



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)



2019
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Thai Sun

Independent Non-Executive Chairman
(Appointed w.e.f. 14 February 2020)

Mui Chung Meng

Managing Director

Loo Hooi Beng

Independent Non-Executive Director

Koay San San

Independent Non-Executive Director

Lee Cheow Kooi

Non-Independent Non-Executive Director

AUDIT COMMITTEE

Loo Hooi Beng

Chairman

Wong Thai Sun

Koay San San

NOMINATING COMMITTEE

Loo Hooi Beng

Chairman

Lee Cheow Kooi

Koay San San

RISK MANAGEMENT COMMITTEE

Loo Hooi Beng

Chairman

AUDITORS

Grant Thornton
(Chartered Accountants)

COMPANY SECRETARIES

Wong Yee Lin (MIA 15898)
Hing Poe Pyng (MAICSA 7053526)

WEBSITE

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
Stock Name: PIE
Stock Code: 7095
(Listed since 7 July 2000)

REGISTERED OFFICE

51-8-E, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown
Penang
Tel: +604-373 6616
Fax: +604-373 6615

SHARE REGISTRAR

Agriteum Share Registration Services Sdn. Bhd.
Registration No.: 200201010810 (578473-T)
2nd Floor Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel: +604-228 2321
Fax: +604-227 2391

GROUP CORPORATE STRUCTURE



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)



**Pan-International Electronics
(Malaysia) Sdn. Bhd.**

**Pan-International Wire & Cable
(Malaysia) Sdn. Bhd.**

**Pan International Electronics
(Thailand) Co., Ltd.**



GROUP FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	(Restated) 2015 RM	2016 RM	2017 RM	2018 RM	2019 RM
Revenue	662,241,280	579,285,255	679,282,536	661,256,531	659,340,897
Profit before tax	79,956,329	45,731,687	63,442,988	55,827,397	45,801,192
Net profit after tax	57,590,177	36,066,161	48,011,011	43,142,040	36,557,352
Shareholders' equity	362,608,423	373,585,363	402,030,162	429,702,491	451,864,229
Net assets	362,608,423	373,585,363	402,030,162	429,702,491	451,864,229
Number of ordinary shares issued as of Dec 31	[∞] 76,808,397	*384,041,985	*384,041,985	*384,041,985	*384,041,985
Net assets per share	₹0.94	0.97	1.05	1.12	1.18
Proforma weighted average number of shares	₹384,041,985	384,041,985	384,041,985	384,041,985	384,041,985
Basic earnings per ordinary share (Sen)	₹15.00	9.39	12.50	11.23	9.52
Bonus share	-	-	-	-	-
Net dividend per share (Sen)	35	5	6	5	₹5

[∞] The issued share capital of RM76,808,397 is divided into 76,808,397 Ordinary Shares

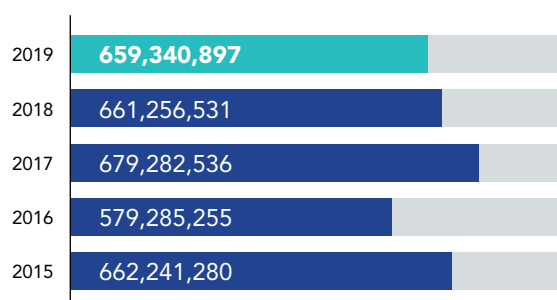
* The issued share capital of RM76,808,397 is divided into 384,041,985 Ordinary Shares

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

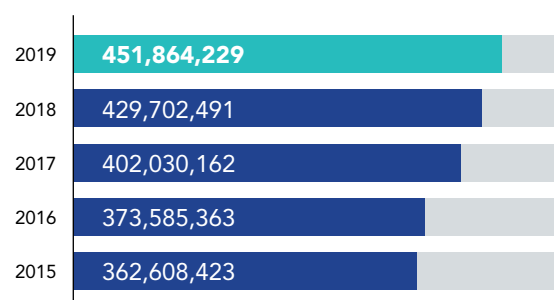
[§] Restated to reflect the followings:

- 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.

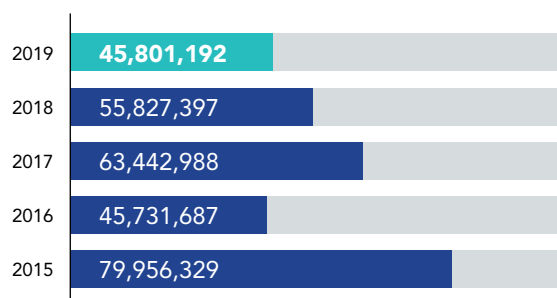
Revenue (RM)



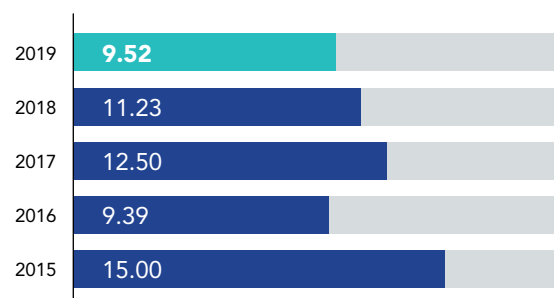
Shareholders' equity (RM)



Profit before tax (RM)



Basic earnings per ordinary share (Sen)



DIRECTORS' PROFILE

WONG THAI SUN

Chairman/Independent, Non-Executive Director

Malaysian, aged 65, Male

Wong Thai Sun, was appointed to the Board on 14 February 2020. He holds a Bachelor of Economics and Accountancy from Australia National University. He is a member of the Malaysian Institute of Accountants and the Certified Practicing Accountants, Australia.

He has public practice experience in accountancy for over 33 years in Malaysia and overseas. He is currently having his own public practice firm known as Wong Thai Sun & Associates.

He is also an Independent Non-Executive Director of Suiwah Corporation Bhd and Emico Holding Berhad.

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

MUI CHUNG MENG

Managing Director

Malaysian, aged 68, 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.

LOO HOOI BENG

Independent, Non-Executive Director

Malaysian, aged 54, 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, COSO Internal Control Certificate in 2017 and COSO Enterprise Risk Management Certification in 2018. After his graduation in 1992, Mr. Loo began his career in an audit firm until year 1995 and later attached to several companies as senior executive.

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

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

DIRECTORS' PROFILE (CONT'D)

KOAY SAN SAN

Independent, Non-Executive Director

Malaysian, aged 37, 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 and Nominating Committee.

LEE CHEOW KOOI

Non-Independent, Non-Executive Director

Malaysian, aged 53, 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 121 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 2019 (FY2019) are as follows:

Name of Directors	Number of Board Meetings Attended/Held	Percentage of Attendance
Wong Thai Sun (<i>Appointed w.e.f. 14 February 2020</i>)	-	-
Mui Chung Meng	5/5	100%
Loo Hooi Beng	5/5	100%
Koay San San	5/5	100%
Lee Cheow Kooi	5/5	100%
Khoo Lay Tatt (<i>Resigned w.e.f. 15 November 2019</i>)	5/5	100%
Chen, Chih-Wen (<i>Resigned w.e.f. 28 February 2020</i>)	3/5	60%

TRAINING PROGRAMMES

During the FY2019, the training programmes or seminars attended by the Directors (save for Mr. Lee Cheow Kooi) are as follows:

Name of Director	Training Programmes/Seminars	Mode of Training	No. of Hours/ Days spent
Mui Chung Meng	• UOB Corporate Seminar 2019 on Global Market Outlook (2 April 2019)	Seminar	4 Hours
Loo Hooi Beng	• Global Leaders Insights 2019 (1 January 2019 to 27 December 2019)	Monthly Briefing	12 Hours
	• Indonesia Economic Outlook 2019 (24 January 2019)	Briefing	2 Hours
	• Taxation Issues Over Digital Economic Transaction (27 March 2019)	Briefing	2 Hours
	• Your Sustainable Firm (5 April 2019 to 17 June 2019)	Online Course	16 Hours
	• Emerging Financial Crime Threats in the Digital Age (18 June 2019)	Briefing	2 Hours
	• IFRS 15 and 16 – Practical Considerations (8 August 2019)	Briefing	2 Hours
	• COSO ERM Certification (14 & 15 October 2019)	Certification Program	16 Hours
	• Investment Strategies: 4 Steps in Building A Profitable Portfolio (22 October 2019)	Briefing	2 Hours
	• Soft Skill Night - Leading with Compassion (14 November 2019)	Briefing	2 Hours
	• Big data analytics (4 December 2019)	Briefing	2 Hours
Koay San San	• Sustainability Reporting Workshops for Practitioners (26 & 27 August 2019)	Workshop	2 days
	• Corporate Liability Amendment Act 2018 (11 October 2019)	Seminar	1 day
	• Evaluating Effective Internal Audit Function-Audit Committee's Guide On How To (17 October 2019)	Workshop	1 day
Chen, Chih-Wen	• UOB Corporate Seminar 2019 on Global Market Outlook (2 April 2019)	Seminar	4 Hours

Mr. Lee Cheow Kooi was unable to attend any training in 2019 due to his tight schedule and travel commitments. Nevertheless, he continues to keep himself 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.

DIRECTORS' PROFILE (CONT'D)

REMUNERATION

During the FY2019, the detailed disclosure of remuneration breakdown of each Director is as follows:

Name of Directors		Remuneration received from the Company						Remuneration received from Subsidiary Companies				Group Total (RM'000)
		Salary (RM'000)	Fees (RM'000)	Bonus (RM'000)	EPF (RM'000)	Other Emoluments (RM'000)	Total (RM'000)	Salary (RM'000)	Bonus (RM'000)	EPF (RM'000)	Benefits-in-kind (RM'000)	
Wong Thai Sun (Appointed w.e.f. 14 February 2020)		-	-	-	-	-	-	-	-	-	-	-
Mui Chung Meng		285	-	720	191	5	1,201	254	21	21	10	1,507
Loo Hooi Beng		-	24	-	-	6	30	-	-	-	-	30
Koay San San		-	24	-	-	6	30	-	-	-	-	30
Lee Cheow Kooi		-	-	-	-	5	5	-	-	-	-	5
Khoo Lay Tatt (Resigned w.e.f. 15 November 2019)		-	21	-	-	6	27	-	-	-	-	27
Chen, Chih-Wen (Resigned w.e.f. 28 February 2020)		84	-	140	42	4	270	81	3	5	5	364

KEY SENIOR MANAGEMENT INFORMATION

HONG YONG PENG Malaysian, aged 64, Male

Assistant General Manager,
Contract Electronic Manufacturing
("CEM") – Converter Division

Mr. Hong holds a Master's degree in Business Administration. He joined Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) in 2011. He has forty (40) 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 Malaysian, aged 48, Male

Assistant General Manager,
CEM - Electronic Division

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 and then promoted to as Assistant General Manager of PIESB with effect from 1 July 2019.

ONG TIEW LING Malaysian, aged 52, Male

Head of Supply Chain Support,
CEM – Electronic Division

Mr. Ong holds a Bachelor of Business Administration degree from Chung Yuan Christian University. He joined PIESB on 27 June 2018. He has twenty eight (28) years of working experience in production, supply chain management, plant operation and Business Unit Head.

CHEAH HENG LYE Malaysian, aged 56, Male

MIS Manager, CEM – Electronic Division

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 nine (29) 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 Malaysian, aged 59, Female

Group Finance Director

Ms. Saw holds diploma in accounting. She joined PIESB in 1989. She has thirty eight (38) years of experience in accounting, financing and HR's process and compliance. She was promoted to Senior Administration and Finance Manager on 1 January 1996. She was then appointed as a Director of PIESB on 28 December 2001 and resigned on 25 October 2017. She was redesignated as Finance Director of PIESB in September 2017 and then promoted to as the Group Financial Director with effect from 1 July 2019.

CHEN, MING-LUNG Taiwanese, aged 64, Male

Assistant General Manager,
Raw Wire & Cable Division

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 eight (38) years of working experience in the manufacturing of wire and cable. He was appointed as Assistant General Manager in the division of raw wire and cable on 1 June 1997. He is also a director of PIW and P.I.W. Enterprise (Malaysia) Sdn. Bhd. (PIWE).

KEY SENIOR MANAGEMENT INFORMATION (CONT'D)

LIAO, YUEH-CHEN Taiwanese, aged 57, Female

Factory Manager, Raw Wire &
Cable Division

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 nine (39) 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 P.I.E. Industrial Berhad
- any conflict interest with P.I.E. Industrial Berhad
- 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 2019 (FY2019), the Group recorded revenue of RM659.34 million. If compared to RM661.26 million recorded in the financial year ended 31 December 2018 (FY2018), the revenue was decreased slightly by 0.3% or RM1.92 million, which was mainly attributable to the decrease in sales in our trading of electronic materials segment.

In terms of revenue contribution by geographical locations of the Group's operating entities, Malaysia remained as the primary revenue contributor for PIE which generating 96.1% of the Group turnover, followed by Thailand (3.2%) and Singapore (0.7%). Revenue from local operations increased 2.0% in FY2019 to RM633.66 million. On the other hand, turnover from operations in Thailand decreased 7.0% in FY2019 to RM21 million, which was largely due to absence of large sales order from a primary customer whose demand from end customer has gradually decreased and decided to self-produced.

The Group recorded profit before tax (PBT) of RM45.8 million in the FY2019. If compared to RM55.83 million in FY2018, PBT decreased by RM10.03 million or 18.0%. The lower PBT in FY2019 was mainly attributable to decrease in revenue (RM1.92 million), lower scrap sales income (RM0.54 million), lower fair value gain on investment properties (RM4.93 million), lower gain on foreign exchange (RM1.73 million), lower gain on disposal of property, plant and equipment (RM0.34 million), higher inventories written down (RM5.12 million) and higher interest expenses (RM0.20 million), but was partially offset by higher interest income (RM0.46 million), higher rental income (RM1.15 million), higher reversal of expected credit loss on trade receivables (RM1.02 million).

In term of PBT by segment in the manufacturing of industrial products, profitability of EMS division and manufacturing of wires and cables division in Malaysia dropped RM6.26 million or 12.3% in FY2019 to RM44.52 million. The cable assembly and wire harness division in Thailand registered a PBT of RM1.23 million in FY2019, a decrease of RM3.36 million or 73.2% as compared to FY2018. The decline in profit largely stemmed from selling a lot of low profit margin products in FY2019. Meanwhile for highlight purpose, the trading of electronic materials segment suffered the slightest loss in FY2019 with its low revenue and product margin.

Consequently, the Group profit after tax (PAT) was RM36.56 million, a decrease of RM6.58 million against FY2018 of RM43.14 million. The decrease of PAT was attributed to the above mentioned reasons.

CAPITAL STRUCTURE AND RESOURCES

The Group's total assets decreased by 8.6% or RM50.91 million to RM542.02 million from RM592.93 million in FY2018. The decline was largely due to lower inventories (RM40.07 million) as a result of implementing an effective inventory management system that reduce inventory holding costs, lower trade receivable (RM43.81 million) as a result of collection of overdue trade receivables from a key customer and lower cash holdings (RM17.37 million), but was partially offset by additional placement of fixed deposits with licensed banks (RM50.20 million).

During the financial year, the Group incurred capital expenditures (CAPEX) amounting to RM7.47 million against RM20.78 million invested in FY2018. In FY2019, 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 additions, renovation costs were incurred for investment properties to enhance rental value of investment properties.

Furthermore, the Group generated a strong net cash flow from operating activities amounting to RM93.62 million in FY2019, up from RM52.0 million a year ago. The Group's cash and cash equivalent stood at RM167.39 million and our total borrowings had been settled fully in FY2019. The healthy cash and cash equivalent level provides us the flexibility and capability to quickly seize any good business opportunities that arise.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

CAPITAL STRUCTURE AND RESOURCES (Cont'd)

The Group's total equity slightly increased by 5.2% or RM22.16 million to RM451.86 million in FY2019 as compared to RM429.70 million in FY2018. The increase in total equity is mainly attributed to higher distributable retained profits as a result of net profit of RM36.56 million and payment of dividends amounting to RM19.20 million. During the financial year under review, non-distributable reserves also increased by RM4.81 million due to changes in foreign currency translation reserve of RM2.15 million and revaluation reserve of RM2.66 million. The revaluation reserve was arising from the increase in fair value of property, plant and equipment and land use rights as a result of change in use of the Group's owner-occupied property to investment property that was carried at fair value at the date of change in use. The Group's net assets per share increased to RM1.18 per share in FY2019 from RM1.12 per share in FY2018. Meanwhile, the basic earnings per share for FY2019 and FY2018 are 9.52 sen and 11.23 sen respectively.

In FY2019, the Group's total liabilities decreased by 44.8% or RM73.07 million to RM90.15 million from RM163.22 million in FY2018, mostly due to repayment of short term borrowing and trade payables. Net assets was higher at RM451.86 million in FY2019 as compared to RM429.70 million in FY2018.

