



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)

ANNUAL
REPORT
2021

SETTING NEW MILESTONE
DRIVING FUTURE GROWTH MOMENTUM



CONTENTS

02	Corporate Information
03	Group Corporate Structure
04	Group Financial Highlights
05	Directors' Profile
09	Key Senior Management Information
11	Management Discussion and Analysis
14	Audit Committee Report
16	Statement on Risk Management and Internal Control
20	Corporate Governance Overview Statement
26	Sustainability Statement
40	Statement on Directors' Responsibilities in respect of the Audited Financial Statements
41	Disclosure Requirements Pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements

FINANCIAL STATEMENTS

42	Directors' Report
46	Independent Auditors' Report
50	Statements of Profit or Loss and Other Comprehensive Income
51	Statements of Financial Position
52	Statements of Changes in Equity
54	Statements of Cash Flows
56	Notes to the Financial Statements
111	Statement by Directors
111	Declaration by the Director Primarily Responsible for the Financial Management of the Company
112	Analysis of Shareholdings
114	Top 10 Properties Owned by P.I.E. Industrial Berhad Group of Companies
116	Notice of Annual General Meeting
120	Statement Accompanying Notice of Annual General Meeting
121	Share Buy-Back Statement

Enclosed Proxy Form



CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Chien Ch'eng
Independent Non-Executive Chairman
(Appointed as Independent
Non-Executive Director w.e.f.
18 March 2022)
(Redesignated as Independent
Non-Executive Chairman w.e.f.
1 April 2022)

Mui Chung Meng
Managing Director

Lan, Kuo-Yi
Executive Director

Wong Thai Sun
Independent Non-Executive Director

Koay San San
Independent Non-Executive Director

Lee Cheow Kooi
Non-Independent
Non-Executive Director

AUDIT COMMITTEE

Wong Thai Sun *(Chairman)*
(Redesignated w.e.f. 1 April 2022)
Koay San San
Lee Cheow Kooi
(Appointed w.e.f. 1 April 2022)

NOMINATING COMMITTEE

Koay San San *(Chairman)*
(Redesignated w.e.f.
18 March 2022)
Wong Thai Sun
(Appointed w.e.f. 1 April 2022)
Lee Cheow Kooi

RISK MANAGEMENT COMMITTEE

Koay San San *(Chairman)*
(Redesignated w.e.f. 1 April 2022)
Wong Thai Sun
(Appointed w.e.f. 1 April 2022)
Lan, Kuo-Yi

AUDITORS

Deloitte PLT
(Chartered Accountants)

COMPANY SECRETARIES

Wong Yee Lin (MIA 15898)
SSM PC No. 201908001793

Hing Poe Pyng (MAICSA 7053526)
SSM PC No. 202008001322

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-A, Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang

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 Pulau Pinang

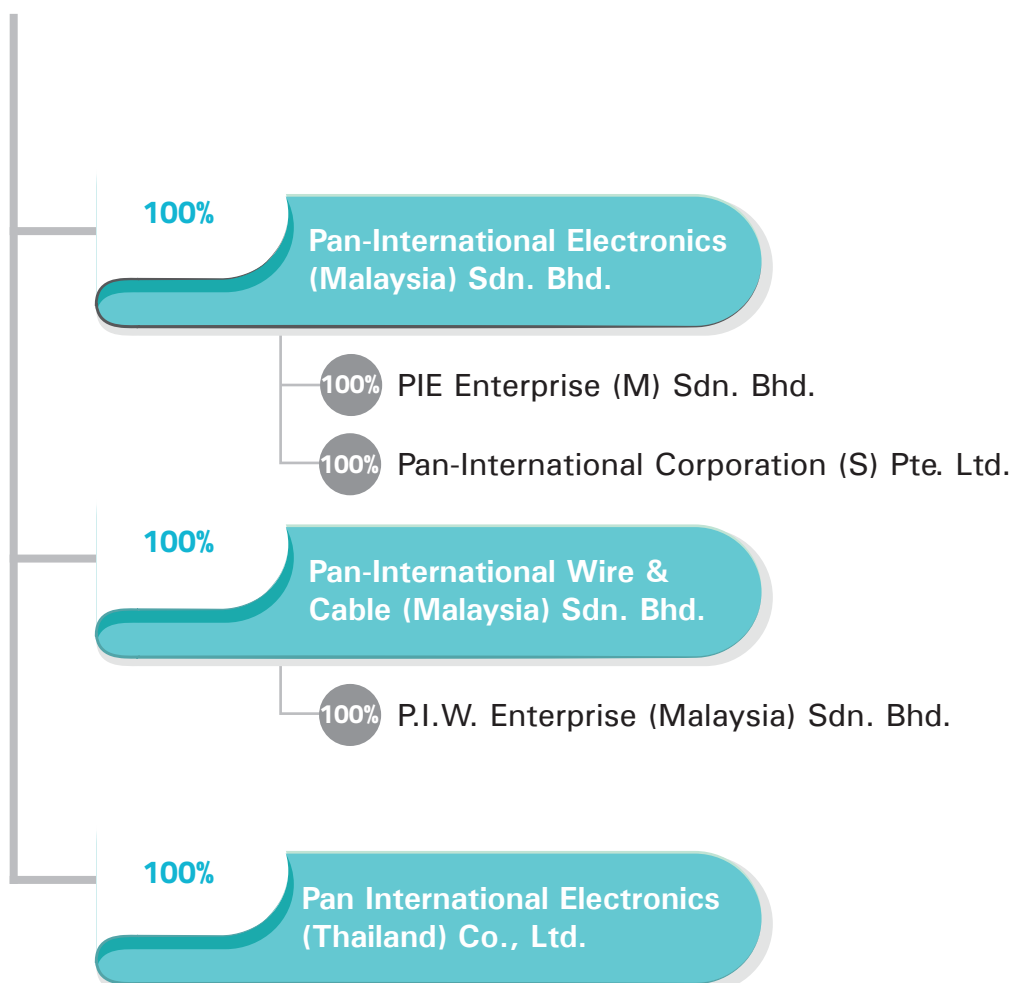
Tel : +604-228 2321
Fax : +604-227 2391

GROUP CORPORATE STRUCTURE



P. I. E. INDUSTRIAL BERHAD

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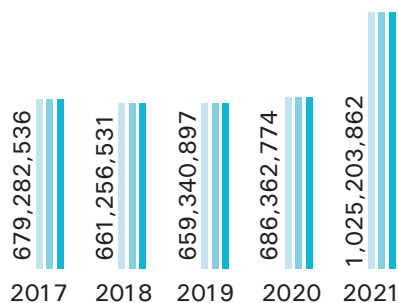
GROUP FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL SUMMARY

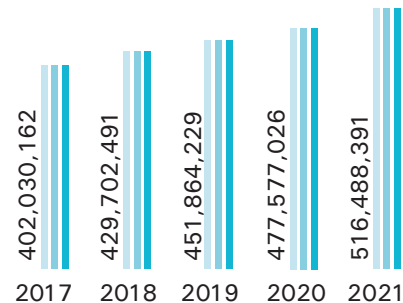
Year ended 31 December					
	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Revenue	679,282,536	661,256,531	659,340,897	686,362,774	1,025,203,862
Profit before tax	63,442,988	55,827,397	45,801,192	56,645,146	74,345,081
Net profit after tax	48,011,011	43,142,040	36,557,352	45,595,979	60,319,934
Shareholders' equity	402,030,162	429,702,491	451,864,229	477,577,026	516,488,391
Net assets	402,030,162	429,702,491	451,864,229	477,577,026	516,488,391
Number of ordinary shares issued as of Dec 31	384,041,985 *	384,041,985 *	384,041,985 *	384,041,985 *	384,041,985 *
Net assets per share	1.05	1.12	1.18	1.24	1.34
Proforma weighted average number of shares	384,041,985	384,041,985	384,041,985	384,041,985	384,041,985
Basic earnings per share (Sen)	12.50	11.23	9.52	11.87	15.71
Net dividend per share (Sen)	6	5	5	5	-

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

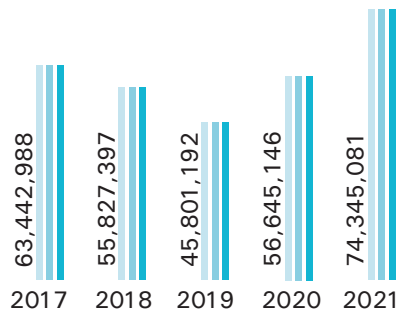
Revenue (RM)



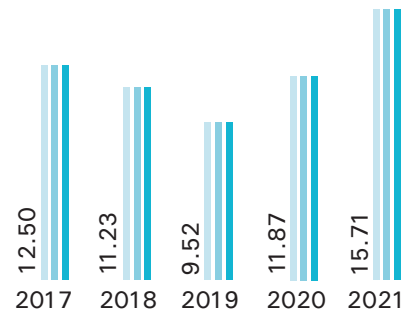
Shareholders' equity (RM)



Profit before tax (RM)



Basic earnings per share (Sen)



DIRECTORS' PROFILE

LIM CHIEN CH'ENG

- Chairman / Independent, Non-Executive Director
- Malaysian
- Aged 68
- Male

Lim Chien Ch'eng, was appointed to the Board on 18 March 2022. He graduated from Universiti Sains Malaysia in 1976 with a Bachelor of Social Science (Hons.) Degree majoring in Politics. Subsequently, he pursued a law degree and graduated from Kings College, University of London in 1979 with a Bachelor of Law (LLB. Hons.). He was called to the English Bar in 1980 and the Malaysian Bar in 1981. He is a member of the Lincoln's Inn. He has been practicing as an Advocate & Solicitor in Malaysia since 1981 and is a Partner in a legal firm with offices in Penang, Seberang Jaya and Kuala Lumpur.

He is also Non-Independent Non-Executive Chairman of Chin Well Holdings Berhad.

He is also the Chairman of the Board.



MUI CHUNG MENG

- Managing Director
- Malaysian
- Aged 70
- 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.



LAN, KUO-YI

- Executive Director
- Taiwanese
- Aged 49
- Male

Lan, Kuo-Yi, was appointed to the Board on 19 March 2021. He is an accountant by profession. He obtained Bachelor Degree of Accounting and Master Degree of Business Administration from Soochow University. Prior to joining the Group in March 2020, he has gained local and international experience in the field of auditing and accounting.

He is also a member of the Risk Management Committee.

DIRECTORS' PROFILE (CONT'D)

WONG THAI SUN

- Independent, Non-Executive Director
- Malaysian
- Aged 67
- 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 35 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 Emico Holding Berhad and Suiwah Corporation Berhad.

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



KOAY SAN SAN

- Independent, Non-Executive Director
- Malaysian
- Aged 39
- 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 the Chairman of the Nominating Committee and Risk Management Committee and a member of the Audit Committee.



LEE CHEOW KOOI

- Non-Independent, Non-Executive Director
- Malaysian
- Aged 55
- 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 Audit Committee and 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 113 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 2021 (FY2021) are as follows:

Name of Directors	Number of Board Meetings Attended / Held	Percentage of Attendance
Lim Chien Ch'eng (Appointed w.e.f. 18 March 2022)	-	-
Mui Chung Meng	5 / 5	100%
Lan, Kuo-Yi (Appointed w.e.f. 19 March 2021)	3 / 3	100%
Wong Thai Sun	5 / 5	100%
Koay San San	5 / 5	100%
Lee Cheow Kooi	5 / 5	100%

TRAINING PROGRAMMES

During the FY2021, the training programmes or seminars attended by the Directors (save for Mr. Mui Chung Meng and Mr. Lee Cheow Kooi) are as follows:

Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent
Lan, Kuo-Yi	<ul style="list-style-type: none"> Mandatory accreditation Program for Directors of Public Listed Companies (28 June 2021 – 30 June 2021) 	Webinar	3 Days
Wong Thai Sun	<ul style="list-style-type: none"> IRB's Special Tax Audit : 3 common myths and 5 protective measures (11 January 2021) ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures (Part 1) (17 February 2021) Assessable Income and Exclusions, Allowable Deductions and Restrictions and Capital Allowances (3 November 2021) ISQC 1, ISQM 1 & ISQM 2 and ISA 220 (Revised), incorporating Root Cause Analysis (14 & 15 December 2021) 	Webinar Webinar Webinar Webinar	2 Hours 7 Hours 7 Hours 14 Hours
Koay San San	<ul style="list-style-type: none"> Tax Treatment and Incentive on Penjana Announced by Government (18 June 2021) Board Governance Management 2021 (7 October 2021) 	Webinar Webinar	4 Hours 3 Hours

Mr. Mui Chung Meng and Mr. Lee Cheow Kooi were unable to attend any training in 2021 due to their tight schedule and travel commitments. Nevertheless, they continue to keep themselves abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.

DIRECTORS' PROFILE (CONT'D)

REMUNERATION

During the FY2021, the detailed disclosure of remuneration breakdown of each Director is as follows:

No	Name	Directorate	Company (RM'000)						Group (RM'000)							
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Lim Chien Ch'eng (Appointed w.e.f. 18 March 2022)	Independent Non-Executive Chairman	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Mui Chung Meng	Executive Director	0	5	316	966	0	244	1,531	0	0	453	988	16	265	1,722
3	Lan, Kuo-Yi	Executive Director	0	5	135	106	0	29	275	0	0	135	106	7	29	277
4	Wong Thai Sun	Independent Non-Executive Director	27	6	0	0	0	0	33	0	0	0	0	0	0	0
5	Koay San San	Independent Non-Executive Director	27	7	0	0	0	0	34	0	0	0	0	0	0	0
6	Lee Cheow Kooi	Non-Independent Non-Executive Director	0	6	0	0	0	0	6	0	0	0	0	0	0	0
7	Loo Hooi Beng (Resigned w.e.f. 31 March 2022)	Independent Non-Executive Director	27	7	0	0	0	0	34	0	0	0	0	0	0	0

KEY SENIOR MANAGEMENT INFORMATION

LAW TONG HAN

- Assistant General Manager, Contract Electronic Manufacturing ("CEM") - Electronic Division
- Malaysian
- Aged 50
- Male

Mr. Law holds a Master of Science (MSc) in Manufacturing Systems Engineering degree from University of Warwick. He joined Pan-International Electronics (Malaysia) Sdn. Bhd. (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

- Head of Supply Chain Support, CEM – Electronic Division
- Malaysian
- Aged 54
- Male

Mr. Ong holds a Bachelor of Business Administration degree from Chung Yuan Christian University. He joined PIESB on 27 June 2018. He has thirty (30) years of working experience in supply chain management, program management, plant operation and Business Unit Head.



CHEAH HENG LYE

- MIS Manager, CEM – Electronic Division
- Malaysian
- Aged 58
- Male

Mr. Cheah holds a Bachelor of Economics degree from Chung Hsing University. He started his working career as System Analyst in Pan-International Industrial Corporation (PIIC) in 1990 and joined PIESB in 1994. He has thirty one (31) 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).

KEY SENIOR MANAGEMENT INFORMATION (CONT'D)

CHEN, MING-LUNG

- Assistant General Manager, Raw Wire & Cable Division
- Taiwanese
- Aged 66
- Male

Mr. Chen completed his high school education and started his working career in PIIC in 1980 and then transferred to a subsidiary of the Group, Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) as the Factory Manager in 1989. He has Forty (40) 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).



HONG YONG PENG

- Assistant General Manager, Converter Division
- Malaysian
- Aged 66
- Male

Mr. Hong holds a Master's degree in Business Administration. He joined the Group in 2011. He has forty two (42) years of working experience in Semi-Conductor and Electronics companies. He was appointed as Assistant General Manager in the division of converter on 1 February 2011.



LIAO, YUEH-CHEN

- Factory Manager, Raw Wire & Cable Division
- Taiwanese
- Aged 59
- Female

After completing her high school education, Ms. Liao started her working career in PIIC in 1979 and then transferred to PIW as the Production Manager in 1989. She has forty one (41) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

P.I.E. Industrial Berhad (“PIE” or the “Company”) was incorporated in Malaysia. PIE and its subsidiaries (the Group) continued to deliver value to our stakeholders as what we have done so for the past 30 years in fully vertically integrated “one-stop” Electronics Manufacturing Services (EMS) as well as manufacturing of wires and cables for various industrial applications. In 2021, we have achieved a new all time high record revenue of RM1.03 billion in the history of the Group. This was achieved notwithstanding the difficult business operating conditions as well as many uncertainties in the global economy and covid epidemic.

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2021 (FY2021), the Group recorded revenue of RM1.03 billion. If compared to RM686.36 million recorded in the financial year ended 31 December 2020 (FY2020), an increase of 49.4% or RM338.84 million, which was mainly attributable to increased orders received from our new and existing customers in EMS segment.

In terms of revenue contribution by geographical locations of the Group’s operations, Malaysia remained as the primary revenue contributor for PIE which generating 98.41% of the Group turnover, followed by Thailand (1.58%) and Singapore (0.01%). Revenue from local operations increased 49.79% in FY2021 to RM1.01 billion. On the other hand, turnover from operations in Thailand increased 27.02% in FY2021 to RM16.17 million.

The Group recorded profit before tax (PBT) of RM74.35 million in the FY2021. If compared to RM56.65 million in FY2020, PBT increased by RM17.70 million or 31.25%. The higher PBT in FY2021 was mainly attributable to increase in revenue (RM338.84 million), lower operating expenses (RM3.13 million), lower provision of slow moving inventories (RM7.52 million), higher scrap sales (RM2.57 million) and higher rental income (RM0.93 million), but was partially offset by higher cost of goods sold (RM302.58 million), lower gain on foreign exchange (RM15.5 million), lower fair value gain on investment properties (RM2.05 million), and lower interest income (RM1.42 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 rose RM18.35 million or 33.04% in FY2021 to RM73.87 million. The cable assembly and wire harness division in Thailand registered profit before tax (PBT) of RM1.23 million in FY2021, an increase of RM1.89 million or 286.2% as compared to FY2020.

Consequently, the Group recorded a profit after tax (PAT) of RM60.32 million in FY2021, an increase of RM14.72 million or 32.29% against RM45.60 million in FY2020. The increase of PAT was attributed to the above mentioned reasons.

CAPITAL STRUCTURE AND RESOURCES

The Group’s total assets increased by 22.4% or RM162.84 million to RM826.43 million from RM663.59 million in FY2020. The increase was largely due to higher inventories (RM136.98 million) in order to ensure sufficient raw material to meet the production needs in view of higher sales order from new and existing customers, higher trade receivable (RM49.37 million) that were in line with increase of revenue and higher cash holdings (RM25.07 million), but was partially offset by less placement of fixed deposits with licensed banks (RM90.50 million) and short-term money market deposits (RM5.81 million).

The Group incurred capital expenditures (CAPEX) amounting to RM65.66 million in the financial year under review, which was much higher than the RM28.97 million invested in FY2020. CAPEX spent on the purchase of machinery and equipment as well as purchase and expansion of factory building to expand production capacity to cater for the increasing orders and enhance operational efficiency and effectiveness.

Furthermore, the Group’s net cash used in operating activities amounting to RM30.94 million in FY2021. The Group’s cash and cash equivalent stood at RM77.78 million in FY2021. The healthy cash and cash equivalent level provides us the flexibility and capability to quickly seize any good business opportunities that arise and adapt to any unforeseen circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

CAPITAL STRUCTURE AND RESOURCES (CONT'D)

The Group's total equity increased by 8.15% or RM38.91 million to RM516.49 million in FY2021 as compared to RM477.58 million in FY2020. The increase in total equity is mainly attributed to higher distributable retained profits as a result of net profit of RM60.32 million and payment of dividends amounting to RM19.20 million. During the financial year under review, non-distributable reserves decreased by RM2.21 million due to changes in foreign currency translation reserve. The Group's net assets per share increased to RM1.35 per share in FY2021 from RM1.24 per share in FY2020. Meanwhile, the basic earnings per share for FY2021 and FY2020 are 15.71 sen and 11.87 sen respectively.

