

P.I.E.

INDUSTRIAL
BERHAD

| Annual Report 2002

CONTENTS

Notice Of Annual General Meeting	2-3
Notice Of Dividend Entitlement And Payment	4
Statement Accompanying Notice of Annual General Meeting	5-8
Corporate Information	9-10
Board Of Directors Profile	11-13
Chairman's Statement	14-16
Audit Committee Report	17-20
Statement Of Corporate Governance	21-26
Statement Of Directors' Responsibilities In Respect Of The Audited Financial Statement	27
Statement Of Internal Control	28
Disclosure Requirements Pursuant To The Listing Requirement Of The Kuala Lumpur Stock Exchange	29
Directors' Report	30-34
Report Of The Auditors	35-36
Income Statements	37
Balance Sheets	38-39
Statements Of Changes In Equity	40-41
Cash Flow Statements	42-43
Notes To The Financial Statements	44-70
Statement By Directors	71
Analysis Of Shareholdings	72-74
List Of Properties	75
Form Of Proxy	76-77

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuhr Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, June 06, 2003 at 9:00 a.m.

AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2002 together with the Reports of the Directors and of the Auditors thereon. (Resolution 1)
2. To declare a First and Final Dividend of 10 sen per share, exempt from Income Tax for the year ended December 31, 2002. (Resolution 2)
3. To approve the payment of Directors' Fee for the year ended December 31, 2002. (Resolution 3)
4. To re-elect the following Directors who are retiring under the provision of Article 98(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election :-
 - a) Mr. Chen, Chih-Wen; and (Resolution 4)
 - b) Mr. Cheng, Shing Tsung (Resolution 5)
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESSES

6. To consider and if thought fit, to pass the following resolution: -

ORDINARY RESOLUTION

Authority to Issue Shares

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Kuala Lumpur Stock Exchange and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange." (Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

KHOO LAY TATT (MAICSA 7029262)
HOW WEE LING (MAICSA 7033850)
Secretaries

Penang

Date: May 13, 2003

Notes: -

A Member of the Company entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not, apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. 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, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

Explanatory Notes On Special Businesses

The proposed Resolution No. 7 [Item No.(6)], if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This Authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a First and Final Dividend of 10 sen per share, exempt from Income Tax for the year ended December 31, 2002, if approved, will be paid on June 30, 2003 to depositors registered in the Records of Depositors at the close of business on June 12, 2003.

A Depositor shall qualify for the above entitlements only in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 12, 2003 in respect of ordinary transfers;
- b) shares bought on Kuala Lumpur Stock Exchange (KLSE) on a cum entitlement basis according to the rules of KLSE.

By Order of the Board,

KHOO LAY TATT (MAICSA 7029262)
HOW WEE LING (MAICSA 7033850)
Secretaries

Penang

Date: May 13, 2003

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Sixth Annual General Meeting of P.I.E. Industrial Berhad :-

Place : The Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebu Tenggiri Dua,
Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai
Date : 06 June, 2003
Time : 9:00 a.m.

2. Names of individuals who are standing for re-election as Directors

- a) To re-elect the following Directors who are retiring under the provision of Article 98(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election :-
- i) Mr. Chen, Chih-Wen; and
 - ii) Mr. Cheng, Shing Tsung

3. Meetings of Board of Directors held during the Financial Year Ended December 31, 2002 and Details of Directors' Attendance

Four (4) Meetings of Board of Directors were held during the financial year ended December 31, 2002. Details of attendance of Directors at the Board Meetings are as follows :-

<u>Name</u>	<u>No. of Meetings Attended</u>
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa (Appointed on 02.06.1997)	4
Ahmad Murad Bin Abdul Aziz (Appointed on 02.06.1997)	4
Mui Chung Meng (Appointed on 10.05.2000)	4
Chen, Chih-Wen (Appointed on 10.05.2000)	4
Cheng Shing Tsung (Appointed on 10.05.2000)	4
Yen, Chien-Kun (Appointed on 14.05.2001)	3
Yeap Hun Leng (Appointed on 26.12.2001)	4

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

4. Place, date and time of Meetings of Board of Directors

The Information on place, date and time of Meetings of Board of Directors held during the financial year ended December 31, 2002 are as follows :-

Date	Time	Venue
22.02.2002 (Friday)	9.30 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
06.05.2002 (Monday)	9.30 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
05.08.2002 (Monday)	9.45 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
08.11.2002 (Friday)	10.30 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang

5. Further details of individuals who are standing for re-election as Directors

- a)
- | | | |
|---|---|---|
| Name | : | Chen, Chih-Wen |
| Age (Date of Birth) | : | 45 (13.12.1957) |
| Nationality/Race | : | Republic of China/ Chinese |
| Qualifications | : | He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. |
| Executive/Non-Executive | : | Executive Director |
| Independent/
Non-Independent | : | Non-independent |
| Working Experience | : | Mr. Chen has an extensive working experience in the finance field from various industries. Prior to joining the Company, he was involved in the electronic industry for five years with listed companies in Taiwan and four years in the cement-related industry. |
| Occupation | : | Director |
| Other directorship of
public companies | : | Nil |

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Securities holdings in the : Company
Company and Subsidiary Direct Interest : 10,00
 Deemed Interest : Nil

Subsidiary : Nil

Family relationship with any
director of the Company : Nil

Family relationship with any
major shareholder of the
Company : Nil

Any conflict of interest with
the Company : Nil

List of convictions for offences
within the past 10 years other
than traffic offence, if any : Nil

- b) Name : Cheng Shing Tsung
- Age (Date of Birth) : 65 (29.01.1938)
- Nationality/Race : British/Chinese
- Qualifications : He obtained a diploma from Radio Communication College, Hong Kong in 1960.
- Executive/Non-Executive : Non-Executive Director
- Independent/
 Non-Independent : Non-Independent
- Working Experience : Mr. Cheng started his career in Sony Corporation Hong Kong Ltd. as an Assistant Engineer. Then in 1965, he joined Atlas Electronic Corp. as Material Chief. Two years later, he was transferred to Electronic Industrial Ltd. in Hong Kong, which was the subsidiary of General Electronic USA Audio Division, as Purchasing Leader for all materials required for production and in 1974, was promoted to General Electric Television & Appliance Pte. Ltd. Singapore as Procurement Manager controlling all its purchasing activities. He is currently the General Manger of Foxconn Singapore Pte. Ltd, the subsidiary of Hon Hai Precision Industry Co. Ltd..

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Occupation : Director

Other directorship of
public companies : Nil

Securities holdings in the : Company
Company and Subsidiary Direct Interest : 10,000
 Deemed Interest : Nil

 Subsidiary : Nil

Family relationship with any
director of the Company : Nil

Family relationship with any
major shareholder of the
Company : Nil

Any conflict of interest with
the Company : Nil

List of convictions for offences
within the past 10 years other
than traffic offence, if any : Nil

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman – Independent Non-Executive Director	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa
Member (Independent Non-Executive Director)	Ahmad Murad Bin Abdul Aziz
Member (Non-Executive Director)	Yeap Hun Leng

COMPANY SECRETARIES

Khoo Lay Tatt (MAICSA 7029262)
How Wee Ling (MAICSA 7033850)

AUDITORS

Deloitte KassimChan
Chartered Accountants
4th Floor Wisma Wang
251-A Jalan Burma, 10350 Penang
Tel : 04-2288255 Fax : 04-2288355

REGISTERED OFFICE

3rd Floor Wisma Wang
251-A Jalan Burma, 10350 Penang
Tel : 04-2288155 Fax : 04-2692386

CORPORATE INFORMATION

REGISTRAR

PFA Registration Services Sdn. Bhd.
(Company No. 19234-W)
Level 13, Uptown 1
No. 1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-77254888 / 03-77258046
Fax: 03-77222311

PRINCIPAL BANKERS

RHB Bank Berhad
2784 & 2785, Jalan Chain Ferry
Taman Inderawasih
13600 Prai

Citibank Berhad
42, Jalan Sultan Ahmad Shah
10050 Penang

Bumiputra-Commerce Bank Berhad
1271-2, Jalan Baru, Taman Emas
13600 Prai

STOCK EXCHANGE LISTING

Main Board of The Kuala Lumpur
Stock Exchange

SHARE CAPITAL

Authorised : RM100,000,000
Issued and Paid-Up : RM 60,000,000

BOARD OF DIRECTORS PROFILE

Y.T.M. TUNKU DATO' DR. ISMAIL IBNI ALMARHUM TUNKU MOHD JAWA

Chairman

(Independent / Non-Executive)

Malaysian

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa, aged 65, was appointed to the Board since 2 June 1997. He obtained his B.A. degree from the University of Malaya in 1967, his M.Ed. from the Pennsylvania State University in the United States of America in 1972 and his Ph. D in Educational Administration from the University of Malaya in 1979. He is a leading academician with an array of working experiences. He was Professor of Educational Administration in University Sains Malaysia from 1987 to 1995 and Dean of Education also in University Sains Malaysia from 1979 to 1992. He was also the Chairman of the Penang Bureau of Information and Education and Penang State Consumer Council since 1990 and President of the State of Penang Family Planning Association since 1979.