The Group's current capital structure as at 31 December 2019 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 division in Malaysia, with 79.9% 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. Business opportunities with two China customers arose from USA-China trade war had been ended in 2019 after much consideration on the impact of performance in long term. That was the main reason its revenue increased by RM27.74 million or 5.6% as compared with proceeding year while gross profit margin decreased slightly from 5.8% to 5.3% for the year under review. To further strengthen its production efficiency and productivity, this division incorporated process of automation project and invested in automated machinery with the Lean Manufacturing Programme in 2019. Furthermore, this division has expanded its production floor space of more than 100,000 square feet ready to take on new business.

The raw wire and cable manufacturing division in Malaysia contribute 16.2% revenue to the Group. This division 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 polyvinyl chloride (PVC), to its customers. To be fully compliance with recent zero-reject quality requirement under Underwriters Laboratories (UL) certification, this division has incurred additional operational cost in 2019 and therefore transferred such cost by increasing their selling price to their customers. Through its ongoing product development programmes in 2019, the division has been able to produce new UL approval for Power Limited Tray Cable (PLTC) to meet the needs of customers including latest projects for drag chain cables. It has also invested in more advance braiding machines in 2019 to increase capacity by 50% and enhance its product quality and satisfaction to customers. In 2019, sales to one of its key customers have been affected and reduced by 16.5% as compared to FY2018 due to relatively higher import duty for Malaysia made cables and overseas customer opts to purchase locally to reduce importation cost. This was the main reason its revenue decreased by RM14.5 million or 12.0% as compared to FY2018 while its gross profit margin dropped slightly from 11.7% to 11.0% for the year under review.

The wire harness and cable assembly division in Thailand contribute 3.2% revenue to the Group. With investment in plastic injection machines and SMT production lines since 2017, this division 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. In 2019, it has renovated its factory building to accommodate more SMT production lines in order to get more orders of plastic parts and PCBA from Thailand market. Although the Thai Baht reached a new 6-year high in 2019, it strives to upgrade manufacturing process with innovative correction plan to improve profitability.

For trading activities mainly handled by marketing subsidiary in Singapore contributes 0.7% revenue to the Group in 2019. Its current operations are to promote products of ultimate holding company to customers in Malaysia and consolidate purchase of electronic material for our Group's wire harness and cable assembly in Thailand. Due to lack of attractive products from parent company, this segment can expect very flat performance in coming years, just as it did in 2019.

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. Hence, it is inevitable that loss of these customers may result in profit erosion. This includes issues such as termination of business contract due to customers' internal rearrangement, failure to fulfil customer's expectation in terms of pricing and quality, sprouting of capable competitor and so on.

Apart from strengthening our network with other foreign sales representatives, we continue to improve our full integration of "one-stop" EMS hardware and software facilities and produce new Underwriters Laboratories (UL) styles cable not only to better serve our existing major customers with higher quality assurance system and competitive pricing advantage, but to attract new business opportunities.

Fluctuation of foreign currency exchange

As an export-based manufacturer, the Group is exposed to the fluctuation of foreign currency exchange risk especially in the USD against MYR rate. Although the Group also has transactions in Euro, Thai Baht and Singapore Dollar, the exposure is minimal. 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.

The Group enjoys natural hedging from sales and purchases denominated in USD. Our finance team focuses on monitoring the movement of foreign currency and optimising the account receivables and account payables denominated in USD to minimise the risk exposure.

OUTLOOK, PROSPECTS AND FUTURE CHALLENGES

Although we registered a lower net profit in FY2019, the Group will continue to keep up the pace in order to maximise shareholders' value. Our business development team endeavor to pursue profitable projects with high-margin and low-volume products from potential new customer. The Group is optimistic to secure higher sales order from new customers in the coming financial year.

In terms of effective operations, we strive to improve our on-time deliveries of high quality products to our customers while building a good relationship with our suppliers to secure material source and pricing. Moreover, we continue to incorporate process of automation project and invest in automated machinery where economically feasible to further improve production efficiency and productivity. The Group expects lower labour and material costs as well as higher quality and more precise products by integrating the automation processes in the production.

The revenue from manufacturing segment of industrial electronic products is expected to grow as the Group has received enquiries from holding company looking to shift manufacturing base to its related companies in ASEAN. We will share good news with our shareholders should our efforts on approaching this opportunity come to fruition.

The Group would not be achieving good results in the beginning of the financial year 2020 (FY2020) due to the recent outbreak of COVID-19 around the world. However, we are tightening the anti-epidemic preventive actions throughout the Group and all employees are required to follow the measures strictly as we acknowledge employees' health is our priority. We are also carefully scheduling the production planning to achieve optimum utilisation of production capacity and enough materials for the sustainable development of the Group during this challenging period.

Besides, the uncertainties in the fluctuation of foreign currency exchange, most particularly USD against MYR rate 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 has gradually transferred some of the production lines in Malaysia to Thailand in order to mitigate the risk of uncertainties in the foreign workers hiring policy.

Despite the recent challenges, the Group remains positive on the prospect towards future development with its approximately 30 years of operating experience, competent management team and strong support from reputable holding company. We are committed to deliver the best value to our customers, employees, shareholders and other stakeholders by enhancing innovation and automation processes while extending our vertical integration capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

DIVIDEND

The Board of Directors (Board) of the Company has recommended the following dividends, in respect of the FY2019 for the approval of shareholders at the coming 23rd Annual General Meeting:

- 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 20 March 2020.

AUDIT COMMITTEE REPORT

The Board of Directors (Board) is pleased to present the Audit Committee (Committee) Report for the financial year ended 31 December 2019 (FY2019).

COMPOSITION

The present members of the Committee comprise:

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

Member: Wong Thai Sun (Independent Non-Executive Director)
(Appointed w.e.f. 14 February 2020)

Koay San San (Independent Non-Executive Director)

Khoo Lay Tatt (Independent Non-Executive Director)

(Resigned w.e.f. 15 November 2019)

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%
Wong Thai Sun (Appointed w.e.f. 14 February 2020)	-	-
Koay San San	5/5	100%
Khoo Lay Tatt (Resigned w.e.f. 15 November 2019)	5/5	100%

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

The activities carried out by the Committee during the FY2019 in the discharge of its duties and responsibilities are as follows:

1. Financial Reporting

- In overseeing the Company's financial reporting, the Committee reviewed the quarterly financial statements for the fourth quarter of 2019 and noted the annual audited financial statements of 2019 at its meeting held on 28 February 2020 and 20 March 2020 respectively.

The quarterly financial statements for the first, second and third quarters of 2019, 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 24 May 2019, 16 August 2019 and 15 November 2019 respectively. On 28 February 2020, the Committee reviewed the quarterly financial statements for the fourth quarter of 2019. The Committee's recommendations were presented for approval at the subsequent Board meeting.

AUDIT COMMITTEE REPORT (CONT'D)

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

The activities carried out by the Committee during the FY2019 in the discharge of its duties and responsibilities are as follows (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 24 May 2019, 16 August 2019, 15 November 2019 and 28 February 2020, 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 2019.

2. External Audit

The Committee had on 27 February 2019, 22 March 2019, 15 November 2019, 28 February 2020 and 20 March 2020 respectively met with Messrs. Grant Thornton (GT), the External Auditors without the presence of the Executive Members.

On 27 February 2019, the External Auditors presented the Audit Findings Report (AFR) for the FY2018 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.

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, the Committee conducted an Assessment on the External Auditors Performance and Independence Checklist in respect for the FY2018. The Committee concluded that the External Auditors Performance for year 2018 was found adequate.

On 15 November 2019, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FY2019, 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 Malaysian Financial Reporting Standards which are applicable to the Group.

On 28 February 2020, the External Auditors presented the AFR for the FY2019 for the Committee's notation and discussion, inter alia, updating the status of audit findings for FY2019 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.

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

The activities carried out by the Committee during the FY2019 in the discharge of its duties and responsibilities are as follows (Cont'd):

2. External Audit (Cont'd)

On 20 March 2020, the External Auditors briefed the Committee on the Draft Audited Financial Statements FY2019 before the same being proposed for the Board's approval through video conferencing due to the Movement Control Order (MCO) implemented in Malaysia since 18 March 2020 as a result of the outbreak of COVID-19. The External Auditors also advised Management to disclose how the outbreak of COVID-19 would affect the Group in the last notes to the Financial Statements which is considered as a significant event after the reporting period. Also, at a separate session held together with the Internal Auditors (without the presence of the Executive Members), the Committee noted that there were no major issues to be highlighted and a stocktake will be held after the MCO is lifted.

At the same Meeting, copies of the External Auditors Evaluation Form in respect for the FY2019 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 3rd edition. Evaluation aspect in relation to the re-appointment includes 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 2019 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 23rd AGM:

- after having satisfied with its audit independence and the performance of GT throughout its course of audit FY2019;
- 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

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.

On 20 March 2020, the Committee arranged a video conference meeting with External Auditors and Internal Auditors to share certain issues of internal control process, management response and Internal Audit Plan 2020.

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The Group has outsourced the Internal Audit Function to an independent professional firm, BDO Governance Advisory Sdn. Bhd. (BDO GA) on 5 November 2018. BDO GA was appointed throughout FY2019 to review and monitor the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance and internal control processes. The costs incurred for the Group's internal audit function for FY2019 was RM56,967.

On 27 February 2019, the Committee approved the main audit cycles of the Internal Audit Plan 2019 as tabled by BDO GA, for adoption. During the financial year, BDO GA carried out five (5) audit tests which comprising eight (8) operating cycles on the core business processes of the Group in accordance with the internal audit plan. The Internal Control Review Reports for FY2019 covered the review of the following areas:

- Sales and marketing
- Credit control management
- Procurement management
- Management information system
- Human resource management
- Inventory management
- Conversion and production
- Fixed assets management

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

BDO GA presented their Internal Control Review Reports and reported directly the audit findings including the risk rating, recommendations and management responses to those recommendations to the Committee on 27 February 2019, 24 May 2019, 16 August 2019, 15 November 2019 and 28 February 2020 respectively. Besides, the Committee follow up from time to time the updates and corrective actions by the Management on weaknesses reported in the prior quarters. BDO GA also was invited on 22 March 2019 and 20 March 2020, for the meeting with the Committee and the External Auditors.

Throughout the year, BDO GA performed the followings for the Group:

- Performed annual internal audit plan approved by the Committee.
- Identified auditable areas and performed reviews on the core business processes of the Group.
- Reported directly to the Committee the audit findings including the risk rating, recommendations and management response to those recommendations on the Group's internal controls system.
- Closely monitored the deadline 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.

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 2019 (FY2019) 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.

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.

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

RISK MANAGEMENT FRAMEWORK (Cont'd)

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

- identify, assess, report and monitor significant risks in an effective manner;
- enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and
- promote risk-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">• To obtain relevant information through the following methods:<ul style="list-style-type: none">a) Interviews and discussion conducted with the Managers and Officers of the major subsidiaries to gather information on and to gain insight of the operating environment of the company.b) Audited and draft financial statements.c) Previous risk management reports.																																													
2. Risk identification	<ul style="list-style-type: none">• Identify risks that affect the Group in business activities from the information gathered.• Enable early detection of risk and ensure sound risk management practices are in place to manage the risk and appropriate actions are taken to mitigate the Group’s exposure to risk.• Four risk categories such as strategic, operational, financial and compliance.																																													
3. Risk quantification	<ul style="list-style-type: none">• The risks identified are then quantified for their impact on the organization.• The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, medium risk and low risk.• A risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores.• The risk will be mapped into the following risk heat-chart: <div><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></div>	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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4. Risk responses	<ul style="list-style-type: none">• For each risk identified, the management will have one or more of the following response options:<ul style="list-style-type: none">a) <u>AVOID</u> the risk by not proceeding with an activity which generates the risk.b) <u>TREAT</u> the risk by applying controls to minimize the likelihood or impact of the risk.c) <u>TRANSFER</u> the risk by sharing the impact of the risk with outside parties such as insurance or joint venture.d) <u>TOLERATE</u> the residue (balance) risk if it is within the organization’s risk appetite.																																													

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):

5. Control strategies – identify, develop and implement	<ul style="list-style-type: none">• The relevant control strategies are identified for each type of risk response applied.• Develop quantitative and qualitative controls including risk limits and thresholds to oversee and manage the risk identified.• Implement risk mitigation actions aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.
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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.

- **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.

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 (Cont'd)**

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 on the adequacy and effectiveness of governance and internal control processes within the Group. Regular internal audit visits to review compliance with the policies and procedures and report any significant non-compliance. The Internal Control Review Reports FY2019 prepared by outsourced Internal Auditor, BDO Governance Advisory Sdn. Bhd. (BDO GA) covered the review of the Group's two major subsidiaries namely Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd.. Audits are carried out on the core business processes of the Group to provide independent and objective reports on the operational and management activities of these subsidiaries. The audit findings including the risk rating, recommendations and management responses to those recommendations 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.

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

ASSURANCE FROM MANAGEMENT

The Board 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.

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

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 Audit and Assurance Practice Guide 3 (AAPG3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FY2019. AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or 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 causes them to believe that the statement is not prepared, in all material respects, in accordance with disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers as set out, nor is the statement factually inaccurate.

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 20 March 2020.

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 2019 (FY2019). 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 2019 of the Company (CG Report) which is available on PIE's website at www.pieib.com.my.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the FY2019.

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 FY2019 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

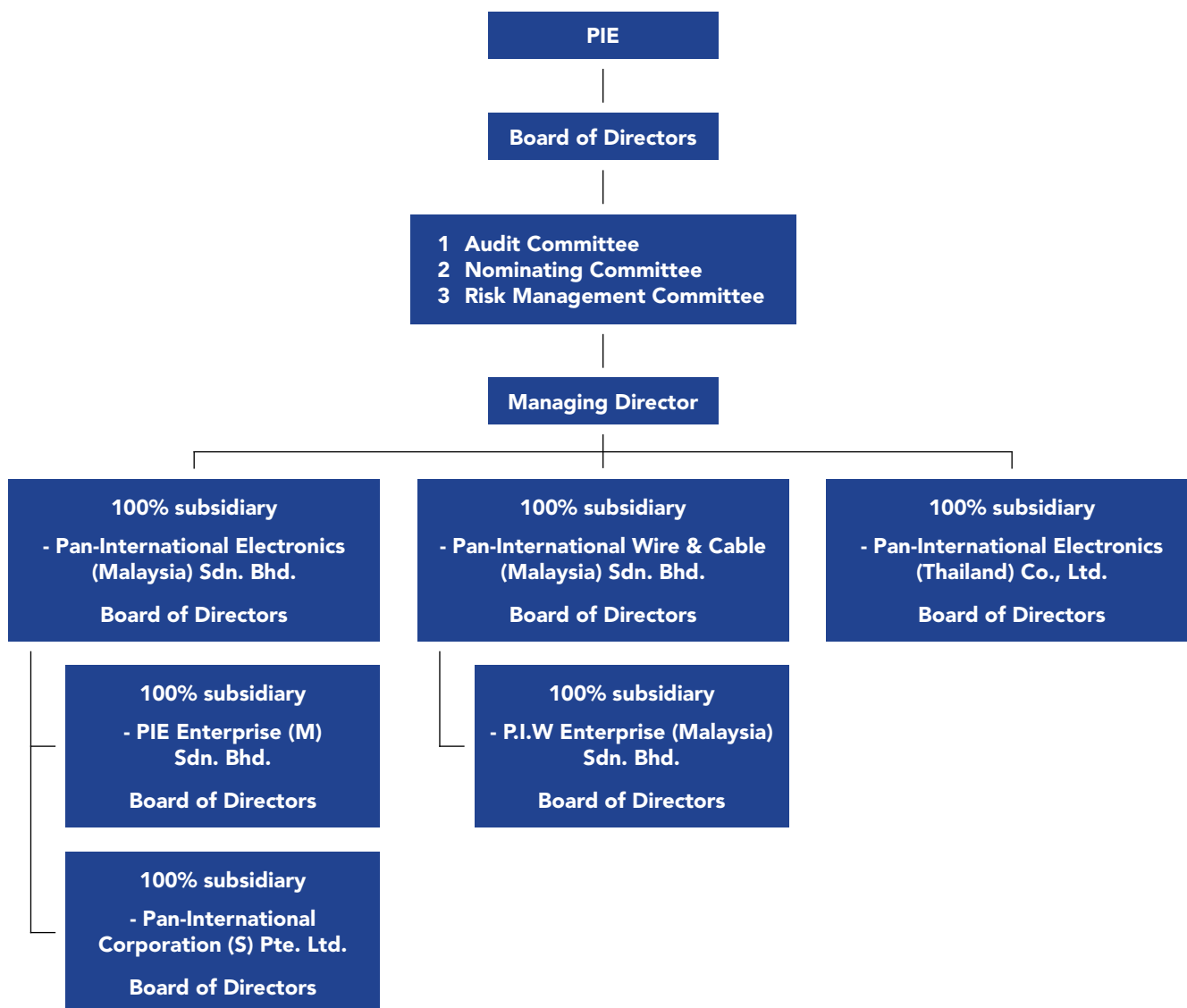
The Board recognises its stewardship to lead the Group towards achieving the goals and objectives of the Company. The Board is mainly responsible for formulating and reviewing the strategic direction of the Company while providing effective oversight on Management's performance in carrying out the delegated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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. Board Responsibilities (Cont'd)

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 2019, 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 2020 was circulated on 21 October 2019.