In FY2021, the Group's total liabilities increased by 66.63% or RM123.93 million to RM309.94 million from RM186.01 million in FY2020, mostly due to higher trade payables (RM77.39 million) as a result of the increased purchase of raw materials to fulfill the sales order received and higher short term borrowings (RM43.18 million) for working capital purpose. Net assets were higher at RM516.49 million in FY2021 as compared to RM477.58 million in FY2020.

The Group's current capital structure as at 31 December 2021 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

With the continuation of global spread of COVID-19 in FY2021, production and shipment were severely affected by the Movement Control Order (MCO) and limiting capacity.

The EMS division in Malaysia, with 81.00% revenue contribution to the Group, through its fully built-up vertical integrated manufacturing activities, is able to provide customers with integrated one-stop turnkey services for FY2021. PIE has increase sales orders from existing customers and a new major customer which is a major contributor in business growth. The revenue increased by RM259.36 million or 45.15%.

The raw wire and cable manufacturing division in Malaysia contribute 17.4% revenue to the Group. The wire and cable division has increase sales order from its existing major customers with revenue increase RM88.96 million or 99.18% as compared to FY2020. This division continues to invest on machinery and equipment to enhance its production capacity so as to improve customer satisfaction with its high quality products.

The wire harness and cable assembly division in Thailand contribute 1.58% revenue to the Group. During the year, revenue from this division increased to RM16.17 million from RM12.73 million in FY2020 which was largely due to higher orders received from existing customers. The revenue from PIT in Thailand is expected to increase as more orders to be transferred from PIE since there are more available labour supply there and customers in general acceptable to have dual sites supporting the manufacturing of their product as a contingency measure.

RISKS AND MITIGATION

Customer concentration risk

Having major customers will provide an immediate boost to revenues and earnings if they increase their order. However, there is a risk of losing major customers who are account for a sizable portion of the Group's revenue. We mitigate the risk of customer concentration as part of our risk strategy by strengthening our network with other foreign sales representatives and continuing to improve our full integration of "one-stop" turnkey EMS manufacturing capabilities to better serve our existing major customers and attract new business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS AND MITIGATION (CONT'D)

Foreign currency risk

The Group is exposed to foreign currency exchange risk as an export-based manufacturer, particularly in the USD/MYR rate. To mitigate risk, the Group uses natural hedging from sales and purchases denominated in USD. To minimize foreign exchange loss, our finance team closely monitors the movement of foreign currency and optimizes account receivables and account payables denominated in USD.

Despite the Group's transactions in Euros, Thai Baht, Singapore Dollars, and Japanese Yen, we have very little exposure to these currencies.

Foreign worker risk

We have engaged an established labour agent to supply consistent and stable labour, ensuring that our production schedules in meeting customer orders are not jeopardized.

In addition, the government has announced that it will allow new applications to hire foreign workers in the manufacturing industry, which PIE has submitted pending further authority approval.

OUTLOOK, PROSPECTS AND FUTURE CHALLENGES

Based on our financial performance, the Group has outperform prior year revenue and profitability even with the continuation of Covid-19 outbreaks in Malaysia. Having registered our new all time high record revenue in FY2021, we are continuously working relentlessly to increase the net profit of the Group and maximise our shareholders' value. Subsequent to gaining another new potential new customer in end FY2021, the Group expects to achieve another high growth for the financial year ended 31 December 2022 (FY2022).

Due to the Covid-19 pandemic, the expansion and renovation process of the new plant facility has been delayed. We expect the new plant will be ready for operations use by Q3 FY2022.

The revenue from EMS industry is expected to grow in view of the anticipated contribution from new and existing Customers. However, labour shortages remains a challenge in the manufacturing industry. PIE has submitted foreign labour application to Government pending approval. Meanwhile, we continuously automating on selected processes and transferring orders to the Thailand facility to mitigate the shortage issue.

The revenue in wire and cables division is expected on a increasing trend in view of the raising market demands. In the event of rising price of coppers, there will be no impact to our revenue as the selling price quoted to customer is pegged to the copper price according to the market price.

Despite of the current challenges, we remain positive about the future of the Group. We believe that the Group's performance will be better in the coming financial year based on the progressive developments mentioned above and the continuous discussion with existing and new customers on new potential projects. In conclusion, the Group are confident on the prospect towards future development with more than 30 years of operating experience. We are continuously 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.

This statement was made in accordance with a resolution of the Board dated 18 March 2022.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2021 ("FY2021").

COMPOSITION

The present members of the AC comprise:

Chairman : Wong Thai Sun (Independent Non-Executive Director) (Redesignated as Chairman w.e.f. 1 April 2022)
 Loo Hooi Beng (Independent Non-Executive Director) (Resigned w.e.f. 31 March 2022)

Member : Koay San San (Independent Non-Executive Director)
 Lee Cheow Kooi (Non-Independent, Non-Executive Director) (Appointed w.e.f. 1 April 2022)

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

ATTENDANCE OF MEETINGS

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

Name of Director	Number of Meetings Attended / Held	Percentage of Attendance
Wong Thai Sun	5/5	100%
Koay San San	5/5	100%
Lee Cheow Kooi (appointed w.e.f. 1 April 2022)	0/0	-
Loo Hooi Beng (resigned w.e.f. 31 March 2022)	5/5	100%

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

During the fiscal year under review, the AC met five times. The AC also meets with the Group's CFO, internal and external auditors as needed to discuss and review matters and ensure that the AC is provided with comprehensive information or additional assurance as needed.

The following were the AC's main activities during the FY2021:

- Assisting the Board in carrying out its statutory and other responsibilities in risk management, internal control systems, financial and accounting matters, and evaluating the system's effectiveness;
- Prior to public announcement, reviewed the quarterly financial results and recommendation to the Board;
- Reviewed the Group's compliance with the provisions of the Malaysian Code on Corporate Governance ("MCCG") for the purpose of the Corporate Governance Overview Statement required by Main LR;
- Reviewed reports on related party transactions and recurring related party transactions to ensure they were carried out in accordance with the Main LR and within the shareholders' mandate;
- Reviewed and discussed with the external auditors, internal auditors, and management the assistance provided to the auditors by management, as well as the problems and concerns raised by the audits (in the absence of management where necessary);

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE (CONT'D)

- Reviewed with external auditors their scope of work, audit methodology, materiality thresholds, evaluation of internal control system, management letter to the AC, management responses, and the allocation of audit resources based on key business and financial risk areas, as well as the optimum coverage and efforts between external and internal auditors;
- Throughout the year, evaluated the external auditors' performance, competency, and professionalism. The AC considered and assessed external auditors' independence and objectivity before engaging them for non-audit related services. In 2021, the non-audit fees paid to external auditors' member firms totaled RM167,361
- Reviewed internal audit reports, recommendations, and responses from management. Discussed with management actions taken to improve the internal control system as a result of internal auditor findings; and
- Reviewed and discussed any fraud or suspected violation, or suspected infringement of any relevant laws, rules, or regulations, with the external auditors, internal auditors, and management, that has, or is likely to have, a material impact on the Group's operating results or financial position.

INTERNAL AUDIT FUNCTION

The internal audit function was outsourced to Finfield Corporate Services Sdn. Bhd. (Finfield), an independent professional firm. Finfield was appointed to review and monitor the effectiveness, adequacy, and integrity of the Group's internal control systems throughout FY2021. Its primary function is to provide independent assurance on the adequacy and effectiveness of governance and internal control processes. The internal audit function of the Group cost RM48,000 in FY2021.

Finfield's internal audit proposal was approved by the AC. Finfield conducted four audit examinations during the financial year, covering the following four areas/business processes:

- Revenue, accounts receivable and credit control;
- Compliance with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC"); and
- Finished goods inventory management.

Finfield also did the following jobs throughout the year:

- Completed audit assignments in accordance with the AC's annual internal audit plan;
- Identified auditable areas and carried out the business processes reviewed;
- Reported the audit findings to the AC, including the risk rating, recommendations, and management response;
- Keeping track of the completion date and effectiveness of corrective actions; and
- Reviewed the Group's status of compliance with established policies, practices, and statutory requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement has been prepared in accordance with the Main LR. It outlines the key elements of the Group's risk management and internal control system for the fiscal year under review.

BOARD RESPONSIBILITY

The Board is responsible for risk management and internal control systems, with the assistance of the AC and the Risk Management Committee ("RMC"). The Board recognizes the importance of maintaining a sound risk management and internal control system within the Group and affirms its overall responsibility to review the adequacy and effectiveness of the system in order to achieve the following objectives:

- a) Safeguarding shareholders' investments and assets of the Group;
- b) The effectiveness and efficiency of the Group's operations;
- c) Compliance with applicable laws and regulation;
- d) Compliance with the Code of Ethics; and
- e) Integrity and reliability of information and reporting.

Our risk management and internal control system, however, can only provide reasonable, not absolute, assurance against material misstatements of management and financial information, financial frauds or losses, and unforeseen emerging risks due to the inherent limitations of any system.

MANAGEMENT RESPONSIBILITY

Management is responsible for implementing risk and internal control policies and procedures, which include:

- a) Identifying and assessing risks relevant to the Group's context;
- b) Designing, implementing, monitoring, and reviewing the effective implementation of risk management and internal control systems; and
- c) Reporting to the Board on any key risks or emerging risks, as well as corrective and mitigation actions taken, in a timely manner.

RISK GOVERNANCE & OVERSIGHT

The RMC held annual brainstorming sessions with senior management teams of the relevant strategic business units to identify any risk-related issues within the Group's operating environment, in collaboration with internal auditors and with their support on risk measurement methodology. The identified risks were then recorded, the likelihood and impact of the risks were assessed, and a risk profile with recommended actions to mitigate the risks was developed and presented to the AC and the Board to review and evaluate the risk management system's effectiveness.

In terms of internal controls, the AC reviewed the adequacy and effectiveness of internal controls in relation to the audits performed by the internal auditors. The internal auditors deliberated on the audit issues and management actions presented by the internal auditors during the AC meetings. The minutes of the AC meetings are presented to the Board on a regular basis. More information on the AC's activities can be found in the section of the AC Report.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Enterprise risk management ("ERM") is defined by the Board as all measures taken to reduce risk exposure in order to achieve the Group's business objectives. As a result, ERM is integrated at all levels of corporate and business processes, ensuring that it is taken into account in the normal course of business.

The ERM is implemented in accordance with ISO 31000: 2018 Risk Management – Guidelines. In collaboration with various management teams, the RMC identifies, assesses, and evaluates risk as part of our risk management process.

The purpose of ERM is to create, preserve, and realize value of the Group. It boosts performance, encourages innovation and aids in the achievement of the Group's objectives. It also assists management in operating effectively, protecting our employees and assets, making informed decisions, and complying with relevant laws and regulations.

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

RISK MANAGEMENT PROCESS

The risk management process consists of applying policies, procedures, and practices to communication and consulting activities, as well as establishing the context for identifying, quantifying, responding, controlling, monitoring, and reviewing.

The key risks and control strategies in place to mitigate or manage those risks, based on the Group's most recent risk assessment, can be found in the section of Management Discussion and Analysis.

INTERNAL CONTROL SYSTEM

For effective governance and oversight of internal controls, the Group's internal control system includes the following key elements:

- **Anti-Bribery & Anti-Corruption Policy and Procedures**

In carrying out its daily operations, the Group takes a zero-tolerance approach to all forms of bribery and corruption. The Group complies with the MACC, as well as other local laws and regulations. The Group Anti-Bribery and Anti-Corruption Policy lays out the principles that the Group will use to address and manage bribery and corruption risks in all of its internal and external dealings.

- **Board Committees with Responsive Oversight**

The respective board committees, namely the AC, RMC, and Nominating Committee (NC), have been delegated specific duties, roles, and responsibilities by the Board. AC & RMC have the authority to investigate all issues within the scope of their terms of reference and make recommendations to the Board. NC assesses the Board's effectiveness as well as the performance of each individual director to ensure that the Board is the right size and has the right mix of skills and experience to meet the Group's objectives.

- **Group Organisational Structure**

The Board has established a clear organizational structure with clearly defined lines of responsibility and accountability that are communicated throughout the Group and are in line with the Group's business and operation needs.

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

A code of ethics serves as a guide for establishing an ethical standard for directors.

All employees must read and understand an Employee Handbook that covers all aspects of employment in a fair and consistent manner. The Handbook covers ethical values, professionalism in all business practices, respects in the workplace, asset protection, and adherence to laws, rules, and regulations.

- **Human Resource (HR) Standard Practices**

We have HR best practices in place for hiring and firing employees, as well as annual performance evaluations. The appraisal is useful in making informed decisions about promotions, increments, job changes, and termination, as well as improving the Group's productivity. Employees are encouraged to participate in formal training and development programs in order to ensure that they have the necessary skills to carry out their respective duties and responsibilities in order to achieve the Group's business objectives.

- **Delegation of Authority**

Appropriate authority delegations imposed on management and executive directors in terms of day-to-day operations, investment, acquisitions, and asset disposal. This establishes a sound framework for authority and accountability within the Group.

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

INTERNAL CONTROL SYSTEM (CONT'D)

- **Policies, Standard Operating Procedures (SOPs) and Work Instructions (WIs)**

Policies, SOPs, and WIs are established to govern key business processes such as production, business development, procurement, finance, and information technology, among others. They are periodically reviewed and updated to ensure compliance with internal controls, applicable laws and regulations, and to continue to support the Group's business activities.

- **Periodical Meetings**

Management meetings are held on a regular basis to review and discuss current progress toward the targeted results in order to ensure timely responses and corrective actions are taken. The Board receives and reviews management reports on a regular basis in order to assess the Group's performance. Accounts and financial information reports are among the reports presented to the Board for approval. The public release of quarterly financial results occurs after they have been reviewed by the AC and approved by the Board at their quarterly meetings.

The Executive Directors are also responsible for ensuring that appropriate accounting policies are adopted and consistently applied, that the going concern basis used in the Group's Annual Financial Statements and Condensed Consolidated Financial Statements 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 financial statements are true and fair.

- **Independent Assurance by Internal Audit**

The internal audit function independently assures the Group's governance and internal control processes are adequate and effective. Internal audits are conducted on a regular basis by Finfield Corporate Services to ensure policy and procedure compliance and to report any significant noncompliance. Finfield prepared the Internal Control Review Reports, which covered the review of the Group's two major subsidiaries, Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. Audits are performed on the Group's core business processes in order to provide independent and objective reports on these subsidiaries' operational and management activities. The audit findings, including the risk rating, recommendations, and management responses to those recommendations, are presented to the AC at its regular meetings for review. The internal control system is audited on a regular basis to assure that its functions are carried out as planned and effective.

- **Whistleblowing Policy**

Whistleblowing policy to provide a safe and confidential avenue for employees to report any suspected fraud, unethical behavior, or improper workplace conduct.

The Board confirms that the elements listed above were in place throughout the fiscal year under review and until the date of approval of this annual report and financial statements. The Board believes that the current risk management and internal control system is adequate for achieving the Group's business objectives.

ASSURANCE FROM MANAGEMENT

The Managing Director and Chief Financial Officer have assured the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects during the fiscal year under review. The Board has taken into account the representations made by the Group's subsidiaries regarding their risk management and internal control systems in issuing this statement. Based on the assurances and representations, the Board believes that the Group's risk management and internal control system is adequate for meeting the Group's needs and has not resulted in any material losses, contingencies, or uncertainties that necessitate 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 FY2021. 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 to maintaining a sound risk management and internal control system, and recognize that the system must evolve in order to support the Group's businesses and the size of the Group's operations. As a result, as part of its commitment to continuous improvement, the Board will implement appropriate actions and plans as needed to strengthen the Group's risk management and internal control systems.

This statement was made in accordance with a Board resolution dated March 18, 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (Board) of P.I.E. Industrial Berhad (“PIE” or the “Company”) is committed to the implementation and maintenance of high standards of corporate governance (CG) practices within the Group in order to realise long term shareholders’ value and safeguard the interest of other stakeholders.

The Board has taken necessary steps to continue its efforts in enhancing the CG practices adopted throughout the Group from time to time so as to promote business prosperity as well as fulfill higher level of expectation by regulators and stakeholders.

The Board presents this statement to provide shareholders and investors with an overview of the CG practices of the Company under the leadership of the Board throughout the financial year ended 31 December 2021 (FY2021). 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 2021 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 FY2021.

The Board is pleased to disclose the key focus areas in which the Group has applied throughout the FY2021 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

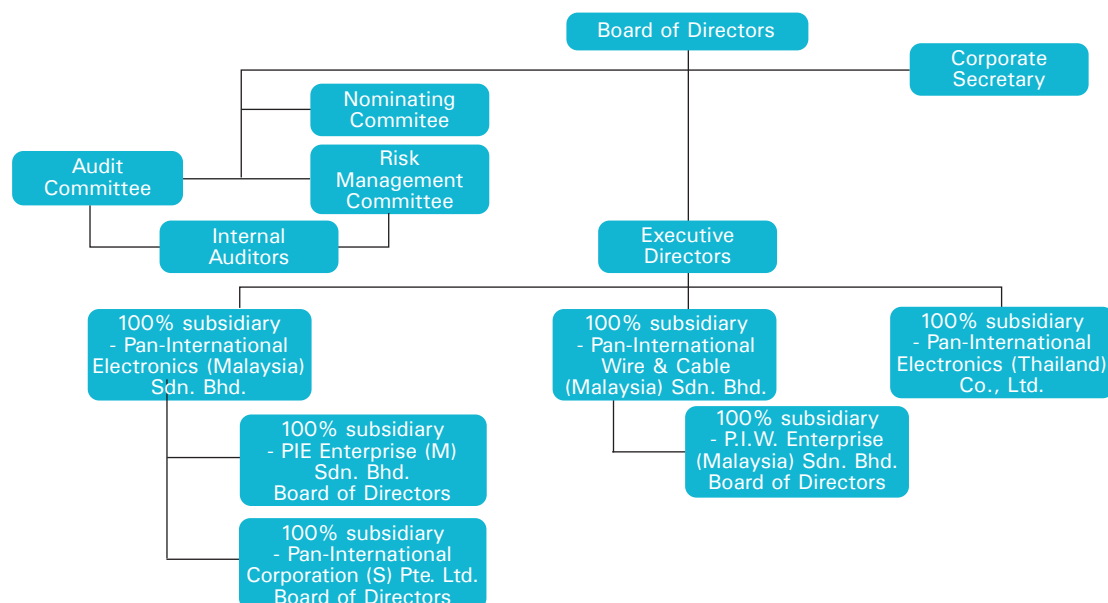
The Board recognises its stewardship to lead the Group towards achieving the goals and objectives of the Company. The Board is mainly responsible for formulating and reviewing the strategic direction of the Company while providing effective oversight on Management’s performance in carrying out the delegated 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 Group, as depicted below:



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

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

The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance and compliance. During the FY2021, 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 5 working 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 2022 was circulated on 1 November 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

The positions of the Chairman and MD are held by different individuals with clear and distinct roles. Following the appointment of Mr. Lim Chien Ch'eng as an Independent Non-Executive Chairman on 1 April 2022, the Chairman of the Board is not a member of the Audit Committee, Nominating Committee and Risk Management Committee to ensure there is check and balance as well as objective review by the Board.

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 25 February 2022 and the 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 Group'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.

In compliance with the Section 17A of Malaysian Anti-Corruption Commission Act 2009 (MACC Act) on corporate liability for corruption offences, the Anti-Bribery and Corruption Policy has been adopted as part of the Group's commitment against all forms of bribery and corruption. 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, Whistleblowing Policy and Anti-Bribery and Corruption Policy are set out in the CG report and also available on Group'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.

The Board together with management of the Group are responsible for the governance of sustainability in the Group including setting the Group's sustainability strategies, priorities and targets. The Board is also aware of the sustainability issues relevant to the Group's business operation.

II. Board Composition

The Nomination Committee reviews the tenure of each director to ensure that the composition of the board is refreshed periodically.

