THIS CIRCULAR IS FOR YOUR INFORMATION ONLY. NO ACTION IS REQUIRED TO BE TAKEN. IF YOU HAVE SOLD ALL YOUR SECURITIES IN P.I.E. INDUSTRIAL BERHAD, PLEASE FORWARD THIS INTRODUCTORY CIRCULAR TO THE AGENT THROUGH WHOM THE SALE WAS CONTRACTED FOR ONWARD TRANSMISSION TO THE PURCHASER.

P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated In Malaysia)

INTRODUCTORY CIRCULAR IN CONNECTION WITH THE TRANSFER OF THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF P.I.E. INDUSTRIAL BERHAD FROM THE SECOND BOARD TO THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

Advised By

Arab-Malaysian Merchant Bank Berhad

(23742-V)(Licensed Merchant Bank)
(A member of the Arab-Malaysian Banking Group)

This Introductory Circular is dated 31 January 2002

Definitions

Except where the context otherwise requires, the following definitions shall apply throughout this Introductory Circular :-

Arab-Malaysian	—	Arab-Malaysian Merchant Bank Berhad
Board	—	The Board of Directors of PIB
EPS	—	Earnings Per Share
KLSE	—	Kuala Lumpur Stock Exchange
PAT	—	Profit After Taxation
PBT	—	Profit Before Taxation
PCB	—	Printed Circuit Boards
PESB	—	PIE Enterprise (M) Sdn Bhd, a wholly-owned subsidiary of PIE
PIB Group or the Group	—	PIB and its subsidiaries
PIB or the Company	—	P.I.E. Industrial Berhad
PIE	—	Pan-International Electronics (Malaysia) Sdn Bhd, a wholly-owned subsidiary of PIB
PIS	—	Pan-International Corporation (S) Pte Ltd, a wholly-owned subsidiary of PIE
PIW	—	Pan-International Wire & Cable (Malaysia) Sdn Bhd, a wholly-owned subsidiary of PIB
RM and sen	—	Ringgit Malaysia and sen respectively
SC	—	Securities Commission
Share(s)	—	Ordinary share(s) of RM1.00 each
S$	—	Singapore Dollar
Transfer	—	Transfer of the listing of and quotation for the entire issued and paid-up share capital of PIB comprising 60,000,000 ordinary shares of RM1.00 each from the Second Board to the Main Board of the KLSE
USD	—	United States Dollar

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P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

Registered Office

3rd Floor Wisma Wang
251-A Jalan Burma
10350 Penang

31 January 2002

Directors

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	*(Chairman)*
Mui Chung Meng	*(Managing Director)*
Chen, Chih-Wen	*(Executive Director)*
Yeap Hun Leng	*(Executive Director)*
Cheng Shing Tsung	
Yen, Chien-Kun	
Ahmad Murad Bin Abdul Aziz	

To : **The Shareholders of P.I.E. INDUSTRIAL BERHAD**

Dear Sir / Madam,

INTRODUCTORY CIRCULAR IN CONNECTION WITH THE TRANSFER OF THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF P.I.E INDUSTRIAL BERHAD COMPRISING 60,000,000 ORDINARY SHARES OF RM1.00 EACH FROM THE SECOND BOARD TO THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

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1. INTRODUCTION

On 5 November 2001, Arab-Malaysian, on behalf of the Board, announced to the KLSE the transfer of the listing of and quotation for the entire issued and paid-up share capital of PIB from the Second Board to the Main Board of the KLSE.

The SC has vide its letter dated 14 December 2001 approved the Transfer.

The purpose of this Introductory Circular is to provide shareholders with the details of the Transfer to the Main Board of the KLSE.

NO ACTION IS REQUIRED ON YOUR PART

2. TRANSFER TO THE MAIN BOARD OF THE KLSE

PIB has met all the conditions set by the SC with regards to the transfer of the listing of securities issued by the Company from the Second Board to the Main Board of the KLSE as follows :-

i) Minimum Period of Being Listed for One(1) Year

PIB was listed on the Second Board of the KLSE on 7 July 2000. Accordingly, PIB has met the criteria that a Second Board company must be listed for at least one(1) year on the Second Board before applying for a transfer to the Main Board.

ii) Profit Forecast

PIB has met its profit forecast for the financial year ended 31 December 2000, as disclosed in its prospectus dated 26 May 2000 as follows:-

Year ended 31 December 2000 RM'000	As Per Prospectus Dated 26 May 2000	Audited As At 31.12.2000
Consolidated profit before taxation	21,320	24,310
Consolidated profit after taxation	15,350	18,386

iii) Three(3) to Five(5) Year Profit Track Record

PIB has met the three(3) year profit track record requirement with an aggregate after-tax profit of not less than RM30.0 million over the said three(3) financial years and an after-tax profit of not less than RM8.0 million in respect of the most recent financial year. The proforma profit after tax for the two(2) financial years ended 31 December 1998 and 1999 and the audited profit after tax for the financial year ended 31 December 2000 are as follows:-

	←Proforma*	→	Audited	
Year ended 31 December RM'000	1998	1999	2000	Aggregated Profit
Consolidated profit after tax	15,502	22,271	18,386	56,159

* *The Proforma consolidated profit after tax is based on the audited accounts of the subsidiaries of PIB as if the group was in existence throughout the two years.*

The audited results of PIB is disclosed as item 7 of Appendix I in this Introductory Circular.

iv) Issued and Paid-up Share Capital

PIB's issued and paid-up share capital as at 31 December 2001 was RM60,000,000 comprising 60,000,000 Shares which meets the requirement for a Main Board listing as it conforms with the SC's Guidelines that a public company seeking listing on the KLSE Main Board must have an issued and paid-up share capital of not less than RM60,000,000 comprising ordinary shares of RM1.00 each.

v) **Shareholding Spread**

For an enlarged share capital of between RM60 million to less than RM100 million, the SC Guidelines require at least 25% of the enlarged and paid-up capital to be in the hands of a minimum of 750 public shareholders (excluding employees) holding not less than 1,000 shares each.

As at 31 December 2001, PIB has 44.73% of its issued and paid-up share capital in the hands of 4,651 public shareholders, excluding directors of the Company and its subsidiaries/associated companies, shareholders who own 5% or more of the issued and paid-up capital of the Company and associates of directors or shareholders who own 5% or more of the issued and paid-up capital of the Company, each holding more than 1,000 ordinary shares of RM1.00 each but less than 5% of the issued and paid-up share capital of the Company.