Y.T.M. Tunku Dato' Dr Ismail is also a director of Oriental Holdings Berhad.

He is also Chairman of the Audit Committee of the Company.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

MUI CHUNG MENG

Managing Director

(Non-Independent / Executive)

Malaysian

Mui Chung Meng, aged 51, was appointed to the Board since 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 Corp. 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 opto electronic products manufacturing and QA Engineer in-charge of the entire assembly plant's quality control activities respectively. From 1981 to 1992, he was the operation manager of Kayel Rubber Products and Polynic Industry to handle the overall operation of rubber and plastic products manufacturing. Through these experiences, Mr. Mui gained extensive knowledge in the electronics, plastics and rubber field.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

BOARD OF DIRECTORS PROFILE

CHEN, CHIH-WEN

Executive Director

(Non-Independent / Executive)

Taiwanese

Chen, Chih-Wen, aged 45, was appointed to the Board since 10 May 2000. He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. Prior to joining PIE Group in 1991, he was involved in the electronic industry for five (5) years with listed companies in Taiwan and four (4) years in the cement-related industry. He is responsible for the corporate finance in the group of companies.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

YEAP HUN LENG

Executive Director

(Non-Independent / Non-Executive)

Malaysian

Yeap Hun Leng, aged 33, was appointed to the Board since 26 December 2001, be designated to Non-Executive Director of the Company on November 11, 2002. He graduated with a Bachelor of Accounting degree from University Kebangsaan Malaysia in 1996. He was a Senior Audit Assistant in Deloitte Kassim Chan (Formerly known as Kassim Chan & Co). He now is a member of Malaysian Institute of Accountants.

He is also a member of the Audit Committee of the Company.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

CHENG SHING TSUNG

Director

(Non-Independent / Non-Executive)

British

Cheng Shing Tsung, aged 65, was appointed to the Board since 10 May 2000. He obtained a diploma from Radio Communication College, Hong Kong in 1960. Mr. Cheng started his career in Sony Corporation Hong Kong Ltd. at the end of 1960 as an Assistant Engineer. Then in 1965, he joined Atlas Electronic Corp. as Material Chief. Two years later, he was transferred to Electronic Industrial Ltd. In Hong Kong, which was the subsidiary of General Electric USA Audio Division, as Purchasing Leader for all materials required for production; and in early 1974, was promoted to General Electric Television & Appliance Pte. Ltd. Singapore as Procurement Manager controlling all purchasing activities. He is currently the General Manager of Foxconn Singapore Pte. Ltd, the subsidiary company of Hon Hai Precision Industry Co. Ltd..

BOARD OF DIRECTORS PROFILE

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

YEN, CHIEN-KUN

Director

(Non-Independent / Non-Executive)

Taiwanese

Yen, Chien-Kun, aged 43, was appointed to the Board since 14 May 2001. He graduated with a Bachelor of Chemical Engineering degree from National Taiwan Institute Of Technology in 1985. Mr. Yen is an engineer by profession. He joined Hon Hai Precision Co. Ltd. in 1991 and has vast experiences in Quality Assurance, Production Control and Marketing. He now is the Operation Manager of South Asia Region in the Hon Hai group.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

AHMAD MURAD BIN ABDUL AZIZ

Independent Director

(Independent / Non-Executive)

Malaysian

Ahmad Murad Bin Abdul Aziz, aged 44, was appointed to the Board since 2 June 1997. He graduated with a law degree from University of Malaya in 1982. He is a lawyer by profession and has more than eighteen (18) years of working experience in the legal practice. He has been a Senior Partner of Murad & Foo from 1990 to 1999. Prior to that, he was a legal assistant with Kadir, Tan & Ramlee from 1983 to 1985 and a partner with Murad and Leong from 1985 to 1989. He is currently a partner of K.M. Chye & Murad.

He is also a member of the Audit Committee of the Company.

He has no family relationship with any other Director and/or major shareholder of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors,
I am pleased to present the annual report and audited financial statement of P.I.E. Industrial Berhad for the financial Year ended 31st December 2002

The financial year under review was indeed a challenging time for P.I.E. Industrial Berhad ("PIE") due to the heightening tension in the Middle East and the extended gloomy economy situation that beset our country had caused the depressed demand for electronics related products and thus shrunk the source of our orders.

Financial Performance

For the financial year under review, the Group sales, though in comparison with preceding year, dropped by 17.5% from RM144.38 millions to 119.15 millions, the Group posted a profit after tax of RM 7.42 million, a slight reduction of 2.2% as compared to RM7.59 millions in the previous financial year. The earning per share dipped accordingly to 12.35 sen from 12.65 sen previously. The decrease was mainly due to the lower revenue received by the Group as the result in lesser demand for electronics related products. Even though with the unfavourable economy situation, the Group managed to maintain a healthy balance sheet of net current assets of RM86.7 million from RM81.8 million in the preceding year which is very encouraging news to the Group.