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 structure, 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 Group on an annual basis to determine if the Board has the right size and sufficient diversity with independence elements that meet the Group's objectives and strategic goals:

- Vide an assessment conducted on 26 February 2021, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

- On 25 February 2022, 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 FY2021. 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.

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
Lim Chien Ch’eng	Malaysian	Chairman/ Independent Non-Executive Director							√				√		√		
Mui Chung Meng	Malaysian	Managing Director	√	√	√	√						√		√		√	
Lan, Kuo Yi	Taiwanese	Executive Director				√	√	√			√				√	√	
Wong Thai Sun	Malaysian	Independent Non-Executive Director				√	√	√				√		√		√	
Koay San San	Malaysian	Independent Non-Executive Director					√	√		√		√		√			√
Lee Cheow Kooi	Malaysian	Non-Independent, Non-Executive Director	√	√	√	√						√		√		√	

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Following the appointment of Mr. Lim Chien Ch'eng as an Independent Non-Executive Director on 18 March 2022 and resignation of Mr. Loo Hooi Beng as an Independent Non Executive Director and 31 March 2022, the Board composition as of the date of this Annual Report is as follows:

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

Tenure of Independent Non-Executive Directors	Composition
< 1 year	1
> 1 year	2

Gender	Composition
Male	5
Female	1

Age	Composition
30-39	1
40-49	1
50-59	1
60-70	3

Race / Ethnicity	Composition
Chinese	5
Foreign	1

As of the date of this annual report, the Board comprised six (6) members. The percentage of women representation on the Board was 17% and the independence element of the Board was remained on 50%.

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 Group'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 FY2021 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. Wong Thai Sun who is not the Chairman of the Board to ensure the effectiveness and independence of the Committee. Mr. Wong is a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the Group complies with paragraph 15.09(1)(c)(i) of the Main LR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. Audit Committee (Cont'd)

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 three 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 MCGG 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.

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.

On 18 March 2022, the Board received assurance from the Managing Director and the Chief Financial Officer that the Group's risk management and internal control system in place during FY2021, 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. Engagement 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 24th 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 AGM of the Group which was conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) Facilities either in person or by corporate representatives, proxies or attorneys.

During the 24th AGM of the Company held on 21 May 2021 at the Broadcast Venue of PIE's conference room, all members of the Board, representatives of the Management and external auditors attended the meeting to respond to the questions raised by the shareholders or proxies. 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 18 March 2022.

SUSTAINABILITY STATEMENT

As a responsible organization, P.I.E. Industrial Berhad ("PIE" or the "Group") recognises the importance of the Group to demonstrate sound business practices that generate positive impact on the environment, economy and society. Our Sustainability Statement (the Statement) communicates our initiatives in addressing sustainability matters to the stakeholders.

The Statement will cover the business operation of two of its Malaysian subsidiaries, namely Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) (collectively known as "PIE" or the "Group" in this Statement), as these subsidiaries contribute approximately 98% of the Group's total revenue. Unless otherwise stated, the scope of the Statement covers the period from 1 January 2021 to 31 December 2021. 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 (Second Edition) issued by Bursa Securities.

SUSTAINABILITY WITHIN OUR BUSINESS

Despite the uncertainty and challenges posed by the continuing of Covid-19 pandemic, PIE remains resilient and continues to ensure a safe and healthy working environment for our employees well-being, incorporate sustainable business practices and initiatives to protect the environment, providing customers with high quality products, develop long-term relationships with our suppliers and fulfill the interest and expectation of our stakeholders.

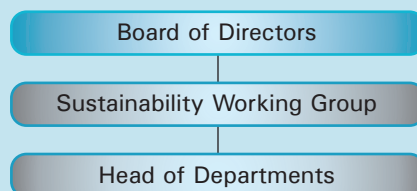
PIE is guided by the Sustainability Pillars of Economic Growth, Environmental Management and Social Contribution which integrated into the Group's strategy. With these Sustainability Pillars, PIE is committed to creating value for our business through innovation with accelerating human capital development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

As an Electronics Manufacturing Services ("EMS") provider, product innovation is fundamental to the growth and future development of the Group. Therefore, we are committed to continuously meet customers' needs and expectations with the advancement in technology in order to maintain our competitive edge. It is also necessary that PIE creates a healthy and safe working environment through sound policies and standard procedures as we understand that employees are our main asset to accomplish productive work towards the Group's objective. Nonetheless, carrying out business operations with environmental friendly awareness is also important to the Group. We are aware of the impact our businesses have on the overall appearance of the surrounding environment and we should put extra efforts into our day-to-day business operations in an environmentally sustainable manner.

PIE continues to incorporate sustainability practices and initiatives and to strengthen our contributions towards the overall effectiveness of the Group and 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. 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.

SWG is chaired by the Chief Financial Officer and 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.

SUSTAINABILITY STATEMENT (CONT'D)

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
Investors/ 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"> Equitable 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 On-line video meeting 	<ul style="list-style-type: none"> Ongoing Semi-Annually/Annually Ongoing 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.

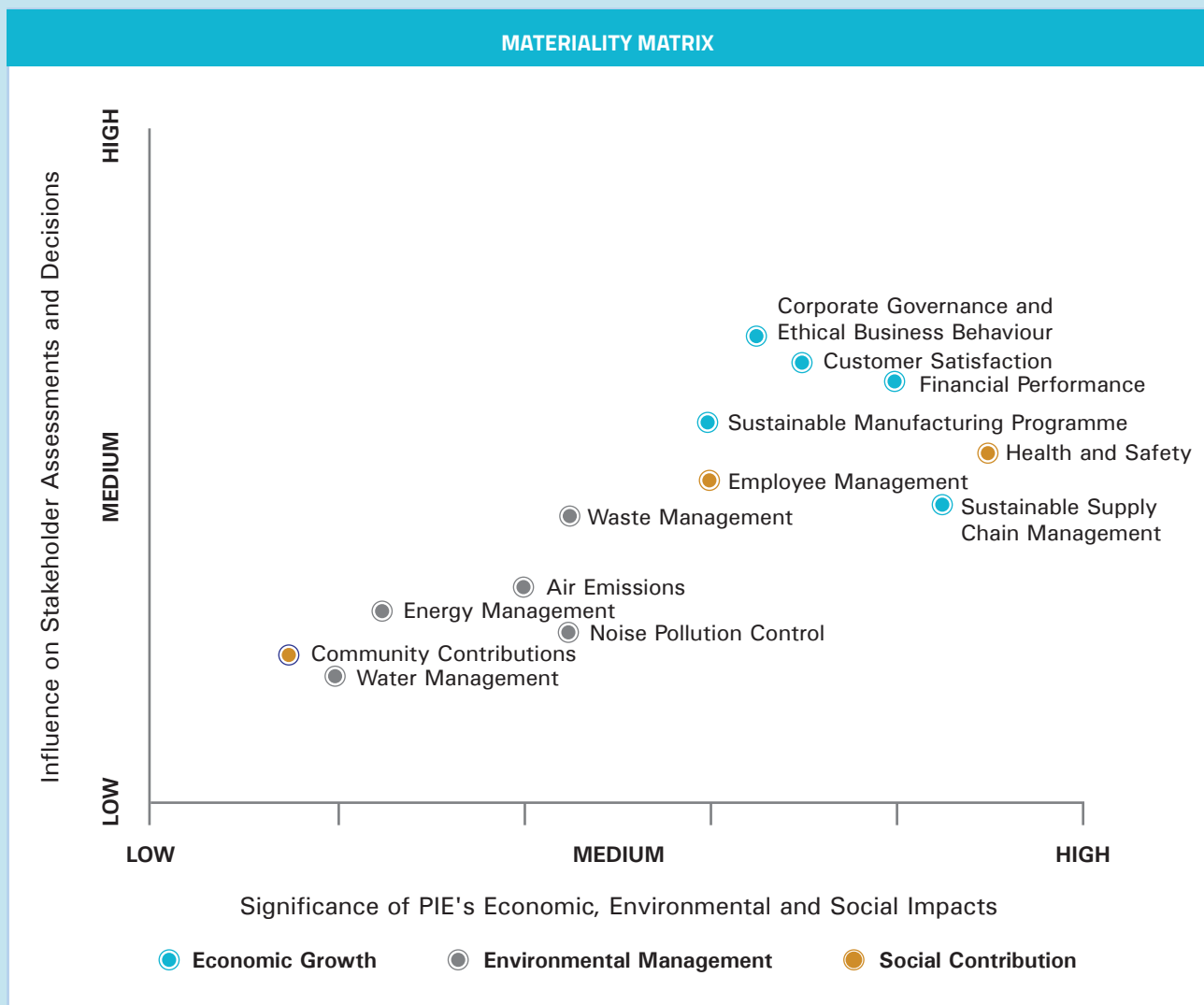
SUSTAINABILITY STATEMENT (CONT'D)

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 our stakeholders' decisions and interests. With the guidance of the Sustainability Reporting Guide and Toolkits issued by Bursa Securities, SWG has identified various sustainability matters pertaining to the Group and the industry we operate in. Subsequently, the sustainability matters which have greater impact on our business and stakeholders were prioritised by our senior management. We also took into consideration the feedback received in various interactions with our stakeholders on the importance of each sustainability matter. Following this process, we can better monitor our performance in sustainability matters.

The outcome of the materiality assessment, as shown in diagram below, was presented to the Board of Directors on 18 March 2022. Corporate Governance and Ethical Business Behavior, Financial Performance, Health and Safety are the top material sustainability matters which are highly significant to PIE and both our 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.

SUSTAINABILITY STATEMENT (CONT'D)

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	  

SUSTAINABILITY STATEMENT (CONT'D)

CREATING VALUE THROUGH INNOVATION

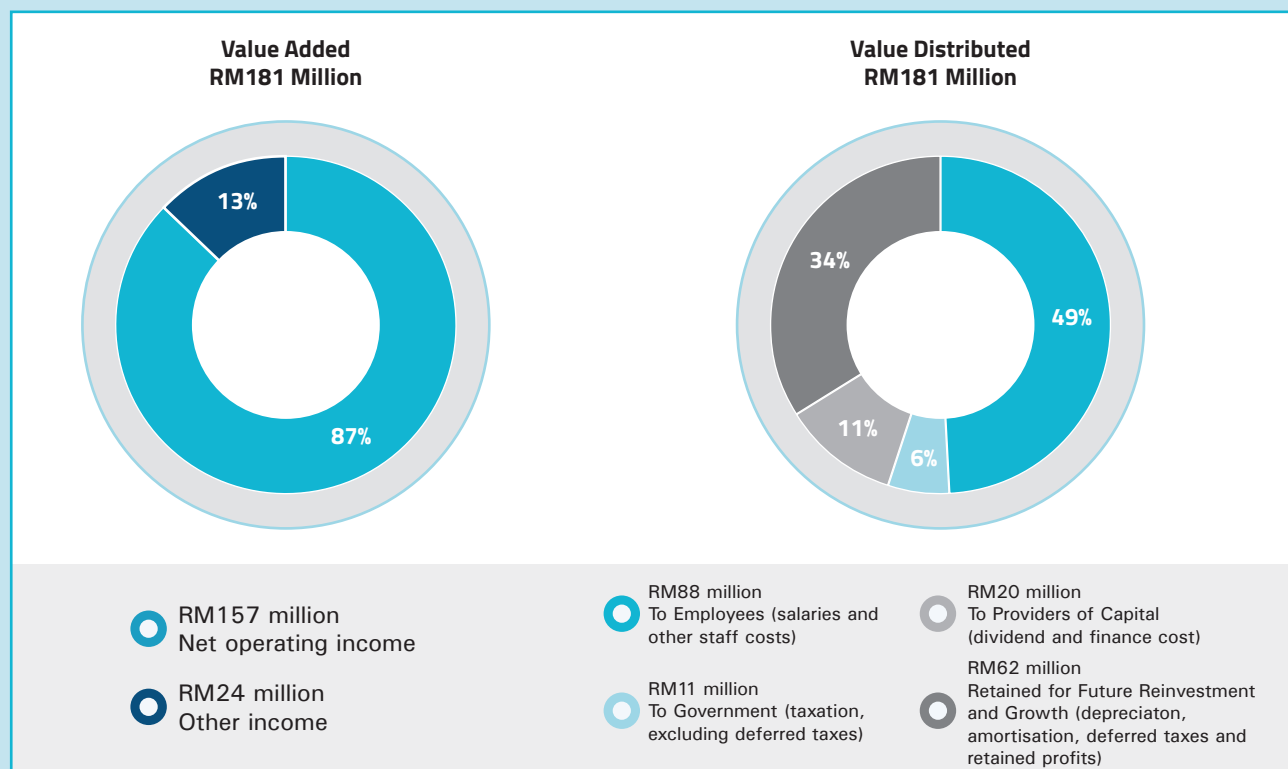
Innovation has always been one of the key drivers to differentiate and gain business success in the ever competitive global market. At PIE, we aim to fulfill customers' requirements by leveraging our expertise and deliver quality and innovative products with cost optimisation through efficiently aligning our operation processes in order to create greater value to our customers.

Financial Performance

PIE's financial performance is of great importance to our stakeholders where sustainable growth allows us to strengthen partnership with customers and suppliers with our quality and innovative products while upholding integrity in our business activities. Besides, we recognise the importance of enhancing shareholders' value and providing returns to shareholders with stable share price movement and steady dividends distributed over time. We are continuously strive to achieve long term growth and business profitability as well as maintain our preferred supplier status and meet customers' requirements by providing fully vertically integrated one-stop EMS facilities and investing in machineries and infrastructure.

Financial performance has direct impact not only to our Company, but also to our stakeholders such as employees, investors and government. Strong financial performance is primary achievement to ensure sustainable growth and future success of the Company.

During the reporting year under review, the Group registered revenue of RM1,025.20 million, profit before tax of RM74.35 million, and net profit of RM60.32 million. Our direct economic value added and distributed by PIE to stakeholders is illustrated as below:



Further information on our financial performance can be found in Group Financial Highlights (Page 4) and Financial Statements (Pages 42 to 111) of this Annual Report.

SUSTAINABILITY STATEMENT (CONT'D)

CREATING VALUE THROUGH INNOVATION (CONT'D)

Customer Satisfaction

We understand that customer support is the key of success of our Company and are committed to customers' satisfaction level and the Group's economic success. Customer satisfaction begins at knowing and understanding customers' needs. Hence, we prioritise feedback from our key customers through customer engagement and surveys in improving the Group's services and delivery and customers' experience.

In FY2021, we continued to gather feedback and evaluate customer satisfaction from customers by distributing customer satisfaction survey forms to ensure effective communications with customers. PIESB and PIW engage their key customers biannually and annually respectively. The survey form mainly assesses key customers' level of satisfaction with our performance on quality, delivery, cost and service.

Tables below disclose the PIESB and PIW performance in various performance areas for the reporting year of 2020 and 2021.

PIESB	Target	2021	2020
<i>Customer feedback</i>			
Quality	A	B	B
Delivery	B	B	B
Cost	B	B	B
Service	A	B	B

PIW	Target	2021	2020
Customer satisfaction index	83%	83.00%	83.77%

In 2021, PIESB's customer feedback on quality and service were not able to meet the target. This was mainly due to low response on deliveries improvement as PIE was seriously lack of manpower in second half of year 2021. PIW's customer satisfaction index is 83.00% in 2021 which achieved the target set by the management. This denotes that PIW's customers are satisfying with our high quality wire and cable products, short production lead time, speedy response time, helpful customer services team and on-time delivery services. Despite of positive feedback obtained, PIW endeavor to widen its range of product to meet our customers' requirements.

Relationships with our customer are further enhanced with adherence to the Responsible Business Alliance (RBA) Code of Conduct, which establishes a core set of requirements within the electronics industry that promotes safe working conditions, upholding human rights of workers and adopting environmentally friendly manufacturing processes. PIESB applies the RBA Self-Assessment Questionnaire (SAQ) to assess its own facilities. This is to ensure that PIESB comply with the RBA Code of Conduct and also operates in an accountable and ethical manner. 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

We recognize that good corporate governance practices and ethical business behaviour lay the foundation for sustainable development of the Group. 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. In line with this commitment, we have placed several on-going initiatives and policies to maintain effective corporate governance across our businesses.

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 20 to 25 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 2021.

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.

In compliance with the Section 17A of Malaysian Anti-Corruption Commission Act 2009 (MACC Act) on corporate liability for corruption offences, the Anti-Bribery and Corruption Policy has been adopted as part of the Company's commitment against all forms of bribery and corruption.

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 2020 and 2021.

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

Sustainable Manufacturing Programme

The increase of technology development and international competition associated with globalisation has continued to drive our manufacturing activities in meeting customer demand for innovative and quality product. At PIE, we work closely with our customers to implement continuous improvement strategies that will meet their expectations at every process of the product development and to deliver the best experience to our customer.

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, requiring less supervising resources, eliminate idle time as well as improve our overall quality and productivity. In 2021, we continue our focus on achieving sustainability through process automation with the Lean Manufacturing Programme. Following our expansion plan, we invested further in machines, automation and equipments to increase our productivity and automation.

The 5S workplace organisation method is an ongoing process applied as part of the Lean Manufacturing Programme. 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

Our Supply Chain Management Department is responsible to supervise and monitor the Group's supply chain-related activities inclusive of sourcing, purchasing and procurement control activities. We believe that having an established Supply Chain Management with sound procurement practices play a primary role in building long-lasting relationship with our suppliers. We have developed several initiatives to pursue sustainable supply chain.

SUSTAINABILITY STATEMENT (CONT'D)

CREATING VALUE THROUGH INNOVATION (CONT'D)

Sustainable Supply Chain Management (Cont'd)

As a responsible manufacturer, our initiatives start at the supplier selection process where we require our suppliers to 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.

As part of pursuit of stimulating local economy, we do strive to purchase locally. However, 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.

Table below shows the percentage of local and foreign purchase of raw materials in year 2020 and 2021.

Percentage of local and foreign purchases of raw materials	2021		2020	
	Local	Foreign	Local	Foreign
PIESB	12%	88%	25%	75%
PIW	76%	24%	78%	22%

Percentage of local purchases of raw material in PIESB and PIW has reduced 13% and 2% respectively in 2021 as compared to 2020. The main reason was due to the sourcing from foreign suppliers offer more cost-effective to the Group as compared to the goods available locally. Nonetheless, PIW still remains its supportive role through procure locally which achieved 76% in 2021.

HUMAN CAPITAL DEVELOPMENT

At PIE, our employees' commitment and competencies provide valuable contribution to the Group's strategic direction and achievement of business objectives. As such, we continue our effort on promoting healthy and safe working environment, improving career development plan and enhancing employees' welfare. We acknowledge that a motivated workforce contributes to the Group's overall performance in delivery quality and innovative products to customers. On the other hand, local communities are indirectly giving support on our business development. Therefore, we keep on making mutually positive relationship with the local communities where we operate through participation in local community activities.

Employee Management

We believe that employees are playing their main roles to ensure sustainable growth and continuing success of our business all these years. It is undeniable that employees' commitment and efficiency have an effect on total output of the Group. We apply 3R strategy which represents "Recruit", "Retain" and "Reinforce" for employee management approach to foster an engaged work environment where our employees feel valued at work.

Recruit

Our recruitment processes adhere strictly to our Labour Policy where every individual has an equal right to be selected as our employee regardless of their background. We attract the right mixture of skill and experience based on employees' merit to meet various business needs of the Group. We are not merely sourcing for experienced candidates but also recruiting fresh graduate or young generation to bring fresh perspective to the Group.

As at 31 December 2021, the Group has a total workforce of 2,663 employees. This represents a reduction of 2.02% from a workforce of 2,718 employees in 2020. Due to the Covid-19 pandemic, PIE was faced with manpower shortages, especially foreign workers. Nevertheless, PIE has fully optimized its workforce and readjusts manpower allocation in order to meet customer's timeline.