Assuming all employees are shareholders of the Company, PIB has 4,013 public shareholders who are not employees.

3. RATIONALE FOR THE TRANSFER

Having met all the requirements for the Transfer, the Directors believe that the Transfer will also give PIB greater prestige and prominence among investors, customers, suppliers and financiers.

4. CONDITIONS FOR THE TRANSFER

The SC's approval for the Transfer was obtained via its letter dated 14 December 2001. Subsequently, approval in-principle was also received from the KLSE on 28 January 2002, subject to the following conditions being fulfilled three(3) market days prior to the Transfer :-

a) the issue of this Introductory Circular to the shareholders of PIB informing them of the Transfer;

b) placement of a box advertisement in a widely circulated Bahasa Malaysia and English newspaper informing the shareholders of PIB of the Transfer; and

c) confirmation that all conditions imposed by the relevant authorities which are required to be met prior to the Transfer have been met.

5. FINANCIAL EFFECTS OF THE TRANSFER

The Transfer has no effect on the share capital, earnings and net tangible assets of the Company.

6. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
P.I.E. INDUSTRIAL BERHAD

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Chairman

INFORMATION ON PIB

1. HISTORY AND BUSINESS

PIB was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 21 March 1997 under the name P.I.E. Industrial Sdn Bhd. It was subsequently converted to a public limited company on 30 May 1997, thus assuming its present name. The Company was listed on the Second Board of the KLSE on 7 July 2000.

PIB is principally involved in investment holding and providing management services. Its subsidiary companies are principally involved in the contract electronic manufacturing services, mainly supplying smart network cable, audio board, external card and scanner printed circuit board assembly to computer-related industry, manufacture of wires and cables, such as hook-up wire, Universal Serial Bus cable and mouse and keyboard cable for computer-related industry, consumer electronic industry and telecommunication industry. One of the subsidiaries is also involved in the trading of computer peripheral products such as Compact Disk-Read Only Memory (CD-ROM) drive for the computer-related industry. The operation of PIE and PIW are both located at Seberang Jaya Industrial Estate with a total built-up area of 22,705 square metres. Currently the output and capacity of PIB's main products are 717,000 pieces and 2,331,000 pieces respectively for network cable assembly, 1,022,000 pieces and 1,988,000 pieces respectively for line cord assembly and 450,000 pieces and 536,000 pieces respectively for barcode cable assembly. Approximately 41% of PIB Group's sales are for the export market and the remaining 59% for local market (including sales to licensed manufacturing warehouse). The main export markets are Singapore, United States of America, Philippines, China and Thailand.

2. SHARE CAPITAL

2.1 *Authorised and Paid-Up Share Capital*

The existing authorised and issued and paid-up share capital of PIB as at 31 December 2001 are as follows :-

Type	No of shares	Par value RM	Amount RM
Authorised	100,000,000	1.00	100,000,000
Issued and paid-up (ordinary shares)	60,000,000	1.00	60,000,000

2.2 *Movements in Issued and Paid-Up Share Capital*

Details of the changes in the issued and paid-up share capital of PIB since the date of incorporation are as follows :-

Date of allotment	*No. of Shares allotted*	*Par value RM*	*Purpose*	*Total issued and paid-up capital RM*
21.03.1997	2	1.00	Subscribers' shares	2
08.05.2000	20,821,289	1.00	Acquisition of PIW at an issue price of approximately RM1.32 per Share	20,821,291
08.05.2000	30,178,709	1.00	Acquisition of PIE at an issue price of approximately RM1.32 per Share	51,000,000
22.06.2000	9,000,000	1.00	Public issue at an issue price of RM2.80 per Share	60,000,000

3. SUBSIDIARY COMPANIES

PIB does not have any associated company. The subsidiary companies of PIB as at 31 December 2001 are as follows :-

Name of Companies	*Date and Place of Incorporation*	*Issued and Paid-up Capital*	*Par Value*	*Equity Interest (%)*	*Principal Activities*
PIE	26.01.1989 Malaysia	RM7,500,000	RM1.00	100	Contract electronic manufacturing services
PIW	26.01.1989 Malaysia	RM10,000,000	RM10.00	100	Manufacture of wires and cables
PESB	24.08.1996 Malaysia	RM100,000	RM1.00	100	Trading of computer peripheral products
PIS	11.01.1995 Singapore	S$100,000	S$1.00	100	Marketing and trading of PIB Group's products in Singapore

4. DIRECTORS' SHAREHOLDINGS

Based on the Register of Directors' Shareholdings, the shareholdings of the Directors as at 31 December 2001 are as follows :-

	Number of ordinary shares held			
	Direct	**%**	**Indirect**	**%**
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	10,001	0.02	-	-
Mui Chung Meng	10,000	0.02	-	-
Chen, Chih-Wen	10,000	0.02	-	-
Cheng Shing Tsung	10,000	0.02	-	-
Ahmad Murad Bin Abdul Aziz	10,001	0.02	-	-
Yen, Chien-Kun	-	-	-	-
Yeap Hun Leng	-	-	-	-

5. SUBSTANTIAL SHAREHOLDERS

Based on the Register of Substantial Shareholders' Shareholdings, the substantial shareholders as at 31 December 2001 are as follows :-

	Number of ordinary shares held			
Name of Shareholders	**Direct**	**%**	**Indirect**	**%**
Pan International Industrial Corporation	-	-	* 32,909,998	54.85
Pan Global Holding Co. Ltd	32,909,998	54.85	-	-
Lembaga Tabung Haji	4,800,000	8.00	-	-

* *Deemed interest by virtue of its substantial shareholding in Pan Global Holding Co. Ltd*

6. PROFIT AND DIVIDEND RECORD

The proforma consolidated profit for the four(4) financial years ended 31 December 1996 to 1999 and the audited consolidated profit for the financial year ended 31 December 2000 and unaudited consolidated profit for the nine(9) months period ended 30 September 2001 and its dividend record are as follows:-

	← Proforma #			→	Audited	Unaudited nine months period ended
31 December	**1996**	**1997**	**1998**	**1999**	**2000**	**30.09.2001**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	61,897	99,220	124,638	135,045	181,758	112,219
PBT	7,478	14,388	21,015	22,121	24,310	6,842
(Less)/Add : Taxation	(2,133)	(3,657)	(5,513)	150	(5,924)	(2,125)
PAT	5,345	10,731	15,502	22,271	18,386	4,717
No. of Shares in issue ('000 Shares)	*51,000	*51,000	*51,000	*51,000	60,000	60,000
Gross EPS (sen)	14.66	28.21	41.21	43.37	^ 43.80	11.40
Net EPS (sen)	10.48	21.04	30.40	43.67	^ 33.13	7.86
Gross Dividend (sen)	34.59	-	23.73	13.45	6.67	-

The Proforma is based on the audited accounts of the subsidiaries of PIB as if the group was in existence throughout the years.