Dividend

The Board of Directors is recommending a first and final dividend of 10 sen per share, tax exempt, for the financial year ended 31st December 2002.

Corporate Development

The board of directors is ebullient with the approved P.I.E. Industrial Berhad's Employee Share Option Scheme ("ESOS") as its was approved by the shareholders at an Extraordinary General Meeting held on December 2, 2002 and all relevant authorities. The board believes that the ESOS would be an effective mean to retain and reward its valuable employees for their contribution towards the group.

Operation Review

Being encountered with global economic slowdown since 2001, the Board of Directors together with its management is constantly reviewing the entire group's operation, resources and commitments in instituting strict strategic and operational measures needed to stand resilient during this challenging time.

CHAIRMAN'S STATEMENT

Contract Electronic Manufacturing (CEM) Services

PIE will continue to identify its targeted niche market in various industries, i.e. from the initial networking industry into 3C (PC, communication, and consumer electronic), automobile, and industrial electronics.

For the year 2002, the CEM division contributed approximately 55% of the group revenue. The Group will continue to endeavor to secure more orders from new and existing customers in this year with its efforts in (1) continuous integration of new capabilities in manufacturing, engineering and distribution; and (2) continuing efforts to solicit new customers in diversified industries.

Raw Cable & Wire Manufacturing

For the year under review, this division contributed about 27% of the group revenue, an increase from the preceding year of 16%.

The Group will continue to supply to PC-related and consumer electronic industries, this division kept on developing high value-added products, e.g. high quality cross-linked cable and carbon fiber cable for customers in specific automobile and medical industries.

Trading Activity

The trading arm of PIE group maintained to sell its PC peripheral products, mainly the CD-ROM / CD-RW drive. In the year 2002, this division contributed about 18% of the group revenue.

Industrial Trend / Company Outlook

We are presently faced with further expectation of a continued global economic uncertainty as anchored by the financial and political turmoil in the Middle East and the latest Severe Acute Respiratory Syndrome (SARS) outbreak in Asia.

As the core strategy, the Group will continue to strive to insulate itself from these unfavorable impacts. The Group will continue its effort to streamline and rationalising our business with continuous integration of new capabilities in manufacturing, engineering and distribution and efforts to solicit new customers in diversified industries.

The Group also foresees the potential of the electronic technology application in the near future and the trend for OEM customers to outsource manufacturing operations will continue while they concentrate on their core competencies of research and development, product design, marketing and brand loyalty. Therefore, CEM service providers will see an increasing role and demand. Effective cost, supply chain management and quality control will be vital criteria for success in the global competitive marketplace.

With the right spirit and focus, the Group will be able to find and exploit the new opportunities that will arise in the aftermath of these uncertainties.

CHAIRMAN'S STATEMENT

Acknowledgment

On behalf of the Board of Directors, I would like to commend all the employees of the Group for their efforts in instituting the strict strategic and operational measures needed to stand resilient during these challenging times. I would also like to thank all our customers, suppliers, business associates, investors, the relevant authorities, financiers and bankers for their support and confidence in the Group.

Y.T.M TUNKU DATO' DR. ISMAIL
IBNI ALMARHUM TUNKU MOHD JEW A
Chairman

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2002.

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

1. COMPOSITION OF AUDIT COMMITTEE

The Committee shall be appointed by the Board from amongst its members and shall at all time consist of not less than three (3) directors, the majority of whom must be Independent Non-Executive directors and at least one of them must be a member of the Malaysian Institute of Accountants or one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 with at least 3 years' working experience.

No alternate director shall be appointed as a member of the Audit Committee. The Chairman shall be selected by the members of the Audit Committee and should be an Independent director. The Company Secretary shall act as the Secretaries of the Audit Committee.

In the event that the number of Audit Committee members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three(3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

The current Audit Committee comprises three(3) members, two(2) of them are Independent Non-Executive directors.

Chairman

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa
(Independent Non-Executive Director)

Member

Ahmad Murad bin Abdul Aziz - (Independent Non-Executive Director)
Yeap Hun Leng - (Non-Independent/ Non-Executive Director)

The records of Audit Committee meetings for the financial year under review are as follows:

Name of director	February 22, 2002	May 6, 2002	August 8, 2002	November 8, 2002
Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	√	√	√	√
Ahmad Murad Bin Abdul Aziz	√	√	√	√
Yeap Hun Leng	√	√	√	√

AUDIT COMMITTEE REPORT

2. TERMS OF REFERENCE

Objectives

The primary objectives of the Audit Committee are :

- (a) To assist the Board in discharging its duties and responsibilities relating to the group and the company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements.
- (b) To maintain effective communication between the Board of Directors, senior Management, internal auditors and external auditors in order to provide assurance that the information presented by management is relevant, reliable and timely.