SUSTAINABILITY STATEMENT (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Employee Management (Cont'd)

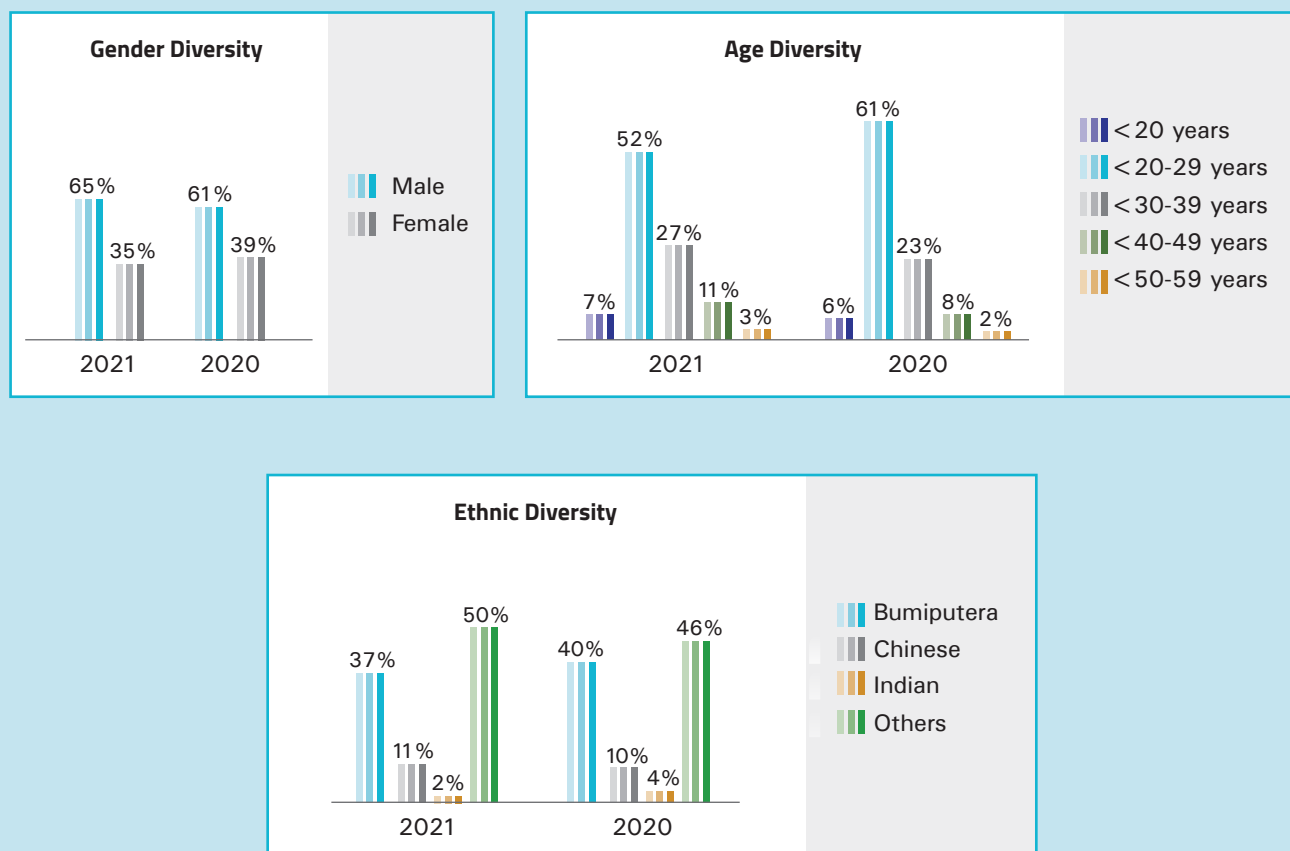
Recruit (Cont'd)

During the reporting year, the combined number of full-time employees of PIESB and PIW comprised of 50% Malaysians with 74% Bumiputera, 22% Chinese and 4% Indian and the remaining 50% from other countries including China, Taiwan, Myanmar, Indonesia, Vietnam, Nepal and Bangladesh.

As an EMS provider, a major part of our workforce consists of direct workers. They are 67% of the combined number of full-time employees of PIESB and PIW work as production operators in 2021.

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

We believe a diverse workforce is the beginning stage for lasting success of our businesses. In 2021, our workforce in PIESB and PIW was represented by 65% male and 35% female. The largest proportion with 59% of our employees is aged below 29. The demographics of our diverse workforce in 2020 and 2021 are illustrated as below:



SUSTAINABILITY STATEMENT (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Employee Management (Cont'd)

Retain

We remain committed to attract and retain the suitable talent by providing fair opportunities and attractive remuneration package to make them perform the best for the Group's benefits. To this end, we have implemented a comprehensive employees' welfare scheme and restructuring employee benefit package which is managed by Human Resource Department to compensate our employees equally.

We comply with the applicable local statutory and regulatory requirements on wages and benefits such as the Minimum Wages Order, Employees' Provident Fund, Social Security, Employment Insurance System, Foreign Workers Hospitalisation and Surgical Scheme and leaves provision. Apart from these, we maintain a competitive remuneration package and employment benefits such as personal accident insurance, medical insurance, annual medical check-up, meal allowance, canteen, transport allowance, panel clinics or medical fee, car park area and uniform. In additions, annual increment and bonus are offered to our employees based on their performance, position and length of service.

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.

Reinforce

We place emphasis on providing constructive trainings and development programmes in order to keep our employees' growth at their career path as customer expectations continue to evolve in a digital era now. Therefore, we continue to promote continuous learning initiatives and conduct a variety of training programmes in 2021 which recording 4602 hours in training and developments.

During the year, our employees attended various trainings related to technical skills, management trainings, latest updates and development programmes. These opportunities enable our employees to improve capability on their occupational skills, develop their personal growth and also to help them to be ready for taking new responsibilities on the on-going expansion of operations of the Group.

The technical skills trainings are conducted to improve our machine operators' aptitude for routine work experiences. Management trainings are to furnish our employees with the soft skills required for them to assume bigger roles within the Group. Meanwhile, latest updates and development programmes are to provide our employees with the latest updates on the relevant rules and regulations and most recent changes in related fields. For year 2021, Anti-Bribery and Section 17A MACC Act 2009 training was also conducted. In addition, all new employees will have to attend the induction training on the first day of reporting work to the Company so as to induct new employees into our Group.

Health and Safety

We are always taking necessary steps to maintain a healthy and safe working place to protect all our employees, visitors such as customers, suppliers and contractors as well as 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 to ensure our businesses are operated in a secure, safe and healthy work environment.

We implemented 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.

Our Safety and Health Committee are in placed to oversee the Group's safety-related matters, monitor the EHS performance and recommend actions required for further improvement. 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. Moreover, Safety and Health Committee is also tasked to review the EHS management system periodically to ensure its effectiveness and appropriateness.

SUSTAINABILITY STATEMENT (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Health and Safety (Cont'd)

In 2021, we achieved zero work-related accident case reported with our effective EHS management system. In addition, we are continuously raising awareness on health and safety measures among employees towards the potential risks in our operations to prevent workplace incidents.

During the year, our initiatives in addressing health and safety issues 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.
- 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 evacuation drill.
- 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.

Continue with response to the COVID-19 pandemic, PIE adheres strictly to the Standard Operating Procedures ("SOP") set by the Ministry of Health ("MOH"). We have continue to practice various precaution actions to mitigate our employees' potential exposure to COVID-19 as follows:

- Check employees "MySejahtera" and ensure status shown as "Low Risk" to check-in
- Body temperature checking at the entrance of all plants;
- Ensuring employee wear face mask properly;
- Providing hand sanitizers in strategic locations;
- Dedicated trash bin for discarded face mask
- Emphasis on social distancing among employees;
- Daily disinfecting of main entrance, lobby, canteen, office, praying room, wash room and production;
- Partition at table in the canteen
- COVID-19 awareness campaign

Safety and Health Committee is accountable to ensure that EHS related trainings are arranged appropriately and carried out throughout the Group. Our efforts are on raising our workforce's awareness on EHS matters with plenty of training sessions. In view of this, we continue to provide safety induction course for new hirer upon joining the company. Fire fighting training was carried out for Emergency Response Team (ERT) members to equip them with proper knowledge and skills for any possible emergencies. 5S and Safety awareness training was conducted to improve our employees' safety awareness and emergency response competencies.

Community Contributions

We are committed to take part in corporate social responsibility activities and give back to the local communities where we operate. 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 which helps us to reach more people and help out other local business owners.

SUSTAINABILITY STATEMENT (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Community Contributions (Cont'd)

In 2021, we recorded RM209.36 million on local purchases of raw materials and invested approximately of RM65.66 million in machinery and equipment as well as building and facilities to expand production space and enhance our operational competencies in PIESB and PIW. As a prominent player in local EMS industry, we have an area of expertise that is of value to others in the local community and offering valuable knowledge and specialised skills to our employees.

ENVIRONMENTAL FRIENDLY AWARENESS

We endeavor to manage our business operations in an environmentally friendly manner to ensure that we are complying with all relevant environmental regulatory requirements 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. We have enhanced our productivity without compromising the quality of our products while restraining the likely impact to the environment through the adoption of our sustainability initiatives.

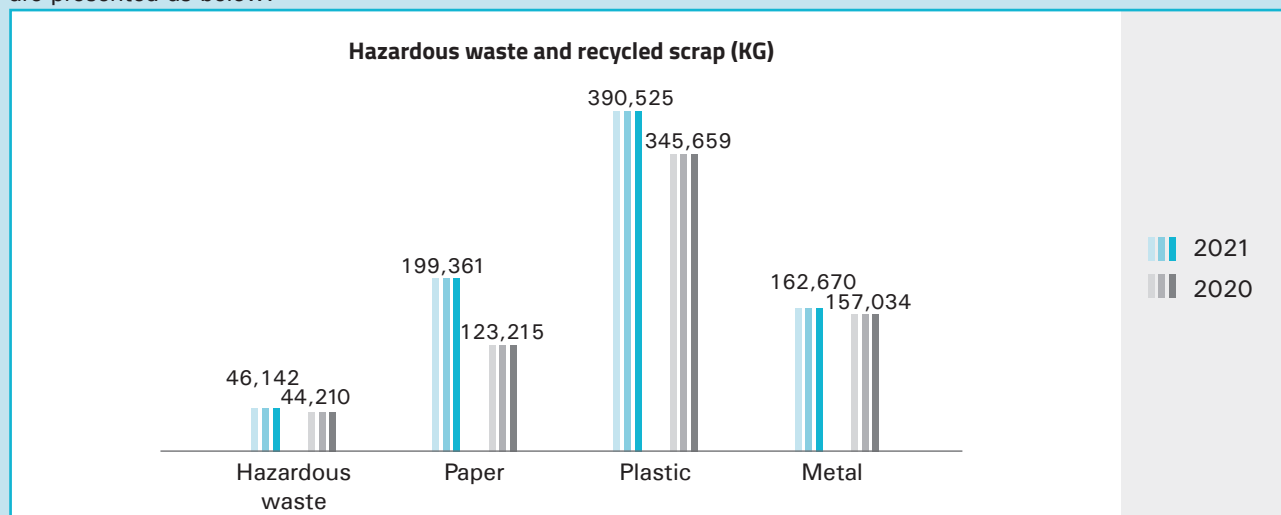
Waste Management

As an EMS provider, our manufacturing processes produce various type of waste. Bearing this in mind, we are committed to responsible waste management practices in order to ensure compliance with all relevant laws and regulations. Chemical spillage and handling training was conducted to Schedule Waste Handler to handle schedule waste in a correct manner. Our waste management is overseen by our Safety Officer and governed by our Environment 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. Scheduled waste are kept in metal container with cover and proper labelling and stored at sheltered scheduled waste store. In 2021, there are total ten (10) and one (1) type of scheduled waste generated by PIESB and PIW respectively which have been notified to DOE. Meanwhile, general waste that we generate includes recyclable scrap such as paper, plastic 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.

This year, we continue to focus our waste management practices by overseeing the Group's waste management performance and recycled activities carried out throughout the Group. This is done by putting effort in 3R Concept-Reuse, Reduce and Recycle waste whenever possible at every stage of our operations. Our ongoing initiatives include developing standardised waste disposal procedures, providing designated waste storage area, tutoring our employees on proper waste labelling and waste separation according to the waste category. 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.

The hazardous waste collected by approved contractor and recycled scrap sold for recycling in year 2020 and 2021 are presented as below:



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL FRIENDLY AWARENESS (CONT'D)

Air Emissions

We are subject to the regulatory standards set by DOE pursuant to the Environmental Quality (Clean Air) Regulations 2014, although we produce a minimal amount of air emissions due to the nature of our business operations. We have engaged outsourcing consultant to carry out on-site air emission monitoring which we think of the most cost effective.

The consultant is responsible for collecting samples, monitoring parameters and determining air emission impurities level from our chimneys. Our air emissions are channeled through eight (8) chimneys located at the PIESB plant and one (1) chimney located at PIW plant. The assessments are conducted annually on these chimneys to ensure that we are in compliance to DOE's limits by collecting and analysing the samples from each chimney.

The monitoring parameters were Particulate Matter, Indium, Tin, Antimony, Copper, Lead, Nickel, Silver, Glycol Ether and Isopropyl Alcohol ("IPA") in PIESB. Table below shows the results of the latest assessment conducted in year 2020 and 2021.

Parameter	DOE limit (mg/m ³)	Compliance	
		2021	2020
Particulate Matter	50	Complied	Complied
Indium	5	Complied	Complied
Tin	5	Complied	Complied
Antimony	5	Complied	Complied
Copper	1	Complied	Complied
Lead	1	Complied	Complied
Nickel	1	Complied	Complied
Silver	0.2	Complied	Complied
Glycol Ether	100	Complied	Complied
IPA	150	Complied	Complied

Meanwhile, the monitoring parameters were Particulate Matter, Tin and Copper in PIW. Table below shows the results of the latest assessment conducted in year 2020 and 2021.

Parameter	DOE limit (mg/m ³)	Compliance	
		2021	2020
Particulate Matter	50	Complied	Complied
Antimony	5	N/A	N/A
Arsenic	0.2	N/A	N/A
Cadmium	0.2	N/A	N/A
Tin	5	Complied	Complied
Copper	1	Complied	Complied
Lead	1	N/A	N/A
Mercury	0.2	N/A	N/A
Hydrogen Chloride	30	N/A	N/A

In conclusion, all the monitored parameters were found to be below limit values as required by the Environmental Quality (Clean Air) Regulations 2014.

Noise Pollution Control

As an EMS provider, we are alert that making noise from our production processes is unavoidable. Thus, our noise monitoring is overseen by Quality Control Lab Engineer and we assess the noise level arising from our operating sites biannually in PIESB to ensure compliance to Factories and Machinery (Noise Exposure) Regulations 1989.

Besides, we have engaged outsourcing consultant to conduct on-site noise level measurement at the boundary of the factory during day and night. Boundary noise monitoring is conducted 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 "Guidelines for Environmental Noise Limits and Control – Third Edition". The average noise level detected at all three (3) sampling points were below permissible sound limit during both daytime and nighttime.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL FRIENDLY AWARENESS (CONT'D)

Noise Pollution Control (Cont'd)

In addition, we have engaged outsourcing consultant to perform noise risk assessment to monitor the noise level of the possibility of excessive noise throughout the production area in PIESB and PIW in order to comply with Occupational Safety and Health (Noise Exposure) Regulations 2019, Regulations 4 of the Noise Exposure Regulations. The noise risk assessment helps us to identify noise sources and the affected group for design of engineering controls, as well as to contain a reliable estimate of employees' exposures and compare the exposure with exposure limits specified in the said Regulations.

Other than the above, we have placed several initiatives to reduce noise pollution including:

- Provide hearing protection PPE such as ear plugs to employees exposed to high noise level;
- Display warning signage at production area that generate noise level at or above the limit;
- Conduct training with a focus on noise safety and hazards to employees;
- Carry out audiometry tests for machine operators to monitor their risk of detrimental exposure to noise; and
- Implement engineering controls to service and maintenance of the machine regularly to keep them in good condition and reduce the noise generated.

Energy Management

As an EMS provider, the Group's energy consumption primarily arose from production machinery and facility equipment. We are committed to properly managing energy consumption by undertaking several energy saving initiatives so as to reduce the operational costs and minimise the impact on the environment. "Switch off when not in use" warning signs are distinctly seen around the workplace to remind our employees to reduce electricity usage by turning off the lights, air-conditioning and machinery when they are not being use. We also educate our employees to power off all unused equipments during break time.

We also ensure that all lightings and electrical equipments were properly maintained and replaced to avoid any wastage. Employees must report immediately to Maintenance Department if discover any light bulbs burning out, switches not working properly, circuit breaker tripping or electrical shocks.

We recorded our energy consumption per thousand sales in year 2020 and 2021 as below:

	2021	2020
Electricity (kWh) / Sales (RM'000)	25.00	29.72

Water Management

We strive to improve our water efficiency to reduce water wastage with implementation of various water efficiency initiatives at our workplace. "Turn off the taps to save water and our environment" warning signs are found near to the taps to remind our employees to reduce water usage by turning off the taps. Besides, we have replaced our lavatory fixtures with self-push button taps and spray bidet and adjusted water level for toilet flush tank to a suitable level to avoid unnecessary water wastage. Any water leakage must be reported to Maintenance Department immediately.

In addition, we reuse water in the cooling process of extrusion section in the production. We have recycled 20% of water in 2021 out of the total water used.

We recorded our water usage per thousand sales in year 2020 and 2021 as below:

	2021	2020
Water (Litre) / Sales (RM'000)	141.69	200.73

This statement was made in accordance with a resolution of the Board dated 18 March 2022.

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 2021 had been approved by the Board on 21 March 2022.

This statement was made in accordance with a resolution of Board dated 18 March 2022.

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 2021 (FY2021) 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	70,500 ¹
Subsidiaries	157,629	96,861 ²
Total	192,629	167,361

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 FY2021 are disclosed on pages 97 and 98 of the Annual Report.

DIRECTORS' REPORT

The directors of **P.I.E. INDUSTRIAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2021.

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 13 to the financial statements.

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit for the year	60,319,934	20,029,701

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

DIVIDENDS

	RM
In respect of the financial year ended December 31, 2020:	
A first and final single tier dividend of RM0.024 per share	9,217,008
A special interim single tier dividend of RM0.026 per share	9,985,091
	19,202,099

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

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

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

- (a) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

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

Mui Chung Meng*
 Loo Hooi Beng
 Lee Cheow Kooi
 Koay San San
 Wong Thai Sun
 Lan, Kuo-Yi

* Directors of the Company and certain of its subsidiaries.

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Huang, Feng-An
 Yu, Wen-Ling
 Cheah Heng Lye
 Chen, Ming-Lung
 Liao, Yueh-Chen
 Tay Siew Noi
 Tsai, Ming-Feng
 Law Tong Han
 Wong Way Tjong
 Lee Yu Hsien

(resigned on June 21, 2021)
 (appointed on June 15, 2021)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

The interest in shares in the Company and in related companies of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

Shares in the Company	Number of ordinary shares			
	Balance as of 1.1.2021	Bought	Sold	Balance as of 31.12.2021
Direct interests:				
Mui Chung Meng	10,000	-	-	10,000
Loo Hooi Beng	-	16,000	(12,000)	4,000
Indirect interests:				
Mui Chung Meng ⁽ⁱ⁾	2,460,000	-	-	2,460,000

⁽ⁱ⁾ Deemed interest through spouse.

By virtue of their interests in the shares of the Company, Mr. Mui Chung Meng is also deemed to have interests in the shares of all the subsidiaries to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than those disclosed as directors' remuneration amounting to RM2,748,888 in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of transactions mentioned in Note 29 to the financial statements. Certain directors have also received remuneration from related companies in their capacities as directors or executives of those related companies as disclosed in Note 7 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' liability insurance for the purpose of Section 289 of the Companies Act, 2016, throughout the financial year, which provides appropriate insurance cover for the directors and officers of the Company. The amount of insurance premium paid or payable during the financial year, which was borne by the Company are amounted to RM16,440.

Other than disclosed above, there was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2021 are RM192,629 and RM35,000 respectively.