* *Based on the issued and paid-up share capital after the acquisition of subsidiary companies in respect of the initial public offering of PIB.*

^ *Based on weighted average number of Shares of 55,500,000.*

Notes :

(a) *Turnover increased from RM61.9 million in 1996 to RM135.0 million in 1999 mainly due to PIE, one of the subsidiaries, which secured a new major customer whose orders grew from RM8 million in 1996 to RM69 million in 1999. This, together with the increase of sales to other customers, improved the Group's PBT from 7.5 million to RM22.1 million in 1999. The addition of two new subsidiaries, namely PESB and PIS had also contributed to the increase in turnover and PBT starting from 1996.*

(b) *For the financial year ended 31 December 2000, turnover increased mainly due to higher sales to the main customer of PIE. There was a continued growth in demand from customers for the new high quality and value added product of PIE which fetched a higher selling price. As the new product was produced by means of automated machines and did not require much direct labour, PIE was able to reach an economic of scale, thus resulting in an increase in PBT for the year.*

(c) *The lower profit for the financial period ended 30 September 2001 is mainly attributable to lower turnover as a result of the global economic slowdown as well as expansion plans undertaken in 2000 which resulted in high fixed costs to the Company.*

(d) *There were no exceptional nor extraordinary items for all financial years under review.*

7. AUDITED ACCOUNTS

An extract of PIB's latest audited accounts together with the Auditors' Report for the financial year ended 31 December 2000 are set out as follows:-

REPORT OF THE AUDITORS TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2000, and the related statements of income, changes in equity and cash flows, for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

   (i) the state of affairs of the Group and of the Company as of December 31, 2000 and of their results and cash flows for the year ended on that date; and

   (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of a subsidiary company, Pan-International Corporation (S) Pte Ltd, of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

REPORT OF THE AUDITORS TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-Section (3) of Section 174 of the Act.

DELOITTE KASSIM CHAN
AF: 0080
Public Accountants

TAN BOON HOE 1836/7/01(J)
Partner
April 4, 2001

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

		The Group		The Company	
	Note	2000	1999	2000	1999
		RM	RM	RM	RM
Revenue		181,758,282	135,044,940	4,132,400	-
Other operating income		1,670,523	2,349,871	110,659	-
Changes in inventories of finished goods and work in progress		5,260,027	393,793	-	-
Purchase of trading goods		(29,242,442)	(22,766,878)	-	-
Raw materials used		(107,264,881)	(69,689,675)	-	-
Staff costs	4	(13,381,510)	(11,300,204)	(88,039)	-
Depreciation of property, plant and equipment		(4,455,303)	(3,432,391)	-	-
Other operating expenses		(9,881,078)	(8,457,425)	(37,133)	(3,622)
Profit/ (loss) from operations		24,463,618	22,142,031	4,117,887	(3,622)
Finance cost		(153,330)	(20,503)	-	-
Profit/ (loss) before tax	5	24,310,288	22,121,528	4,117,887	(3,622)
Income tax expense	6	5,924,154	(149,118)	6,200	-
Net profit/ (loss) after tax for the year		18,386,134	22,270,646	4,111,687	(3,622)
Earnings per ordinary share	7	33.13 sen	43.67 sen		

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

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS OF DECEMBER 31, 2000

		The Group		The Company	
	Note	2000	1999	2000	1999
		RM	RM	RM	RM
PROPERTY, PLANT AND EQUIPMENT	8	51,507,025	29,000,003	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	9	-	-	56,499,998	-
CURRENT ASSETS					
Inventories	10	49,489,943	17,423,396	-	-
Trade receivables	11	19,848,774	24,817,150	-	-
Other receivables, deposits and prepayments		758,182	1,401,626	500	-
Amount owing by ultimate holding company	12	186,966	73,432	-	-
Amount owing by subsidiary companies	12	-	-	21,516,200	-
Amount owing by related companies	12	4,066,670	5,093,079	-	-
Short-term deposits with licensed banks		8,274,541	10,050,000	150,000	-
Cash and bank balances		10,820,485	3,114,720	32,256	2
Total Current Assets		93,445,561	61,973,403	21,698,956	2
CURRENT LIABILITIES					
Trade payables	12	8,184,291	6,542,009	-	-
Other payables and accruals		4,754,231	10,779,691	30,338	15,437
Amount owing to ultimate holding company	12	656,932	2,416,519	-	-
Amount owing to related companies	12	1,299,457	1,344,509	-	-
Amount owing to directors		9,000	15,711	9,000	-
Bank borrowings	13	3,301,000	-	-	-
Tax liabilities		1,237,012	123,371	6,200	-
Total Current Liabilities		19,441,923	21,221,810	45,538	15,437
NET CURRENT ASSETS/ (LIABILITIES)		74,003,638	40,751,593	21,653,418	(15,435)
		125,510,663	69,751,596	78,153,416	(15,435)

(FORWARD)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS OF DECEMBER 31, 2000

		The Group		The Company	
	Note	2000	1999	2000	1999
		RM	RM	RM	RM
SHARE CAPITAL	14	60,000,000	51,000,000	60,000,000	2
RESERVES	15	65,510,663	18,351,596	18,153,416	(15,437)
SHAREHOLDERS' EQUITY		125,510,663	69,351,596	78,153,416	(15,435)
DEFERRED TAX LIABILITIES	16	-	400,000	-	-
		125,510,663	69,751,596	78,153,416	(15,435)

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

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000

The Group	Share Capital	Share Premium	Revaluation/ Translation/ Merger Reserve*	Retained Profit	Total
	RM	RM	RM	RM	RM
Balance as of January 1, 1999	51,000,000	-	(38,999,998)	50,568,509	62,568,511
Pre-merger dividends paid and proposed by subsidiary companies	-	-	-	(15,500,000)	(15,500,000)
Exchange gain on translation of net investment in foreign subsidiary	-	-	12,439	-	12,439
Net profit after tax for the year	-	-	-	22,270,646	22,270,646
Balance as of December 31, 1999	51,000,000	-	(38,987,559)	57,339,155	69,351,596
Exchange loss on translation of net investment in foreign subsidiary	-	-	(112,128)	-	(112,128)
Surplus on revaluation of leasehold land, buildings and flats	-	-	14,827,895	-	14,827,895
Public issue of 9,000,000 new ordinary shares of RM1 each at RM2.80 per share	9,000,000	16,200,000	-	-	25,200,000
Listing expenses written off	-	(2,142,834)	-	-	(2,142,834)
Net profit after tax for the year	-	-	-	18,386,134	18,386,134
Balance as of December 31, 2000	60,000,000	14,057,166	(24,271,792)	75,725,289	125,510,663