Duties and Responsibilities

- Consider and recommend the appointment and remuneration of external auditor and to deal with matters relating to the resignation or dismissal.
- Review with the external auditors the scope of audit plan, system of internal accounting controls and their reports thereon.
- Review the effectiveness of internal audit procedures, consider the major findings of internal audit investigations and ensure co-ordination between the internal and external auditors.
- Review with management the audit reports issued by the internal and external auditors and the implementation of audit recommendations.
- Review any related party transactions that may arise within the Group.
- Review the quarterly results and year-end financial statements prior to them being approved by the Board of Directors.
- Review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- Review arrangements established by management for compliance with any regulation or other external reporting requirements.
- Perform such other functions as may be agreed to by the Committee and the Board of Directors.

AUDIT COMMITTEE REPORT

Authority

The Committee shall, in accordance with a procedure determined by the board of directors and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group and the Company
- (d) have direct communication channels with the external auditors and persons carrying out the internal audit function;
- (e) be able to obtain professional or other advice; and
- (f) be able to convene meetings with the internal and external auditors, in the absence of the executive members of the Audit Committee, whenever deemed necessary.

Meetings

Meeting shall be held once every quarter. The Chairman shall call a meeting of the Committee if requested to do so by any Committee member, the management or the internal or external auditors. The Committee may invite the members of the Board, the management, the internal auditors and the representative of the external auditors to attend any of its meetings, as it deems necessary.

The quorum for a meeting of the Committee shall be two(2) member present and the majority of them must be independent non-executive directors.

The Company Secretary is also responsible for keeping the minutes of the meeting of the Committee, circulating them to the Committee members and to the other members of the Board and following up on outstanding matters.

3. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2002 in the discharge of its duties and responsibilities:

- Reviewed the draft quarterly results and year-end financial statements prior to submission to the Board for approval.
- Reviewed the audit reports and related party transaction reports issued by the internal and external auditors and the implementation of audit recommendations.
- Reviewed the compliance on the Kuala Lumpur Stock Exchange Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- Established internal audit function and determine the terms of reference with the assistance of external professional.

AUDIT COMMITTEE REPORT

4. INTERNAL AUDIT FUNCTION

During the financial year, the Board on the recommendations by the Audit Committee has engaged an external professional firm to carry out internal audit function for the Group. The internal auditors report directly to the Audit Committee.

The primary role of the internal auditors is to inter-alia, assist the Audit Committee on an ongoing basis to:

- review the risk management framework
- evaluate the state of compliance with the Kuala Lumpur Stock Exchange Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements
- provide independent, systematic and objective evaluation on the state of internal control within the Group
- review recurrent related parties transactions
- perform such other functions as requested by the Audit Committee

During the financial year, the internal auditors have assisted the Audit Committee to:

- plan the conduct of internal audit for financial year 2002
- review the state of corporate governance of the Group
- review and document the risk management framework of the Group
- review the state of internal control of various operating cycles within the Group
- review recurrent related parties transactions

CORPORATE GOVERNANCE STATEMENT

Board's Commitments

The Board of Directors of P.I.E. Industrial Berhad is committed to comply with the Malaysian Code on Corporate Governance ("the Code") which sets out the principles and recommended best practices for all public listed companies.

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the year ended 31 December 2002.

A) The Board

The Board of Directors recognised its stewardship responsibility to lead the Group towards highest level of corporate governance, strategic decisions and standard of conducts.

i) Board Balance

The present Board of Directors, headed by the chairman, comprises:

- 2 Non-Independent, Executive Directors
- 3 Non-Independent, Non-Executive Directors, and
- 2 Independent, Non-Executive Directors

The composition of the Board of Directors is in compliance with the KLSE Listing Requirements and the Code. It also balanced to reflect the interests of the major shareholders, management and minority shareholders. Collectively, the Directors bring a wide range of experience relevant to the Group.