DIRECTORS' REPORT (CONT'D)

HOLDING COMPANY

The Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., which is incorporated in British Virgin Islands and Pan-International Industrial Corp., which is incorporated in Taiwan, respectively.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

MUI CHUNG MENG

Penang

Date: MARCH 21, 2022

LAN, KUO-YI

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 of the Group and of the Company as at December 31, 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages [12 to 82](#).

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 of December 31, 2021, and of their financial performance and of their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for 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 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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, are of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit performed and responses thereon
Valuation of inventories The Group has significant balance of inventories as at December 31, 2021 which mainly comprised of raw materials amounting to RM165,542,009, work-in-progress amounting to RM69,412,327 and finished goods amounting to RM38,797,305 as disclosed in Note 17 to the financial statements. There is a risk to the valuation of inventories due to possible slow moving and obsolete inventories given that the age of the inventories have increased as compared to the prior year. Significant management estimation is involved in identifying slow moving or obsolete inventories with reference to the condition of the inventories, historical, current and future sales information as well as the ageing of inventories. There is also a risk to the valuation of inventories due to incorrect absorption of labour and overheads. Management judgment is involved in determining an appropriate costing basis for the inventories, particularly in regards to work-in-progress and finished goods.	To address the risk of slow moving and obsolete inventories, we obtained an understanding of the controls relevant to estimating, approving and recording of allowance for slow moving and obsolete inventories and tested the design and implementation of the controls. We reviewed the terms and conditions of supply agreements with customers and ensured that provision for slow moving and obsolete inventories is in line with the Group's policies and supply agreements with customers. We tested the accuracy of the ageing profile of inventory items by checking to the underlying procurement documents, invoices and production record (e.g. job order) and also assessed if each inventory categories have been classified into the correct ageing buckets.

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

Key Audit Matters (Cont'd)

Key audit matter	Our audit performed and responses thereon
	<p>We tested the movement of slow moving inventories for raw materials, subsequent usage and also assessed whether the raw materials are still in use for production or are in good working condition.</p> <p>We assessed and challenged management's basis in determining slow-moving inventories with regards to the completeness of the inventory provisions and made an assessment of its adequacy, considering the age and volumes relative to expected usage.</p> <p>We assessed if there were raw material, work-in-progress or finished goods inventories, which needed to be provided for as obsolete/slow moving items with reference to future sales demand/forecast for the related finished goods (e.g. where such finished goods are expected to be discontinued or replaced in the near future).</p> <p>We performed a retrospective review on the provision for excess and obsolete inventories and assessed whether judgments have been applied consistently, by comparing the actual inventories written down against the general provision based on the Group's policies.</p> <p>To address the risk of incorrect absorption of labour and overhead, we obtained an understanding of the controls relevant to estimating, calculating, approving and recording of labour and overhead absorption and tested the design and implementation of the controls.</p> <p>We also obtained the inventory listing at the detailed-product level and the Bill of Material ("BOM") which indicated the cost of raw materials as well as labour and overhead cost absorbed to each unit of work-in-progress and finished goods.</p> <p>We agreed the labour and overhead cost indicated in the BOM for work-in-progress and finished goods to the actual direct expenses for the year. We also agreed selected quantities of the work-in-progress and finished goods samples to production records.</p> <p>We reviewed the Group's methodology for calculating the labour and overhead absorption rate for reasonableness, consistency with prior years and then recomputed the absorption rate for the selected work-in-progress and finished goods samples for accuracy.</p>

The key audit matters referred to above are in respect of P.I.E. Industrial Berhad at the Group level. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report which is expected to be made available to us after that date.

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

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility 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.

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:

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

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

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

- (e) 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.
- (f) 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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that in the case of consolidated financial statements, the name of the subsidiary companies, of which we have not acted as auditors, are indicated in Note 13 to the financial statements.

Other Matters

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

Penang

Date: March 21, 2022

ADRIAN LAM KEEN LEONG
Partner – 03553/02/2023 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	The Group 2021 RM	2020 RM	The Company 2021 RM	2020 RM
Revenue	5	1,025,203,862	686,362,774	24,407,981	12,095,847
Cost of sales		(946,123,304)	(634,993,857)	-	-
Gross profit		79,080,558	51,368,917	24,407,981	12,095,847
Other operating income		29,532,072	33,841,516	72,442	25,582
Administrative expenses		(24,881,110)	(22,431,264)	(4,432,985)	(4,158,458)
Selling and distribution expenses		(3,677,042)	(3,537,025)	-	-
Other operating expenses		(6,059,141)	(4,625,647)	(17,632)	(76,067)
Operating profit		73,995,337	54,616,497	20,029,806	7,886,904
Interest income		620,169	2,040,056	-	409
Interest expense		(270,425)	(11,407)	-	-
Profit before tax	6	74,345,081	56,645,146	20,029,806	7,887,313
Tax (expense)/income	8	(14,025,147)	(11,049,167)	(105)	165,000
Profit for the year		60,319,934	45,595,979	20,029,701	8,052,313
Other comprehensive income, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(2,206,470)	(681,083)	-	-
Total comprehensive income for the year		58,113,464	44,914,896	20,029,701	8,052,313
Earnings per share:					
Basic/Diluted (sen per share)	9	15.71	11.87		

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

STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2021

	Notes	The Group 2021 RM	2020 RM	The Company 2021 RM	2020 RM
Assets					
Non-current assets					
Property, plant and equipment	10	124,535,725	83,642,547	-	-
Investment properties	11	47,432,563	46,985,867	-	-
Right-of-use assets	12	13,064,812	7,962,113	-	-
Investment in subsidiaries	13	-	-	79,918,805	79,918,805
Investment in associate	14	-	-	25,000	25,000
Goodwill on consolidation	15	1,721,665	1,721,665	-	-
Deferred tax assets	16	1,262,427	1,228,457	827,120	827,120
Total non-current assets		188,017,192	141,540,649	80,770,925	80,770,925
Current assets					
Inventories	17	300,927,383	163,944,751	-	-
Trade and other receivables	18	256,143,019	206,859,811	20,293,265	13,713,265
Current tax assets		1,590,532	330,506	-	-
Short-term investments	19	1,389,646	7,203,000	1,389,646	7,203,000
Cash and cash equivalents	20	78,275,158	143,706,500	273,358	282,721
Total current assets		638,325,738	522,044,568	21,956,269	21,198,986
Total assets		826,342,930	663,585,217	102,727,194	101,969,911
Equity and liabilities					
Capital and reserves					
Share capital	21	83,202,902	83,202,902	83,202,902	83,202,902
Reserves	22	14,532,440	16,738,910	16,408,221	16,408,221
Retained earnings/(accumulated losses)	23	418,753,049	377,635,214	457,097	(370,505)
Total equity		516,488,391	477,577,026	100,068,220	99,240,618
Non-current liability					
Retirement benefit obligations	24	1,545,940	1,535,462	-	-
Deferred tax liabilities	16	7,363,768	4,735,340	-	-
		8,909,708	6,270,802	-	-
Current liabilities					
Trade and other payables	25	227,609,560	148,957,234	2,658,974	2,729,293
Retirement benefit obligations	24	260,276	265,274	-	-
Borrowings	26	71,502,000	28,317,660	-	-
Refund liabilities	27	-	1,324,651	-	-
Current tax liabilities		1,572,995	872,570	-	-
Total current liabilities		300,944,831	179,737,389	2,658,974	2,729,293
Total liabilities		309,854,539	186,008,191	2,658,974	2,729,293
Total equity and liabilities		826,342,930	663,585,217	102,727,194	101,969,911

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

The Group

	Notes	Share capital RM	Non-distributable Foreign currency translation reserve RM	Revaluation reserve RM	Distributable Retained earnings RM	Total RM
Balance as of January 1, 2020		83,202,902	14,760,415	2,659,578	351,241,334	451,864,229
Profit for the year		-	-	-	45,595,979	45,595,979
Other comprehensive income for the year, net of income tax		-	(681,083)	-	-	(681,083)
Total comprehensive income for the year		-	(681,083)	-	45,595,979	44,914,896
Dividends paid	28	-	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2020		83,202,902	14,079,332	2,659,578	377,635,214	477,577,026
Balance as of January 1, 2021		83,202,902	14,079,332	2,659,578	377,635,214	477,577,026
Profit for the year		-	-	-	60,319,934	60,319,934
Other comprehensive income for the year, net of income tax		-	(2,206,470)	-	-	(2,206,470)
Total comprehensive income for the year		-	(2,206,470)	-	60,319,934	58,113,464
Dividends paid	28	-	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2021		83,202,902	11,872,862	2,659,578	418,753,049	516,488,391

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

The Company

	Notes	Share capital RM	Non-distributable Merger reserve RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM
Balance as of January 1, 2020		83,202,902	16,408,221	10,779,281	110,390,404
Profit for the year		-	-	8,052,313	8,052,313
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	8,052,313	8,052,313
Dividends paid	28	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2020		83,202,902	16,408,221	(370,505)	99,240,618
Balance as of January 1, 2021		83,202,902	16,408,221	(370,505)	99,240,618
Profit for the year		-	-	20,029,701	20,029,701
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	20,029,701	20,029,701
Dividends paid	28	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2021		83,202,902	16,408,221	457,097	100,068,220

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	74,345,081	56,645,146	20,029,806	7,887,313
Adjustments for:				
Depreciation of property, plant and equipment	18,098,743	17,553,627	-	-
Loss on disposal of property, plant and equipment	490,537	195,635	-	-
Interest expense	270,425	11,407	-	-
Amortisation of right-of-use assets	263,892	263,890	-	-
Provision for retirement benefits obligations	216,194	226,428	-	-
Fair value loss on financial asset at fair value through profit or loss	17,632	54,972	17,632	54,972
Provision for expected credit loss of trade receivables, net	1,171	146,535	-	-
Property, plant and equipment written off	7	1,295	-	-
(Reversal of inventories written down)/				
Inventories written down	(4,119,222)	1,895,130	-	-
Unrealised (gain)/loss on foreign exchange, net	(2,483,389)	(1,796,492)	(42,636)	21,094
Fair value gain on investment properties	(750,000)	(2,803,336)	-	-
Interest income	(620,169)	(2,040,056)	-	(409)
Investment income earned on financial asset at fair value through profit or loss	(31,981)	(219,847)	(31,981)	(219,847)
Gain on disposal of short-term investments	(29,806)	(25,582)	(29,806)	(25,582)
Inventories written off	-	2,121,120	-	-
Bad debts written off	-	2,233	-	-
Dividend income	-	-	(20,500,000)	(8,000,000)
	85,669,115	72,232,105	(556,985)	(282,459)
Movements in working capital:				
Increase in inventories	(133,417,936)	(62,252,230)	-	-
(Increase)/Decrease in receivables	(55,384,649)	(65,143,055)	3,920,000	6,460,000
Decrease in refund liabilities	(1,324,651)	(319,782)	-	-
Increase/(Decrease) in payables	85,891,248	58,748,438	(70,319)	749,125
Cash (used in)/generated from operations	(18,566,873)	3,265,476	3,292,696	6,926,666
Income tax paid	(12,016,112)	(12,516,603)	(105)	-
Interest paid	(270,425)	(11,407)	-	-
Retirement benefits paid	(85,420)	(89,454)	-	-
Dividend received	-	-	10,000,000	8,000,000
Net cash (used in)/from operating activities	(30,938,830)	(9,351,988)	13,292,591	14,926,666

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	The Group 2021 RM	2020 RM	The Company 2021 RM	2020 RM
Cash flows from investing activities					
Decrease in short-term investments		5,900,000	3,520,615	5,900,000	3,520,615
Interest received		620,169	2,040,056	-	409
Proceed from disposal of property, plant and equipment		383,053	7,397	-	-
Withdrawal of fixed deposits with licensed banks		36,000	11,200	-	-
Acquisition of property, plant and equipment		(60,289,208)	(28,970,013)	-	-
Acquisition of right-of-use assets		(5,366,591)	-	-	-
Net cash (used in)/generated from investing activities		(58,716,577)	(23,390,745)	5,900,000	3,521,024
Cash flows from financing activities					
Changes in bank borrowings		42,823,340	28,158,734	-	-
Dividend paid		(19,202,099)	(19,202,099)	(19,202,099)	(19,202,099)
Net cash generated from/(used in) financing activities		23,621,241	8,956,635	(19,202,099)	(19,202,099)
Net decrease in cash and cash equivalents		(66,034,166)	(23,786,098)	(9,508)	(754,409)
Effect of foreign exchange rate changes		638,824	117,141	145	(21,094)
Cash and cash equivalents at the beginning of the year		143,170,500	166,839,457	282,721	1,058,224
Cash and cash equivalents at the end of the year	20	77,775,158	143,170,500	273,358	282,721

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities:

The Group

	01.01.2021 RM	Cash flows generated from financing activities RM	Non-cash changes RM	31.12.2021 RM
Borrowings	28,317,660	42,823,340	361,000	71,502,000

	01.01.2020 RM	Cash flows used in financing activities RM	Non-cash changes RM	31.12.2020 RM
Borrowings	-	28,158,734	158,926	28,317,660

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

1. GENERAL INFORMATION

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 Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are as stated in Note 13.

The registered office of the Company is located at 51-8-A, Menara BHL, 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 Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., which is incorporated in British Virgin Islands and Pan-International Industrial Corp., which is incorporated in Taiwan, respectively.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Adoption of revised MFRSs

In the current year, the Group and Company has applied a number of revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021.

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

The adoption of these revised MFRSs has not had any material impact on the disclosures or on the amounts reported in the financial statements. There was no significant changes in the accounting policies of the Group and of the Company during the financial year.

New and revised standards in issue but not yet effective

The Group and Company has not applied the following new and revised MFRSs and that have been issued but are not yet effective:

Amendments to MFRS 3	References to the Conceptual Framework ^(a)
Amendments to MFRS 116	Property, Plant, and Equipment – Proceeds before Intended Use ^(a)
Amendments to MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract ^(a)
Annual improvements to MFRS Standards 2018-2020	Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i> , MFRS 9 <i>Financial Instruments</i> , MFRS 16 <i>Leases</i> and MFRS 141 <i>Agriculture</i> ^(a)
MFRS 17	Insurance Contracts ^(b)
Amendments to MFRS 17	Insurance Contracts ^(b)
Amendments to MFRS 17	Initial Application of MFRS 17 <i>Insurance Contracts</i> and MFRS 9 <i>Financial Instruments</i> - Comparative Information ^(b)
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <i>Financial Instruments</i> ^(b)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

New and revised standards in issue but not yet effective (Cont'd)

The Group and Company has not applied the following new and revised MFRSs and that have been issued but are not yet effective (Cont'd):

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ^(b)
Amendments to MFRS 101 and MFRS Practice Statements 2	Disclosure of Accounting Policies ^(b)
Amendments to MFRS 108	Definition of Accounting Estimates ^(b)
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^(b)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^(c)

^(a) Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

^(b) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

^(c) Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiary and basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- (a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) potential voting rights held by the Company, other vote holders or other parties;
- (c) rights arising from other contractual arrangements; and
- (d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or at fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by MFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Investment in associated company

The Group and the Company recognise an associated company based on the criterion of significant influence. Significant influence exists when the Group and the Company has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group and the Company, directly or indirectly through subsidiaries, holds 20 per cent or more of the voting rights of the investee. When the Group's and the Company's voting rights in an investee are less than 20 per cent, the Group and the Company assess whether it has significant influence by examining all relevant facts and circumstances, including the existence of potential voting rights that are substantive, representation on the board of directors, participation in policy-making processes, material transactions between the Group and the Company and the investee, interchange of managerial personnel and provision of essential technical information.

The Group and the Company measure its investment in associated company using the equity method. Under this method, on initial recognition, the investment in an associated company is measured at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's and the Company's:

- (i) share of the investee's profit or loss through profit or loss;
- (ii) share of the investee's other comprehensive income through other comprehensive income; and
- (iii) share of the investee's changes in other net assets through equity.

In applying the equity method, the Group and the Company use the financial statements of its associated company as of the same date as the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in associated company (Cont'd)

If the Group's and the Company's share of losses of an associated company equals or exceeds the carrying amount of its investment in the investee, the Group and the Company discontinue recognising its share of further losses. After the Group's and the Company's interest is reduced to zero, it recognises additional losses by a provision only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee.

Unrealised gains and losses arising from transactions between the Group and the Company and its associated company are eliminated partially to the extent of the Group's and the Company's interests in the associated company, except when there are indications of impairment losses. This partial elimination principle applies equally to a transfer of non-monetary assets to an associated company in exchange for equity interests in the investee.

Revenue recognition and other operating income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- (iv) the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- (v) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (vi) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

(a) Revenue from contracts with customers

(i) Manufacturing of industrial products

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

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition and other operating income (Cont'd)

(a) Revenue from contracts with customers (Cont'd)

(i) Manufacturing of industrial products (Cont'd)

(b) 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.

(ii) Trading of electronic materials

The Group is also in the business of trading of electronic materials. Revenue from trading of electronics 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.

(b) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(e) Other income

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

Taxation

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiary and associate, except where the Group and the Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Employee benefit expenses

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

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 and the Company have 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefit expenses (Cont'd)

(c) 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:

- (i) 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 assets or liability.
- (ii) 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*. 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*.

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.

Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Group and of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

Leases

The Group and the Company as a lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group and the Company as a lessee (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position. Right-of-use assets representing leasehold lands are amortised evenly over the lease period of 60 years.

The Group and the Company apply MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the impairment of tangible assets policy.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group and the Company as a lessee (Cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, MFRS 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Company have not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Company allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group and the Company as lessor

The Group and the Company enter into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group and the Company are lessors are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contract with Customers* to allocate the consideration under the contract to each component.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and capital work in progress are not depreciated. Leasehold land was measured at cost less accumulated depreciation and any accumulated impairment losses where leasehold land was depreciated over its lease term of 60 years.

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

Buildings and structures	2.22% - 10%
Plant and machinery	10% - 33.3%
Production tools and equipment	10% - 20%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% - 20%
Motor vehicles	20%
Computer	1.3%

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any impairment loss. Depreciation of these assets in progress, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (Cont'd)

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

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

Investment Properties

(a) 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.

(b) 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.

Impairment of tangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of tangible assets (Cont'd)

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

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

Inventories

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

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

Cost of raw materials consists of purchase price plus the cost of bringing the inventories to their present location. Cost of work-in-progress and finished goods consists of the cost of raw materials, direct labour and an appropriate proportion of factory overheads. Goods-in-transit is stated at cost.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit and loss ("FVTPL").

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- (i) Investments in equity instruments are classified as at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- (ii) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group and the Company have not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 32.

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and amounts due from customers. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime expected credit loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- (i) an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- (ii) significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- (iii) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) an actual or expected significant deterioration in the operating results of the debtor;
- (v) significant increases in credit risk on other financial instruments of the same debtor;
- (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company consider a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- (i) when there is a breach of financial covenants by the counterparty; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collaterals held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 180 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 *Leases*.

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12 months ECL at the current reporting date, except for assets for which simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group and the Company, and commitments issued by the Group and the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which MFRS 3 *Business Combinations* applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- (i) it has been acquired principally for the purpose of repurchasing it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities at FVTPL (Cont'd)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 32.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Financial guarantee contract liabilities

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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- (i) the amount of the loss allowance determined in accordance with MFRS 9 *Financial Instruments*; or
- (ii) the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial liabilities

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

Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Segment information

For management purpose, the Group is organised into operating segments based on their business segment which is regularly reviewed by the Group's chief operation decision officer for the performance of the respective segments under their charge. The segment chief operation officer reports directly to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Cash and cash equivalents

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

Cash and cash equivalents comprise cash and bank balances, demand deposits which are not pledged and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

In the process of applying the Group's and the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 3 reflect the directors' estimate of the period that the Group expects to derive future economic benefits from the use of its property, plant and equipment. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. Further details are given in Note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(ii) Impairment of goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable growth rate and discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the end of the reporting period is disclosed in Note 15.