* An analysis of the movement of these reserves is shown below:

	Revaluation Reserve	Translation Reserve	Merger Deficit	Total
	RM	RM	RM	RM
Balance as of January 1, 1999	-	-	(38,999,998)	(38,999,998)
Exchange gain on translation of net investment in foreign subsidiary	-	12,439	-	12,439
Balance as of December 31, 1999	-	12,439	(38,999,998)	(38,987,559)
Exchange loss on translation of net investment in foreign subsidiary	-	(112,128)	-	(112,128)
Surplus on revaluation of leasehold land, buildings and flats	14,827,895	-	-	14,827,895
Balance as of December 31, 2000	14,827,895	(99,689)	(38,999,998)	(24,271,792)

(FORWARD)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000

The Company

	Note	Share Capital	Share Premium	Retained Profit	Total
		RM	RM	RM	RM
Balance as of January 1, 1999		2	-	(11,815)	(11,813)
Net loss for the year		-	-	(3,622)	(3,622)
Balance as of December 31, 1999		2	-	(15,437)	(15,435)
Allotment of 50,999,998 new ordinary shares of RM1 each at approximately RM1.32 per share in exchange for shares of subsidiary companies	20	50,999,998	-	-	50,999,998
Public issue of 9,000,000 new ordinary shares of RM1 each at RM2.80 per share		9,000,000	16,200,000	-	25,200,000
Listing expenses written off		-	(2,142,834)	-	(2,142,834)
Net profit after tax for the year		-	-	4,111,687	4,111,687
Balance as of December 31, 2000		60,000,000	14,057,166	4,096,250	78,153,416

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

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (loss) before tax	24,310,288	22,121,528	4,117,887	(3,622)
Adjustments for:				
Depreciation of property, plant and equipment	4,455,303	3,432,391	-	-
Provision for slow moving inventories	1,759,432	394,096	-	-
Interest expenses	153,330	20,503	-	-
Provision for doubtful debts	109,725	135,225	-	-
Bad debts written off	6,950	-	-	-
Loss/ (gain) on disposal of plant and equipment	922	(108,055)	-	-
Plant and equipment written off	2	26	-	-
Interest income	(524,253)	(800,593)	(110,659)	-
Dividend income	-	-	(4,100,000)	-
Provision for doubtful debts no longer required	-	(180,000)	-	-
Operating profit/ (loss) before working capital changes	30,271,699	25,015,121	(92,772)	(3,622)
Increase in inventories	(33,825,979)	(3,756,391)	-	-
Decrease/ (increase) in trade receivables	4,851,701	(11,527,835)	-	-
Decrease/ (increase) in other receivables, deposits and prepayments	1,061,016	281,648	(500)	-
Increase in amount owing by ultimate holding company	(113,534)	(73,432)	-	-
Increase in amount owing by subsidiary companies	-	-	(21,516,200)	-
Decrease in amount owing by related companies	1,026,409	5,183,162	-	-
Increase/ (decrease) in trade payables	1,642,282	(1,226,502)	-	-
(Decrease)/ increase in other payables and accruals	(6,025,460)	(9,272,095)	14,901	3,622
(Decrease)/ increase in amount owing to ultimate holding company	(1,759,587)	1,332,661	-	-

(FORWARD)

P.I.E. INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Decrease in amount owing to related companies	(45,052)	(1,028,128)	-	-
(Decrease)/ increase in amount owing to directors	(6,711)	(1,820)	9,000	-
Exchange translation differences	(113,287)	13,858	-	-
Cash generated from/ (used in) operations	(3,036,503)	4,940,247	(21,585,571)	-
Interest received	524,253	800,593	110,659	-
Interest paid	(153,330)	(20,503)	-	-
Tax paid	(5,626,532)	(5,914,312)	-	-
Net cash (used in)/ generated from operating activities	(8,292,112)	(193,975)	(21,474,912)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of plant and equipment	359	159,700	-	-
Purchase of property, plant and equipment	(12,136,107)	(7,720,830)	-	-
Cash paid for acquisition of subsidiaries	-	-	(5,500,000)	-
Dividend income	-	-	4,100,000	-
Net cash used in investing activities	(12,135,748)	(7,561,130)	(1,400,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from public issue of shares	25,200,000	-	25,200,000	-
Increase in bank borrowings	3,301,000	-	-	-
Listing expenses paid	(2,142,834)	-	(2,142,834)	-
Net cash generated from financing activities	26,358,166	-	23,057,166	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,930,306	(7,755,105)	182,254	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,164,720	20,919,825	2	2
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	19,095,026	13,164,720	182,256	2

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

1. PRINCIPAL ACTIVITIES AND SIGNIFICANT EVENTS

The Company was incorporated on March 21, 1997 and commenced commercial operations on October 1, 2000. The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 9. Other than the commencement of manufacturing of PCB assemblies by a subsidiary company and the significant events during the year as set out below, there have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

Significant events during the financial year are as follows:

(a) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Electronics (Malaysia) Sdn. Bhd. for a purchase consideration of RM43,142,667. The purchase consideration was satisfied by the issue of 30,178,709 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM3,254,567 in exchange for 7,500,000 ordinary shares of RM1 each in Pan-International Electronics (Malaysia) Sdn. Bhd.;

(b) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Wire & Cable (Malaysia) Sdn. Bhd. for a purchase consideration of RM29,765,552. The purchase consideration was satisfied by the issue of 20,821,289 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM2,245,433 in exchange for 1,000,000 ordinary shares of RM10 each in Pan-International Wire & Cable (Malaysia) Sdn. Bhd.;

(c) On June 22, 2000, the Company issued 9,000,000 new ordinary shares of RM1 each by way of public issue at an issue price of RM2.80 per share to eligible directors and employees of the Group, approved bumiputra investors and institutions, and the Malaysian public; and

(d) On July 7, 2000, the entire issued and paid-up share capital of the Company comprising 60,000,000 ordinary shares of RM1 each was listed on the Second Board of the Kuala Lumpur Stock Exchange.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB).