The roles of Chairman and Managing Director are assumed by different Directors to ensure that there is a balance of power and responsibilities. There is also a balance in the Board because of the presence of Independent, Non-Executive Directors of caliber who will provide independent assessments and judgments in the decision making process of the Board.

ii) Board Meetings

The Board of Directors governs the operations of the Group. The Board meets regularly, at least once in a quarter since the implementation of revamped listing requirements in early 2002, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

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

During the financial year, the Board met four(4) times. The attendance of each director, taking in to consideration the appointment date is as follows:

CORPORATE GOVERNANCE STATEMENT

Name of director	Designation	Number of meetings	
		Held	Attended
YTM Tunku Dato' Dr Ismail Ibni Almarhum Tunku Mohd Jawa	Independent, Non-Executive Chairman	4	4
Mui Chung Meng	Non-Independent, Managing Director	4	4
Chen, Chih-Wen	Non-Independent, Executive Director	4	4
Yeap Hun Leng	Non-Independent, Non-Executive Director	4	4
Cheng, Shing Tsung	Non-Independent, Non-Executive Director	4	4
Yen, Chien-Kun	Non-Independent, Non-Executive Director	4	3
Ahmad Murad Bin Abdul Aziz	Independent, Non-Executive Director	4	4

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries, whose appointment and removal is the responsibility of the Board collectively, are qualified professionals with the necessary experience to advise the Board.

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

In leading and controlling the operations of the Group, the Board is assisted by the Board of Directors of each individual subsidiary that is primarily responsible to carry out decisions made by the Board. Certain Executive Directors also sit on the Board of subsidiaries to ensure decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

iii) Directors Training

In previous year, all Directors had attended the Mandatory Accreditation Programme to enhance their skills in the area of corporate governance. The Directors are encouraged to attend other similar training programme in the future. An orientation programme will also be organized by the Executive Directors to assist newly appointed directors to better understand the business operations of the Group.

CORPORATE GOVERNANCE STATEMENT

iv) Appointment and Re-election of Director

a) Appointment of Directors

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

Given the present size of the Board and strong professionalism of the major shareholder, the Board has decided not to set up a nomination committee as recommended by the Code. As an alternative, the Board resolved that the nomination of candidates for directorship shall remained a collective decision by all Board members and has laid down the following procedures for appointment of new Directors:

- 1.) The Board will review from time to time its composition to identify the need to further strengthen the Board.
- 2.) The Board, with the assistance and recommendation of the Board members, will evaluate the caliber, credibility and experience of the candidates.
- 3.) A Board meeting or Resolution, under the professional service of a company secretary, will be convened or circulated to all Board members as to decide the appointment of the candidate(s) as director(s).
- 4.) Newly appointed directors are required to undergo director's training programme as described in (iii) above and retire in the Annual General Meeting following his/her appointment and whether or not he/she shall remain in the Board shall be decided by shareholders.

b) Re-election of Directors

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

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

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

The Board of Directors will also review the effectiveness of the Board as a whole and further assess the contribution of each individual director who is seeking re-election by rotation at each AGM.

CORPORATE GOVERNANCE STATEMENT

v) Directors' Remuneration

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

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

- 1.) Determination of remuneration of Directors remained a collective decision of the Board.
- 2.) The remuneration package of Executive Directors shall be determined based on the performance of the Group, the responsibilities, the experience required and the contribution by each individual Director in comparison to the industry norm.
- 3.) The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and contributions by each individual director.
- 4.) All directors are entitled to directors' fee that is subject to shareholders' approval.
- 5.) Other than directors' fee, Executive Directors shall be entitled to salary and bonus, statutory contribution and other allowances incidental to the performance of their duties.
- 6.) The Board shall meet at least once in a financial year to deliberate on the remuneration packages for the Directors.
- 7.) In determining the remuneration package of each Director, the Director concerned will abstain from the discussion.

Details of Directors' remuneration for the year ended 31 December 2002 are as follows:

1. Aggregate remuneration of the Directors categorized into appropriate components:

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors	0	277,694	246,658	9,000	0	533,352
Non-Executive Directors	27,000	0	0	0	0	27,000
Other Directors	0	325,449	210,825	5,455	0	541,729
Total	27,000	603,143	457,483	14,455	0	1,102,081

CORPORATE GOVERNANCE STATEMENT

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

Range of Remuneration	Number of Directors		
	Executive	Non-Executive	Other
Below RM50,000	0	5	0
RM 50,001 to RM100,000	1	0	1
RM 100,001 to RM150,000	0	0	2
RM 150,001 to RM200,000	0	0	1
RM 450,001 to RM500,000	1	0	0

B) Accountability and Audit

Audit Committee

The Audit Committee of P.I.E. Industrial Berhad comprises of

Chairman: YTM Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa
(Independent, Non-Executive Chairman)

Members: Ahmad Murad Bin Abdul Aziz (Independent, Non-Executive Director)
Yeap Hun Leng (Non-Independent, Non-Executive Director)

The terms of reference and the report of Audit Committee are as set out on pages 17 to 20.

i) Financial Reporting

Before the quarterly announcements and annual reports are made, the Board, with the recommendations by the Audit Committee, will ensure that these announcements present a balanced and understandable assessment of the Group's financial position and prospect.

ii) Internal Control

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of P.I.E. Industrial Berhad, the Board has continuously placed emphasis on the need for a sound internal control system.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of these, the Board has in March 2002, established an internal audit function with the assistance of an external professional firm. The internal auditors will be able to provide additional independent review on the state of internal control of the Group.

iii) Relationship with the Auditors

The Board maintains good relationship with external auditors. Members of the Audit Committee meet the external auditors at least once a year to discuss the conduct and concerns arising from their audit.