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.

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 2019, 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 28 February 2020, the duly completed valuation forms comprising the quantitative and qualitative performance criteria by each Directors were tabled at the Meeting for evaluation. Such evaluation including the assessment of the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole were carried out in respect of the FY2019. 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.

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

II. Board Composition (Cont'd)

Following the resignation of Mr. Khoo Lay Tatt as Chairman/Independent, Non-Executive Director on 15 November 2019, 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	Female
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	√	√	√	√						√		√		√		

Following the appointment of Mr. Wong Thai Sun as an Independent, Non-Executive Director on 14 February 2020 and the resignation of Mr. Chen, Chih-Wen as an Executive Director on 28 February 2020, the Board composition as of the date of this Annual Report is as follows:

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

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

Gender	Composition
Male	4
Female	1

Age	Composition
30-39	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)

Following the appointment of Mr. Wong Thai Sun as an Independent, Non-Executive Director on 14 February 2020 and the resignation of Mr. Chen, Chih-Wen as an Executive Director on 28 February 2020, the Board composition as of the date of this Annual Report is as follows (Cont'd):

Race/Ethnicity	Composition
Chinese	5

As at the date of this annual report, the Board comprised five (5) members [six (6) members – 31 December 2018]. The percentage of women representation on the Board of PIE was 20% [17% - 31 December 2018]. The independence element of the Board was increased from 50% (FY2018) to 60%.

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.

The detailed disclosure on named basis for the remuneration of individual Directors and Top Five Senior Management of the Group for the FY2019 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 has put in place the Terms of Reference of the Audit Committee 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.

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 3rd Edition and Paragraph 15.21 of the Main LR.

II. Risk Management and Internal Control Framework

The Board meets its responsibilities in the risk governance and oversight functions through its Risk Management Committee in order to manage the overall risk exposure of the Group. The Risk Management Committee assessed and monitored the effectiveness of the risk management framework while Audit Committee reviewed the adequacy and effectiveness of the internal control of the Group.

On 18 February 2019, Ms. Koay San San, an Independent Non Executive Director was invited to chair the Risk Management Committee Meeting to discuss and review on the risks of the major subsidiaries with the Department Heads or Sections Heads, and the said discussion/review are as set out in the Risk Management Report dated 28 February 2019.

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 internal control of the Group. The Audit Committee reviewed and deliberated on the audit findings including risk rating, recommendations and management responses to those recommendations based on the audit assignment carried out by the Internal Auditors.

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

II. Risk Management and Internal Control Framework (Cont'd)

On 20 March 2020, 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 2019, 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 22nd 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 22nd AGM of the Company held on 24 May 2019, all members of the Board, representatives of the Management, external auditor and internal 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 20 March 2020.

SUSTAINABILITY STATEMENT

P.I.E. Industrial Berhad ("PIE" or the "Group") recognises the responsibility of the Group to demonstrate sound business practices that generate positive impact on the environment, economy and society. Therefore, we continuously communicate our initiatives in addressing sustainability matters to our stakeholders through the Sustainability Statement (the Statement).

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 96% of the Group's total revenue. Unless otherwise stated, the scope of the Statement covers the period from 1 January 2019 to 31 December 2019. Historical information was included to provide comparative data where necessary.

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 the highest standards of corporate governance across our entire operations, promotes ethical business practices, maintains a safe and healthy working environment for our employees, provides customers with excellent products and services, works with suppliers in reducing resource consumption and satisfies the social needs of the community and nation.

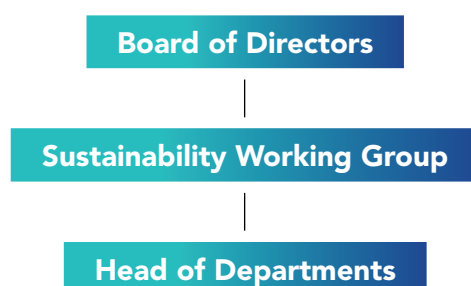
PIE is guided by the Sustainability Pillars of Economic Growth, Environmental Management and Social Contribution which is integrated into the Group's strategy. With these Sustainability Pillars, PIE is committed to creating value through innovation with intensifying human capital development while maintaining environmental friendly awareness.

As an Electronics Manufacturing Services (EMS) provider, product innovation is fundamental to the Group's growth and future development. Consequently, PIE continues to further satisfy the needs and expectations of the customer with the advancement in technology. PIE understands that employees are the main asset to accomplish productive work toward the Group's objective. Hence, we concentrate on creating a healthy and safe working environment through sound policies and standard procedures. Nonetheless, carrying out business operations with environmental friendly awareness is also important to the Group. PIE is aware of the impact our businesses have on the overall appearance of the surrounding environment and put more efforts into operating in an environmentally sustainable manner.

PIE continues to incorporate sustainability practices and initiatives into our day-to-day business operations and strengthen our contributions 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:



The Board of Directors of PIE (the Board) is responsible for setting the sustainability strategies and overseeing the management of all sustainability matters to ensure our goals are met through the sustainable manner integrated into our business operations.

Sustainability Working Group (SWG) was formed in year 2017 and chaired by the Chief Financial Controller. SWG oversees the implementation of sustainability strategies and evaluates overall sustainability related risks and opportunities. SWG is responsible to ensure proper implementation of sustainability initiatives are being carried out throughout the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE (Cont'd)

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

PIE seeks to create shared value by staying connected with all the internal and external stakeholders in the ongoing journey to be a more sustainable business entity. Continuous communication allows PIE to understand their interests and concerns towards the business that can help the Group to find opportunities for growth in sustainable development.

A summary of the stakeholders we engaged with, the methods of engagement with frequency, the areas of interest and our goals are shown in the following table:

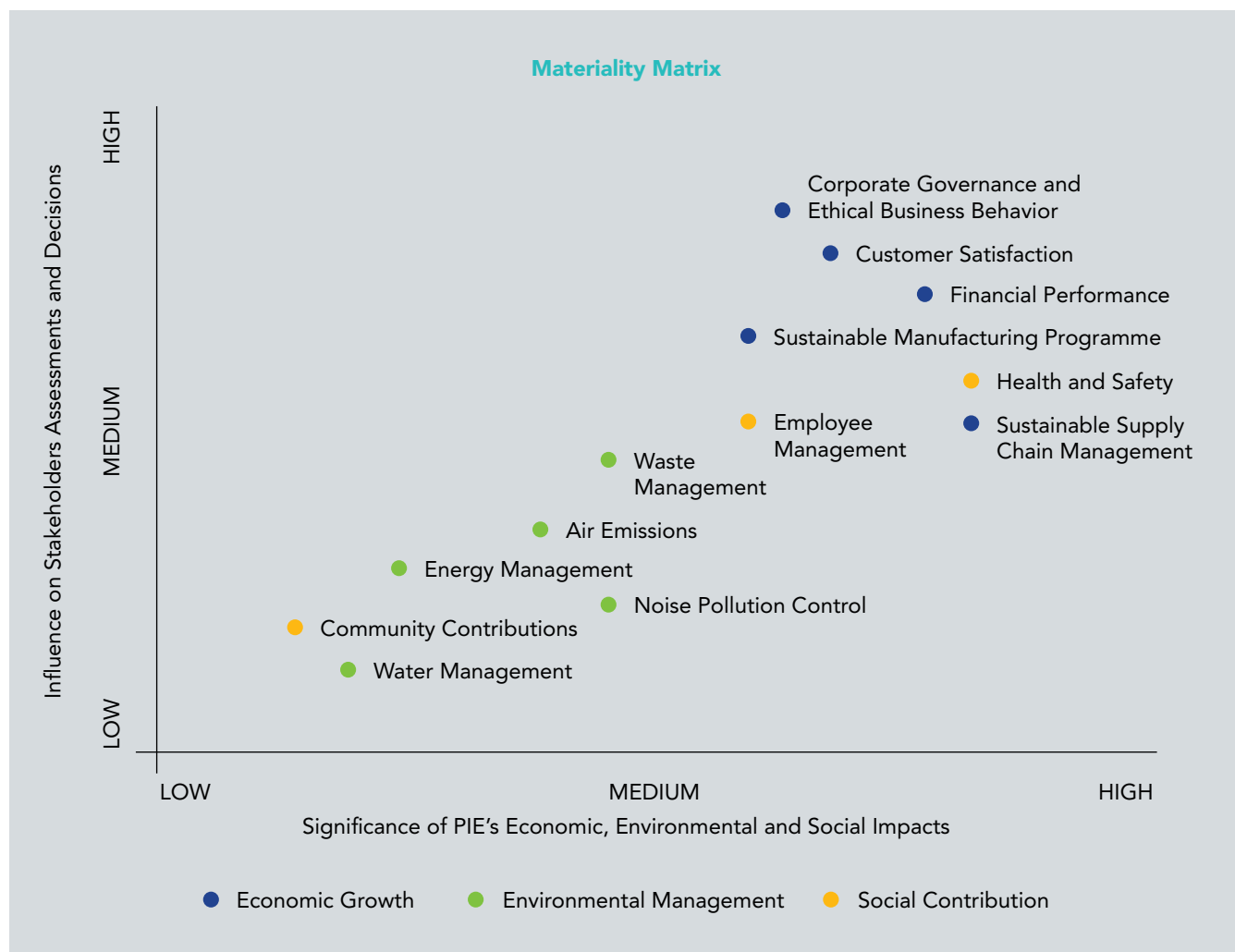
Stakeholder	Engagement Methods	Frequency	Areas of Interest	Our Goals
Investor/ Shareholders	<ul style="list-style-type: none"> Annual General Meetings Annual Reports Interim results Public announcement Corporate website and investor relationship channel Press release 	<ul style="list-style-type: none"> Annually Annually Quarterly Ongoing Ongoing As required 	<ul style="list-style-type: none"> Operational and financial performance Shareholder value (e.g. dividend and capital gain) 	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"> Induction training Learning and development programmes Formal meeting and group discussion Corporate organised events Performance appraisals 	<ul style="list-style-type: none"> As required Ongoing Ongoing Ongoing Annually 	<ul style="list-style-type: none"> Remuneration Career development and training opportunities Workplace safety and health Fair employment practices 	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"> Customer audits Customer satisfactory survey On-site visits at the Group's premises Face-to-face interactions 	<ul style="list-style-type: none"> Ongoing Semi-Annually/Annually Ongoing Ongoing 	<ul style="list-style-type: none"> Product quality Production capacity Customer services 	To build strong relationship with our customers 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"> Supplier selection through pre-qualification Key supplier audit Supplier survey form Briefings and meetings Scorecard 	<ul style="list-style-type: none"> As required Ongoing Ongoing Ongoing Monthly 	<ul style="list-style-type: none"> Agreeable contracts Terms of payments Maintaining long term partnerships 	To uphold fair and responsible procurement practices across the supply chain.
Government and regulators	<ul style="list-style-type: none"> Official visit and meeting Participation in government programmes 	<ul style="list-style-type: none"> As required As required 	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Economic, Environmental and Social impacts 	To comply with all applicable laws and regulations.
Local communities	<ul style="list-style-type: none"> Donation and sponsorship Participation in local community activities 	<ul style="list-style-type: none"> Ongoing Ongoing 	<ul style="list-style-type: none"> Creation of employment Community development Environment protection 	To fulfil our responsibility as a responsible corporate citizen.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT

Materiality assessment process was conducted by SWG to identify economic, environmental and social risks and opportunities (sustainability matters) which have significant impact on our businesses and substantively influence its stakeholders' decisions and interests. Vide the guidance of the Sustainability Reporting Guide and Toolkits issued by Bursa Securities, the Group has identified a list of sustainability matters relevant to the industry that PIE operates 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.



There are thirteen (13) material matters are categorised across three (3) main sustainability themes i.e. creating value through innovation, human capital development and environmental friendly awareness. Details on our sustainability initiatives towards managing these identified material matters are discussed in the subsequent sections of this Statement.

MATERIALITY ASSESSMENT (Cont'd)

The Group linked each material matter to the Sustainability Pillars and mapped it against the United Nations Sustainable Development Goals (SDGs) as shown in the table below.

Themes	Material Matters	Sustainability Pillars	United Nations Sustainable Development Goals
Creating Value through Innovation	Financial Performance	Economic Growth	
	Customer Satisfaction	Economic Growth	 
	Corporate Governance and 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	  

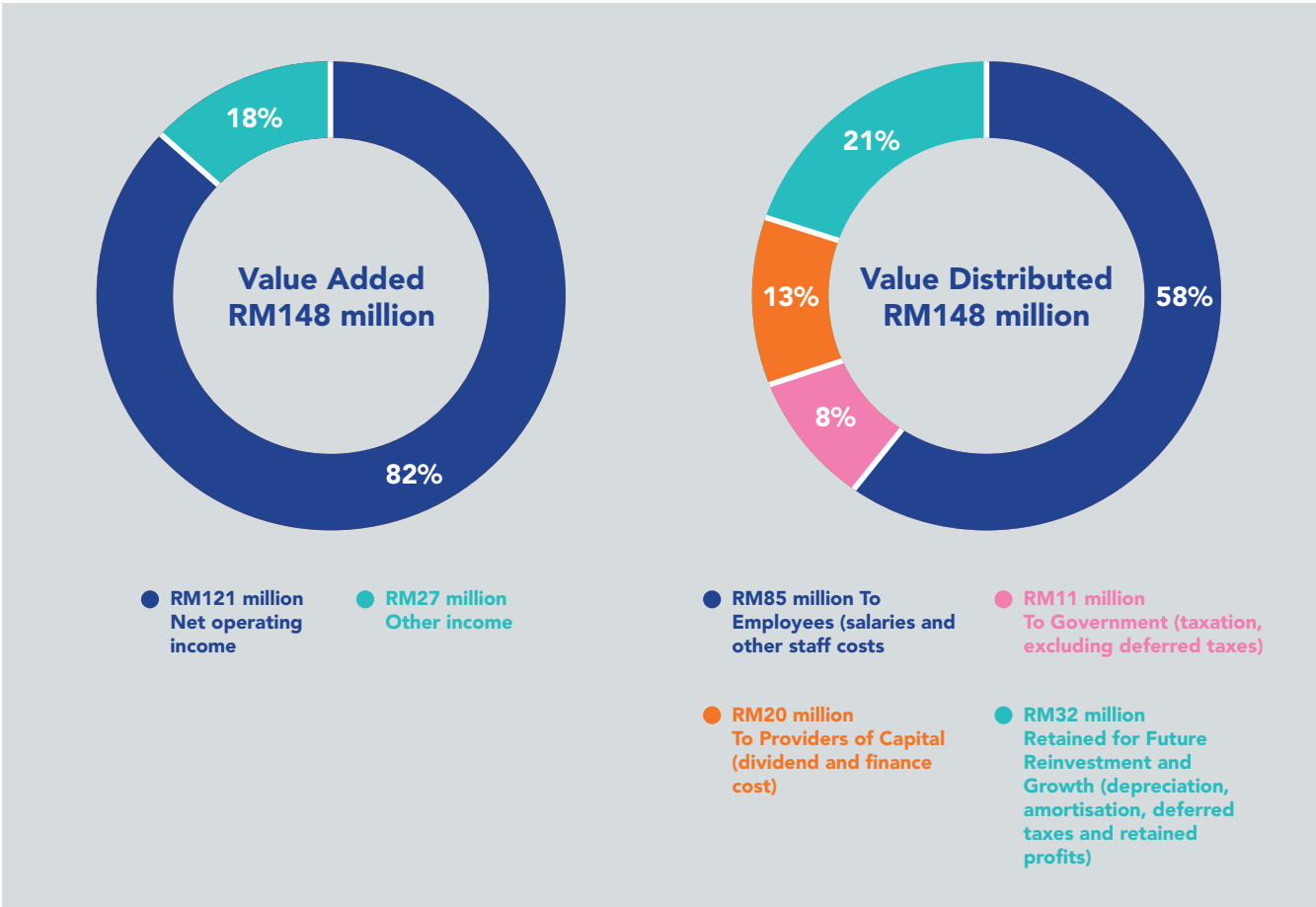
CREATING VALUE THROUGH INNOVATION

In today’s challenging market environment, we believe innovation is the key driver of business success and to staying competitive. At PIE, we continuously improve our products and services quality and operational efficiency in order to create greater value to our customer. Through our effort on innovation, we aim to fulfill customers’ demands by offering enhanced products and developing innovative solutions for customer’s operations with cost optimisation that can be beneficial to us and our customers.