During the financial year, the Group and the Company adopted the MASB 1, Presentation of Financial Statements which is effective for financial periods commencing on and after July 1, 1999. Accordingly, the presentation and disclosures of the financial information have been modified to conform with the requirements of MASB 1. Certain comparative figures have been reclassified to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The Group adopts both the acquisition and merger methods of consolidation.

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Companies Act, 1965 and Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued, cash and cash equivalents and fair values of other considerations. The difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserves/deficits in the consolidated financial statements in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

The financial statements of all subsidiary companies are consolidated under the merger method except for the financial statements of the indirect subsidiary companies which are consolidated under the acquisition method.

Revenue and Revenue Recognition

Revenue of the Company represents gross dividend income and gross service fees from the rendering of management services. Revenue of the Group represents gross invoiced values of sales less sales returns and discounts.

Sales revenue are recognised when goods are delivered to customers. Other revenues are recognised on an accrual basis.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing on the transaction dates and, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains or losses arising from foreign currency conversions are taken up in the income statements.

For inclusion in the consolidated financial statements, assets and liabilities of the foreign subsidiary company are translated into Ringgit Malaysia at the exchange rates approximate those ruling at the balance sheet date. The results of the foreign subsidiary company are translated into Ringgit Malaysia at the average exchange rates for the year. Any exchange differences due to such currencies translation are dealt with through exchange reserve account.

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate of SGD$1:RM2.2 (1999: SGD$1:RM2.3)
Issued capital	- at historical rate
Revenue and expenses	- at average rate

Income Tax

The tax effects of transactions are generally recognised, using the "liability" method, when such transactions enter into determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to a net deferred tax debit, the tax effects are recognised generally on actual realisation.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment, is computed on the straight-line method based on the estimated useful lives of the various property, plant and equipment at the following annual rates:

	Rates
Leasehold improvement	20%
Buildings	2% - 10%
Plant and machinery	10% - 20%
Production tools and equipment	10% & 16.67%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% & 20%
Motor vehicles	20%

Long leasehold land and leasehold flats are depreciated over the lease period of 60 years and 99 years respectively.

During the financial year, the long leasehold land, buildings and leasehold flats were revalued based on the report of an independent firm of professional valuers using open market value on existing use basis. The long leasehold land, buildings and leasehold flats shall be revalued at regular interval of at least once in every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued long leasehold land, buildings and leasehold flats differ materially from the market value.

Investments

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost under the acquisition method or at nominal value of the shares issued, cash and cash equivalents and fair values of other considerations in exchange for shares in subsidiary companies acquired under the merger method as applicable.

Investments in subsidiary companies are only written down when the directors consider that there is permanent diminution in the value of the investments.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost of raw materials consists of the purchase price plus the cost of bringing the inventories to location. Cost of work-in-process and finished goods consist of cost of raw materials, direct labour and an appropriate proportion of factory overheads. Goods-in-transit is stated at cost. Provision is made for obsolete, slow moving or defective items where appropriate.

Receivables

Bad debts are written off while provision for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and demand deposits.

4. GENERAL INFORMATION

	The Group		The Company	
	2000	1999	2000	1999
Number of directors and employees at end of year:				
Directors	13	9	9	2
Employees	735	599	3	-

Staff costs include directors' remuneration, salaries, bonuses, contributions to employees' provident fund and all other staff related expenses.

The Company's registered office and principal place of business are at 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Georgetown, Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya, 13700 Prai, Penang, Malaysia respectively.

5. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2000	1999	2000	1999
After charging:	RM	RM	RM	RM
Provision for slow moving inventories	1,759,432	394,096	-	-
Directors' remuneration:				
Fee	36,000	-	36,000	-
Emoluments	589,620	712,941	25,080	-
Rental of accommodation provided	4,000	2,000	-	-
Provision for bonus	540,330	1,247,256	-	-
Interest on bank borrowings	153,330	20,503	-	-
Provision for doubtful debts	109,725	135,225	-	-
Rental of premises	88,922	75,436	-	-
Audit fee:				
Statutory	63,600	51,300	16,000	500
Special	-	30,750	-	-
Overprovision in prior year	(3,600)	(3,600)	-	-
Bad debts written off	6,950	-	-	-
Loss on disposal of plant and equipment	922	-	-	-
Plant and equipment written off	2	26	-	-
Realised loss on foreign exchange	-	57,098	-	-

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
And crediting:				
Realised gain on foreign exchange	598,304	487,219	-	-
Interest on short-term deposits	524,253	800,593	110,659	-
Bad debt recovered	8,965	-	-	-
Gross dividend from subsidiary companies	-	-	4,100,000	-
Gain on disposal of plant and equipment	-	108,055	-	-
Provision for doubtful debts no longer required	-	180,000	-	-

6. INCOME TAX EXPENSE

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Income tax expense consists of:				
Tax payable				
Malaysian tax:				
Current year	6,289,200	-	6,200	-
Overprovision in prior year	-	(26,672)	-	-
Overseas tax:				
Current year	33,183	78,476	-	-
Underprovision in prior year	1,771	708	-	-
Reversal of deferred tax liabilities (Note 16)	(400,000)	(201,630)	-	-
	5,924,154	(149,118)	6,200	-

The Group's taxation for the current year reflects an effective tax rate which is lower than the statutory income tax rate due to the claim of reinvestment allowances.

The Company’s taxation for the current year reflects an effective tax rate which is lower than the statutory income tax rate because the dividend income received is exempted from tax.

No provision for Malaysian tax was made in 1999 as the Malaysian government had waived the tax on chargeable income earned by a company in financial year 1999.

7. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated by dividing the Group’s profit after tax of RM18,386,134 (RM22,270,646 in 1999) by the weighted average number of ordinary shares in issue during the year of 55,500,000 (51,000,000 in 1999). In arriving at the weighted average number of ordinary shares in issue, shares issued for acquisition of subsidiary companies accounted for in the consolidated financial statements using the merger method are assumed to have been in issue throughout the current and prior years.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost or Valuation	Beginning of year	Additions	Disposals	Revaluation/ Exchange Reserve	End of year
	RM	RM	RM	RM	RM
2000:					
Long leasehold land					
- at cost	-	2,013,795	-	-	2,013,795
- at 2000 valuation	3,530,739	-	-	6,618,308	10,149,047
Leasehold improvement	203,884	-	-	-	203,884
Buildings					
- at cost	-	2,886,205	-	-	2,886,205
- at 2000 valuation	14,109,458	-	-	4,880,625	18,990,083
Plant and machinery	25,497,975	6,743,909	(75,300)	-	32,166,584
Production tools and equipment	1,325,199	286,081	(6,400)	-	1,604,880
Furniture, fixtures and office equipment	1,880,152	147,757	(2,884)	(3,559) *	2,021,466
Mechanical and electrical installation	1,517,337	6,000	-	-	1,523,337
Motor vehicles	1,380,699	52,360	(77,000)	(3,500) *	1,352,559
Leasehold flats					
- at 2000 valuation	1,472,000	-	-	698,000	2,170,000
	50,917,443	12,136,107	(161,584)	12,189,874	75,081,840
1999	43,743,042	7,720,830	(547,228)	799	50,917,443

Accumulated Depreciation	Beginning of year	Charge for The year	Disposals	Revaluation/ Exchange Reserve	End of year
	RM	RM	RM	RM	RM
2000:					
Long leasehold land					
- at cost	-	3,356	-	-	3,356
- at 2000 valuation	537,373	75,406	-	(457,843)	154,936
Leasehold improvement	203,862	-	-	-	203,862
Buildings					
- at cost	-	24,052	-	-	24,052
- at 2000 valuation	2,623,843	135,691	-	(2,097,537)	661,997
Plant and machinery	14,237,589	3,565,765	(75,299)	-	17,728,055
Production tools and equipment	788,877	169,335	(5,120)	-	953,092
Furniture, fixtures and office equipment	1,399,435	151,258	(2,882)	(3,165) *	1,544,646
Mechanical and electrical installation	1,188,927	159,458	-	-	1,348,385
Motor vehicles	847,083	165,170	(77,000)	(3,500) *	931,753
Leasehold flats					
- at 2000 valuation	90,451	5,812	-	(75,582)	20,681
	21,917,440	4,455,303	(160,301)	(2,637,627)	23,574,815
1999	18,979,839	3,432,391	(495,557)	767	21,917,440

* Exchange reserve arising from translation of a foreign subsidiary company.

	2000	1999
	RM	RM
Net Book Value:		
Long leasehold land		
- at cost	2,010,439	2,993,366
- at 2000 valuation	9,994,111	-
Leasehold improvement	22	22
Buildings		
- at cost	2,862,153	11,485,615
- at 2000 valuation	18,328,086	-
Plant and machinery	14,438,529	11,260,386
Production tools and equipment	651,788	536,322
Furniture, fixtures and office equipment	476,820	480,717
Mechanical and electrical installation	174,952	328,410
Motor vehicles	420,806	533,616
Leasehold flats		
- at cost	-	1,381,549
- at 2000 valuation	2,149,319	-
	51,507,025	29,000,003

The long leasehold land, buildings and leasehold flats of the Group were revalued in 2000 based on the reports of an independent firm of professional valuers, Jones Lang Wootton using open market values on existing use basis. The valuations were carried out by Mr. Tay Tam, FISM, B.Surv. (Hons). Prop. Mgt., a registered valuer. The surplus arising from the revaluation amounting to RM14,827,895, which was approved by the Securities Commission on October 4, 1999, was credited to revaluation reserve.

The tax effect relating to the increase in the carrying value of the revalued property is not disclosed, as there is no intention to dispose of these assets in the foreseeable future.

The historical cost of the long leasehold land, buildings and leasehold flats of the Group which were revalued are as follows:

	2000
	RM
At cost:	
Long leasehold land	3,530,739
Buildings	14,109,458
Leasehold flats	1,472,000
	19,112,197
Accumulated depreciation:	
Long leasehold land	596,218
Buildings	3,028,764
Leasehold flats	105,320
	3,730,302
Net book value at end of year	15,381,895

Certain property, plant and equipment of the Group with a total carrying value of RM14,209,241 are pledged to a local bank as securities for credit facilities granted to a subsidiary company as mentioned in Note 13.

As of December 31, 2000, the title deed to a long leasehold land of the Group with a carrying value of RM2,010,439 is in the process of being transferred to the name of one of the subsidiary company.

The strata titles for the flats have not yet been issued by the relevant authorities to one of the subsidiary company.

9. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2000	1999
	RM	RM
Unquoted shares, at cost	56,499,998	-

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2000	1999
Direct holdings				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies	100%	-

	Country of incorporation	Principal Activity	Percentage of Ownership 2000	1999
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding components	100%	-
Indirect holdings				
*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	100%	-
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of mechanical, electrical, computer, capacitors, resistors and telecommunication components and equipment	100%	-

* The above companies are wholly owned by Pan-International Electronics (Malaysia) Sdn. Bhd.

10. INVENTORIES

	The Group 2000	1999
	RM	RM
At cost:		
Raw materials	37,229,061	8,628,087
Work-in-process	8,267,328	6,123,870
Finished goods	6,140,193	3,023,624
Goods-in-transit	801,232	836,254
Less: Provision for slow moving inventories	(2,947,871)	(1,188,439)
	49,489,943	17,423,396

11. TRADE RECEIVABLES

	The Group 2000	1999
	RM	RM
Amount outstanding	20,361,538	25,245,080
Less: Provision for doubtful debts	(512,764)	(427,930)
	19,848,774	24,817,150

12. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

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

The financial statements of the Group reflect the following significant intercompanies transactions:

	The Group 2000 RM	The Group 1999 RM
Ultimate Holding Company		
Purchases of trading goods	23,591,450	17,744,262
Sales of finished goods	305,638	120,565
Purchases of raw materials	271,837	997,048
Commission income received	157,166	70,010
Purchases of plant and equipment	70,183	79,553
Miscellaneous purchases	588,189	531,027
Sales commission paid	-	4,019
Related Companies		
Sales of finished goods	5,902,068	12,482,234
Purchase of trading goods	2,102,995	-
Sales commission paid	91,813	91,813
Purchase of raw materials	24,966	698,593
Purchase of plant and equipment	-	68,409
Sales of plant and equipment	-	58,500

Related parties are entities, excluding related companies, which have common directors and/or shareholders with the Group.

As of December 31, 2000, there is an outstanding payable account with a related party which are interest free as follows:

	The Group 2000 RM
Included as trade payables	192,193

Significant transactions between the Group with a related party during the financial year were as follows:

	The Group 2000 RM
Purchases of raw materials	4,235,516
Sales of finished goods	779

The Directors of the Company are of the opinion that the above transactions have been entered in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

13. BANK BORROWINGS

	The Group 2000 RM	The Group 1999 RM
Bankers acceptance	3,301,000	-

The Group has banking facilities totalling RM53.51 million obtained from two local banks. The banking facilities bear interests at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rates and are secured by a corporate guarantee from the Company and against debenture over certain of the Group's property, plant and equipment and floating assets, both present and future.

