short-term investments	4,476,423	-	4,476,423	-
Cash and cash equivalents	134,592,265	134,592,265	-	-
	<b>307,868,776</b>	<b>303,392,353</b>	<b>4,476,423</b>	<b>-</b>
<b>Financial liabilities</b>				
Trade and other payables	115,681,398	-	-	115,681,398
Borrowings	36,207,919	-	-	36,207,919
	<b>151,889,317</b>	<b>-</b>	<b>-</b>	<b>151,889,317</b>
<b>COMPANY</b>				
<b>2018</b>				
<b>Financial assets</b>				
Trade and other receivables, excluding prepayments	31,398,096	31,398,096	-	-
Short-term investments	4,476,423	-	4,476,423	-
Cash and cash equivalents	2,418,348	2,418,348	-	-
	<b>38,292,867</b>	<b>33,816,444</b>	<b>4,476,423</b>	<b>-</b>
<b>Financial liabilities</b>				
Trade and other payables	2,669,706	-	-	2,669,706

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

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

The financial instruments classified in the prior year in accordance with MFRS 139 are as follows:

	Carrying amount RM	L&R RM	FVTPL RM	FL RM
<b>GROUP</b>				
<b>2017</b>				
Financial assets				
Trade and other receivables	160,403,307	160,403,307	-	-
Short-term investments	9,448,221	-	9,448,221	-
Cash and cash equivalents	78,084,965	78,084,965	-	-
	<u>247,936,493</u>	<u>238,488,272</u>	<u>9,448,221</u>	<u>-</u>
Financial liabilities				
Trade and other payables	<u>111,530,173</u>	<u>-</u>	<u>-</u>	<u>111,530,173</u>
<b>COMPANY</b>				
<b>2017</b>				
Financial assets				
Trade and other receivables	33,858,496	33,858,496	-	-
Short-term investments	9,448,221	-	9,448,221	-
Cash and cash equivalents	84,233	84,233	-	-
	<u>43,390,950</u>	<u>33,942,729</u>	<u>9,448,221</u>	<u>-</u>
Financial liabilities				
Trade and other payables	<u>2,311,357</u>	<u>-</u>	<u>-</u>	<u>2,311,357</u>

**29.2 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**29.3 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.

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Credit risk (cont'd)

29.3.1 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 and other receivables (excluding prepayments, GST receivable) is represented by the carrying amounts in the statement of financial position.

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

At the end of the reporting period, approximately **62%** (2017: 57%) of the Group's trade receivables were due from **2** (2017: 2) 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***

***(a) Maximum exposure to credit risk***

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables of the Group as at the end of the reporting period is as follows:

2018	Expected loss rate (%)	Gross RM	Loss allowance RM	Net RM
Not past due	-	138,224,664	(24,010)	138,200,654
1 to 30 days past due	0.1 to 1.7	21,759,780	(318,946)	21,440,834
31 to 60 days past due	0.1 to 1.6	4,021,304	(52,870)	3,968,434
61 to 90 days past due	6.6 to 25.7	1,693,900	(164,831)	1,529,069
Past due more than 90 days	22.1 to 100.0	3,279,120	(860,810)	2,418,310
Total		<u>168,978,768</u>	<u>(1,421,467)</u>	<u>167,557,301</u>
2017		Gross RM	Individual impairment RM	Net RM
Not past due		125,021,928	-	125,021,928
1 to 30 days past due		32,569,242	(1,372,020)	31,197,222
31 to 60 days past due		5,271,515	(2,998,287)	2,273,228
61 to 90 days past due		3,948,296	(3,948,296)	-
91 to 120 days past due		-	-	-
Past due more than 120 days		187,810	(187,810)	-
		<u>41,976,863</u>	<u>(8,506,413)</u>	<u>33,470,450</u>
		<u>166,998,791</u>	<u>(8,506,413)</u>	<u>158,492,378</u>



## 29. FINANCIAL INSTRUMENTS (cont'd)

### 29.3 Credit risk (cont'd)

#### 29.3.1 Receivables (cont'd)

##### *Ageing analysis (cont'd)*

##### *(b) Reconciliation on loss allowance*

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	2018 RM	2017* RM
At 1 January	8,506,413	3,150,832
Adjustment on initial application of MFRS 9	(6,816,272)	-
Impairment loss recognised	23,584	5,378,586
Reversal of impairment	(280,806)	(20,109)
Effects of movements in foreign exchange rates	(11,452)	(2,896)
At 31 December	1,421,467	8,506,413

(\*) Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.