Financial Performance

Our financial growth is continuously supported by our stakeholders’ confidence in our ability to create differentiated value 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 EMS facilities.

During the reporting year under review, the Group registered revenue of RM659 million, profit before tax of RM46 million, and net profit of RM37 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 55 to 119) 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 endeavor to produce high quality products and provide 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. The feedback is then integrated in developing our products.

CREATING VALUE THROUGH INNOVATION (Cont'd)

Customer Satisfaction (Cont'd)

Tables below disclose the PIESB and PIW performance in this area for the reporting year of 2018 and 2019.

PIESB	Target	2019	2018
<i>Customer feedback</i>			
Quality	A	C	B
Delivery	B	C	B
Cost	B	C	B
Service	A	C	B
<i>Internal KPI achievement</i>			
Customer complaint (DPPM)	≤ 100	101	158
Total premium freight (RM)	≤ 42,011.00	12,825.87	10,486.97
On time delivery	100%	99.54%	99.62%

PIW	Target	2019	2018
Customer satisfaction index	83%	83.25%	82.63%

In 2019, PIESB's customer feedback on quality, delivery, cost and service is unable to meet the target. This can be attributed to our production capacity that did not meet certain customers' demand and urgent delivery schedule. Nonetheless, customer complaint for PIESB had dropped in 2019, and is closer to our set target as compared to 2018. When customer complaints are received, we always strive to learn from our customers' reviews and resolve those complaints to uphold our level of quality and service. With a slight decline on delivery performance in 2019 as compared to 2018, PIESB incurred higher premium freight to maintain our on-time delivery confirmation.

PIW's customer satisfaction index increased from 82.63% in 2018 to 83.25% in 2019 and it achieved the target set by the management. This increase was due to PIW's customers satisfied with our wire and cable products quality and excellent services. However, PIW continuously look for opportunities to improve its range of product to meet our customers' needs.

Customer satisfaction is further improved by our ability to adhere to a core set of requirements set out in the Responsible Business Alliance (RBA) Code of Conduct, which establishes standards that promoting safe working conditions in the electronics industry, upholding the human rights of workers and ensuring environmentally friendly manufacturing operations. 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 facilitates the identification of social, health and safety, environmental and ethical risks as we develop corrective action plans to manage those risks.

Corporate Governance and Ethical Business Behaviour

In 2019, we have rephrased this material matter to include corporate governance as PIE acknowledges that our growth and success are corresponding to a sound corporate governance practice. PIE is committed to uphold the highest standards of governance, ethics, professionalism and business conduct as well as acting with integrity in strictly compliance of relevant laws, rules and regulations across our business operations at all times. We believe that good corporate governance and ethical business behaviour are of great importance for sustainable development of the Group. In line with this commitment, we have implemented several on-going initiatives and policies.

PIE strives to comply with the three (3) principles of the Malaysian Code on Corporate Governance 2017 as a framework to enhance shareholders' value and safeguard the interest of other stakeholders. Our corporate governance practices are summarised in the Corporate Governance Overview Statement in pages 24 to 29 of this Annual Report.

The implementation of Whistleblowing Policy provides employees of the Company and any external party an internal channel/procedure 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 2019.

SUSTAINABILITY STATEMENT (CONT'D)

CREATING VALUE THROUGH INNOVATION (Cont'd)

Corporate Governance and Ethical Business Behaviour (Cont'd)

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. Besides, Business Ethics Policy presents our obligations and commitments to ethical business practices while Labour Policy upholds the human rights of employees and ensuring all workers are treated with dignity and respect.

We will regularly review our policies to ensure they are relevant to the current business environment and compliance requirements. 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 2019 and 2018.

More information on the Corporate Governance Report, Whistleblowing Policy and Code of Ethics for Directors is available on the Company's corporate website at www.pieib.com.my.

Sustainable Manufacturing Programme

With the fast pace of technological development, the market nowadays needs to confront the increased international competition associated with globalisation. This drives a growth in our manufacturing activities as customers demand for innovative products. At PIE, we encourage cooperative environment and constant enhancement at product development process to deliver the best practices to our customer. We strive to improve our competencies and capabilities in manufacturing of innovative and technology-driven products to meet customers' needs and expectations.

We adopt lean production process through Lean Manufacturing Programme for the replacement of offline process to achieve operational excellence in our production. Through the adoption of this programme, we are able to reduce wasteful processes and materials, detect the defects immediately and no hidden defects in our production, require less supervising resources, eliminate idle time as well as improve our overall quality and productivity. We stay focused on achieving sustainability through process automation with the Lean Manufacturing Programme in 2019. We have invested on functional test automation, coating automation with exhaust system, automated soldering machine, automated screw fastening machine and benchtop selective soldering system to increase our productivity, reduce operator headcount, avoid human error and inconsistency and further minimise spending through automation.

We apply 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 continuously maximise 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.

Sustainable Supply Chain Management

In consideration of building a sustainable supply chain, several initiatives are 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 require our suppliers comply with RBA Code of Conduct requirements in PIESB and commit to 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.

In pursuit of stimulating the local economy, we strive to purchase locally. Although our support for local suppliers, PIESB need to engage with foreign suppliers as most of the customised materials used in the production can only be purchased from the customer appointed suppliers, which is mainly from overseas and a part of locally authorised distributors. In additions, PIESB have to work closely with headquarter's strategic supply chain group in China in order to achieve the best pricing via volume purchases. Conversely, PIW generally purchased more than 80% of raw materials from local suppliers.

CREATING VALUE THROUGH INNOVATION (Cont'd)

Sustainable Supply Chain Management (Cont'd)

Table below shows the percentage of local and foreign purchases of raw materials in year 2018 and 2019.

Percentage of local and foreign purchases of raw materials	2019		2018	
	Local	Foreign	Local	Foreign
PIESB	31%	69%	23%	77%
PIW	87%	13%	87%	13%

Percentage of purchase locally in PIESB increased to 31% in 2019 as compared to 23% in 2018 while PIW remains its supportive role through procure locally and achieve 87% over the past three years since 2017.

Our sourcing 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. During the reporting year, we have reduced the number of suppliers evaluated to Twenty (20) from twenty-three (23) suppliers in 2018 as we received less complaints on material quality issues in 2019.

HUMAN CAPITAL DEVELOPMENT

People as the most valuable resource are required to shift according to the latest business model so as to remain relevant and competitive. The Group's overall performance in offering enhanced products and innovative solutions are highly dependent on the competencies and commitments of our employees. Hence, we continue to provide healthy and safe working environment, invest in career development and enhance employees' welfare. Local communities are indirectly giving support on our business development. We continue 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 long-term growth and success of a business as their level of engagement and productivity directly affect the Group's bottom line. We focus on providing an engaged and motivated workforce where our employees feel inclusive and inspiring. 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. Our recruitment processes adhere strictly to our Labour Policy where every individual has an equal right to be elected as our employee regardless of their background as we employ based on merit and not background.

As at 31 December 2019, the Group has a total workforce of 2,296 employees, a slight decrease of 5.5% from a workforce of 2,429 employees in 2018. This shows that the workforce of the Group has no significant changes between the year 2018 and 2019.

During the reporting year, the combined number of full-time employees of PIESB and PIW comprised of 28% Malaysians with 53% Bumiputera, 41% Chinese and 6% Indian and the remaining 72% 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 74% of the combined number of full-time employees of PIESB and PIW work as production operators in 2019.

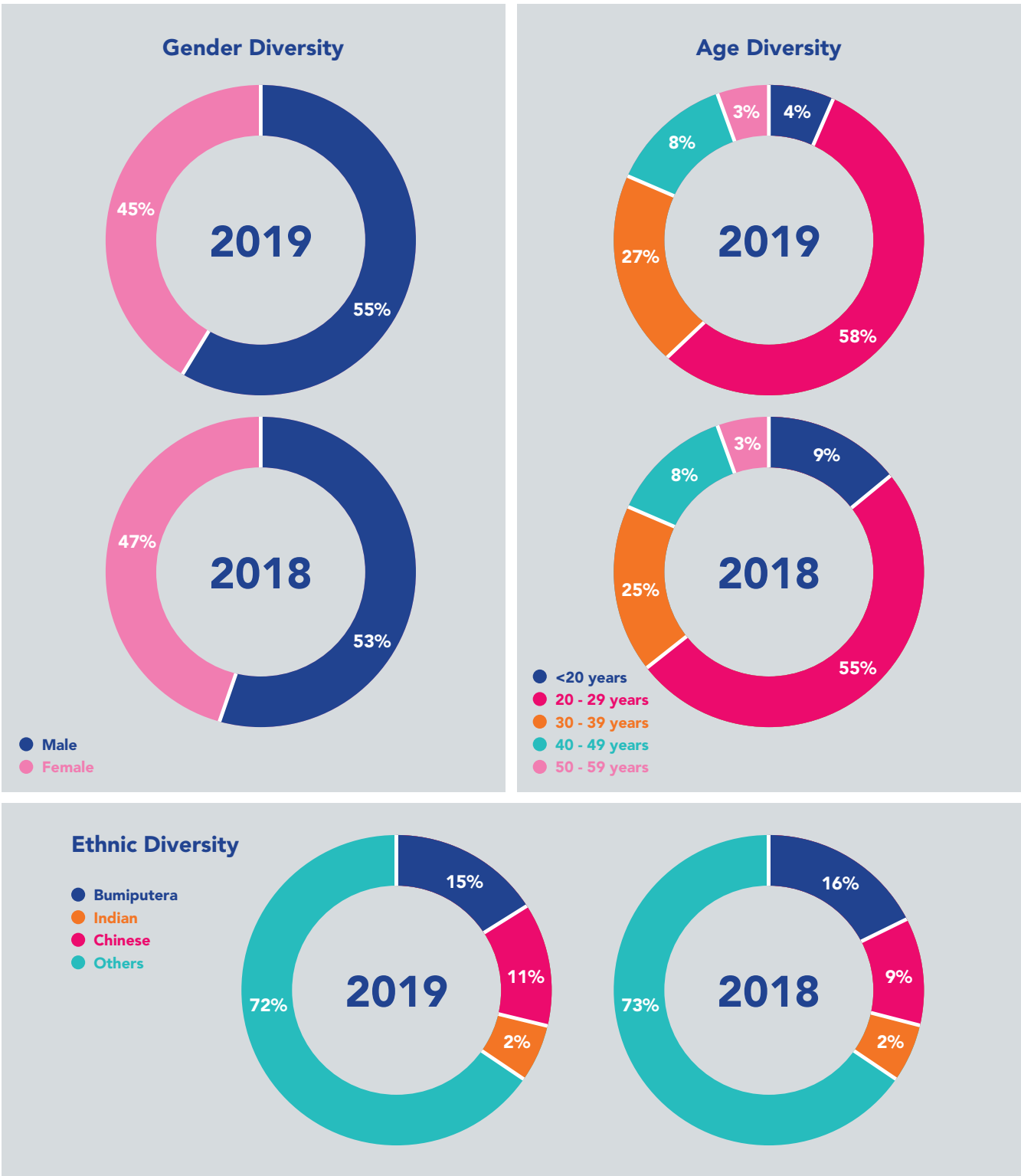
As stated in our Labour Policy, we prohibit all forms of discrimination in our workplace and therefore nurture an environment that does not discriminate upon race, age, gender, religion, expression, national origin, pregnancy, marital status or any disability. To comply with all appropriate local and 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.

SUSTAINABILITY STATEMENT (CONT'D)

HUMAN CAPITAL DEVELOPMENT (Cont'd)

Employee Management (Cont'd)

We also seek to strengthen our human capital through a diverse workforce. We believe that employees with different background and experiences working together where a variety of perspectives and insights can be harnessed to achieve a common goal of serving our customers. In 2019, our workforce in PIESB and PIW was represented by 55% male and 45% female. The largest proportion with 62% of our employees is aged below 29. The demographics of our diverse workforce in 2018 and 2019 are illustrated as below:



HUMAN CAPITAL DEVELOPMENT (Cont'd)

Employee Management (Cont'd)

Retain

We seek to retain our employees by creating a supportive work environment and providing 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, car park facility and uniform 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.

Taking a break is for accomplishing a longer journey. Our employees enjoy rest days during weekends as well as federal and state holidays. They are also entitled to annual leaves, sick or hospitalisation leave, wedding leave, maternity leave and compassionate leave.

To encourage 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. In celebrating our 30th Anniversary Dinner on 20 April 2019, twenty-one (21) loyal employees who have served the Company for duration of 30 years were awarded Long Service Award as a form of appreciation for their valuable commitment and contribution towards the Group.

Reinforce

We seek to reinforce trainings, meaningful learning and development programmes for our employees to keep them pertinent and effective at every step of their career so as to expand our path towards success in innovation. Hence, we continue to promote learning initiatives and conduct various training programmes. In 2019, we clocked over 737 hours in training and developments.

During the year, our employees attended a range of trainings related to technical skills and latest updates and development programmes. This benefits not only the current roles or personal growth and development of our employees, but also their future responsibility towards the expansion in operation of the Group. We also encourage our employees to be well-prepared to take more responsibilities within the Company which enable them remain competitive in today's dynamic work environment.

The technical skills trainings are conducted to improve our machine operators' ability for routine work experiences while latest updates and development programmes are to equip our employees with the most recent updates on the relevant rules and regulations and changes in related fields. Besides, all new hires have to attend the induction training conducted to induct new employees into our Group.

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. At PIE, Environment, Health and Safety (EHS) management system outlines the relevant processes and procedures to seek continuous improvement in our EHS performance and ensure our businesses are operated in a secure, safe and healthy work environment.

We implement Safety and Health Policy throughout the Group 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.

To monitor the Group's EHS performance, Safety and Health Committee is formed to oversee all safety-related matters with the Group. They are responsible for reviewing the Safety and Health Policy to ensure compliance with Occupational Safety and Health Act 1994 and environmental requirements as well as any other applicable regulations. Additionally, Safety and Health Committee is also tasked to review the EHS management system periodically to ensure its effectiveness and appropriateness.

With our effective EHS management system, we achieved zero work-related accident case reported in 2019. Nonetheless, we are reminded of the potential risks in our operations and seek to improve health and safety awareness among employees to prevent workplace incidents.

SUSTAINABILITY STATEMENT (CONT'D)

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:

- 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.
- 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.
- Employees are prohibited to use personal electrical equipment and appliances that pose a potential threat to the facility and occupants or consume excessive amounts of electricity.

For raising workforce's awareness on EHS matters, Safety and Health Committee will have to schedule EHS related trainings properly throughout the Group. 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. Moreover, first aid, Cardiopulmonary Resuscitation (CPR) and Automated External Defibrillator (AED) training was conducted for the representatives from each department to equip their knowledge and skill to handle various emergencies. Forklift drivers and store hands attended a Safe Handling of Forklift Truck Operation training which ensure the forklift and truck are being handled in a safe and correct manner. Putting these initiatives in place, we seek to train our employees with the proper knowledge and skills to prepare them for any potential workplace incidents.

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 organisations 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 2019, our local purchase reached a level of RM203 million or increase by 8% or RM16 million if compared with that of 2018. 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 RM7.5 million in 2019 and offer specialized skill of our operational to our staffs, who are mostly also local residents.

ENVIRONMENTAL FRIENDLY AWARENESS

We continuously operate our manufacturing processes in an environmentally responsible manner while complying with the laws, rules and regulations within which we operate in and adhering 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. With our effective sustainability initiatives, we have improved our productivity without compromising the quality and delivery of our products and services while 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 all relevant environmental and statutory requirements, we are committed to monitor strictly in our waste management practices. 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.