14. SHARE CAPITAL

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Shares of RM1 each:				
Authorised:				
At beginning of year	100,000	100,000	100,000	100,000
Created during the year	99,900,000	-	99,900,000	-
Adjustment to reflect the adoption of merger accounting	-	99,900,000	-	-
At end of year	100,000,000	100,000,000	100,000,000	100,000
Ordinary shares of RM1 each:				
Issued and fully paid:				
At beginning of year	2	2	2	2
Issued during the year	50,999,998	-	50,999,998	-
Public issue	9,000,000	-	9,000,000	-
Adjustment to reflect the adoption of merger accounting	-	50,999,998	-	-
At end of year	60,000,000	51,000,000	60,000,000	2

As approved by the shareholders at an Extraordinary General Meeting held on February 25, 2000, the authorised share capital of the Company was increased from RM100,000 comprising 100,000 shares of RM1 each to RM100,000,000 by the creation of an additional 99,900,000 shares of RM1 each.

Also, pursuant to the approval by the shareholders at the said Extraordinary General Meeting and the approval by the Securities Commission on October 4, 1999, the issued and paid up share capital of the Company was increased from RM2 to RM60,000,000 by way of:

(i) an issue of 30,178,709 ordinary shares of RM1 each at an issue price of approximately RM1.32 per share plus cash considerations for the acquisition of the entire issued and paid up share capital of Pan-International Electronics (Malaysia) Sdn. Bhd.;

(ii) an issue of 20,821,289 ordinary shares of RM1 each at an issue price of approximately RM1.32 per share plus cash considerations for the acquisition of the entire issued and paid up share capital of Pan-International Wire & Cable (Malaysia) Sdn. Bhd.; and

(iii) a public issue of 9,000,000 ordinary shares of RM1 each at an issue price of RM2.80 per share. The share premium arising from the public issue amounting to RM16,200,000 has been credited to share premium account.

All the new shares issued rank pari passu with the then existing shares of the Company.

15. RESERVES

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Non-distributable:				
Share premium	14,057,166	-	14,057,166	-
Revaluation reserve	14,827,895	-	-	-
Translation reserve	(99,689)	12,439	-	-
Merger deficit	(38,999,998)	(38,999,998)	-	-
	(10,214,626)	(38,987,559)	14,057,166	-
Distributable:				
Retained profit/ (Accumulated loss)	75,725,289	57,339,155	4,096,250	(15,437)
	65,510,663	18,351,596	18,153,416	(15,437)

Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the retained profit of the Company is available for distribution by way of cash dividends without incurring additional tax liability.

16. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Balance at beginning of year	400,000	601,630	-	-
Transfer to income statements (Note 6)	(400,000)	(201,630)	-	-
Balance at end of year	-	400,000	-	-
Represented by the tax effects of the following:				
Excess of tax capital allowances over book depreciation	-	1,106,800	-	-
Other timing differences	-	(706,800)	-	-
	-	400,000	-	-

As mentioned in Note 3, the tax effects of timing differences which give rise to net deferred tax debit are recognised generally on actual realisation. As of December 31, 2000, the amount of deferred taxation, calculated at applicable tax rates, which is not recognised in the financial statements, is as follows:

	The Group	
	Deferred Asset/(Liability)	
	2000	1999
	RM	RM
Tax effects of timing differences in respect of the excess of tax capital allowances over book depreciation	(1,574,500)	(139,500)
Tax effects of other timing differences	1,694,600	211,300
	120,100	71,800

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the cash flow statements consist of the following balance sheet items:

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Short-term deposits with licensed banks	8,274,541	10,050,000	150,000	-
Cash and bank balances	10,820,485	3,114,720	32,256	2
	19,095,026	13,164,720	182,256	2

18. CONTINGENT LIABILITY - Unsecured

As of December 31, 2000, the Company is contingently liable to the extent of RM38.35 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to subsidiary companies.

Subsequent to year end, the Company is contingently liable to the extent of an additional RM5.1 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to a subsidiary company.

19. LEASE COMMITMENTS

As of December 31, 2000, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	RM
2001	66,920
2002	15,750
	82,670

20. MERGER ACCOUNTING

Pursuant to the relief given under Section 60 (4) of the Companies Act, 1965, the Company has not recorded the share premium arising from the issue of 50,999,998 ordinary shares of RM1 each for the acquisition of the two subsidiary companies as indicated in Note 21.

The difference between the nominal value of shares issued as consideration plus the cash consideration and the nominal value of the shares of those subsidiary companies transferred to the Company is treated as a reduction of reserves on consolidation.

21. MERGER SCHEME

On May 8, 2000, the Company acquired the entire issued and paid-up share capitals of two subsidiary companies for a total consideration of RM72,908,219 by an issue of 50,999,998 new ordinary shares in the Company at issue price of approximately RM1.32 per share and cash consideration of RM5,500,000.

Details of the subsidiary companies and the shares acquired are as follows:

	Ordinary shares of RM1 each
Pan-International Electronics (Malaysia) Sdn. Bhd.	7,500,000
	Ordinary shares of RM10 each
Pan-International Wire and Cables (Malaysia) Sdn. Bhd.	1,000,000

As mentioned in Note 3, the results of the subsidiary companies being merged are included for full year. The profit after tax of these companies in the current year was RM18,374,447, of which RM11,880,464 was earned after the effective date of acquisition. There were no extraordinary items in their results for the current financial year.

22. SEGMENTAL INFORMATION

Analysis by Geographical Area

The point of origin (the location of the manufacturing facilities) of revenue and the location of the assets determine the geographical area. The following tables set forth information by geographical area of the Group for the year ended December 31, 2000:

	Turnover	Profit before tax	Total Assets Employed
2000	RM	RM	RM
Malaysia	170,565,927	24,139,480	140,481,022
Singapore	11,192,355	170,808	4,471,564
	181,758,282	24,310,288	144,952,586
1999			
Malaysia	123,796,606	21,847,414	85,043,029
Singapore	11,248,334	274,114	5,930,377
	135,044,940	22,121,528	90,973,406

Analysis by Activities

The analysis of the Group's operations by activities is as follows:

2000	Turnover	Profit before tax	Total Assets Employed
	RM	*RM*	*RM*
Manufacturing	150,485,223	23,439,388	135,068,830
Trading	31,273,059	885,413	9,701,000
Others	-	(14,513)	182,756
	181,758,282	24,310,288	144,952,586
1999			
Manufacturing	111,257,411	20,964,239	78,457,381
Trading	23,787,529	1,160,911	12,516,023
Others	-	(3,622)	2
	135,044,940	22,121,528	90,973,406

23. COMPARATIVE FIGURES

As mentioned in Note 3, the acquisition of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. are accounted for in the consolidated financial statements using the merger accounting principles as provided under the Companies Act, 1965 and Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, which requires the comparative figures in the consolidated financial statements to be presented as if these subsidiary companies had been combined throughout the previous period and at the previous balance sheet date. The comparative figures for the consolidated financial statements have accordingly been presented to conform with such requirements.