The loss 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.

#### 29.3.2 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.

#### 29.3.3 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 up to a limit of **RM53,178,900**. The maximum exposure to credit risk is **RM36,207,919**, representing the outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Credit risk (cont'd)

29.3.3 Financial guarantees (cont'd)

*Risk management objectives, policies and processes for managing the risk (cont'd)*

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

Financial guarantees have not been recognised as the fair value on initial recognition was not material since no consideration was paid.

29.4 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 cash flows RM	Within one year RM
<b>GROUP</b>			
<b>2018</b>			
Trade and other payables	115,681,392	115,681,392	115,681,392
Borrowings	36,207,919	36,207,919	36,207,919
	<b>151,889,311</b>	<b>151,889,311</b>	<b>151,889,311</b>
<b>2017</b>			
Trade and other payables	111,530,173	111,530,173	111,530,173
<b>COMPANY</b>			
<b>2018</b>			
Trade and other payables	2,669,706	2,669,706	2,669,706
<b>2017</b>			
Trade and other payables	2,311,357	2,311,357	2,311,357

29. FINANCIAL INSTRUMENTS (cont'd)

29.5 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.

29.5.1 Currency risk

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

*Risk management objectives, policies and processes for managing the risk*

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

*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:

	USD RM	Denominated in EURO RM	SGD RM	OTHERS RM
<b>GROUP</b>				
<b>2018</b>				
Trade and other receivables	139,056,662	9,289,643	456,132	-
Trade and other payables	(75,755,763)	(20,250)	(3,439)	(30,822)
Borrowings	(36,207,919)	-	-	-
Short-term investments	356,836	-	-	-
Cash and cash equivalents	62,400,025	476,946	230,383	3,175
Net exposure	<b>89,849,841</b>	<b>9,746,339</b>	<b>683,076</b>	<b>(27,647)</b>
<b>2017</b>				
Trade and other receivables	124,262,806	8,947,740	526,800	-
Trade and other payables	(66,610,636)	(1,818)	(37,613)	(120,763)
Short-term investments	343,715	-	-	-
Cash and cash equivalents	25,305,458	433,962	132,237	3,210
Net exposure	<b>83,301,343</b>	<b>9,379,884</b>	<b>621,424</b>	<b>(117,553)</b>

29. FINANCIAL INSTRUMENTS (cont'd)

29.5 Market risk (cont'd)

29.5.1 Currency risk (cont'd)

*Exposure to foreign currency risk (cont'd)*

	USD RM	Denominated in EURO RM	SGD RM	OTHERS RM
<b>COMPANY</b>				
<b>2018</b>				
Short-term investments	356,836	-	-	-
Cash and cash equivalents	2,234,802	-	-	-
	<b>2,591,638</b>	-	-	-
<b>2017</b>				
Short-term investments	343,715	-	-	-
Cash and cash equivalents	3,890	-	-	-
	<b>347,605</b>	-	-	-

*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.

	<b>GROUP</b>		<b>COMPANY</b>	
	2018 RM	2017 RM	2018 RM	2017 RM
USD	(8,984,984)	(8,330,134)	(259,164)	(34,761)
EURO	(974,634)	(937,988)	-	-
SGD	(68,308)	(62,143)	-	-
Others	2,765	11,755	-	-
Decrease in profit before tax	<b>(10,025,161)</b>	<b>(9,318,510)</b>	<b>(259,164)</b>	<b>(34,761)</b>

29. FINANCIAL INSTRUMENTS (cont'd)

29.5 Market risk (cont'd)

29.5.2 Interest rate risk

The Group's and the Company's fixed rate short term deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instrument mainly comprising of borrowings are 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	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Fixed rate instruments</b>				
Short-term deposits with licensed bank	<u>92,122,609</u>	<u>50,709,273</u>	<u>1,164</u>	<u>1,164</u>
<b>Floating rate instruments</b>				
Borrowings	<u>36,207,919</u>	<u>-</u>	<u>-</u>	<u>-</u>

***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 (decrease)/increased 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
<b>GROUP</b>		
<b>2018</b>		
Borrowings	<u>(362,079)</u>	<u>362,079</u>

### 30. 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. The fair value information of investment properties are disclosed in Note 5 to the financial statements.