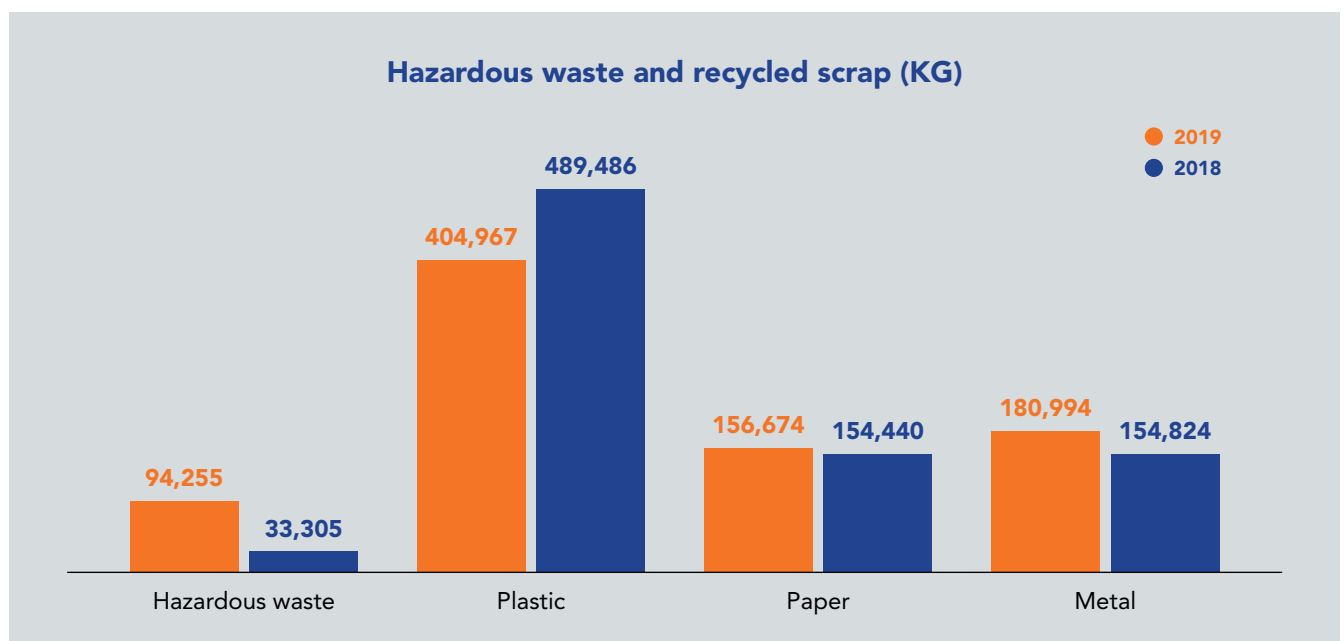
Waste Management Procedures are in place to standardise waste disposal practices and waste management initiatives. We categorise our waste into two types which are scheduled waste and general waste. All scheduled waste is collected by Department of Environment (DOE) approved contractor, in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 of the Environmental Quality Act (EQA) 1974. Metal container with cover and proper label format are used and stored at sheltered scheduled waste store. In 2019, additional two (2) types of scheduled waste generated by PIW while PIESB remain the same. Hence, there are total nine (9) and four (4) types of scheduled waste generated by PIESB and PIW respectively which have been notified to DOE. On the other hand, general waste that we generate 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.

The 3R Concept – Reuse, Reduce and Recycle is the fundamental approach for us to control waste generation whenever possible. In 2019, pieces of metal left over from the expansion of factory building have led to the increase of metal volume. Besides, we saw a drop in plastic as we generate lower amount of plastic due to using recycled material to perform purging or cleaning. We also redesign packaging by increasing the number of cavity per tray and reuse the verified tray to enjoy cost saving and mitigate environmental impact.

PIE had encountered an increase in scheduled waste volume due to spent lubricant oil was removed from the cooling pool for replacement of fresh lubricant oil. However, it was not recurrent practice and would be incurred once for a long time.

We continue to strengthen our waste management practices by overseeing the Group's waste management performance and recycled activities carried out throughout the Group as well as implementation of standardised waste disposal procedures.

The hazardous waste collected by approved contractor and recycled scrap sold for recycling in year 2018 and 2019 are presented as below:



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL FRIENDLY AWARENESS (Cont'd)

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 generate an insignificant amount 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 air emissions are channeled through five (5) chimneys located at the PIESB plant and one (1) chimney located at PIW plant. Assessments are carried out annually on these chimneys to ensure that we are in compliance to DOE's limits by collecting and analysing the samples of each chimney.

We are monitoring Particulate Matter and Lead in PIESB. Table below shows the results of the latest assessment conducted in year 2018 and 2019.

Parameter	DOE limit (mg/m ³)	2019	2018
Particulate Matter	50	Complied	Complied
Lead	1	Complied	Complied

On the other hand, Particulate Matter, Antimony, Arsenic, Cadmium, Copper, Lead, Mercury and Hydrogen Chloride are the monitoring parameters in PIW. Table below shows the results of the latest assessment conducted in year 2019.

Parameter	DOE limit (mg/m ³)	2019
Particulate Matter	150	Complied
Antimony	5	Complied
Arsenic	0.2	Complied
Cadmium	0.2	Complied
Copper	5	Complied
Lead	1	Complied
Mercury	0.2	Complied
Hydrogen Chloride	30	Complied

Noise Pollution Control

Noise monitoring is overseen by Quality Control Lab Engineer in PIESB. We assess the noise level generated from our operating sites every half year in PIESB in ensuring compliance to Factories and Machinery (Noise Exposure) Regulations 1989. Furthermore, boundary noise monitoring are carried out in PIESB to ensure compliance with The Environmental Quality Act 1974 by comparing the boundary noise level with noise level limits as specified by the "The Planning Guidelines for Environmental Noise Limits and Control". The average noise level detected at all three (3) sampling points were below permissible sound limit during both daytime and nighttime.

We understand that generation of noise is inevitable in some of our 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" signages 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 educate our employees to power off all unused equipment during break time.

ENVIRONMENTAL FRIENDLY AWARENESS (Cont'd)

Energy Management (Cont'd)

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.

We recorded our energy consumption per thousand sales for the preceding three (3) years as below:

	2019	2018	2017
Electricity (kWh)/Sales (RM'000)	28.58	31.54	30.56

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" signages 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. Additionally, we have adjusted water level for toilet flush tank to a suitable level to prevent the wastage of water. Any water leakage must be reported to Maintenance Department immediately.

Moreover, we reuse water in the cooling process of extrusion section in the production. Out of the total water used, we have recycled 25% of water in 2019 as compared to 17% in 2018.

We recorded our water usage per thousand sales for the preceding three (3) years as below:

	2019	2018	2017
Water (Litre)/Sales (RM'000)	226.03	337.85	283.65

This statement was made in accordance with a resolution of the Board dated 20 March 2020.

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 and prudent.

The financial statements for the year ended 31 December 2019 had been approved by the Board on 17 March 2020.

This statement was made in accordance with a resolution of Board dated 20 March 2020.

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 2019 (FY2019) 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	45,740 ¹
Subsidiaries	153,455	20,143 ²
Total	188,455	65,883

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

² Non-audit fees were mainly paid for tax advisory services.

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 subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FY2019 are disclosed on pages 103 and 104 of the Annual Report.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 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.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year attributable to owners of the Company	36,557,352	13,221,573

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

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 2018:	
A first and final single tier dividend of RM0.024 per share	9,217,008
A special single tier dividend of RM0.026 per share	9,985,091
	19,202,099

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the Note 16 to financial statements.

SHARE CAPITAL AND DEBENTURE

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

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

The directors of the Company in office since the beginning of financial year to the date of this report are:

Directors of the Company:

Mui Chung Meng
Loo Hooi Beng
Lee Cheow Kooi
Koay San San
Wong Thai Sun (appointed on 14.2.20)
Khoo Lay Tatt (resigned on 15.11.19)
Chen, Chih-Wen (resigned on 28.2.20)

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			Balance at 31.12.19
	Balance at 1.1.19	Bought	Sold	

Interest in the Company

Indirect Interest:

Mui Chung Meng ⁽ⁱ⁾	2,460,000	-	-	2,460,000
Chen, Chih-Wen ⁽ⁱ⁾	109,500	-	-	109,500

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

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

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REMUNERATION AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Directors of the Company:			
Salaries, allowances and bonus	1,260,734	359,385	1,620,119
Defined contribution plan	233,499	25,501	259,000
Fees	69,000	-	69,000
Benefits-in-kind	-	15,200	15,200
Insurance premium for professional indemnity effected for directors of the Company	15,500	-	15,500
	1,578,733	400,086	1,978,819

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.

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 remuneration received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transaction disclosed in the notes to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The amount of insurance premium for professional indemnity paid for directors of the Group and of the Company during the financial year are amounted to RM15,500.

No indemnity has been given to or insurance effected for officers or auditors of the Group and 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:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) that have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

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

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, or
- (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, and
- (ii) 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.

SUBSEQUENT EVENT

The details of the subsequent event are disclosed in Note 35 to the financial statements.

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 2019 are RM129,000 and RM35,000 respectively.

The auditor, **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 Board of Directors:

Mui Chung Meng

Penang

Date: 17 March 2020

Lee Cheow Kooi

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 55 to 119 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 2019** 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 Board of Directors:

Mui Chung Meng

Date: 17 March 2020

Lee Cheow Kooi

STATUTORY DECLARATION

I, **Mui Chung Meng**, 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 55 to 119 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 **17th**)
day of **March 2020**.)
)

Mui Chung Meng
(I/C No. 520405-07-5449)

Before me,

Liew Juan Leng (No. P162)
Commissioner for Oaths
Penang

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

Report on the Audit of 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 2019** 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 55 to 119.

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 2019**, and of their financial performance and cash flows for the financial 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 financial 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 Matters	How our audit addressed the Key Audit Matters
<p>Revenue recognition (Refer to Note 21 to the financial statements)</p> <p>The Group's revenue is derived from contract electronic manufacturing, cable and PCB assemblies and manufacturing of cable and wires for electronic devices.</p> <p>Revenue recognition is a key audit matter as it 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>	<p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none">• Reviewing the assessment performed by management on compliance with revenue recognition policies.• Obtaining an understanding of the Group's revenue recognition process and application and thereafter testing controls on the occurrence of revenue.• Performing analytical procedures on the trend of revenue recognised to identify for any abnormalities.• Performing substantive testing on a sampling basis to verify that revenue recognition criteria are properly applied.• 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.

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

Key audit matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Valuation of inventories (Refer to Note 12 to the financial statements)</p> <p>The Group holds significant inventories as at 31 December 2019 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"> • Obtaining an understanding of: <ul style="list-style-type: none"> - the Group's inventory management process; - how the Group identifies and assess inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. • Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year. • Reviewing and testing the reliability of the ageing report of inventories provided by management. • Testing on a sampling basis, accuracy of cost absorption against the underlying supporting documents. • Attending inventory counts and reconciling the count results to the inventory listings for completeness. • Reviewing and testing the net realisable value of inventories on a sampling basis. • Evaluating the reasonableness and adequacy of the inventories write-down recognised for identified exposures.

There is no key audit matter to be communicated in 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. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Directors for the Financial Statements (Cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 financial 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.

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

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: 17 March 2020

Terence Lau Han Wen
No. 03298/04/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	(Restated)	2019	2018
NOTE		RM	2018 RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	74,431,248	92,341,592	-	-
Investment properties	5	44,228,090	27,542,745	-	-
Land use rights	6	6,409,552	10,114,033	-	-
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	662,120	828,498	662,120	790,120
Trade and other receivables	11	-	-	12,024,421	-
		127,452,675	132,548,533	92,630,346	80,733,925
Current assets					
Inventories	12	106,480,553	146,546,064	-	-
Trade and other receivables	11	129,818,057	173,594,748	8,148,844	31,411,940
Current tax assets		347,019	1,167,927	-	-
Short-term investments	13	10,533,158	4,476,423	10,533,158	4,476,423
Cash and cash equivalents	14	167,386,657	134,592,265	1,058,224	2,418,348
		414,565,444	460,377,427	19,740,226	38,306,711
TOTAL ASSETS		542,018,119	592,925,960	112,370,572	119,040,636
EQUITY AND LIABILITIES					
Share capital	15	83,202,902	83,202,902	83,202,902	83,202,902
Reserves	16	368,661,327	346,499,589	27,187,502	33,168,028
Total equity		451,864,229	429,702,491	110,390,404	116,370,930
Non-current liabilities					
Retirement benefit obligations	17	1,427,606	1,361,840	-	-
Deferred tax liabilities	10	4,437,299	6,661,040	-	-
		5,864,905	8,022,880	-	-
Current liabilities					
Trade and other payables	18	80,280,437	114,319,552	1,980,168	2,669,706
Retirement benefit obligations	17	270,817	-	-	-
Borrowings	19	-	36,207,919	-	-
Refund liabilities	20	1,644,433	2,357,344	-	-
Current tax liabilities		2,093,298	2,315,774	-	-
		84,288,985	155,200,589	1,980,168	2,669,706
Total liabilities		90,153,890	163,223,469	1,980,168	2,669,706
TOTAL EQUITY AND LIABILITIES		542,018,119	592,925,960	112,370,572	119,040,636

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP		COMPANY	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	21	659,340,897	661,256,531	17,060,360	21,709,886
Cost of sales		(617,408,393)	(608,587,874)	-	-
Gross profit		41,932,504	52,668,657	17,060,360	21,709,886
Other operating income		29,455,472	33,205,893	579,062	641,725
Administrative expenses		(19,369,616)	(21,539,244)	(3,770,784)	(4,190,660)
Selling and distribution expenses		(2,685,929)	(2,599,763)	-	-
Other operating expenses		(5,617,172)	(7,741,342)	(25,305)	(31,976)
Operating profit		43,715,259	53,994,201	13,843,333	18,128,975
Interest income		2,656,381	2,199,189	10,489	11,398
Interest expense		(570,448)	(365,993)	(464,859)	-
Profit before tax	22	45,801,192	55,827,397	13,388,963	18,140,373
Income tax expense	24	(9,243,840)	(12,685,357)	(167,390)	(1,316,612)
Profit for the financial year		36,557,352	43,142,040	13,221,573	16,823,761
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		2,146,907	756,536	-	-
Item that will not be reclassified subsequently to profit or loss:					
Revaluation on land and building		2,659,578	-	-	-
Total comprehensive income for the financial year		41,363,837	43,898,576	13,221,573	16,823,761
Profit attributable to owners of the Company		36,557,352	43,142,040	13,221,573	16,823,761
Total comprehensive income attributable to owners of the Company		41,363,837	43,898,576	13,221,573	16,823,761
Basic/Diluted earnings per ordinary share (sen)	25	9.52	11.23		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	← Attributable to Owners of the Company →				Total Equity RM
		Share Capital RM	Foreign Currency Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM	
				Non-distributable	Distributable	
2019						
Balance at beginning		83,202,902	12,613,508	-	333,886,081	429,702,491
Profit for the financial year		-	-	-	36,557,352	36,557,352
Other comprehensive income for the financial year:						
- Foreign currency translation differences		-	2,146,907	-	-	2,146,907
- Revaluation on land and building		-	-	2,659,578	-	2,659,578
Total comprehensive income for the financial year		-	2,146,907	2,659,578	36,557,352	41,363,837
Transactions with owners:						
Dividends	26	-	-	-	(19,202,099)	(19,202,099)
Balance at end		83,202,902	14,760,415	2,659,578	351,241,334	451,864,229
2018						
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
Transactions with owners:						
Dividends	26	-	-	-	(23,042,519)	(23,042,519)
Balance at end		83,202,902	12,613,508	-	333,886,081	429,702,491

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Attributable to Owners of the Company					
		Share Capital RM	Non- distributable Merger Reserve RM	Distributable Retained Profits RM	Total Equity RM
	NOTE				
2019					
Balance at beginning		83,202,902	16,408,221	16,759,807	116,370,930
Total comprehensive income for the financial year		-	-	13,221,573	13,221,573
Transactions with owners:					
Dividends	26	-	-	(19,202,099)	(19,202,099)
Balance at end		83,202,902	16,408,221	10,779,281	110,390,404
2018					
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
Transactions with owners:					
Dividends	26	-	-	(23,042,519)	(23,042,519)
Balance at end		83,202,902	16,408,221	16,759,807	116,370,930

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	45,801,192	55,827,397	13,388,963	18,140,373
Adjustments for:				
Bad debts	49,122	-	-	-
Depreciation of land use rights	315,848	315,848	-	-
Depreciation of property, plant and equipment	15,783,307	14,842,692	-	-
Dividend income	-	-	(13,332,900)	(18,125,000)
Expected credit loss of trade receivables, net				
- Current year	28,143	23,584	-	-
- Reversal	(1,309,759)	(280,806)	-	-
Fair value (gain)/loss on financial asset at fair value through profit or loss	(40,105)	7,841	(40,105)	7,841
Fair value gain on investment properties	(520,000)	(5,450,000)	-	-
Gain on disposal of short-term investment	(49,841)	(40,229)	(49,841)	(40,229)
Gain on disposal of property, plant and equipment	(13,625)	(356,419)	-	-
Interest expense	570,448	365,993	-	-
Interest income	(2,656,381)	(2,199,189)	(10,489)	(11,398)
Inventories written down				
- Current year	4,486,996	-	-	-
- Reversal	(47,796)	(684,697)	-	-
Investment income earned on financial asset at fair value through profit or loss	(171,460)	(188,886)	(171,460)	(188,886)
Property, plant and equipment written off	161,890	-	-	-
Provision for retirement benefit obligations	226,590	162,794	-	-
Rental income	(4,667,602)	(3,513,870)	-	-
Unrealised loss on foreign exchange, net	3,791,255	3,319,510	-	-
Unwinding discount on amount due from a subsidiary	-	-	464,859	-
Operating profit/(loss) before working capital changes	61,738,222	62,151,563	249,027	(217,299)
Decrease in inventories	35,626,311	46,434	-	-
Decrease/(Increase) in receivables	41,627,405	(3,088,403)	10,773,816	2,460,400
(Decrease)/Increase in payables	(33,390,374)	2,698,407	(689,538)	246,795
(Decrease)/Increase in refund liabilities	(712,911)	2,357,344	-	-
Cash generated from operations	104,888,653	64,165,345	10,333,305	2,489,896
Income tax paid	(10,663,381)	(11,358,959)	-	(270)
Interest paid	(570,448)	(365,993)	-	-
Withholding tax paid	(39,390)	(442,462)	(39,390)	(442,462)
Dividend received	-	-	13,332,900	18,125,000
Net cash from operating activities/ Balance carried forward	93,615,434	51,997,931	23,626,815	20,172,164