(iii) Inventories

The Group makes an allowance for slow moving and obsolete inventories based on an assessment of the net realisable value of the inventories. When estimating the net realisable value of inventories, management consider all of the facts relating to the inventories and the operating environment at the time the estimates are made. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the period in which such estimate has been changed. Further details are given in Note 17.

(iv) Impairment of receivables

When measuring ECL, the Group and the Company use reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Further details are given in Note 32.

5. REVENUE

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Segment revenue				
Revenue from contract with customers:				
Manufacturing of industrial products	1,025,003,279	685,958,987	-	-
Trading of electronic materials	168,602	183,940	-	-
	1,025,171,881	686,142,927	-	-
Investment income earned from financial asset at fair value through profit or loss	31,981	219,847	31,981	219,847
Management fees	-	-	3,876,000	3,876,000
Dividend income from subsidiaries	-	-	20,500,000	8,000,000
Total revenue	1,025,203,862	686,362,774	24,407,981	12,095,847

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

5. REVENUE (CONT'D)

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Timing of revenue recognition				
Goods transferred at a point in time	1,025,203,862	686,362,774	20,531,981	8,219,847
Services transferred over time	-	-	3,876,000	3,876,000
Total revenue	<u>1,025,203,862</u>	<u>686,362,774</u>	<u>24,407,981</u>	<u>12,095,847</u>
Geographical markets				
Malaysia	617,018,782	403,292,676	24,407,981	12,095,847
Other Asia Pacific countries	151,157,477	93,051,073	-	-
Europe	90,758,722	77,075,780	-	-
United States of America	166,268,881	112,943,245	-	-
Total revenue	<u>1,025,203,862</u>	<u>686,362,774</u>	<u>24,407,981</u>	<u>12,095,847</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
After charging:				
Employee benefit expenses (Note 7)	88,452,903	83,910,567	4,170,771	3,926,525
Depreciation of property, plant and equipment	18,098,743	17,553,627	-	-
Loss on disposal of property, plant and equipment	490,537	195,635	-	-
Interest expense	270,425	11,407	-	-
Expenses relating to short-term and low value leases:				
Office equipment	20,502	20,605	-	-
Premises	139,694	582,620	-	-
Amortisation of right-of-use assets	263,892	263,890	-	-
Audit fee:				
Current year	192,629	191,985	35,000	35,000
Overprovision in prior year	-	(3,000)	-	-
Non-audit fee	167,361	93,228	43,000	45,500
Fair value loss on financial assets at fair value through profit or loss	17,632	54,972	17,632	54,972
Provision for expected credit loss of trade receivables, net	1,171	146,535	-	-
Property, plant and equipment written off	7	1,295	-	-
Inventories written off	-	2,121,120	-	-
Inventories written down	-	1,895,130	-	-
Bad debts written off	-	2,233	-	-
Unrealised loss on foreign exchange	-	-	-	21,094

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

6. PROFIT BEFORE TAX (CONT'D)

Profit before tax has been arrived at (Cont'd):

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
And crediting:				
Rental income from investment properties	5,166,725	4,239,828	-	-
Gain on foreign exchange:				
Realised	4,264,673	20,540,882	-	-
Unrealised	2,483,389	1,796,492	42,636	-
Reversal of inventories written down	4,119,222	-	-	-
Fair value gain on investment properties	750,000	2,803,336	-	-
Interest income	620,169	2,040,056	-	409
Investment income earned on financial asset at fair value through profit or loss	31,981	219,847	31,981	219,847
Gain on disposal of short-term investments	29,806	25,582	29,806	25,582

7. EMPLOYEE BENEFIT EXPENSES

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Wages, salaries and others	84,143,285	79,918,846	3,765,801	3,597,823
Defined benefit plan	216,194	226,428	-	-
Defined contribution plan	4,093,424	3,765,293	404,970	328,702
Total employee benefit expenses	88,452,903	83,910,567	4,170,771	3,926,525

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

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries, allowance and bonus	1,533,188	1,327,813	1,533,188	1,121,995
Defined contribution plan	272,603	226,418	272,603	209,090
Benefits-in-kind	22,100	16,250	-	-
	1,827,891	1,570,481	1,805,791	1,331,085

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

7. EMPLOYEE BENEFIT EXPENSES (CONT'D)

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-executive:				
Fee	81,000	69,000	81,000	69,000
Allowance	25,400	22,800	25,400	22,800
	<u>106,400</u>	<u>91,800</u>	<u>106,400</u>	<u>91,800</u>
Executive:				
Salaries, allowance and bonus	1,890,221	1,500,657	745,294	418,243
Defined contribution plan	222,408	168,144	91,403	50,528
Benefits-in-kind	14,100	14,100	-	-
	<u>2,126,729</u>	<u>1,682,901</u>	<u>836,697</u>	<u>468,771</u>
	<u>4,061,020</u>	<u>3,345,182</u>	<u>2,748,888</u>	<u>1,891,656</u>

There are no other key management personnel, other than 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.

8. TAX EXPENSE/(INCOME)

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Current tax:				
Malaysia	11,293,892	9,217,008	7	-
Foreign	147,028	347,175	-	-
Deferred tax:				
Origination and reversal of temporary differences (Note 16)	2,729,121	618,102	-	(28,000)
	<u>14,170,041</u>	<u>10,182,285</u>	<u>7</u>	<u>(28,000)</u>
Under/(over)provision in prior years:				
Current tax	18,820	1,752,981	98	-
Deferred tax (Note 16)	(163,714)	(886,099)	-	(137,000)
	<u>14,025,147</u>	<u>11,049,167</u>	<u>105</u>	<u>(165,000)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

8. TAX EXPENSE/(INCOME) (CONT'D)

The reconciliation of the tax expense/(income) of the Group and of the Company are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit before tax	74,345,081	56,645,146	20,029,806	7,887,313
Income tax at Malaysian tax rate of 24%	17,842,819	13,594,835	4,807,153	1,892,955
Effect of tax rates in foreign jurisdictions	(108,221)	(287,031)	-	-
Effect of expenses that are not deductible in determining taxable profit	781,368	648,163	7	58,186
Effect of income that are not taxable in determining taxable profit	(539,415)	(781,979)	(4,807,153)	(1,979,141)
Utilisation of reinvestment allowances arising during the year	(3,806,510)	(2,991,703)	-	-
	14,170,041	10,182,285	7	(28,000)
Under/(over)provision in prior years:				
Current tax	18,820	1,752,981	98	-
Deferred tax	(163,714)	(886,099)	-	(137,000)
	14,025,147	11,049,167	105	(165,000)

A subsidiary in Thailand was 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 was entitled to full corporate tax exemption on certain sources of income, a tax reduction of 10% on certain sources of income and full corporate tax exemption on certain sources of income not exceeding the capital investment (excluding land), as well as other rights and privileges as prescribed by the Board of Investment of Thailand. For income which was derived from non-qualifying investment promotion incentive, tax was charged at 2%. The investment promotion incentive had expired on June 28, 2020. The corporate tax rate applicable upon expiry of the investment promotion incentive was 2%.

As of December 31, 2021, the Group and the Company has the following amounts of unused tax losses which are available for set off against future taxable profits::

	The Group and the Company	
	2021	2020
	RM	RM
Unused tax losses	1,226,994	757,738

The unused tax losses can be carried forward for ten consecutive years of assessment immediately following that year of assessment (e.g. unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2028) pursuant to the gazetted Finance Act 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

8. TAX EXPENSE/(INCOME) (CONT'D)

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

	The Group and the Company	
	2021	2020
	RM	RM
YA 2031	457,999	-
YA 2029	742,265	742,265
YA 2028	26,730	26,730
	<u>1,226,994</u>	<u>768,995</u>

9. EARNINGS PER SHARE

Basic earnings per ordinary share

The net profit and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	The Group	
	2021	2020
Profit for the year attributable to owners of the Company (RM)	60,319,934	45,595,979
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share (units)	384,041,985	384,041,985
Basic earnings per ordinary share (sen)	<u>15.71</u>	<u>11.87</u>

Diluted earnings per ordinary share

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Freehold land	Buildings and structures	Plant and machinery	Production tools and equipment	Furniture, fixtures and office equipment	Mechanical and electrical installation	Motor vehicles	Computer	Capital work in progress	Total
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2021:										
At cost										
Balance at beginning	879,738	45,021,066	171,945,694	16,363,395	4,149,489	2,658,049	2,672,599	-	4,342,709	248,032,739
Additions	-	2,798,083	24,286,138	1,956,056	109,895	417,590	-	207,956	30,513,490	60,289,208
Disposals/write offs	-	(139,855)	(1,204,906)	(61,300)	(29,208)	-	-	-	(605,919)	(2,041,188)
Reclassification	-	1,645,799	-	-	-	-	-	-	(1,645,799)	-
Effects of movements in exchange rates	(59,628)	(48,290)	(562,717)	-	(64,827)	(45,377)	(37,991)	-	-	(818,830)
Balance at end	820,110	49,276,803	194,464,209	18,258,151	4,165,349	3,030,262	2,634,608	207,956	32,604,481	305,461,929
Accumulated depreciation										
Balance at beginning	-	15,016,213	129,822,418	11,834,624	3,612,843	1,966,054	2,138,040	-	-	164,390,192
Charge for the year	-	2,063,086	13,666,249	1,689,508	254,556	219,952	192,619	12,773	-	18,098,743
Disposals/write offs	-	(47,280)	(1,035,275)	(56,388)	(28,648)	-	-	-	-	(1,167,591)
Effects of movements in exchange rates	-	(10,096)	(280,707)	-	(52,950)	(14,980)	(36,407)	-	-	(395,140)
Balance at end	-	17,021,923	142,172,685	13,467,744	3,785,801	2,171,026	2,294,252	12,773	-	180,926,204
Carrying amount	820,110	32,254,880	52,291,524	4,790,407	379,548	859,236	340,356	195,183	32,604,481	124,535,725

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group (Cont'd)

Cost	Freehold 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
2020:									
At cost									
Balance at beginning	930,637	42,264,103	152,050,681	14,714,533	4,082,994	2,111,457	2,299,276	5,514,320	223,968,001
Additions	-	2,701,085	20,340,443	1,648,862	97,372	-	385,140	3,797,111	28,970,013
Disposals/write offs	-	-	(4,575,370)	-	(11,066)	-	-	-	(4,586,436)
Reclassification	-	105,943	4,230,703	-	-	548,820	-	(4,885,466)	-
Effects of movements in exchange rates	(50,899)	(50,065)	(100,763)	-	(19,811)	(2,228)	(11,817)	(83,256)	(318,839)
Balance at end	879,738	45,021,066	171,945,694	16,363,395	4,149,489	2,658,049	2,672,599	4,342,709	248,032,739
Accumulated depreciation									
Balance at beginning	-	13,234,696	121,057,003	9,831,025	3,396,363	1,847,725	1,986,392	-	151,353,204
Charge for the year	-	1,821,469	13,206,455	2,003,599	240,015	120,008	162,081	-	17,553,627
Disposals/write offs	-	-	(4,371,044)	-	(11,065)	-	-	-	(4,382,109)
Effects of movements in exchange rates	-	(39,952)	(69,996)	-	(12,470)	(1,679)	(10,433)	-	(134,530)
Balance at end	-	15,016,213	129,822,418	11,834,624	3,612,843	1,966,054	2,138,040	-	164,390,192
Carrying amount	879,738	30,004,853	42,123,276	4,528,771	536,646	691,995	534,559	4,342,709	83,642,547

The carrying amount of the Group's freehold land and building charged to licensed banks as securities for banking facilities granted to the Group (as disclosed in Note 26) amounted to RM1,341,911 (2020: RM1,427,494).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

11. INVESTMENT PROPERTIES

	The Group	
	2021	2020
	RM	RM
At fair value		
Balance at beginning	46,985,867	44,228,090
Change in fair value recognised in profit or loss	750,000	2,803,336
Effects of movements in exchange rates	(303,304)	(45,559)
	<u>47,432,563</u>	<u>46,985,867</u>
Balance at end		
	<u>47,432,563</u>	<u>46,985,867</u>
The investment properties are represented by:		
Freehold land and buildings	4,212,563	4,515,867
Leasehold land and buildings	43,220,000	42,470,000
	<u>47,432,563</u>	<u>46,985,867</u>

The carrying amount of the Group's investment properties charged to a licensed bank as securities for banking facilities granted to the Group (as disclosed in Note 26) amounted to RM4,212,563 (2020: RM4,515,867).

Group as lessor

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

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

	The Group	
	2021	2020
	RM	RM
Rental income from investment properties	5,166,725	4,239,828
Direct operating expenses:		
Income generating investment properties	<u>382,633</u>	<u>230,300</u>

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

	The Group	
	2021	2020
	RM	RM
Not later than one year	5,190,525	2,884,389
Later than one year and not later than five years	<u>2,742,055</u>	<u>1,989,010</u>
	<u>7,932,580</u>	<u>4,873,399</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

11. INVESTMENT PROPERTIES (CONT'D)

Fair value measurement information

Fair value of investment properties are categorised as follows:

	The Group Level 3	
	2021 RM	2020 RM
Freehold land and buildings	4,212,563	4,515,867
Leasehold land and buildings	43,220,000	42,470,000
	47,432,563	46,985,867

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 used unobservable inputs fair value measurement
	2021	2020	
Comparison method of valuation: Comparing the subject site with similar industrial lands and industrial buildings 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 (RM30-RM308)	Price per square foot (RM29-RM308)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower)

Valuation process applied by the Group for level 3 fair value

At December 31, 2021, the fair value of the Group's investment properties have been arrived at on the basis of a valuation carried out on January 25, 2021, January 24, 2022 and February 8, 2022 by independent valuers, which have appropriate qualifications and recent experience in the valuation of properties in the relevant locations, by reference to market evidence of transaction prices for similar properties. Changes in Level 3 fair value are analysed by the management after obtaining the valuation reports from the valuation company.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

12. RIGHT-OF-USE ASSETS

	The Group	
	2021	2020
	RM	RM
Leasehold land		
At cost		
Balance at beginning	11,530,207	11,530,207
Additions during the year	5,366,591	-
Balance at end	16,896,798	11,530,207
Accumulated amortisation		
Balance at beginning	3,568,094	3,304,204
Charge for the year	263,892	263,890
Balance at end	3,831,986	3,568,094
Carrying amount	13,064,812	7,962,113

Leasehold land of the Group is with unexpired lease period of ranging between 14 to 56 years (2020: 30 to 57 years).

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2021	2020
	RM	RM
Unquoted shares, at cost	79,918,805	79,918,805

Details of the subsidiaries are as follows:

Name of companies	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2021	2020	
Held by the Company:				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	100	100	Contract electronics manufacturing, cable assemblies and Printed Circuit Board ("PCB") assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of companies	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2021	2020	
Held by the Company:				
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	100	100	Manufacture of cables and wires for electronic devices and cable moulding compounds
Pan-International Electronics (Thailand) Co., Ltd.*	Thailand	100	100	Manufacture and distribution of cable assembly and wire harness, plastic parts for electrical appliances and electronics parts and PCB assembly to computer, communication and consumer electronics industry

Indirectly held through Pan-International Electronics (Malaysia) Sdn. Bhd.:

Pan-International Corporation (S) Pte. Ltd.*	Singapore	100	100	Marketing and trading of electronic and telecommunication components and equipment
PIE Enterprise (M) Sdn. Bhd.	Malaysia	100	100	Dormant

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 Deloitte PLT

14. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post-acquisition reserves	(25,000)	(25,000)	-	-
	-	-	25,000	25,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

Details of the associate are as follows:

Name of company	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2021	2020	
12 Skyway Sdn. Bhd.	Malaysia	49	49	Dormant

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

	The Group 2021 RM	2020 RM
As at December 31		
Non-current assets	38	38
Current assets	42,800	12,820
Current liabilities	(133,607)	(103,607)
Net liabilities	(90,769)	(90,749)
Year ended December 31		
Profit from continuing operations	5,832	2,562

15. GOODWILL ON CONSOLIDATION

The Group

	2021 RM	2020 RM
At cost	1,721,665	1,721,665

At 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% (2020: 0%) and a pre-tax discount rate of 12.50% (2020: 13.00%) 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 carrying amount to exceed the recoverable amount of the cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

16. DEFERRED TAX (LIABILITIES)/ASSETS

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Balance at beginning	(3,506,883)	(3,775,179)	827,120	662,120
Recognised in profit or loss (Note 8)	(2,729,121)	(618,102)	-	28,000
Effects of movements in exchange rates	(29,051)	299	-	-
	(6,265,055)	(4,392,982)	827,120	690,120
Overprovision in prior year (Note 8)	163,714	886,099	-	137,000
	(6,101,341)	(3,506,883)	827,120	827,120

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

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Deferred tax assets	1,262,427	1,228,457	827,120	827,120
Deferred tax liabilities	(7,363,768)	(4,735,340)	-	-
	(6,101,341)	(3,506,883)	827,120	827,120

The movement in deferred tax (liabilities)/assets during the year before offsetting are as follows:

	Opening balance	Recognised in profit or loss	Currency Translation Difference	Closing balance
	RM	RM	RM	RM
The Group				
2021				
Deferred tax assets				
Unused tax losses	181,857	-	-	181,857
Other deductible temporary difference	5,193,244	(890,985)	(29,051)	4,273,208
	5,375,101	(890,985)	(29,051)	4,455,065
Deferred tax liabilities				
Property, plant and equipment	(8,881,984)	(1,674,422)	-	(10,556,406)
Net	(3,506,883)	(2,565,407)	(29,051)	(6,101,341)
2020				
Deferred tax assets				
Unused tax losses	199,611	(17,754)	-	181,857
Other deductible temporary difference	6,448,129	(1,255,184)	299	5,193,244
	6,647,740	(1,272,938)	299	5,375,101
Deferred tax liabilities				
Property, plant and equipment	(10,422,919)	1,540,935	-	(8,881,984)
Net	(3,775,179)	267,997	299	(3,506,883)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	Opening balance RM	Recognised in profit or loss RM	Currency Translation Difference RM	Closing balance RM
The Company				
2021				
Deferred tax assets				
Unused tax losses	181,857	-	-	181,857
Other deductible temporary difference	645,263	-	-	645,263
Net	827,120	-	-	827,120
2020				
Deferred tax assets				
Unused tax losses	199,611	(17,754)	-	181,857
Other deductible temporary difference	462,509	182,754	-	645,263
Net	662,120	165,000	-	827,120

Certain deferred tax liabilities and deferred tax assets have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offsetting):

	The Group	
	2021	2020
	RM	RM
Deferred tax assets (before offsetting)	4,455,065	5,375,101
Offsetting	(3,192,638)	(4,146,644)
Deferred tax assets (after offsetting)	1,262,427	1,228,457
	The Group	
	2021	2020
	RM	RM
Deferred tax liabilities (before offsetting)	(10,556,406)	(8,881,984)
Offsetting	3,192,638	4,146,644
Deferred tax liabilities (after offsetting)	(7,363,768)	(4,735,340)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

17. INVENTORIES

	The Group	
	2021	2020
	RM	RM
At cost:		
Raw materials	151,019,666	63,505,623
Work-in-progress	66,401,472	31,649,679
Finished goods	37,936,594	31,437,773
Goods-in-transit	27,175,742	25,812,673
	282,533,474	152,405,748
At net realisable value:		
Raw materials	14,522,343	8,479,917
Work-in-progress	3,010,855	929,708
Finished goods	860,711	2,129,378
	300,927,383	163,944,751

	The Group	
	2021	2020
	RM	RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	946,123,304	634,993,857
(Reversal of inventories written down)/Inventories written down	(4,119,222)	1,895,130
Inventories written off	-	2,121,120

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade				
Third parties	191,956,345	122,775,485	-	-
Less: Provision for expected credit loss	(289,585)	(298,760)	-	-
	191,666,760	122,476,725	-	-
Related parties	52,062,385	78,723,468	-	-
Ultimate holding company	3,668,647	316,463	-	-
	247,397,792	201,516,656	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

18. TRADE AND OTHER RECEIVABLES (CONT'D)

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-trade				
Amount owing by subsidiaries	-	-	20,277,421	13,697,421
Other receivables	777,930	552,841	-	-
Deposits	366,901	410,491	2,000	2,000
Prepayments	7,573,352	4,364,291	13,844	13,844
Goods and Services Tax ("GST") recoverable	27,044	15,532	-	-
	<u>8,745,227</u>	<u>5,343,155</u>	<u>20,293,265</u>	<u>13,713,265</u>
	<u>256,143,019</u>	<u>206,859,811</u>	<u>20,293,265</u>	<u>13,713,265</u>

The normal credit terms granted on the trade receivables balances range of the Group from 30 to 120 days (2020: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The trade amount due from related parties and ultimate holding company are subject to normal trade terms.