#### 30.1 Fair value hierarchy

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>GROUP AND COMPANY</b>				
<b>2018</b>				
Investment in unit trusts	<b>4,476,423</b>	-	-	<b>4,476,423</b>
<b>2017</b>				
Investment in unit trusts	<b>9,448,221</b>	-	-	<b>9,448,221</b>

The investment in unit trusts 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.

### 31. CAPITAL MANAGEMENT

The Group's objective when managing capital remains unchanged compared to the prior year and 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 buyback 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.

### 32. 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. ("PIESB") 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 PIESB from leaving and entering Malaysia and arising from this, the external legal counsel of PIESB 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.



32. **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 PIESB for the above said claim. PIESB had filed an appeal with the Ministry of Finance ("MOF"), Malaysia regarding the alleged "unpaid import duties and sales tax" of which its application was rejected by the MOF on 31 October 2017. Subsequent to the rejection, the external legal counsel of PIESB had applied for a judicial review on the decision of the MOF with the High Court at Penang. The High Court Judge dismissed PIESB's application for a judicial review. Following the dismissal by the High Court, PIESB had submitted an appeal application against the decision of the High Court Judge to the Court of Appeals of which hearing of the case is fixed on 24 June 2019 ("Appeal Application"). The external legal counsel of PIESB believes that the chances of PIESB's Appeal Application against the decision of the High Court judge are reasonably good.

## ANALYSIS OF SHAREHOLDINGS

### SHARE CAPITAL AS AT MARCH 21, 2019

Total number of issued shares	:	384,041,985
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	5,197

### DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 21, 2019

Holdings	No. of Holders	Total Holdings	%
1 - 99	12	184	0.00
100 - 1,000	527	415,638	0.11
1,001 - 10,000	3,075	15,567,600	4.05
10,001 - 100,000	1,384	40,569,878	10.56
100,001 - 19,202,098	198	130,028,700	33.86
19,202,099 and above	1	197,459,985	51.42
Total	5,197	384,041,985	100.00

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2019

Name	Shareholdings	%
1. Pan Global Holding Co. Ltd	197,459,985	51.42
2. Citigroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Employees Provident Fund Board</i>	11,219,500	2.92
3. Amanahraya Trustees Berhad <i>Qualifier: Public Smallcap Fund</i>	8,100,600	2.11
4. Goh Thong Beng	6,260,000	1.63
5. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Mak Tian Meng (7001418)</i>	5,691,800	1.48
6. CIMSEC Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank For Mak Tian Meng (MY0343)</i>	5,029,900	1.31
7. Public Invest Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)</i>	3,828,000	1.00
8. Citigroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Employees Provident Fund Board (PHEIM)</i>	3,409,800	0.89
9. Amanahraya Trustees Berhad <i>Qualifier: Public Strategic Smallcap Fund</i>	3,131,100	0.82
10. Wong Yoke Fong @ Wong Nyok Fing	2,840,100	0.74
11. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd For RHB Private Fund - Series 3</i>	2,550,700	0.66
12. Chung Lean Hwa	2,460,000	0.64
13. Neoh Choo Ee & Company, Sdn. Berhad	2,079,000	0.54
14. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd For RHB Small Cap Opportunity Unit Trust</i>	2,068,000	0.54
15. Lim Soon Huat	2,028,000	0.53
16. Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: Exempt An For Citibank New York (Norges Bank 14)</i>	1,770,600	0.46
17. Wong Yoon Tet	1,590,000	0.41
18. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd For RHB Smart Treasure Fund</i>	1,468,000	0.38
19. CIMSEC Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank For Mak Tian Meng (MY3136)</i>	1,300,000	0.34
20. Outstanding Growth Technology Limited	1,240,700	0.32
21. Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CEP For PHEIM SICAV-SIF</i>	1,209,000	0.31
22. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Qualifier: Deutsche Bank AG Singapore For IAM Traditional Asian Growth Fund</i>	1,193,200	0.31



## ANALYSIS OF SHAREHOLDINGS (cont'd)

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 21, 2019 (cont'd)