CORPORATE GOVERNANCE STATEMENT

C) Relationship with Shareholders and Investors

In line with the recommendation by the KLSE Listing Requirements and the Code, material information are disseminated to shareholders and investors on a timely basis. These information, which could be assessed through KLSE website at www.klse.com.my, include:

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

In addition to the above, time will be allocated for during Annual General Meeting for dialogue with shareholders to address issues concerning the Group.

In compliance with recommended best practice by the Code, the Board has appointed Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa, a senior Independent, Non-Executive Director to whom minority shareholders could convey their concern over the operations of the Group. His contact information is as follows:

P.I.E. Industrial Berhad
Plot 6, Jalan Jelawat 1
Seberang Jaya Industrial Estate,
13700 Prai, Penang, Malaysia
Tel: 04-399 3516 Fax: 04-398 9867

This statement was made in accordance with a resolution of the Board dated 25 April 2003.

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

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with the applicable approved accounting standards, the provisions of the Companies Act, 1965 and the relevant provisions of the KLSE Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company and of their results and cash flows for the financial year.

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

- Ensured that suitable accounting policies are used and applied consistently
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect 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 2002 had been approved by the Board on 7 March 2002.

This statement was made in accordance with a resolution of Board dated 25 April 2003.

STATEMENT ON INTERNAL CONTROL

The Board of Directors recognizes the importance of sound system of internal control to achieve the following objectives:

1. Safeguard the shareholders' interest and assets of the Group
2. Identify and manage risks affecting the Group
3. Ensure compliance with regulatory requirements
4. Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
5. Ensure the integrity and reliability of financial information

The Board Directors is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of internal control. The important elements of the system of internal control of the Group are as follows:

1. Organisation structure of each business unit clearly defines operational and financial responsibilities
2. Key responsibilities are properly segregated
3. Authority level is properly defined
4. Key management personnel including Executive Directors meet regularly to address key business risks and operational issues
5. Operational procedures are governed by standard operating manuals which are reviewed and updated regularly
6. Effective financial reporting system is in place to ensure timely generation of financial information for management's review

With the help of the internal auditors, the system of internal control is reviewed regularly. This is to ensure it functions as planned and remains effective and applicable given the passage in time and change in business scenarios.

The Board confirms that the above is in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of internal control accords with the "Statement on Internal Control: Guidance for Directors for Directors of Public Listed Companies" and that it is adequate to achieve the Group's objectives stated above.

The Board of Directors is ultimately responsible to ensure that the Group maintains a sound system of internal control. However, the Board wishes to draw attention that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve objective and can only provide reasonable but not absolute assurance against material misstatements or losses.

This statement was made in accordance with a resolution of the Board dated 25 April 2003.

DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF THE KUALA LUMPUR STOCK EXCHANGE

UTILISATION OF PROCEEDS

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

SHARE BUYBACK

During the financial year, there were no share buyback by the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertibles securities were issued by the Company during the financial year other than the approval of Employees Share Option Scheme as sated in the Directors' Report.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any such programme.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

NON-AUDIT FEES

Non-audit fees paid to the external auditors during the financial year was amounted to RM1,700.

REVALUATION POLICY

The policy on revaluation of properties is as disclosed in the financial statements.

MATERIAL CONTRACT

There were no material contract involving directors or major shareholders other than those entered in the ordinary course of business by the Company disclosed in the financial statement.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There were no profit estimate, forecast or projection announced for the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Company.

PROFIT GUARANTEES

There were no profit guarantees given by the Company for the financial year.

DIRECTORS' 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, 2002.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 10 to the Financial Statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Profit after tax for the year	<u>7,415,815</u>	<u>20,878,598</u>

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

A first and final dividend of 10 sen gross per ordinary share, tax-exempt, amounting to RM6,000,000 in respect of the financial year ended December 31, 2001 which was proposed and dealt with in the previous directors' report was declared and paid by the Company during the current financial year.

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.

EMPLOYEE SHARE OPTION SCHEME

The P.I.E. Industrial Berhad's Employee Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on December 2, 2002 and all relevant authorities.