Included in non-trade amount owing by subsidiaries of the Company is dividend receivable amounting to RM10.5 million (2020: RM Nil) owing from a subsidiary. The remaining balance arose mainly from unsecured advances which are interest free and are repayable on demand.

The ageing analysis of the Group's trade receivable balances are disclosed in Note 32.

19. SHORT-TERM INVESTMENTS

	The Group and the Company	
	2021	2020
	RM	RM
Financial assets at fair value through profit or loss		
Investment in unit trusts	<u>1,389,646</u>	<u>7,203,000</u>

The effective interest rate for the short-term investments are 0.90% to 2.70% (2020: 0.90% to 2.50%) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	63,413,366	38,384,226	273,358	282,721
Fixed deposits with licensed banks	11,861,792	69,837,824	-	-
Short-term money market deposits	3,000,000	35,484,450	-	-
	<u>78,275,158</u>	<u>143,706,500</u>	<u>273,358</u>	<u>282,721</u>
Less: Cash and bank balances pledged	(500,000)	(536,000)	-	-
	<u>77,775,158</u>	<u>143,170,500</u>	<u>273,358</u>	<u>282,721</u>

Included in the Group's cash and bank balances is RM500,000 (2020: RM536,000) pledged to licensed banks as securities for banking facilities granted to the Group (as disclosed in Note 26).

The effective interest rate and maturity period of the fixed deposits with licensed banks of the Group as at the end of the reporting period range from 1.30% to 1.85% (2020: 1.55% to 2.00%) per annum and 1 month (2020: 1 month) respectively.

The effective interest rate and maturity period of the short-term money market deposits of the Group as at the end of the reporting period is at 1.65% (2020: 0.20% to 1.65%) per annum and 1 month (2020: 1 to 2 months) respectively.

21. SHARE CAPITAL

	2021		2020	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
Ordinary shares	<u>384,041,985</u>	<u>83,202,902</u>	<u>384,041,985</u>	<u>83,202,902</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. RESERVES

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-distributable:				
Foreign currency translation reserve	11,872,862	14,079,332	-	-
Revaluation reserve	2,659,578	2,659,578	-	-
Merger reserve	-	-	16,408,221	16,408,221
	<u>14,532,440</u>	<u>16,738,910</u>	<u>16,408,221</u>	<u>16,408,221</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

22. RESERVES (CONT'D)

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of foreign subsidiary companies' financial statements. Exchange differences relates to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Revaluation reserve

Revaluation reserve represents increase in the value of property, plant and equipment and right-of-use assets, 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.

Merger reserve

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

23. RETAINED EARNINGS/(ACCUMULATED LOSSES)

The entire retained earnings of the Company as of December 31, 2020 is available for the distribution as single-tier dividends to the shareholders of the Company.

As at December 31, 2021, the Company has tax exempt profits available for distribution of RM60,357,187 (2020: RM60,357,187), subject to the agreement of the Inland Revenue Board.

24. RETIREMENT BENEFIT OBLIGATIONS

	The Group 2021 RM	2020 RM
Present value of retirement benefit obligations, representing net liabilities	<u>1,806,216</u>	<u>1,800,736</u>
Analysed as:		
Current	260,276	265,274
Non-current	<u>1,545,940</u>	<u>1,535,462</u>
	<u>1,806,216</u>	<u>1,800,736</u>

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

	The Group 2021 RM	2021 RM
Current services costs	193,313	204,460
Interest costs	<u>22,881</u>	<u>21,968</u>
	<u>216,194</u>	<u>226,428</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	The Group 2021 RM	2020 RM
Balance at beginning	1,800,736	1,698,423
Recognised in the profit or loss:		
Employee benefit expense	216,194	226,428
Contribution paid	(85,420)	(89,454)
Effects of movements in exchange rates	(125,294)	(34,661)
	<u>1,806,216</u>	<u>1,800,736</u>

The principle actuarial assumptions used are as follows:

	The Group 2021	2020
Discount rate	1.53%	1.53%
Long-term salary increment rate	<u>4.00%</u>	<u>4.00%</u>

The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of each reporting period changed with all other variables held constant period:

	2021 %	The Group RM	2020 %	RM
Discount rate increase	1	(123,438)	1	(123,034)
Discount rate decrease	(1)	140,558	(1)	140,298
Long-term salary increment rate increase	1	168,983	1	150,819
Long-term salary increment rate decrease	(1)	(150,014)	(1)	(134,487)

The average duration of the defined benefit plan obligation at the end of the reporting period is 12 years (2020: 12 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 and additional liabilities were required to be recognised. The subsidiary has recorded the effects of change in the prior financial year's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade				
Third parties	130,334,652	86,025,069	-	-
Related parties	50,238,492	37,393,138	-	-
	<u>180,573,144</u>	<u>123,418,207</u>	<u>-</u>	<u>-</u>
Non-trade				
Amount due to ultimate holding company	1,077,887	16,543	-	-
Other payables	25,165,147	12,592,659	-	19,732
Accruals	<u>20,793,382</u>	<u>12,929,825</u>	<u>2,658,974</u>	<u>2,709,561</u>
	<u>47,036,416</u>	<u>25,539,027</u>	<u>2,658,974</u>	<u>2,729,293</u>
	<u>227,609,560</u>	<u>148,957,234</u>	<u>2,658,974</u>	<u>2,729,293</u>

The normal credit terms granted on the trade payables balances range from 30 to 90 days (2020: 30 to 90 days).

The normal credit terms granted on the amounts due to related parties balances are 30 days (2020: 30 days).

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

26. BORROWINGS

	The Group	
	2021	2020
	RM	RM
Current liabilities		
Onshore foreign currency loan	37,854,000	19,820,264
Multi-currency trade loan	12,618,000	8,497,396
Revolving credit	<u>21,030,000</u>	<u>-</u>
	<u>71,502,000</u>	<u>28,317,660</u>

The effective interest rates per annum are as follows:

	2021	2020
	%	%
Onshore foreign currency loan	2.64	2.71
Multi-currency trade loan	2.76	2.57
Revolving credit	<u>2.76</u>	<u>-</u>

These banking facilities are secured by legal charges over the leasehold land and building and investment properties of the Group and corporate guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

27. REFUND LIABILITIES

In 2020, the refund liabilities represents 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 customers. The volume rebates provided in 2020 has been materialised.

28. DIVIDENDS

	The Group and the Company	
	2021	2020
	RM	RM
In respect of the financial year ended December 31, 2020:		
First and final single tier dividend of RM0.024 per share	9,217,008	-
Special interim single tier dividend of RM0.026 per share	9,985,091	-
In respect of the financial year ended December 31, 2019		
Interim single tier dividend of RM0.024 per share	-	9,217,008
Special interim single tier dividend of RM0.026 per share	-	9,985,091
	19,202,099	19,202,099

29. RELATED PARTY TRANSACTIONS

The following details of transactions between the Group and the Company with related parties were carried out under terms and conditions negotiated amongst the related parties.

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
With subsidiaries:				
Management fees received	-	-	3,876,000	3,876,000
Dividend received	-	-	20,500,000	8,000,000
With ultimate holding company:				
Sales to	7,285,168	412,965	-	-
Purchases from	2,063,032	1,200,791	-	-
Sales of equipment to	402,616	-	-	-
With related parties:				
Sales to:				
Hon Hai Precision Industries Co., Ltd.	3,070,934	5,771,138	-	-
Pan-International (USA), Inc	301,775	24,742	-	-
Pan-International Precision Electronics Co Ltd.	135,274	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

29. RELATED PARTY TRANSACTIONS (CONT'D)

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Purchases from:				
Foxconn Technology Co., Ltd	286,481,778	147,472,620	-	-
Hon Hai Precision Industries Co., Ltd.	57,361,310	39,126,795	-	-
Pan-International (USA), Inc	-	907,314	-	-
Hongfujin Precision Electronics (Yantai) Co. Ltd	-	436,476	-	-
ShenZhen Futaihong Precision Ind. Co. Ltd.	386,005	222,770	-	-
Foxconn Interconnect Technology Singapore Pte. Ltd.	154,845	184,810	-	-
Futaihua Co. Ltd.	28,350	-	-	-
Purchase of machinery and equipment from:				
Pan-International Industrial Corp.	18,714	-	-	-

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 7.

30. CAPITAL COMMITMENTS

	The Group	
	2021	2020
	RM	RM
Contracted and not provided for:		
Property plant and equipment	10,309,158	17,963,326

31. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

31. OPERATING SEGMENTS (CONT'D)

Segment profit

Performance is measured based on segment profit before tax, interest income and expense and rental income 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 assets is measured based on all assets of a segment, excluding income producing assets, current and deferred tax assets and investment in unit trusts 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 revenue and results

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

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Elimination RM	Total RM
2021					
Revenue					
External revenue	1,025,003,279	168,602	31,981	-	1,025,203,862
Inter-segment revenue	23,412,412	1,346,221	24,376,000	(49,134,633)	-
Total revenue	1,048,415,691	1,514,823	13,907,981	(49,134,633)	1,025,203,862
Results					
Segment profit/(loss)	69,482,275	(49,794)	20,029,806	(20,633,675)	68,828,612
Rental income					5,166,725
Interest income					620,169
Interest expense					(270,425)
Profit before tax					74,345,081
Income tax expense					(14,025,147)
Profit for the year					60,319,934

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

31. OPERATING SEGMENTS (CONT'D)

Segment revenue and results (Cont'd)

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Elimination RM	Total RM
2020					
Revenue					
External revenue	685,958,987	183,940	219,847	-	686,362,774
Inter-segment revenue	18,774,795	904,074	11,876,000	(31,554,869)	-
Total revenue	<u>704,733,782</u>	<u>1,088,014</u>	<u>12,095,847</u>	<u>(31,554,869)</u>	<u>686,362,774</u>
Results					
Segment profit/(loss)	48,429,498	(94,751)	7,886,904	(5,994,982)	50,376,669
Rental income					4,239,828
Interest income					2,040,056
Interest expense					(11,407)
Profit before tax					56,645,146
Income tax expense					(11,049,167)
Profit for the year					<u>45,595,979</u>

Segment assets and liabilities

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Total RM
2021				
Assets				
Segment assets	379,809,982	1,751,556	2,010,867	383,572,405
Income producing assets				438,527,920
Current and deferred tax assets				2,852,959
Investment in unit trusts				<u>1,389,646</u>
Total assets				<u>826,342,930</u>
2020				
Assets				
Segment assets	392,075,733	5,177,880	2,020,230	399,273,843
Income producing assets				255,549,411
Current and deferred tax assets				1,558,963
Investment in unit trusts				<u>7,203,000</u>
Total assets				<u>663,585,217</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

31. OPERATING SEGMENTS (CONT'D)

Other segment information

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Total RM
2021				
Other information	60,289,208			60,289,208
Additions to non-current assets	65,655,799	-	-	65,655,799
Depreciation of property, plant and equipment and right-of-use assets	18,362,635	-	-	18,362,635
Provision for expected credit loss of trade receivables, net	308	863	-	1,171
Fair value gain on investment properties	750,000	-	-	750,000
Fair value loss on financial asset at fair value through profit or loss	-	-	17,632	17,632
Loss on disposal of property, plant and equipment	490,537	-	-	490,537
Gain on disposal of short-term investments	-	-	29,806	29,806
Interest expense	270,425	-	-	270,425
Interest income	576,581	43,588	-	620,169
Reversal of inventories written down	4,119,222	-	-	4,119,222
Unrealised gain on foreign exchange	2,440,753	-	42,636	2,483,389
2020				
Other information				
Additions to non-current assets	28,970,013	-	-	28,970,013
Bad debts written off	2,233	-	-	2,233
Depreciation of property, plant and equipment and right-of-use assets	17,817,517	-	-	17,817,517
Provision/(reversal of provision) for expected credit loss of trade receivables, net	146,888	(353)	-	146,535
Fair value gain on investment properties	2,803,336	-	-	2,803,336
Fair value loss on financial asset at fair value through profit or loss	-	-	54,972	54,972
Loss on disposal of property, plant and equipment	196,930	-	-	196,930
Gain on disposal of short-term investments	-	-	25,582	25,582
Interest expense	11,407	-	-	11,407
Interest income	1,999,999	39,648	409	2,040,056
Inventories written down	1,895,130	-	-	1,895,130
Inventories written off	2,121,120	-	-	2,121,120
Unrealised (gain)/loss on foreign exchange	(1,817,586)	-	21,094	(1,796,492)

Geographical information

The Group's manufacturing activities are located in Malaysia and Thailand and trading activities are located in Malaysia and Singapore.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

31. OPERATING SEGMENTS (CONT'D)

Geographical information (Cont'd)

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
2021		
Malaysia	617,018,782	173,097,323
Other Asia Pacific countries	151,157,477	11,935,777
Europe countries	90,758,722	-
United States of America	166,268,881	-
	<u>1,025,203,862</u>	<u>185,033,100</u>
2020		
Malaysia	403,292,676	125,029,716
Other Asia Pacific countries	93,051,073	13,560,811
Europe countries	77,075,780	-
United States of America	112,943,245	-
	<u>686,362,774</u>	<u>138,590,527</u>

Information about major customers

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

	Revenue		
	2021	2020	
	RM	RM	Segments
Customer A	341,728,883	176,724,651	Manufacturing of industrial products
Customer B	155,178,810	100,600,551	Manufacturing of industrial products
Customer C	92,575,654	94,326,894	Manufacturing of industrial products
	<u>589,483,347</u>	<u>371,652,096</u>	

32. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. Management monitors capital based on ability of the Group and of the Company to generate sustainable profits. The Group's and the Company's overall strategy remains unchanged from 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

b. Categories of financial instruments

	The Group 2021 RM	2020 RM	The Company 2020 RM	2020 RM
Financial assets				
At amortised cost:				
Trade and other receivables, excluding prepayments and GST recoverable	248,542,623	202,479,988	20,279,421	13,699,421
Cash and cash equivalents	78,275,158	143,706,500	273,358	282,721
At fair value through profit or loss:				
Short-term investments	1,389,646	7,203,000	1,389,646	7,203,000
Financial liabilities				
At amortised cost:				
Trade and other payables	227,609,560	148,957,234	2,658,974	2,729,293
Borrowings	71,502,000	28,317,660	-	-
Refund liabilities	-	1,324,561	-	-
Retirement benefit obligations - current	260,276	265,274	-	-
Retirement benefit obligations non-current	1,545,940	1,535,462	-	-

c. Financial risk management objectives and policies

The operations of the Group and of the Company are subject to a variety of financial risks, including market risk, foreign currency risk, credit risk, interest rate risk, liquidity risk and cash flow risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to utilized the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

i. Market risk management

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

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

ii. Foreign currency risk management

The Group and the Company have exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. The Group and the Company enter into derivative financial instruments to manage its exposure to foreign currency risk, including foreign currency forward contracts to hedge the exchange rate risks arising on foreign currency transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

ii. Foreign currency risk management (Cont'd)

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

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Assets				
United States Dollars	232,535,290	189,045,858	1,087,947	1,048,511
Euro	17,698,724	4,997,175	-	-
Singapore Dollars	1,109,385	3,430	-	-
Others	24,029	25,646	-	-
Liabilities				
United States Dollars	251,808,166	153,434,010	-	-
Euro	-	383,576	-	-
Singapore Dollars	5,908	4,056	-	-
Others	5,080,609	1,051,408	-	-

The following table details the Group's and the Company's sensitivity to a 10% (2020: 10%) strengthening of the RM against the relevant foreign currencies. 10% (2020: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates. A positive number below indicates an increase in profit net of tax (2020: an increase in profit net of tax) and a negative number indicates a decrease in profit net of tax (2020: a decrease in profit net of tax) where the RM strengthens 10% (2020: 10%) against the relevant currency. For a 10% (2020: 10%) weakening of the RM against the relevant currency, it would have had equal but opposite effect on the below currencies to the amounts shown below.

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Impact on profit or loss				
United States Dollar	1,927,288	(3,561,185)	(108,795)	(104,851)
Euro	(1,769,872)	(461,360)	-	-
Singapore Dollar	(110,348)	63	-	-
Others	505,658	102,576	-	-

iii. Credit risk management

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

iii. Credit risk management (Cont'd)

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

At the end of the reporting period, approximately 69% (2020: 54%) of the Group's third party trade receivables were due from 2 (2020: 2) major customers. 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.

(a) Ageing analysis - 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 third party trade receivables only. The ageing of third party trade receivables of the Group as at the end of the reporting period is as follows:

	Gross RM	Loss allowance RM	Net RM
2021			
Not past due	180,295,149	(125,750)	180,169,399
1 to 30 days past due	10,354,199	(631)	10,353,568
31 to 60 days past due	956,239	(10,642)	945,597
61 to 90 days past due	64,360	(2,562)	61,798
Past due more than 90 days	286,398	(150,000)	136,398
	<u>191,956,345</u>	<u>(289,585)</u>	<u>191,666,760</u>
2020			
Not past due	104,845,830	(55,003)	104,790,827
1 to 30 days past due	14,611,814	-	14,611,814
31 to 60 days past due	2,196,126	(34,168)	2,161,958
61 to 90 days past due	779,973	(12,343)	767,630
Past due more than 90 days	341,742	(197,246)	144,496
	<u>122,775,485</u>	<u>(298,760)</u>	<u>122,476,725</u>

The ECL allowance is calculated based on expected loss rate ranging from 0.3% to 100% (2020: 0.3% to 100%).

32. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

iii. Credit risk management (Cont'd)

(a) Ageing analysis - maximum exposure to credit risk (Cont'd)

The provision for expected credit loss of trade receivables as at December 31, 2021 reconciles to the opening loss allowance for that provision as follows:

	2021 RM	2020 RM
At January 1	298,760	153,155
Provision for expected credit loss	73,716	166,581
Reversal of provision for expected credit loss	(72,545)	(20,046)
Effects of movements in foreign exchange rates	(10,346)	(930)
At December 31	289,585	298,760

(b) 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 RM212,479,400 (2020: RM118,884,700). The maximum exposure to credit risk is RM71,502,000 (2020: RM28,317,660) as there was 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.

iv. Interest rate risk management

The Group's fixed rate fixed deposits with licensed banks, short-term money market deposits placed with licensed banks and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

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

	The Group	
	2021 RM	2020 RM
Fixed rate instruments		
Fixed deposits with licensed banks	11,861,792	69,837,824
Short-term money market deposits	3,000,000	35,484,450
Borrowings	71,502,000	28,317,660

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

v. Liquidity risk management

As a result of the Coronavirus disease pandemic, there is increased attention for and monitoring of risks associated with working capital that might impact the Group's and the Company's liquidity. The Group and the Company remain focused on ensuring sufficient access to money markets to finance business growth and to meet its debt obligations. The Group and the Company seek to align the maturity profile of its financial obligations with its forecasted cash flow generation. Furthermore, strong cost and cash management policies are in place to preserve cash and protect the Group's and the Company's liquidity.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	The Group		The Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Not later than 1 year				
Trade and other payables	227,609,560	148,957,234	2,658,974	2,729,293
Borrowings	71,552,877	28,496,840	-	-
Refund liabilities	-	1,324,651	-	-
Retirement benefit obligations	273,349	304,154	-	-
Financial guarantee contracts*	212,479,400	118,884,700	-	-
Later than one year and not later than five years				
Retirement benefit obligations	1,784,623	1,569,382	-	-

* The carrying amount of financial guarantee contracts as at the reporting date is RM Nil (2020: RM Nil) as there was no indication that the subsidiaries would default on repayment. The disclosure represents the maximum amount that is required to be settled in the event that the subsidiaries default on the banking facilities granted.