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP		COMPANY	
		2019 RM	2018 RM	2019 RM	2018 RM
Balance brought forward		93,615,434	51,997,931	23,626,815	20,172,164
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(7,474,711)	(20,780,549)	-	-
(Increase)/Decrease in short-term investments		(5,757,215)	5,193,072	(5,795,329)	5,193,072
Interest received		2,656,381	2,199,189	10,489	11,398
Placement of fixed deposits with licensed banks		(39,200)	(411,480)	-	-
Proceeds from disposal of property, plant and equipment		13,625	614,991	-	-
Rental income		4,667,602	3,513,870	-	-
Net cash (used in)/from investing activities		(5,933,518)	(9,670,907)	(5,784,840)	5,204,470
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(19,202,099)	(23,042,519)	(19,202,099)	(23,042,519)
Changes in bank borrowings	B	(36,207,919)	36,298,647	-	-
Net cash (used in)/from financing activities		(55,410,018)	13,256,128	(19,202,099)	(23,042,519)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		32,271,898	55,583,152	(1,360,124)	2,334,115
Effects of exchange rate fluctuations		483,294	510,616	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING					
		134,084,265	77,990,497	2,418,348	84,233
CASH AND CASH EQUIVALENTS AT END					
	A	166,839,457	134,084,265	1,058,224	2,418,348

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

		GROUP		COMPANY	
	NOTE	2019 RM	2018 RM	2019 RM	2018 RM
Cash and cash equivalents	14	167,386,657	134,592,265	1,058,224	2,418,348
Less: Bank balances pledged as securities	14	(547,200)	(508,000)	-	-
		<u>166,839,457</u>	<u>134,084,265</u>	<u>1,058,224</u>	<u>2,418,348</u>

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:

	Balance at beginning RM	Cash flows RM	Other RM	Balance at end RM
GROUP				
2019				
Loans and borrowings	<u>36,207,919</u>	<u>(36,207,919)</u>	-	-
2018				
Loans and borrowings	<u>-</u>	<u>36,298,647</u>	<u>(90,728)</u>	<u>36,207,919</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 51-8-E, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia.

The principal place of business of the Company is located at Plot 4, Jalan Jelawat Satu, 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 17 March 2020.

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.

The Group uses 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.

2. BASIS OF PREPARATION (Cont'd)

2.2 Basis of Measurement (Cont'd)

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 MFRSs

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 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

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23 Uncertainty over Income Tax Treatments

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 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has lease contracts for premises and office equipment. Before the adoption of MFRS 16, the Group classified its leases (as lessee) at the inception date as an operating lease. Refer to Note 3.4 for the accounting policy prior to 1 January 2019.

2. BASIS OF PREPARATION (Cont'd)

2.4 Adoption of New Standards/Amendments/Improvements to MFRSs (Cont'd)

MFRS 16 Leases (Cont'd)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3.4 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

The Group did not recognise right-of-use assets and lease liabilities for those leases previously classified as operating leases, due to these leases are either short-term or low-value assets.

2.5 Standards Issued But Not Yet Effective

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

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption.

2.6 Significant Accounting Estimates and Judgements

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

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

2.6.1 Judgements made in applying accounting policies

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

2. BASIS OF PREPARATION (Cont'd)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.2 Key sources of estimation uncertainty

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

(i) Useful lives of depreciable assets

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

(ii) Impairment of 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

(i) Subsidiaries

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

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

Investment in a 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.

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.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree either at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Basis of Consolidation (Cont'd)

(iii) Goodwill

Goodwill acquired through business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

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

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

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous 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

An associate is defined as one in which the Company has significant influence, but not control, over the financial and operating policies.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

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 profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated to the extent of the Group's interest in the associate. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Property, Plant and Equipment (Cont'd)

3.2.3 Depreciation (Cont'd)

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

As described in Note 2.4 to the financial statements, the Group has applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under MFRS 117 and IC Interpretation 4.

Accounting policies applied from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Leases (Cont'd)

As a lessee (Cont'd)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.5 to the financial statements.

(ii) Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has only short-term leases and leases of low-value assets as at the end of the reporting period.

(iii) Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises and office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to 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 other operating income in the statements of comprehensive income. Contingent rents are recognised as other income in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Leases (Cont'd)

Accounting policies applied until 31 December 2018

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.

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

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.

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Impairment of Non-financial Assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful life or that are not yet available for use, its recoverable amount is estimated at the same time.

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 in profit or loss 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 assets 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Financial Instruments (Cont'd)

3.6.1 Financial assets (Cont'd)

(i) Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost ("AC")

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost includes cash and bank balances, trade and other receivables.

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

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at FVOCI. Investment income earned from financial institution are recognised as revenue in the statements of comprehensive income when the right of payment has been established.

The Group's and the Company's financial assets at FVTPL includes investments in unit trusts with licensed financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Financial Instruments (Cont'd)

3.6.1 Financial assets (Cont'd)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(iv) Impairment

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assesses impairment of trade receivables on a collective basis based on shared credit risk characteristics and presented by days past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Financial Instruments (Cont'd)

3.6.2 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group and the Company do not have any financial liabilities at fair value through profit or loss as at the end of the reporting period.

Financial liabilities at amortised cost

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income. This category generally applies to trade and other payables and interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

3.6.3 Offsetting of financial instruments

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

3.6.4 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Financial Instruments (Cont'd)

3.6.4 Financial guarantee contracts (Cont'd)

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

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 comprises cash in hand, cash at bank and demand deposits. Cash and cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

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.

3.10 Income Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue of the Group and the Company are measured on the following basis:

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. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 Income Recognition (Cont'd)

3.10.1 Manufacturing of industrial products (Cont'd)

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, its 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 is accounted for on a straight-line basis over the lease terms. 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.

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 have 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.

Defined benefit plan

The Group operates an unfunded, defined benefit plan - Retirement Benefit Scheme ("the Scheme") for eligible employees in Thailand in accordance with the Labour Law Act of Thailand. Under the Scheme, eligible employees are entitled to retirement benefits upon attaining their retirement age.

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- a) If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability asset).
- b) If contributions are linked to services, they reduce service cost. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by MFRS 119 Employee Benefits paragraph 70. For the amount of contributions that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered or reduces service cost by attributing to the employees' periods of service in accordance with MFRS 119 Employee Benefits paragraph 70.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Employee Benefits (Cont'd)

Defined benefit plan (Cont'd)

The calculation for defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

3.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sales are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.13 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)

3.13 Income Tax (Cont'd)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.3 to the financial statements, 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.

3.14 Goods and Services Tax ("GST") and Sales and Service Tax ("SST")

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

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

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

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

The Finance Ministry of Malaysia has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018.

The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.15 Foreign Currency

Foreign currency transactions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Foreign Currency (Cont'd)

Foreign currency transactions (Cont'd)

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

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

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

Foreign operations

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

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

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

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

3.16 Share Capital, Share Issuance Expenses and Dividends

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

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. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.17 Segment Reporting

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

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

3.18 Contingencies

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

3.19 Related Parties

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

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

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

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

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold land RM	Buildings and structures RM	Plant and machinery RM	Production tools and equipment RM	Furniture, fixtures and office equipment RM	Mechanical and electrical installation RM	Motor vehicles RM	Capital work in progress RM	Total RM
GROUP										
2019										
At cost										
Balance at beginning	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
Additions	-	-	430,130	4,202,182	1,629,863	293,906	-	-	918,630	7,474,711
Disposals/write offs	-	-	-	(1,397,760)	-	(4,128)	-	-	(161,865)	(1,563,753)
Transfer to investment properties	-	-	(10,451,533)	-	-	-	-	-	(491,740)	(10,943,273)
Reclassification	-	-	-	1,686,730	-	-	-	-	(1,686,730)	-
Effects of movements in exchange rates	66,669	-	122,778	1,550,553	-	64,147	9,242	41,366	380,230	2,234,985
Balance at end	930,637	3,530,739	42,264,103	152,050,681	14,714,533	4,082,994	2,111,457	2,299,276	5,514,320	227,498,740
Accumulated depreciation										
Balance at beginning	-	1,655,443	12,120,131	109,493,085	8,106,540	3,014,531	1,778,290	1,786,458	-	137,954,478
Current charge	-	58,845	2,007,939	11,413,591	1,724,485	348,576	64,606	165,265	-	15,783,307
Disposals/write offs	-	-	-	(1,397,736)	-	(4,127)	-	-	-	(1,401,863)
Transfer to investment properties	-	-	(991,484)	-	-	-	-	-	-	(991,484)
Effects of movements in exchange rates	-	-	98,110	1,548,063	-	37,383	4,829	34,669	-	1,723,054
Balance at end	-	1,714,288	13,234,696	121,057,003	9,831,025	3,396,363	1,847,725	1,986,392	-	153,067,492
Carrying amount	930,637	1,816,451	29,029,407	30,993,678	4,883,508	686,631	263,732	312,884	5,514,320	74,431,248

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

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

	Freehold land RM	Leasehold land RM	Buildings and structures RM	Plant and machinery RM	Production tools and equipment RM	Furniture, fixtures and office equipment RM	Mechanical and electrical installation RM	Motor vehicles RM	Capital work in progress RM	Total RM
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 offs	-	-	-	(2,420,042)	-	(11,430)	-	(46,408)	(4,576)	(2,482,456)
Reclassification	-	-	-	446,784	-	-	-	-	(446,784)	-
Effects of movements in exchange rates	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 offs	-	-	-	(2,166,047)	-	(11,430)	-	(46,407)	-	(2,223,884)
Effects of movements in exchange rates	-	-	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

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

- 4.1 The carrying amount of the Group's freehold land and building charged to licensed banks as securities for banking facilities granted to the Group amounted to **RM1,427,494** (2018: RM1,124,106).
- 4.2 Leasehold land of the Group is with unexpired lease period of ranging between **31 to 57 years** (2018: 32 to 58 years).

5. INVESTMENT PROPERTIES

	GROUP	
	2019 RM	2018 RM
At fair value		
Balance at beginning	27,542,745	22,047,191
Transfer from property, plant and equipment and land use rights at fair value *	16,000,000	-
Change in fair value recognised in profit or loss	520,000	5,450,000
Effects of movements in exchange rates	165,345	45,554
Balance at end	44,228,090	27,542,745
The investment properties are represented by:		
Freehold land and buildings	2,308,090	2,142,745
Leasehold land and buildings	41,920,000	25,400,000
	44,228,090	27,542,745

	Group 2019 RM
Transfer from property, plant and equipment	9,951,789
Transfer from land use rights	3,388,633
Fair value gain to other comprehensive income at the date of change in used (Note 16.3)	2,659,578
	16,000,000*

The carrying amount of the Group's investment properties charged to a licensed bank as securities for banking facilities granted to the Group amounted to **RM2,308,090** (2018: RM2,142,745).

Group as lessor

The Group has entered into operating leases on its investment properties. These leases have terms of between 1 to 3 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

5. INVESTMENT PROPERTIES (Cont'd)

Group as lessor (Cont'd)

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

	2019 RM	2018 RM
Rental income from income generating properties	4,307,402	3,173,784
Direct operating expenses:		
- income generating investment properties	605,899	204,972

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019 RM	2018 RM
Within one year	4,275,862	3,264,258
After one year but not more than two years	2,698,980	4,259,662
More than two years	433,836	3,093,936
	7,408,678	10,617,856

Fair value measurement information

Fair value of investment properties are categorised as follows:

	2019 RM	Level 3 2018 RM
Freehold land and buildings	2,308,090	2,142,745
Leasehold land and buildings	41,920,000	25,400,000
	44,228,090	27,542,745

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
	2019	2018	
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.	Price per square foot (RM27-RM95)	Price per square foot (RM26-RM77)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

5. INVESTMENT PROPERTIES (Cont'd)

Valuation process applied by the Group for level 3 fair value

At 31 December 2019, the fair value of the Group's investment properties of leasehold land and buildings of **RM41,920,000** (2018: RM25,400,000) have 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 **RM2,308,090** (2018: RM2,142,745) was determined by the valuation representative 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. LAND USE RIGHTS

	GROUP	
	2019 RM	2018 RM
Unexpired lease period of less than 50 years		
At cost		
Balance at beginning	11,877,468	11,877,468
Less: Transfer to investment properties	(3,878,000)	-
Balance at end	7,999,468	11,877,468
Accumulated depreciation		
Balance at beginning	1,763,435	1,447,587
Current depreciation	315,848	315,848
Less: Transfer to investment properties	(489,367)	-
Balance at end	1,589,916	1,763,435
Carrying amounts	6,409,552	10,114,033

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2019 RM	2018 RM
Unquoted shares, at cost	79,918,805	79,918,805

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

7. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Effective equity interest		Principal activities
		2019 %	2018 %	
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
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PIE Enterprise (M) Sdn. Bhd.	Malaysia	100	100	Dormant
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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.

8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post-acquisition reserves	(25,000)	(25,000)	-	-
	-	-	25,000	25,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

8. INVESTMENT IN AN ASSOCIATE (Cont'd)

Details of the associate are as follows:

Name of entity	Country of incorporation	Effective equity interest		Principal activities
		2019 %	2018 %	
I2 Skyway Sdn. Bhd.	Malaysia	49	49	Dormant.

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	
	2019 RM	2018 RM

Summarised financial information

As at 31 December

Non-current assets	38	38
Current assets	9,289	10,555
Current liabilities	(101,966)	(98,566)
Net liabilities	(92,639)	(87,973)

Year ended 31 December

Loss from continuing operations	(5,166)	(15,971)
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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	
	2019 RM	2018 RM
At cost	1,721,665	1,721,665

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

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

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Management covering a period of 5 years with an estimated growth rate of 0% (2018: 0%) and a discount rate of 9.30% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

10. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Balance at beginning	(5,832,542)	(1,460,308)	790,120	1,664,000
Recognised in profit or loss	1,331,078	(4,806,950)	(124,000)	158,502
	(4,501,464)	(6,267,258)	666,120	1,822,502
Over/(Under) provision in prior year	726,285	434,716	(4,000)	(1,032,382)
	(3,775,179)	(5,832,542)	662,120	790,120

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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	662,120	828,498	662,120	790,120
Deferred tax liabilities	(4,437,299)	(6,661,040)	-	-
	(3,775,179)	(5,832,542)	662,120	790,120

The deferred tax assets/(liabilities) as at the end of the reporting period are made up of the temporary differences arising from:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Property, plant and equipment	(10,422,919)	(11,745,578)	-	-
Inventories	2,320,418	1,485,418	-	-
Receivables	419,726	892,718	-	-
Provisions	1,526,466	2,429,106	462,509	628,129
Unused tax losses	199,611	161,991	199,611	161,991
Other deductible temporary differences	2,181,519	943,803	-	-
	(3,775,179)	(5,832,542)	662,120	790,120

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	NOTE	2019 RM	2018 RM	2019 RM	2018 RM
Non-current					
Non-trade					
Amount due from a subsidiary	11.1	-	-	12,024,421	-
Current					
Trade					
Third parties	11.2	123,750,361	167,557,012	-	-
Related parties	11.3	-	289	-	-
		123,750,361	167,557,301	-	-
Non-trade					
Amount due from subsidiaries	11.1	-	-	8,133,000	31,396,080
Other receivables		904,687	866,053	-	16
Deposits		359,531	376,734	2,000	2,000
Prepayments		3,735,417	1,955,519	13,844	13,844
GST recoverable		1,068,061	2,839,141	-	-
		6,067,696	6,037,447	8,148,844	31,411,940
		129,818,057	173,594,748	8,148,844	31,411,940

11.1 The amount due from subsidiaries is unsecured, non-interest bearing and classified based on the expected timing of realisation.

11.2 The normal credit terms granted to trade receivables range from **30 to 120 days** (2018: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

12. INVENTORIES

	GROUP	
	2019 RM	2018 RM
Raw materials	72,314,798	93,955,208
Work-in-progress	7,341,189	28,774,929
Finished goods	19,438,084	22,721,704
Goods-in-transit	7,386,482	1,094,223
	106,480,553	146,546,064
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	612,969,193	609,272,571
Inventories written down		
- Current year	4,486,996	-
- Reversal	(47,796)	(684,697)

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

13. SHORT-TERM INVESTMENTS

	GROUP AND COMPANY	
	2019 RM	2018 RM
Investment in unit trusts	10,533,158	4,476,423

The effective interest rates for the short-term investments are **1.15%** to **3.63%** (2018: 1.63% to 4.02%) 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	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	14.1	25,097,524	42,469,656	1,058,224	2,417,184
Fixed deposits with licensed banks	14.2	101,473,133	51,272,609	-	1,164
Short term money market deposits	14.3	40,816,000	40,850,000	-	-
		167,386,657	134,592,265	1,058,224	2,418,348

14.1 Included in the Group's cash and bank balances is **RM547,200** (2018: RM508,000) pledged to licensed banks as securities for banking facilities granted to the Group.