	Name	Shareholdings	%
23.	Wong Yoon Chyuan	1,164,000	0.30
24.	CIMB Group Nominees (Asing) Sdn. Bhd. <i>Qualifier: Exempt An For DBS Bank Ltd (SFS)</i>	1,130,700	0.29
25.	Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	1,112,900	0.29
26.	Maybank Nominees (Tempatan) Sdn Bhd <i>Qualifier: Maybank Trustees Berhad For Dana Makmur PHEIM (211901)</i>	1,086,500	0.28
27.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Kenanga Islamic Investors Bhd For Lembaga Tabung Haji</i>	1,055,300	0.27
28.	Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY for DFA Emergig Markets Small Cap Series</i>	1,020,600	0.27
29.	Maybank Nominees (Tempatan) Sdn Bhd <i>Qualifier: Wong Goay Suan</i>	1,004,300	0.26
30.	Lin Hai Moh @ Lin See Yan	1,000,000	0.26

### SUBSTANTIAL SHAREHOLDERS AS AT MARCH 21, 2019

	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, 2019

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

Note: No indirect shareholdings.

### PERSON CONNECTED TO DIRECTOR

	Name	Direct Shareholding	%	Indirect Shareholding	%
1.	Chung Lean Hwa <sup>1</sup>	2,460,000	0.64	-	-
2.	Khor Bee Kiow <sup>2</sup>	109,500	0.03	-	-

<sup>1,2</sup> Being spouse of the Director

**TOP 10 PROPERTIES OWNED BY  
P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES**  
as at 31 December 2018

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2018 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) 37959, Lot No. 3188, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 6.6.2050)	Land : 5.782 acres Built up : 17,970 sq. meters	Industrial complex - 1 1/2 storey office cum factory - 2-storey factory complex - guard house and other out buildings	15,470,000	28	2018 (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	13,258,097	28	2015 (A)
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	10,397,071	26	1990 (A) & 2010 (R)
H.S.(D) 31801, P.T. No. 3245, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang ^	Leasehold – 60 years (expire on 3.6.2051)	Land : 5.54 acres Built up : 5,626 sq. meters	Industrial complex - 1 storey detached factory building	10,240,221	28	2010 (A) & 2010 (R)
H.S.(D) 4634, P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 3.12.2050)	Land : 3.08 acres Built up : 8,527 sq. meters	Industrial complex - 1 storey office - 2 storey factory - 1 storey store	9,930,000	26	2018 (R)
H.S (D) No. 38146, P.T. No. 3227, Mukim 1, Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 5.2.2051)	Land : 4 acres Built up : 15,076 sq. meters	Industrial complex - 3 storey office - 2 storey factory complex - guard house	9,621,103	23	2012 (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	7,052,894	24	1990 (A) & 2018 (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	1,710,391	24	2010 (R)

**TOP 10 PROPERTIES OWNED BY  
P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES**  
as at 31 December 2018 (cont'd)

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2018 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (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	1,234,440	29	2018 (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	1,124,106	24	2010 (R)

**Note:**

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

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of the Company will be held at Function Room 1, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 24 May 2019 at 9.00 a.m.

### A G E N D A

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2018 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 2018:
  - 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 2018. (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. Chen, Chih-Wen Article 98(1) (Resolution 4)
  - b. Lee Cheow Kooi Article 98(1) (Resolution 5)
5. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM60,000 from 1 June 2019 until the next Annual General Meeting (AGM) of the Company. (Resolution 6)
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 7)

### SPECIAL BUSINESS

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

#### ORDINARY RESOLUTIONS

- a) Continue in Office as Independent Non-Executive Director(s)
  - (i) "That authority be and is hereby given to Loo Hooi Beng to continue to serve as Independent Non-Executive Director of the Company." (Resolution 8)
  - (ii) "That authority be and is hereby given to Khoo Lay Tatt to continue to serve as Independent Non-Executive Chairman of the Company." (Resolution 9)
- 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 AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### SPECIAL BUSINESS (cont'd)

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

#### ORDINARY RESOLUTIONS (cont'd)

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 2018, the audited retained profits of the Company stood at RM16,759,807;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
  - to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

d) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Resolution 12)

"That, approval be and is hereby given for the purpose of Chapter 10 of Bursa Securities Main Market Listing Requirements for the Company and its group of companies to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as listed in Section 3 of the Circular to the shareholders dated 24 April 2019, provided that such transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the Mandated Related Parties than those generally available to the public, are not to the detriment of the minority shareholders and disclosures on the breakdown of the aggregate value of these transactions conducted pursuant to the shareholders' mandate shall be made available in the Annual Report for the year ending 31 December 2019 ("the Mandate") and the Directors of the Company are hereby authorized to give effect to the various arrangements and/or transactions related to the above transactions and this shareholders' mandate.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### SPECIAL BUSINESS (cont'd)

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

#### ORDINARY RESOLUTIONS (cont'd)

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

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

- (a) the conclusion of the next AGM of the Company following the general meeting at which the Mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier."