All financial assets and financial liabilities of the Group and of the Company are repayable on demand or due within 1 year from the end of the reporting period.

vi. Cash flow risk management

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

d. Fair value measurement

This note provides information about how the Group and the Company determines fair values of various financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

d. Fair value measurement (Cont'd)

i. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, in particular the valuation techniques and inputs used.

		The Group and the Company	
		2021	2020
		RM	RM
Investment in unit trusts		<u>1,389,646</u>	<u>7,203,000</u>
Fair value hierarchy	Level 1		
Valuation technique and key input	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.		
Significant unobservable input	Not applicable		
Relationship of unobservable input to fair value	Not applicable		

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

ii. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values due to the short term maturity of these financial instruments.

33. MATERIAL LITIGATION

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

In 2015, a subsidiary of the Company, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIESB") received demand letters from the 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 the RMC. The RMC had subsequently withdrew the blacklisting of all directors with the condition that PIESB remit a payment of 20% amounting to RM1,854,725 of the disputed sum and placed a bank guarantee with the RMC for the remaining sum. PIESB had complied with the instructions of the RMC without prejudice.

To date, the RMC had not filed any suit against PIESB for the above said claim. PIESB had filed an appeal with the Malaysia Ministry of Finance ("MOF") regarding the alleged unpaid import duties and sales tax of which its application was verbally rejected by the MOF on October 31, 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 of Penang. The High Court of Penang dismissed PIESB's application for a judicial review. Following the dismissal by the High Court of Penang, PIESB had submitted an appeal application against the decision of the High Court of Penang to the Court of Appeals of which hearing of the case was fixed on June 24, 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

33. CONTINGENT LIABILITIES (CONT'D)

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

The Court of Appeal however decided that the appeal was premature as there was no documentary proof that the MOF had issued a letter to dismiss PIESB appeal for remission of the custom duties and sales tax. As such, the solicitor had advised PIESB to write a fresh letter of appeal to the MOF to request the Minister of Finance to reconsider and allow its appeal for the remission of the custom duties and sales tax. In December 2021, an additional payment of RM741,889 had been made by PIESB to the RMC based on a notice of demand received from the RMC.

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. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organization in March 2020 declared the Coronavirus disease outbreak ("COVID-19") as a global pandemic. In Malaysia, the Malaysian Government has taken certain actions in dealing with the pandemic, which included the declaration of the Movement Control Order ("MCO") which came into effect on March 18, 2020.

Due to the rising number of COVID-19 infections in 2021, the Malaysian Government had reimplemented the MCO 2.0 and MCO 3.0. MCO 2.0 and MCO 3.0 came into effect on January 13, 2021 and May 10, 2021 respectively, in which only selected sectors of the economy were allowed to operate, subject to certain restrictions and compliance to the standard operating procedures. As the manufacturing sector is one of the selected sectors which was allowed to operate, the operations and business activities of the subsidiaries in Malaysia had not been significantly affected by the implementation of the MCO 2.0 and MCO 3.0.

Following MCO 2.0 and MCO 3.0, a nationwide full lockdown ("FMCO") was introduced from June 1, 2021 due to the significant spike in COVID-19 cases in Malaysia. All economy sectors were not allowed to operate during this period except for the essential economic and service sectors with a 60% workforce capacity. Approval from MITI allowed the subsidiaries in Malaysia to operate at 60% workforce with effect from June 1, 2021 and at 100% subsequently. Furthermore, operations in Thailand and Singapore were not interrupted as business activities were not restricted in the area which the subsidiaries operate.

As the Company is principally involved in investment holding and provision of management services, its business and operations were also not significantly affected by the outbreak of COVID-19 and the implementation of MCO 2.0, MCO 3.0 and FMCO.

In response to the COVID-19 pandemic, the Group had implemented measures to mitigate the risk of disruption to its production and business operations. As part of its risk mitigation measures, the Group had in place preventive measures such as diversifying its supply chain and holding higher inventory amounts as part of its response to mitigate the potential risk of disruption to its business.

Nevertheless, there continues to be considerable uncertainty over the scale and duration of the impact arising from COVID-19. However, as the related financial impact cannot be estimated with sufficient reliability, the Company does not consider it practical to provide a quantitative estimate of the potential impact of COVID-19 on the Company as at the date of this report.

Overall, the outbreak of COVID-19 and the implementation of the MCO 2.0, MCO 3.0 and FMCO have not resulted in any material impact to the Group's and the Company's business and operations as of the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

35. COMPARATIVE FIGURES

Certain comparative figures of the Group have been reclassified to conform with the presentation in the current financial year. These relate to the following:

	As previously reported RM	Reclassification RM	As reclassified RM
The Group			
Statement of financial position as of December 31, 2020			
Property, plant and equipment	85,400,153	(1,757,606)	83,642,547
Right-of-use assets	<u>6,204,507</u>	<u>1,757,606</u>	<u>7,962,113</u>
Statement of cash flow as of December 31, 2020			
Depreciation of property, plant and equipment	17,612,472	(58,845)	17,553,627
Amortisation of right-of-use assets	<u>205,045</u>	<u>58,845</u>	<u>263,890</u>

STATEMENT BY DIRECTORS

The directors of **P.I.E. INDUSTRIAL BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the 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 of December 31, 2021 and of the financial performance and the cash flows of the Group and of the Company for the year then ended on that date.

Signed in accordance with a resolution of the Directors,

MUI CHUNG MENG

LAN, KUO-YI

Date: **MARCH 21, 2022**

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LAN, KUO-YI**, the director primarily responsible for the financial management of **P.I.E. INDUSTRIAL BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by

the abovenamed **LAN, KUO-YI** at

GEORGETOWN in the State of **PENANG**

on **MARCH 21, 2022**

Before me,

ONG LIN TEONG (NO. P192)
COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 1 APRIL 2022

Total Number of Issued Shares	: 384,041,985
Class of Shares	: Ordinary Shares with equal voting rights
Number of Shareholders	: 4,710

DISTRIBUTION OF SHAREHOLDERS AS AT 1 APRIL 2022

Holdings	No. of Holders	Shareholding	%
1 - 99	22	277	0.00
100 - 1,000	864	658,575	0.17
1,001 - 10,000	2,648	12,287,800	3.20
10,001 - 100,000	1,002	29,454,405	7.67
100,001 - 19,202,098	173	144,180,943	37.54
19,202,099 and above	1	197,459,985	51.42
Total	4,710	384,041,985	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 1 APRIL 2022

	Name	Shareholdings	%
1	PAN GLOBAL HOLDING CO. LTD	197,459,985	51.42
2	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	12,821,700	3.34
3	WONG YOKE FONG @ WONG NYOK FING	10,203,000	2.66
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG (7001418)	7,265,200	1.89
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	6,212,000	1.62
6	GOH THONG BENG	5,967,000	1.55
7	LEMBAGA TABUNG HAJI	5,930,000	1.54
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	4,650,000	1.21
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	4,475,200	1.17
10	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YOKE FONG @ WONG NYOK FING (M)	3,845,100	1.00
11	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	3,065,200	0.80
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC SELECT TREASURES EQUITY FUND	3,029,300	0.79
13	CHUNG LEAN HWA	2,460,000	0.64
14	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)	2,145,200	0.56
15	WONG YOKE FONG @ WONG NYOK FING	2,135,500	0.56
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA EQUITYTRUST FUND (211882)	2,070,500	0.54
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC GROWTH BALANCED FUND	1,900,000	0.49
18	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	1,820,500	0.47
19	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	1,752,800	0.46

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 1 APRIL 2022 (CONT'D)

	Name	Shareholdings	%
20	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (UOB AMM6939-406)	1,661,500	0.43
21	WONG YOON TET	1,656,000	0.43
22	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	1,460,000	0.38
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD WONG GOAY SUAN	1,347,000	0.35
24	LIM SOON HUAT	1,346,000	0.35
25	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	1,341,100	0.35
26	OUTSTANDING GROWTH TECHNOLOGY LIMITED	1,240,700	0.32
27	WONG YOON CHYUAN	1,195,000	0.31
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	1,182,100	0.31
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR KENANGA SYARIAH EXTRA FUND (N14011960240)	1,142,000	0.30
30	MAK MEI LING	1,080,000	0.28

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2022

	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 1 APRIL 2022

	Name	Direct		Indirect	
		Shareholding	%	Shareholding	%
1	Mui Chung Meng ¹	10,000	0.003	2,460,000*	0.64
2	Wong Thai Sun	-	-	-	-
3	Lee Cheow Kooi	-	-	-	-
4	Koay San San	-	-	-	-
5	Lan, Kuo-Yi	-	-	-	-
6	Lim Chien Ch'eng	-	-	-	-

PERSONS CONNECTED TO DIRECTOR

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

¹ Being Spouse of the Director

* Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via spouse

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

AS AT 31 DECEMBER 2021

Location/Title	Tenure	Approximate Area	Description	Net Book Value as at 31.12.2021 (RM)	Age of Building (Years)	Year of Acquisition (A)/ Revaluation (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 - 2 storey detached office cum factory - guard house and other outbuildings	16,620,000	31	2021 (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 : 4.0 acres Built up : 12,100 sq. meters	Industrial complex - 1 storey factory A - Annexed 2 storey office - 1 storey factory B - guard house and canteen	16,000,000	31	2021 (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 : 19,783 sq. meters	Industrial complex - 2 storey office - 1 storey factory - Annexed 3 storey production areas - 3 units 1 storey warehouse - Guardhouse and canteen	13,128,910	29	1990 (A) & 2010 (R)
H.S.(D) 4634, P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang#	Leasehold – 60 years (expire on 3.12.2050)	Land : 3.08 acres Built up : 11,728 sq. meters	Industrial complex - 2 storey detached office cum factory	10,600,000	29	2021 (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 : 4.0 acres Built up : 17,110 sq. meters	Industrial complex - 3 storey office - 2 storey factory complex - guard house	10,413,869	26	2012 (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 : 8,300 sq. meters	Industrial complex - 1 storey detached factory building	9,225,798	31	2010 (A) & 2010 (R)
H.S.(D) 46251, Plot 6, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang#	Leasehold – 60 years (expire on 12.12.2035)	Land : 4.0 acres	Land - Building under construction	5,366,591	45	2020 (A)
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	4,899,274	27	1990 (A) & 2021 (R)

TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES (CONT'D) AS AT 31 DECEMBER 2021

Location/Title	Tenure	Approximate Area	Description	Net Book Value as at 31.12.2021 (RM)	Age of Building (Years)	Year of Acquisition (A)/ Revaluation (R)
T/D No. 10832, No.101/47/15 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.64 acres Built up : 2,251 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey store	2,570,625	32	2020 (R)
T/D No. 10051, No.101/4/1 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.44 acres Built up : 1,183 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	1,641,938	31	2020 (R)

Note:

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIFTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT MEETING ROOM 1, LEVEL 1, IXORA HOTEL, JALAN BARU, BANDAR PERAI JAYA, 13600 PERAI, PENANG, MALAYSIA ON FRIDAY, 20 MAY 2022 AT 9.00 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2021 together with the Reports of the Directors and of the Auditors thereon. (Please refer to Note A)
2. To approve the payment of Directors' Fees of up to RM81,000.00 for the financial year ended 31 December 2021. (Ordinary Resolution 1)
3. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM35,200.00 from 1 June 2022 until the next Annual General Meeting (AGM) of the Company. (Ordinary Resolution 2)
4. To re-elect the following Directors retiring under the respective provision of the Constitution of the Company, and who being eligible, offered themselves for re-election:
 - a) Mr Lee Cheow Kooi Article 102(1) (Ordinary Resolution 3)
 - b) Mr Wong Thai Sun Article 102(1) (Ordinary Resolution 4)
 - c) Mr Lim Chien Ch'eng Article 107(2) (Ordinary Resolution 5)
5. To re-appoint Messrs. Deloitte PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 6)

SPECIAL BUSINESS

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

6. **Authority to Issue Shares** (Ordinary Resolution 7)
 "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until 31 December 2022 or any other such time of period extension granted by Bursa Securities after such date but until the conclusion of the next AGM of the Company."
7. **Authority to Purchase its own Shares** (Ordinary Resolution 8)
 "That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:
 - i. The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;
 - ii. The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 December 2021, the audited retained profits of the Company stood at RM457,097;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. Authority to Purchase its own Shares (Cont'd)

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

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

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

(Ordinary Resolution 9)

"That, approval be and is hereby given for the purpose of Chapter 10 of Bursa Securities Main Market Listing Requirements for the Company and its group of companies to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as listed in Section 3 of the Circular to the shareholders dated 21 April 2022 provided that such transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the Mandated Related Parties than those generally available to the public, are not to the detriment of the minority shareholders and disclosures on the breakdown of the aggregate value of these transactions conducted pursuant to the shareholders' mandate shall be made available in the Annual Report for the year ended 31 December 2021 ("the Mandate") and the Directors of the Company are hereby authorised to give effect to the various arrangements and/or transactions related to the above transactions and this shareholders' mandate.

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

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



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

By Order of the Board,

WONG YEE LIN (MIA15898)
SSM PC NO. 201908001793

HING POE PYNG (MAICSA 7053526)
SSM PC NO. 202008001322
Secretaries

Penang
Date: 21 April 2022

Notes:

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.*
- For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 11 May 2022. Only a depositor whose name appears on the Record of Depositors as at 11 May 2022 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/ her stead.*
 - A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his/her place. If a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
 - Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
 - The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
 - The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang, not less than 24 hours before the time appointed for holding the meeting.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Note On Special Business:

1. Ordinary Resolution 7 - Authority to issue Shares

The proposed Resolution No. 7, if passed, will grant a renewed general mandate and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total twenty per centum (20%) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority shall continue in force until 31 December 2022 or any other such time of period extension granted by Bursa Securities after such date but until the conclusion of the next AGM of the Company.

The Mandate 2021 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the 24th AGM. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

2. Ordinary Resolution 8 - Authority to Purchase its own Shares

The proposed Resolution 8, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM.

3. Ordinary Resolution 9 - Renewal of Proposed Shareholders' Mandate

The proposed Resolution 9, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to shareholders dated 21 April 2022.

PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 7 as stated in the Notice of Annual General Meeting of the Company for the details.

COVID-19 OUTBREAK MEASURE NOTES

The health and safety of our members and staff who will attend the AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

1. Shareholders are strongly encouraged to appoint the Chairman of the AGM to act as proxy to attend and vote at the AGM on your behalf by submitting the proxy form with pre-casted voting instruction.

2. To attend the AGM, attendees are required to be full vaccinated (as defined by Majlis Keselamatan Negara);

For attendees that are not fully vaccinated, pre-event test via self-test kit (saliva) must be carried out at the AGM venue.

Only attendees with low risk status in the MySejahtera profile are allowed to attend the AGM.

We encourage the non-fully vaccinated attendees to arrive at least 30 minutes prior to the start of the AGM. This will allow ample time for the organiser to carry out the pre-event test via self-test kit (saliva).

3. All attendees are required to wear face masks at all times and to practise social distancing of 1 meter throughout the AGM and only allowed to sit at the place arranged by the Company.
4. Attendees who show any symptom of COVID-19 for instances cough, sore throat, flu and shortness of breath, or who are under Investigation and/or Person under Surveillance of COVID-19, will not be allowed to attend the AGM.
5. There will be no door-gift provided to the attendees.
6. Shareholders are required to register ahead of the AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants. Thus, kindly RSVP your intention to attend the AGM by email to smboon@pan-intl.com.
7. Attendees are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM arrangement.

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 2021, the retained profits of the Company stood at RM457,097. 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 RM273,358 based on the audited financial statements of PIE as at 31 December 2021. Any funds utilized by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM

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

SHARE BUY-BACK STATEMENT (CONT'D)

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM (CONT'D)

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 1 April 2022 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 1 April 2022				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Lim Chien Ch'eng	-	-	-	-	-	-	-	-
Mui Chung Meng ²	10,000	0.0026	-	-	10,000	0.0029	-	-
Lan, Kuo-Yi	-	-	-	-	-	-	-	-
Wong Thai Sun	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

Substantial Shareholders

Name	Existing as at 1 April 2022				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 1 April 2022				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

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.

SHARE BUY-BACK STATEMENT (CONT'D)

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

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 1 April 2022, 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 1 April 2022	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.

SHARE BUY-BACK STATEMENT (CONT'D)

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (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 2022.

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 2022 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 1 April 2022, approximately 183,884,000 Shares representing 47.88% of the total number of issued shares of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of PIE shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with 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-Fifth 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
2021		
April	3.53	3.13
May	3.25	2.40
June	3.17	2.62
July	3.29	2.78
August	3.67	3.00
September	3.94	3.30
October	4.03	3.46
November	4.28	3.58
December	3.97	3.61

SHARE BUY-BACK STATEMENT (CONT'D)

14. HISTORICAL SHARE PRICES (CONT'D)

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

	High RM	Low RM
2022		
January	3.82	2.88
February	3.27	2.55
March	3.13	2.17

Last transacted market price as at 12 April 2022 (being the latest practical date prior to the printing of this Statement) was RM2.78.

(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-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, 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 2020 and 2021 respectively.

17. FURTHER INFORMATION

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

PROXY FORM



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)
(Incorporated in Malaysia)

No. of Ordinary Shares held	CDS Account No.
Contact No.	Email Address

*I/We, _____ (NRIC no. / Passport No. _____)

of _____

being a member of P.I.E. Industrial Berhad hereby appoint (Proxy 1) _____

(NRIC no. / Passport No. _____) and */or failing him* (Proxy 2), _____

_____ (NRIC no. / Passport No. _____)

of _____

and */or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company to be held at Meeting Room 1, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang, Malaysia on Friday, 20 May 2022 at 9.00 a.m. and at any adjournment thereof as indicated below:

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

Proxy 1	%	Proxy 2	%
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In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf. *I/We hereby indicate with an "X" in the spaces provided how *I/we wish *my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

* Strike out whichever is inapplicable

AGENDA			
To receive the Audited Financial Statements of the Company for the year ended 31 December 2021 together with the Reports of the Directors and of the Auditors thereon.			
RESOLUTIONS		For	Against
Ordinary Resolution 1	To approve the payment of Directors' Fees of up to RM81,000.00 for the financial year ended 31 December 2021.		
Ordinary Resolution 2	To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM35,200.00 from 1 June 2022 until the next Annual General Meeting (AGM) of the Company.		
Ordinary Resolution 3	To re-elect Mr Lee Cheow Kooi who retires pursuant to Article 102(1) of the Company's Constitution.		
Ordinary Resolution 4	To re-elect Mr Wong Thai Sun who retires pursuant to Article 102(1) of the Company's Constitution.		
Ordinary Resolution 5	To re-elect Mr Lim Chien Ch'eng who retires pursuant to Article 107(2) of the Company's Constitution.		
Ordinary Resolution 6	To appoint Messrs. Deloitte PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
Ordinary Resolution 7	To authorise Directors to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act, 2016.		
Ordinary Resolution 8	To approve the authority to purchase company's own share.		
Ordinary Resolution 9	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this _____ day of _____, 2022. Signature / Common Seal of Shareholder _____

Notes:

- A. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.
1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 11 May 2022. Only a depositor whose name appears on the Record of Depositors as at 11 May 2022 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/ her stead.
2. A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his/ her place. If a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang, not less than 24 hours before the time appointed for holding the meeting.

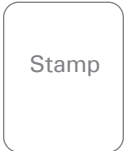


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The Company Secretaries
P.I.E. INDUSTRIAL BERHAD
Registration No.: 199701008590 (424086-X)
(Incorporated in Malaysia)

51-8-A, Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang, Malaysia.



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P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)

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

Tel : +604-399 0401

www.pieib.com.my