14. CASH AND CASH EQUIVALENTS (Cont'd)

14.2 The effective interest rates per annum and maturity of the fixed deposits with licensed banks of the Group as at the end of the reporting period range from **1.55% to 3.15%** (2018: 0.50% to 3.40%) per annum and **1 month to 2 months** (2018: 1 month to 2 months) respectively.

14.3 The effective interest rates per annum and maturity of the short term money market deposits of the Group as at the end of the reporting period range from **1.40% to 3.40%** (2018: 2.10% to 3.70%) per annum and **1 month to 2 months** (2018: 1 month to 2 months) respectively.

15. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019 RM	2018 RM
Issued and fully paid up	384,041,985	384,041,985	83,202,902	83,202,902

16. RESERVES

		GROUP		COMPANY	
	NOTE	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable					
Foreign currency translation reserve	16.1	14,760,415	12,613,508	-	-
Merger reserve	16.2	-	-	16,408,221	16,408,221
Revaluation reserve	16.3	2,659,578	-	-	-
		17,419,993	12,613,508	16,408,221	16,408,221
Distributable					
Retained profits	16.4	351,241,334	333,886,081	10,779,281	16,759,807
		368,661,327	346,499,589	27,187,502	33,168,028

16.1 Foreign currency translation reserve

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

16.2 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.

16.3 Revaluation reserve

Revaluation reserve represents increase in the fair value of property, plant and equipment and land use rights, net of tax, as a result of change in use of the Group's owner-occupied property to investment property that was carried at fair value at the date of change in use.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

17. RETIREMENT BENEFITS OBLIGATIONS

The Group operates an unfunded, defined benefit plan - Retirement Benefit Scheme ("the Scheme") for eligible employees in Thailand. Under the Scheme, eligible employees are entitled to retirement benefits upon attaining their retirement age. The Group's obligation under the Scheme is determined based on the latest actuarial valuation by an independent actuary.

The amount recognised in the statements of financial position are determined as follows:

	GROUP	
	2019 RM	2018 RM
Present value of retirement benefit obligations, representing net liabilities	1,698,423	1,361,840
Analysed as:		
- Current	270,817	-
- Non-current	1,427,606	1,361,840

The amount recognised in the profit or loss of the Group are as follows:

	GROUP	
	2019 RM	2018 RM
Current service costs	204,622	144,892
Interest costs	21,968	17,902
	226,590	162,794

The following table sets out the reconciliation of the retirement benefit obligations of the Group:

	GROUP	
	2019 RM	2018 RM
Balance at beginning	1,361,840	1,170,093
Recognised in the profit or loss:		
- Employee benefit expense (Note 23)	226,590	162,794
Effects of movements in exchange rate	109,993	28,953
Balance at end	1,698,423	1,361,840

The principle actuarial assumptions used are as follows:

	GROUP	
	2019 RM	2018 RM
Discount rate	1.53%	5.00%
Long term salary increment rate	4.00%	6.50%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

17. RETIREMENT BENEFITS OBLIGATIONS (Cont'd)

The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of each reporting period changed by the one hundred (100) basis points with all other variables held constant period:

	GROUP			
	2019		2018	
	%	RM	%	RM
Discount rate increase	1	(115,664)	1	(27,606)
Discount rate decrease	(1)	131,966	(1)	171,896
Long term salary increment rate increase	1	126,050	1	167,130
Long term salary increment rate decrease	(1)	(112,942)	(1)	(25,413)

The expected payments to the defined benefit plan in future years are as follows:

	GROUP	
	2019 RM	2018 RM
Within the next 12 months	265,076	139,549
Between 2 and 5 years	523,790	192,757
Beyond 5 years	3,910,577	941,437
Total expected payments	4,699,443	1,273,743

The average duration of the defined benefit plan obligation at the end of the reporting period is **12 years** (2018: 13 years).

In 2019, the government of the country in which a foreign subsidiary is operating amended its Labour Protection Act which entails additional severance pay for employees who have worked for an uninterrupted period of twenty years or more. This change is considered an amendment to the post-employment benefit plan, as such additional liabilities is required to be recognised. The subsidiary has recorded the effects of change in the current financial year's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

18. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	NOTE	2019 RM	2018 RM	2019 RM	2018 RM
Trade					
Third parties	18.1	56,208,024	74,316,749	-	-
Related companies	18.2	31,558	-	-	-
Related parties	18.2	434,490	6,761,871	-	-
		56,674,072	81,078,620	-	-
Non-trade					
Amount due to ultimate holding company	18.3	7,610	56,690	-	-
Amount due to directors	18.4	15,000	18,000	15,000	18,000
Other payables		13,824,671	18,484,682	361	-
Accruals		9,759,084	14,681,560	1,964,807	2,651,706
		23,606,365	33,240,932	1,980,168	2,669,706
		80,280,437	114,319,552	1,980,168	2,669,706

18.1 The normal credit terms granted by trade payables range from **30 to 90 days** (2018: 30 to 90 days).

18.2 The normal credit terms granted by amount due to related companies and related parties are **30 days** (2018: 30 days).

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

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

19. BORROWINGS

	GROUP	
	2019 RM	2018 RM
Current liabilities		
Bankers' acceptance	-	36,207,919

The effective interest rates of the bankers' acceptance as at the end of the reporting period range from **Nil** (2018: 2.56% to 3.09%) per annum.

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

20. 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 (CONT'D)

31 DECEMBER 2019

21. REVENUE

21.1 Disaggregated revenue information

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Types of goods or services				
Manufacturing of industrial products	654,483,754	642,780,169	-	-
Trading of electronic materials	4,685,683	18,287,476	-	-
Investment income earned from financial asset at fair value through profit or loss	171,460	188,886	171,460	188,886
Management fees	-	-	3,556,000	3,396,000
Dividend income from subsidiaries	-	-	13,332,900	18,125,000
Total revenue from contracts with customers	659,340,897	661,256,531	17,060,360	21,709,886
Timing of revenue recognition				
Goods transferred at a point in time	659,340,897	661,256,531	13,504,360	18,313,886
Services transferred over time	-	-	3,556,000	3,396,000
Total revenue from contracts with customers	659,340,897	661,256,531	17,060,360	21,709,886
Geographical markets				
Malaysia	254,537,398	269,711,662	12,727,460	13,584,886
Other Asia Pacific countries	152,898,486	136,788,071	4,332,900	8,125,000
Europe	79,266,071	71,691,042	-	-
United States of America	172,638,942	183,065,756	-	-
Total revenue from contracts with customers	659,340,897	661,256,531	17,060,360	21,709,886

21.2 Performance obligation

Group

(i) Manufacturing of industrial products

Revenue from manufacturing of industrial products is recognised at a point in time when control of the goods is transferred to the customers, generally on delivery of the goods.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

21. REVENUE (Cont'd)

21.2 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.

21.3 Contract balances

Contract balances derived from revenue from contracts with customers of the Group and of the Company are the trade receivables balance amounting to **RM123,750,361** (2018: RM167,557,301) as disclosed in Note 11 to the financial statements.

22. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM

After charging:

Audit fee

- Grant Thornton

- current year	129,000	155,000	35,000	35,000
- under provision in prior year	15,000	3,000	3,000	-

- Other auditors

- current year	59,455	54,684	-	-
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Non-audit fees

- Grant Thornton

- current year	63,440	63,186	45,740	46,286
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- Other auditors

- current year	2,443	45,678	-	-
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Bad debts

	49,122	-	-	-
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Depreciation of land use rights

	315,848	315,848	-	-
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Depreciation of property, plant and equipment

	15,783,307	14,842,692	-	-
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Employee benefits expense (Note 23)

	85,390,170	72,591,610	3,432,812	3,849,473
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

22. PROFIT BEFORE TAX (Cont'd)

This is arrived at (Cont'd):

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging (Cont'd):				
Expected credit loss on trade receivables, net				
- Current year	28,143	23,584	-	-
- Reversal	(1,309,759)	(280,806)	-	-
Fair value loss on financial asset at fair value through profit or loss	-	7,841	-	7,841
Interest expense				
- Bankers' acceptance	570,448	365,993	-	-
- Unwinding discount on amount due from a subsidiary	-	-	464,859	-
Inventories written down				
- Current year	4,486,996	-	-	-
- Reversal	(47,796)	(684,697)	-	-
Loss on foreign exchange				
- Realised	562,711	32,107	25,305	31,976
- Unrealised	3,872,196	4,071,216	-	-
Property, plant and equipment written off	161,890	-	-	-
Rental of office equipment	20,062	12,790	-	-
Rental of premises	1,366,996	387,112	-	-
And crediting:				
Fair value gain on financial asset at fair value through profit or loss	40,105	-	40,105	-
Fair value gain on investment properties	520,000	5,450,000	-	-
Gain on disposal of property, plant and equipment	13,625	356,419	-	-
Gain on disposal of short-term investment	49,841	40,229	49,841	40,229
Gain on foreign exchange				
- Realised	15,092,314	15,815,646	451,004	584,484
- Unrealised	80,941	751,706	38,113	24,853
Interest income	2,656,381	2,199,189	10,489	11,398
Rental income from				
- Hostel	184,200	128,274	-	-
- Investment properties	4,307,402	3,173,784	-	-
- Land use rights	176,000	211,812	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

23. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
- Wages, salaries and others	82,018,843	70,450,332	3,026,340	3,627,306
- Defined benefit plan (Note 17)	226,590	162,794	-	-
- EPF and SOCSO	3,144,737	1,978,484	406,472	222,167
	85,390,170	72,591,610	3,432,812	3,849,473

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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM

Directors of the Company:

Executive:

- Salaries, allowances and bonus	1,597,119	1,639,106	1,237,734	1,493,992
- EPF	259,000	306,521	233,499	283,882
- Benefits-in-kind	15,200	16,500	-	-
	1,871,319	1,962,127	1,471,233	1,777,874

Non-Executive:

- Fees	69,000	72,000	69,000	72,000
- Allowances	23,000	23,400	23,000	23,400
	92,000	95,400	92,000	95,400
	1,963,319	2,057,527	1,563,233	1,873,274

Directors of subsidiaries:

Executive:

- Salaries, allowances and bonus	1,087,050	1,489,832	-	-
- EPF	155,397	103,539	-	-
- Benefits-in-kind	14,100	23,093	-	-
	1,256,547	1,616,464	-	-
	3,219,866	3,673,991	1,563,233	1,873,274

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

24. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Based on results for the financial year				
Current tax expense				
- Malaysia	(11,249,461)	(11,710,213)	-	-
- Withholding tax	(39,390)	(442,462)	(39,390)	(442,462)
Deferred tax expense				
- Origination and reversal of temporary differences	1,331,078	(4,806,950)	(124,000)	158,502
	(9,957,773)	(16,959,625)	(163,390)	(283,960)
Over/(Under) provision in prior year				
- Current tax	(12,352)	3,839,552	-	(270)
- Deferred tax	726,285	434,716	(4,000)	(1,032,382)
	713,933	4,274,268	(4,000)	(1,032,652)
	(9,243,840)	(12,685,357)	(167,390)	(1,316,612)

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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	45,801,192	55,827,397	13,388,963	18,140,373
Income tax at Malaysian tax rate of 24%	(10,992,286)	(13,398,575)	(3,213,351)	(4,353,689)
Effect of tax rates in foreign jurisdictions	49,156	197,209	-	-
Non-deductible expenses	(279,244)	(4,958,362)	(182,430)	(37,156)
Income not subject to tax	1,303,991	688,795	3,271,781	4,549,347
Effect of tax incentives	-	917,753	-	-
Effect of deferred tax assets not recognised	-	36,017	-	-
	(9,918,383)	(16,517,163)	(124,000)	158,502
Withholding tax	(39,390)	(442,462)	(39,390)	(442,462)
Over/(Under) provision in prior year	713,933	4,274,268	(4,000)	(1,032,652)
	(9,243,840)	(12,685,357)	(167,390)	(1,316,612)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

24. INCOME TAX EXPENSE (Cont'd)

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.

The investment promotion incentive has expired on 28 June 2019. The management expects to renew the investment promotion incentive, with additional conditions of increase machine production efficiency. 50% corporate income tax exemption of investment will be granted for 3 years according to Board of Investment Announcement No.9/2017 dated 28 October 2017. The subsidiary expects to complete the application by May 2020.

The unused tax losses available to be carried forward for set-off against future assessable income of a nature and amount sufficient for the tax credits to be utilised is estimated at:

GROUP AND COMPANY		
	2019 RM	2018 RM
Unused tax losses	831,899	659,143

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) pursuant to the gazetted Finance Act 2018.

The unused tax losses of the Group and the Company will expire in the following years of assessment ("YA"):

	2019 RM	2018 RM
YA 2026	172,756	-
YA 2025	659,143	659,143
	831,899	659,143

25. EARNINGS PER ORDINARY SHARE

GROUP

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of **RM36,557,352** (2018: RM43,142,040) by the weighted average number of ordinary shares in issue during the financial year of **384,041,985** (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

26. DIVIDENDS

	GROUP AND COMPANY	
	2019 RM	2018 RM
<u>In respect of the financial year ended 31 December 2018</u>		
First and final single tier dividend of RM0.024 per share	9,217,008	-
Special single tier dividend of RM0.026 per share	9,985,091	-
<u>In respect of the financial year ended 31 December 2017</u>		
First and final single tier dividend of RM0.024 per share	-	9,217,008
Special single tier dividend of RM0.036 per share	-	13,825,511
	19,202,099	23,042,519

27. 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

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Management fees received from subsidiaries	-	-	3,556,000	3,396,000
Dividend received from subsidiaries	-	-	13,332,900	18,125,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

27. RELATED PARTIES (Cont'd)

(iii) Related parties transactions

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Sales to:				
- Pan-International Industrial Corp.	9,400	-	-	-
Purchases from:				
- Pan-International Industrial Corp	992,858	1,154,535	-	-
- Hon Hai Precision Industries Co., Ltd.	427,841	1,085,300	-	-
- Foxconn Interconnect Technology Singapore Pte. Ltd.	4,558,593	17,047,411	-	-
- View Great Limited	-	8,012	-	-
- ShenZhen Futaihong Precision Ind. Co., Ltd.	770,413	1,516,336	-	-
Purchase of machinery and equipment from:				
- Hongfujin Precision Ind. (Wuhan) Co., Ltd.	-	3,449,996	-	-
- Pan-International Industrial Corp.	17,386	-	-	-
Inspection fee paid to:				
- Pan-International Industrial Corp.	132,956	153,634	-	-

(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 23 to the financial statements.