#### SPECIAL RESOLUTION

- e) Proposed Adoption of new Constitution of the Company

(Resolution 13)

"THAT approval be and is hereby given to alter or amend the whole of the existing M&A by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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: 24 April 2019

#### 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 15 May 2019. Only a depositor whose name appears on the Record of Depositors as at 15 May 2019 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.*

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notes (cont'd):

4. *The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than 24 hours before the time appointed for holding the meeting.*

### Explanatory Note On Special Business:

#### 1. Resolutions 8 and 9 – Continue in Office as Independent Non-Executive Director(s)

Mr. Loo Hooi Beng and Mr. Khoo Lay Tatt have served the Board as an Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years.

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

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

The proposed Resolutions 8 and 9, if passed, enable Mr. Loo Beng Hooi and Mr. Khoo Lay Tatt to continue to act as Independent Non-Executive Director of the Company. Otherwise, they will be re-designated as a Non-Independent Non-Executive Director and relinquish their position as an Independent Non-Executive Director of the Company upon the conclusion of the 22nd AGM.

#### 2. Resolution 10 - Authority to issue Shares

The proposed Resolution No. 10, if passed, will grant a renewed general mandate (Mandate 2019) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

The Mandate 2019 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 21<sup>st</sup> AGM. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

#### 3. Resolution 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 AGM.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Explanatory Note On Special Business (cont'd):

#### 4. Resolution 12 - Renewal of Proposed Shareholders' Mandate

The proposed Resolution 12, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to shareholders dated 24 April 2019.

#### 5. Resolution 13 - Adoption of new Constitution

The proposed amendments to the M&A (Proposed Amendments) are made mainly for the following purposes:

- (a) To ensure compliance with the amended Main LR which was issued on 29 November 2017; and
- (b) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 effective 31 January 2017.

The Board proposed that the existing M&A be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments as set out in Appendix A, circulated together with the Notice of 22nd AGM. Such Proposed Resolution 13, shall take effect once it has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 22nd AGM.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2018, if approved, will be paid on 19 June 2019 to depositors registered in the Records of Depositors on 31 May 2019:

- 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 Dividend in respect of:

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 May 2019 in respect of transfers;
- b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and
- c) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board,

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

Penang

Date: 24 April 2019

# SHARE BUY-BACK STATEMENT

## 1. DISCLAIMER STATEMENT

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

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

## 2. RATIONALE FOR THE PROPOSED PURCHASED BY P.I.E. INDUSTRIAL BERHAD ("PIE" OR THE "COMPANY") OF ITS OWN ORDINARY SHARES (SHARES) REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES AT ANY GIVEN POINT IN TIME (PROPOSED SHARE BUY-BACK)

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

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

## 3. RETAINED PROFITS

Based on the audited financial statements of PIE as at 31 December 2018, the retained profits of the Company stood at RM16,759,807. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

## 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM2,400,000 based on the audited financial statements of PIE as at 31 December 2018. Any funds utilized by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

## 5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM

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



## SHARE BUY-BACK STATEMENT (cont'd)

### 5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM (cont'd)

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 21 March 2019 and assuming that PIE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of PIE are as follows:

#### Directors

Name	Existing as at 21 March 2019				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Khoo Lay Tatt	-	-	-	-	-	-	-	-
Mui Chung Meng <sup>2</sup>	-	-	-	-	-	-	-	-
Chen, Chih-Wen <sup>3</sup>	-	-	-	-	-	-	-	-
Loo Hooi Beng	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

#### Substantial Shareholders

Name	Existing as at 21 March 2019				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Pan Global Holding Co. Ltd.	197,459,985	51.42	-	-	197,459,985	57.13	-	-
Pan-International Industrial Corporation	-	-	197,459,985 <sup>1</sup>	51.42	-	-	197,459,985 <sup>1</sup>	57.13

#### Person Connected To Director

Name	Existing as at 21 March 2019				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Chung Lean Hwa <sup>2</sup>	2,460,000	0.64	-	-	2,460,000	0.71	-	-
Khor Bee Kiow <sup>3</sup>	109,500	0.03	-	-	109,500	0.03	-	-

Note :

\* Percentage shareholding computed based on 384,041,985 PIE Shares in issue

^ Percentage shareholding computed based on 345,637,787 PIE Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

<sup>1</sup> By virtue of its substantial interest in Pan Global Holding Co. Ltd.