GENERAL INFORMATION

1. Responsibility Statement

This Introductory Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given 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.

2. Material Litigation

PIB and/or its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors have no knowledge of any proceeding pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially affect the position or business of the Company and/or its subsidiaries.

3. Material Contracts

Saved as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by PIB Group within the past two(2) years preceding the date of this Introductory Circular:-

(i) Share sale agreement dated 4 May 2000 between the Company and Pan Global Holding Co. Ltd. and Pan-International Industrial Corporation for the acquisition of the entire issued and paid-up share capital of PIE comprising 7,500,000 Shares for a purchase consideration of RM43,142,667 satisfied by a cash consideration of RM3,254,567 and the issuance of 30,178,709 new Shares in PIB at an issue price of approximately RM1.32 per Share which was completed on 8 May 2000.

(ii) Share sale agreement dated 4 May 2000 between the Company and Pan Global Holding Co. Ltd. and Pan-International Industrial Corporation for the acquisition of the entire issued and paid-up share capital of PIW comprising 1,000,000 ordinary shares of RM10.00 each for a purchase consideration of RM29,765,552 satisfied by a cash consideration of RM2,245,433 and the issuance of 20,821,289 new Shares in PIB at an issue price of approximately RM1.32 per Share which was completed on 8 May 2000.

(iii) Supplemental Agreement dated 2 December 1999 between PIE and Tsai Lung to supplement the Compensation Agreement One *(Compensation Agreement dated 4 December 1996 made between PIE and Tsai Lung, a director of PIE then, wherein Tsai Lung agreed inter-alia to pay PIE the sum of RM3,500,000 in the event the sale and purchase agreement between PIE and Teo Guan Lee Holdings Sdn Bhd ("**TGL**") in respect of the disposal by PIE of 3,500,000 shares in Motto Technologies Sdn Bhd ("**MTSB**") cannot be completed for any reason whatsoever)* wherein PIE agreed to pay Tsai Lung all sums that PIE may recover from TGL from its legal action against TGL for failing to complete the acquisition of 3.5 million shares in MTSB. This Supplemental Agreement was executed for the reason that Tsai Lung had, pursuant to Compensation Agreement One, paid the sum of RM3,500,000 to PIE and as such PIE has not suffered any financial loss from the disposal of 3.5 million shares in MTSB due to TGL's failure to complete the purchase

(iv) Supplemental Agreement dated 2 December 1999 between PIW and Tsai Lung to supplement the Compensation Agreement Two *(Compensation Agreement dated 4 December 1996 made between PIW and Tsai Lung, a director of PIW then, wherein Tsai Lung agreed inter-alia to pay PIW the sum of RM4,000,000 in the event the sale and purchase agreement between PIW and TGL in respect of the disposal by PIE of 4,000,000 shares in MTSB cannot be completed for any reason whatsoever)* wherein PIE agreed to pay Tsai Lung all sums that PIE may recover from TGL from its legal action against TGL for failing to complete the acquisition of 4 million shares in MTSB. This Supplemental Agreement was executed for the reason that Tsai Lung had, pursuant to Compensation Agreement Two, paid the sum of RM4,000,000 to PIW and as such PIW has not suffered any financial loss from the disposal of 4 million shares in MTSB due to TGL's failure to complete the purchase.

(v) Deed of Settlement dated 14 December 1999 made between Pan-International Industrial Corporation, Pan-International Wire and Cable (Malaysia) Sdn Bhd, Pan-International Electronics (Malaysia) Sdn Bhd ("**the Plaintiffs**") of the first part and TGL ("**the Defendant**") of the second part and Teo Guan Lee Development Sdn Bhd, Teo Guan Lee Realty Sdn Bhd ("**the Registered Owner**") of the third part wherein the Defendant and the Registered Owner agreed to settle the sum of RM5,700,000 by inter alia, the Registered Owner transferring some shophouses to the Plaintiffs. The sum of RM5,700,000 is the sum awarded by an arbitrator in favour of the Plaintiffs arising from a matter referred to him by the Plaintiffs and the Defendant. The Plaintiffs had taken legal action against the Defendant for the Defendant's failure to complete the purchase of 12,000,000 shares in Motto Technologies Sdn Bhd from the Plaintiffs pursuant to a Share Sale Agreement made on 1 August 1996.

(vi) Underwriting agreement dated 20 May 2000 between PIB, Arab-Malaysian, K&N Kenanga Berhad and Hwang-DBS Securities Berhad for the underwriting of 9,090,000 of the initial public offering shares. The underwriting commission is at 1.5% for the 3,000,000 Shares allocated to the Directors and employees of PIB Group and 3.0% for the 6,090,000 Shares to be made available for subscription by the Malaysian public.

(vii) Sale and purchase agreement dated 23 June 2000 made between Yupiteru (Malaysia) Sdn Bhd and PIE for the purchase by PIE of all that piece of land known as Lot No. PT 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang comprised in H.S.(D) 4636 for a consideration of RM4,900,000 payable in cash.

4. Consent

The written consents of Arab-Malaysian and Deloitte KassimChan to the inclusion in this Introductory Circular of their name and (for Deloitte KassimChan only) the Auditors' Report in relation to the audited consolidated accounts of PIB for the financial year ended 31 December 2000 in the form and context in which they appear have been given before the issue of this Introductory Circular and have not subsequently been withdrawn.

5. Documents for Inspection

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on Monday to Friday (except public holidays) for up to two(2) weeks from the date of this Introductory Circular:-

i) Memorandum and Articles of Association of PIB;

ii) The audited accounts of PIB Group for the two(2) financial years ended 31 December 1999 to 2000;

iii) The unaudited accounts of PIB Group for the nine(9) months period ended 30 September 2001;

iv) Material contracts as referred to in Section 3 above; and

v) Letters of consent in Section 4 above.