28. CAPITAL COMMITMENTS

	GROUP	
	2019 RM	2018 RM
Contracted and not provided for:		
- Property, plant and equipment	2,938,484	218,545

29. 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 liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

29. OPERATING SEGMENTS (Cont'd)

By business segments

	Manufacturing of industrial products RM	Trading of electronic materials RM	Investment holding RM	Elimination RM	Total RM
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2019

Revenue

External sales	654,483,754	4,685,683	171,460	-	659,340,897
Inter-segment revenue	179,529	2,050,508	16,888,900	(19,118,937)	-

Total revenue	654,663,283	6,736,191	17,060,360	(19,118,937)	659,340,897
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Results

Segment profit/(loss)	38,995,188	(94,516)	13,843,333	(13,696,348)	39,047,657
Rental income					4,667,602
Interest income					2,656,381
Interest expense					(570,448)

Profit before tax					45,801,192
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Income tax expense					(9,243,840)
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Profit for the financial year					36,557,352
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2018

Revenue					
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)	-

Total revenue	642,880,060	20,376,026	21,709,886	(23,709,441)	661,256,531
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Results

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
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Income tax expense					(12,685,357)
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Profit for the financial year					43,142,040
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

29. OPERATING SEGMENTS (Cont'd)

By business segments (Cont'd)

	Manufacturing of industrial products RM	Trading of electronic materials RM	Investment holding RM	Total RM
2019				
Assets				
Segment assets	339,252,343	1,910,523	2,795,733	343,958,599
Income producing assets				186,517,223
Income tax assets				1,009,139
Investment in unit trusts				10,533,158
Total assets				542,018,119
2018				
Assets				
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
Total assets				592,925,960
2019				
Other information				
Additions to non-current assets	7,474,711	-	-	7,474,711
Bad debts	49,122	-	-	49,122
Depreciation	16,099,155	-	-	16,099,155
Expected credit loss of trade receivables, net				
- Current year	27,742	401	-	28,143
- Reversal	(1,309,759)	-	-	(1,309,759)
Fair value gain on investment properties	520,000	-	-	520,000
Fair value gain on financial asset at fair value through profit or loss	-	-	40,105	40,105
Gain on disposal of property, plant and equipment	13,625	-	-	13,625
Gain on disposal of short term investment	-	-	49,841	49,841
Interest expense	570,448	-	-	570,448
Interest income	2,552,129	93,763	10,489	2,656,381
Inventories written down				
- Current year	4,486,996	-	-	4,486,996
- Reversal	(47,796)	-	-	(47,796)
Property, plant and equipment written-off	161,890	-	-	161,890
Unrealised loss on foreign exchange	3,792,375	(1,120)	-	3,791,255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

29. OPERATING SEGMENTS (Cont'd)

By business segments (Cont'd)

	Manufacturing of industrial products RM	Trading of electronic materials RM	Investment holding RM	Total RM
2018				
Other information				
Additions to non-current assets	20,780,549	-	-	20,780,549
Depreciation	15,158,540	-	-	15,158,540
Expected credit loss of trade receivables, net				
- Current year	23,584	-	-	23,584
- Reversal	(278,784)	(2,022)	-	(280,806)
Fair value gain on investment properties	5,450,000	-	-	5,450,000
Fair value loss 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
Gain on disposal of short term investment	-	-	40,229	40,229
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

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
2019		
Malaysia	254,537,398	114,516,046
Other Asia Pacific countries	152,898,486	10,552,844
Europe	79,266,071	-
United States of America	172,638,942	-
	659,340,897	125,068,890

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

29. OPERATING SEGMENTS (Cont'd)

Geographical information (Cont'd)

	Revenue RM	Non-current assets RM
2018		
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>

Information of Major Customers

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

	Revenue		
	2019 RM	2018 RM	Segments
- Customer A	145,050,078	159,759,289	Manufacturing of industrial products
- Customer B	116,143,178	115,902,118	Manufacturing of industrial products
	<u>261,193,256</u>	<u>272,661,407</u>	

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
GROUP			
2019			
Financial assets			
Trade and other receivables, excluding prepayments and GST recoverable	125,014,579	125,014,579	-
Short-term investments	10,533,158	-	10,533,158
Cash and cash equivalents	167,386,657	167,386,657	-
	<u>302,934,394</u>	<u>292,401,236</u>	<u>10,533,158</u>
Financial liabilities			
Trade and other payables	80,280,437	80,280,437	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (Cont'd)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	AC RM	FVTPL RM
COMPANY			
2019			
Financial assets			
Trade and other receivables, excluding prepayments	20,159,421	20,159,421	-
Short-term investments	10,533,158	-	10,533,158
Cash and cash equivalents	1,058,224	1,058,224	-
	31,750,803	21,217,645	10,533,158
Financial liabilities			
Trade and other payables	1,980,168	1,980,168	-
GROUP			
2018			
Financial assets			
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	-
	307,868,776	303,392,353	4,476,423
Financial liabilities			
Trade and other payables	114,319,552	114,319,552	-
Borrowings	36,207,919	36,207,919	-
	150,527,471	150,527,471	-
COMPANY			
2018			
Financial assets			
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	-
	38,292,867	33,816,444	4,476,423
Financial liabilities			
Trade and other payables	2,669,706	2,669,706	-

30. FINANCIAL INSTRUMENTS (Cont'd)

30.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.3 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company 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.

30.3.1 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 and other receivables (excluding prepayments and GST recoverable) is represented by the carrying amounts in the statements 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 **59%** (2018: 62%) of the Group's trade receivables were due from **2** (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (Cont'd)

30.3 Credit risk (Cont'd)

30.3.1 Receivables (Cont'd)

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:

GROUP

	Gross RM	Loss allowance RM	Net RM
2019			
Not past due	70,558,997	(62,889)	70,496,108
1 to 30 days past due	32,503,793	(314)	32,503,479
31 to 60 days past due	19,748,387	(13,803)	19,734,584
61 to 90 days past due	589,950	(21,246)	568,704
Past due more than 90 days	502,389	(54,903)	447,486
Total	123,903,516	(153,155)	123,750,361
2018			
Not past due	138,224,664	(24,010)	138,200,654
1 to 30 days past due	21,759,780	(318,946)	21,440,834
31 to 60 days past due	4,021,304	(52,870)	3,968,434
61 to 90 days past due	1,693,900	(164,831)	1,529,069
Past due more than 90 days	3,279,120	(860,810)	2,418,310
Total	168,978,768	(1,421,467)	167,557,301

The ECL allowance is calculated based on expected loss rate ranging from **0.3%** to **100%** (2018: 0.1% to 100%).

30. FINANCIAL INSTRUMENTS (Cont'd)

30.3 Credit risk (Cont'd)

30.3.1 Receivables (Cont'd)

Ageing analysis (Con'd)

(b) Reconciliation on loss allowance

The loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	2019 RM	2018 RM
At 1 January	1,421,467	8,506,413
Adjustment on initial application of MFRS 9	-	(6,816,272)
Impairment loss recognised	28,143	23,584
Reversal of impairment	(1,309,759)	(280,806)
Effects of movements in foreign exchange rates	13,304	(11,452)
At 31 December	153,155	1,421,467

30.3.2 Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries which are unsecured, non-interest bearing and classified based on the expected timing of realisation. 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.

30.3.3 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 **RM132,470,000** (2018: RM53,178,900). The maximum exposure to credit risk is **RM Nil** (2018: RM36,207,919) as there was no outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (Cont'd)

30.4 Liquidity risk

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

The Group and the Company maintain 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 and the Company'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
GROUP			
2019			
Trade and other payables	80,280,437	80,280,437	80,280,437
2018			
Trade and other payables	114,319,552	114,319,552	114,319,552
Borrowings	36,207,919	36,207,919	36,207,919
	150,527,471	150,527,471	150,527,471
COMPANY			
2019			
Trade and other payables	1,980,168	1,980,168	1,980,168
2018			
Trade and other payables	2,669,706	2,669,706	2,669,706

30.5 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 and the Company's financial position or cash flows.

30. FINANCIAL INSTRUMENTS (Cont'd)

30.5 Market risk (Cont'd)

30.5.1 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), and Singapore Dollar (SGD).

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 accounts 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	EURO RM	SGD RM	OTHERS RM
GROUP				
2019				
Trade and other receivables	104,471,040	5,199,602	16,435	2,405,103
Trade and other payables	(54,129,646)	(322,145)	(32,258)	(25,035)
Short-term investments	1,057,902	-	-	-
Cash and cash equivalents	97,899,541	2,936,322	250,527	3,262,996
Net exposure	149,298,837	7,813,779	234,704	5,643,064
2018				
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	89,849,841	9,746,339	683,076	(27,647)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (Cont'd)

30.5 Market risk (Cont'd)

30.5.1 Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

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 (Cont'd):

	USD RM	Denominated in		OTHERS RM
		EURO RM	SGD RM	
COMPANY				
2019				
Short-term investments	1,057,902	-	-	-
Cash and cash equivalents	3,631	-	-	-
	1,061,533	-	-	-
2018				
Short-term investments	356,836	-	-	-
Cash and cash equivalents	2,234,802	-	-	-
	2,591,638	-	-	-

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 tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have affected the profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
USD	(14,929,884)	(8,984,984)	(106,153)	(259,164)
EURO	(781,378)	(974,634)	-	-
SGD	(23,470)	(68,308)	-	-
Others	(564,306)	2,765	-	-
Decrease in profit before tax	(16,299,038)	(10,025,161)	(106,153)	(259,164)

30. FINANCIAL INSTRUMENTS (Cont'd)

30.5 Market risk (Cont'd)

30.5.2 Interest rate risk

The Group's and the Company's fixed rate fixed deposits with licensed banks and short term money market 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed rate instruments				
Fixed deposits with licensed banks	101,473,133	51,272,609	-	1,164
Short term money market deposits	40,816,000	40,850,000	-	-
	<u>142,289,133</u>	<u>92,122,609</u>	<u>-</u>	<u>1,164</u>
Floating rate instruments				
Borrowings	-	36,207,919	-	-

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.

31. FAIR VALUE INFORMATION

GROUP AND COMPANY

Other than the investment in unit trusts 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

31. FAIR VALUE INFORMATION (Cont'd)

31.1 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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
GROUP AND COMPANY				
2019				
Investment in unit trusts	10,533,158	-	-	10,533,158
2018				
Investment in unit trusts	4,476,423	-	-	4,476,423

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.

32. 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 profits for dividend payments to shareholders.

33. 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.

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.

However, the Court of Appeal had decided that the appeal was premature as there was no documentary proof that the previous Minister had issued a letter to dismiss PIEMSB appeal for remission of the custom duties and sales tax. As such, the solicitor had advised PIEMSB to write a fresh letter of appeal to the Minister of Finance to request the Minister of Finance to reconsider and allow its appeal for the remission of the custom duties and sales tax. The external legal counsel of PIESB is still awaiting the Minister of Finance to reply to its fresh letter of appeal and believes that the chances of PIESB's judicial review on the decision of the Ministry of Finance are reasonably good.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. In the previous year, retirement benefit obligations has been included under the trade and other payables and is now presented under a separate line item in the statements of financial position. The reclassification has no impact to the consolidated statement of comprehensive income and consolidated cash flow statements of the Group.

	Previously stated RM	Reclassification RM	Restated RM
Statement of financial position			
<u>Non-current liabilities</u>			
Retirement benefit obligations	-	1,361,840	1,361,840
<u>Current liabilities</u>			
Trade and other payables	115,681,392	(1,361,840)	114,319,552

35. SUBSEQUENT EVENT

The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world.

The COVID-19 has and will impact the business operations of the Group in particular the supply chain from China as well as to a certain degree, the delivery of customers' orders, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's interim and annual financial statements in 2020.

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 20 MARCH 2020

Total Number of Issued Shares : 384,041,985
 Class of Shares : Ordinary Shares with equal voting rights
 Number of Shareholders : 5,233

DISTRIBUTION OF SHAREHOLDERS AS AT 20 MARCH 2020

Holdings	No. of Holders	Total Holdings	%
1 - 99	14	284	0.00
100 - 1,000	505	398,806	0.10
1,001 - 10,000	3,064	15,724,200	4.09
10,001 - 100,000	1,463	42,469,310	11.06
100,001 - 19,202,098	186	127,989,400	33.33
19,202,099 and above	1	197,459,985	51.42
Total	5,233	384,041,985	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 20 MARCH 2020

	Name	Shareholding	%
1	Pan Global Holding Co. Ltd	197,459,985	51.42
2	Citigroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Employees Provident Fund Board</i>	12,758,500	3.32
3	Amanahraya Trustees Berhad <i>Qualifier: Public Smallcap Fund</i>	10,540,700	2.74
4	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account For Mak Tian Meng (7001418)</i>	7,265,200	1.89
5	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account For Mak Tian Meng (MY3136)</i>	6,496,400	1.69
6	Goh Thong Beng	6,470,000	1.68
7	Amanahraya Trustees Berhad <i>Qualifier: Public Strategic Smallcap Fund</i>	5,536,600	1.44
8	Public Invest Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account For Wong Yoke Fong @ Wong Nyok Fing (M)</i>	3,845,100	1.00
9	Wong Yoke Fong @ Wong Nyok Fing	3,428,100	0.89
10	Citigroup Nominees (Tempatan) Sdn Bhd <i>Qualifier: Employees Provident Fund Board (PHEIM)</i>	3,409,800	0.89
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	Lim Soon Huat	2,028,000	0.53
15	Wong Yoon Tet	1,590,000	0.41
16	Outstanding Growth Technology Limited	1,240,700	0.32
17	Wong Yoon Chyuan	1,164,000	0.30
18	Mak Mei Ling	1,080,000	0.28
19	Lembaga Tabung Haji	1,055,300	0.27
20	Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY For DFA Emerging Markets Small Cap Series</i>	1,003,500	0.26

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 20 MARCH 2020 (Cont'd)

	Name	Shareholding	%
21	Lin Hai Moh @ Lin See Yan	1,000,000	0.26
22	Kenanga Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account For Mak Tian Meng</i>	937,000	0.24
23	Mak Tian Meng	914,200	0.24
24	CIMB Group Nominees (Asing) Sdn. Bhd. <i>Qualifier: Exempt An For DBS Bank Ltd (SFS)</i>	910,700	0.24
25	Yeo Khee Huat	884,200	0.23
26	Maybank Nominees (Tempatan) Sdn Bhd <i>Qualifier: Maybank Trustees Berhad For Dana Makmur PHEIM (211901)</i>	878,500	0.23
27	Denver Corporation Sdn Bhd	873,300	0.23
28	Amanahraya Trustees Berhad <i>Qualifier: PB Growth Fund</i>	867,500	0.23
29	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account For Yong Kian Fui (CEB)</i>	850,000	0.22
30	Chan Heng Koon	792,000	0.21

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2020

	Name	Direct		Indirect	
		No. of Shares Held	%	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

DIRECTOR SHAREHOLDING AS AT 20 MARCH 2020

	Name	Direct		Indirect	
		Shareholdings	%	Shareholding	%
1	Wong Thai Sun	-	-	-	-
2	Mui Chung Meng ¹	-	-	-	-
3	Looi Hoi Beng	-	-	-	-
4	Koay San San	-	-	-	-
5	Lee Cheow Kooi	-	-	-	-

Note: No indirect shareholdings.

PERSONS CONNECTED TO DIRECTOR

	Name	Direct		Indirect	
		Shareholdings	%	Shareholding	%
1	Chung Lean Hwa ¹	2,460,000	0.64	-	-

¹ Being Spouse to the Director

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

AS AT 31 DECEMBER 2019

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2019 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (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	16,000,000	29	2019 (R)
H.S.(D) 37959, P.T. No. 3188, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 5.6.2050)	Land: 5.780 acres Built up: 14,177 sq. meters	Industrial complex - 1 1/2 storey office cum factory - 2-storey factory complex - guard house and other out buildings	15,800,000	29	2019 (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: 11,728 sq. meters	Industrial complex - 2 storey detached office cum factory	10,120,000	27	2019 (R)
H.S.(D) 4628, P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land: 7.0 acres Built up: 20,716 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre	10,003,256	27	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	9,687,880	29	2010 (A) & 2010 (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	9,332,366	24	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	5,888,354	25	1990 (A) & 2019 (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: 1,951 sq. meters	Staff housing - 24 units of medium-cost apartments	1,686,935	25	2010 (R)

TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES (CONT'D)

AS AT 31 DECEMBER 2019

Location/Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2019 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
T/D No. 30175 and 1018 and 1047, No.12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand @	Freehold	Land: 5.84 acres Built up: 6,514 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	1,427,491	25	2010 (R)
T/D No. 10832, No.101/47/15 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land: 0.64 acres Built up: 2,251 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey store	1,329,696	30	2019 (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.

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 2019, the retained profits of the Company stood at RM10,779,281. 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 RM1,000,000 based on the audited financial statements of PIE as at 31 December 2019. 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.

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 20 March 2020 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 20 March 2020				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Wong Thai Sun	-	-	-	-	-	-	-	-
Mui Chung Meng ²	-	-	-	-	-	-	-	-
Loo Hooi Beng	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

Substantial Shareholders

Name	Existing as at 20 March 2020				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 ¹	51.42	-	-	197,459,985 ¹	57.13

Person Connected To Director

Name	Existing as at 20 March 2020				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Chung Lean Hwa ²	2,460,000	0.64	-	-	2,460,000	0.71	-	-

Note:

* Percentage shareholding computed based on 384,041,985 PIE Shares in issue

^ Percentage shareholding computed based on 345,637,787 PIE Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

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

² Being spouse of the Director

SHARE BUY-BACK STATEMENT (CONT'D)

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

6.1 Potential Advantages of the Proposed Share Buy-Back

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

6.2 Potential disadvantages of the Proposed Share Buy-Back

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

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

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

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

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

7.1 Share Capital

As at 20 March 2020, 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 20 March 2020	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. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

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 (Cont'd):

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.

7.4 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 2020.

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 2020 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.

SHARE BUY-BACK STATEMENT (CONT'D)

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.

11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 20 March 2020, approximately 184,072,000 Shares representing 47.93% 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-Third 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
2019		
April	1.64	1.54
May	1.55	1.23
June	1.35	1.23
July	1.39	1.23
August	1.27	1.07
September	1.25	1.09
October	1.49	1.23
November	1.55	1.33
December	1.52	1.36
2020		
January	1.49	1.25
February	1.65	1.17
March	1.35	0.72

Last transacted market price as at 23 April 2020 (being the latest practical date prior to the printing of this Statement) was RM1.16.

(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.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 51-8-E, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, 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) Constitution of PIE; and
- (ii) The audited consolidated financial statements of PIE for the past two (2) financial years ended 31 December 2018 and 2019 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.