<sup>2, 3</sup> 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:

- 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
- 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.



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

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

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 2019, 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 2019	384,041,985
Assumed the Shares purchased and cancelled	(38,404,198)
Resultant total number of issued shares	<u>345,637,787</u>

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

### 7.2 NTA

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

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

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

### 7.3 Working Capital

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

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

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

#### 7.4 Earnings

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

Assuming the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2019.

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 2019 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

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

#### 7.6 Substantial Shareholders

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

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

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

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

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

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

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

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

## SHARE BUY-BACK STATEMENT (cont'd)

### 11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 21 March 2019, approximately 184,012,500 Shares representing 47.91% of the total number of issued shares of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of PIE shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Paragraph 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

### 12. DIRECTORS' STATEMENT

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

### 13. DIRECTORS' RECOMMENDATION

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

### 14. HISTORICAL SHARE PRICES

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

	High RM	Low RM
<b>2018</b>		
April	1.53	1.34
May	1.45	1.23
June	1.39	1.23
July	1.68	1.28
August	1.65	1.39
September	1.63	1.35
October	1.73	1.45
November	1.77	1.50
December	1.65	1.34
<b>2019</b>		
January	1.64	1.42
February	1.77	1.23
March	1.67	1.55
Last transacted market price as at 12 April 2019 (being the latest practical date prior to the printing of this Statement) was RM1.57.		
(Source: Bursa Malaysia)		

### 15. RESPONSIBILITY STATEMENT

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

## SHARE BUY-BACK STATEMENT (cont'd)

### 16. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) Memorandum and Articles of Association of PIE; and
- (ii) The audited consolidated financial statements of PIE for the past two (2) financial years ended 31 December 2017 and 2018 respectively.

### 17. FURTHER INFORMATION

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

## PROXY FORM

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

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

\*I/We, \_\_\_\_\_ (NRIC / Passport No. \_\_\_\_\_)  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a Member of the above Company  
hereby appoint (Proxy 1) \_\_\_\_\_ (NRIC No. \_\_\_\_\_)  
of \_\_\_\_\_  
\_\_\_\_\_ and \*/or failing him\* (Proxy 2),  
\_\_\_\_\_ (NRIC No. \_\_\_\_\_)  
of \_\_\_\_\_

\_\_\_\_\_ and \*/or failing him\*, the Chairman of  
the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the **TWENTY SECOND ANNUAL GENERAL MEETING** of the Company to be held at Function Room 1, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 24 May 2019 at 9.00 a.m. and at any adjournment thereof as indicated below:

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

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

\*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)

\* *Strike out whichever is inapplicable*

Resolutions	For	Against
1. To declare a Special Single Tier Dividend of 2.6 sen per share for the year ended 31 December 2018.		
2. To declare a First and Final Single Tier Dividend of 2.4 sen per share for the year ended 31 December 2018.		
3. To approve the payment of Directors' Fees of up to RM72,000 for the financial year ended 31 December 2018.		
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. Chen, Chih-Wen Article 98(1)		
5. Lee Cheow Kooi Article 98(1)		
6. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM60,000 from 1 June 2019 until the next Annual General Meeting of the Company.		
7. To appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
Special Business		
8. To authorise Loo Hooi Beng to continue to serve as Independent Non-Executive Director of the Company.		
9. To authorise Khoo Lay Tatt to continue to serve as Independent Non-Executive Chairman 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.		
12. To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution		
13. To approve the Proposed Adoption of New Constitution of the Company.		

Signed this on \_\_\_\_\_ day of \_\_\_\_\_, 2019.

Signature of Member: \_\_\_\_\_

### Notes

- 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 15 May 2019. Only a depositor whose name appears on the Record of Depositors as at 15 May 2019 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.
- 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.
- 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.
- 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.
- 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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The Company Secretaries  
**P.I.E. INDUSTRIAL BERHAD** (424086-X)  
(Incorporated in Malaysia)

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

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**P. I. E. INDUSTRIAL BERHAD**

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