The principal features of the ESOS are as follows:

- a) The maximum number of new ordinary shares of the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- b) the ESOS will be available to executive directors and eligible employees of the Group and the Company;
- c) to be eligible to participate in the ESOS an employee must be at least eighteen (18) years of age, have been employed in the Group for at least six (6) months and have been confirmed in service;
- d) the ESOS shall be in force for a period of five (5) years from the date of the confirmation letter submitted to the Securities Commission ("SC"). However, the company may, if the Board of Directors and ESOS committee deems fit, extend the scheme for another five (5) years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws save for any revisions and/ or changes to the statutes and/ or regulations currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities;
- e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange ("KLSE") for the five (5) market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher; and
- f) the new shares to be issued pursuant to the ESOS, shall upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to participate in any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid before the allotment of such shares.

As of the end of the financial year, the Company has not implemented its ESOS. Accordingly, no options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company and 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.

OTHER FINANCIAL INFORMATION

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

- (a) 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 have satisfied themselves that there are no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

DIRECTORS' REPORT

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 the allowance for doubtful debt 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 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 which would render any amount stated in the financial statements of the Group and of the Company 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 and secures the liability 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 succeeding financial year.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant events during the financial year are as follows:

- a) On February 7, 2002, the listing of and quotation for the entire issued and paid up share capital of the Company comprising 60,000,000 ordinary shares of RM1.00 each was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange;
- b) On May 21, 2002, the Company acquired the entire issued and paid-up share capital of P.I.W. Enterprise (Malaysia) Sdn. Bhd. for a purchase consideration of RM100,000 through Pan-International Wire & Cable (Malaysia) Sdn. Bhd., a wholly owned subsidiary company;
- c) On August 21, 2002, the Company entered into an agreement with Global Mould Manufacturing Pte. Ltd. to subscribe for 30% equity in the Company for a total consideration of SGD2,247,429. The Company has invested a sum of SGD1,500,000 (equivalent to RM3,201,000) while the balance will be invested by 2003; and
- d) At an Extraordinary General Meeting held on December 2, 2002, the Company's shareholders approved the establishment of the P.I.E. Industrial Berhad's Employees' Share Option Scheme ("ESOS"). The ESOS which was approved by all relevant authorities is administered in accordance with the Bye-Laws under which options will be granted to eligible employees and full-time executive directors of the Company and its subsidiary companies.

DIRECTORS' REPORT

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

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

DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	No. of ordinary shares of RM1 each			Balance at 31.12.2002
	Balance at 1.1.2002	Bought	Sold	
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	10,001	-	-	10,001
Ahmad Murad Bin Abdul Aziz	10,001	-	-	10,001
Mui Chung Meng	10,000	-	-	10,000
Chen, Chih-Wen	10,000	-	-	10,000
Cheng, Shing Tsung	10,000	-	-	10,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration 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 that certain directors received remuneration from related corporations in their capacities as directors or executives of those related corporations.

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.

HOLDING COMPANIES

The companies regarded by the directors as 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.

DIRECTORS' REPORT

AUDITORS

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

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

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

March 7, 2003

REPORT OF THE AUDITORS

DELOITTE KASSIMCHAN

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

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2002 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, 2002 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 incorporated in Malaysia 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 the 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

DELOITTE KASSIMCHAN

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' reports 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 KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/04(J)
Partner

Penang,

March 7, 2003

INCOME STATEMENTS

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue 129,600	4	119,148,848	144,383,748	22,	793,824
Other operating income		3,141,516	3,392,916	429,763	305,634
Changes in inventories of finished goods and work in progress		(1,694,386)	(6,633,875)	-	-
Purchase of trading goods		(20,385,752)	(28,134,241)	-	-
Raw materials used		(62,585,387)	(79,249,603)	-	-
Staff costs	5	(11,909,141)	(9,662,402)	(641,318)	(975,338)
Depreciation of property, plant and equipment		(5,404,447)	(5,463,235)	-	-
Other operating expenses		(9,197,625)	(7,596,589)	(731,449)	(142,724)
Profit/ (Loss) from operations		11,113,626	11,036,719	21,850,820	(682,828)
Finance cost		(313,535)	(105,409)	-	-
Profit/ (Loss) before tax	6	10,800,091	10,931,310	21,850,820	(682,828)
Income tax expense	7	3,384,276	3,339,904	972,222	-
Net profit/ (loss) after tax for the year		7,415,815	7,591,406	20,878,598	(682,828)
Earnings per ordinary share	8	12.35 sen	12.65 sen		

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

BALANCE SHEETS

BALANCE SHEETS AS OF DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	9	43,809,598	47,656,009	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	10	-	-	56,499,998	56,499,998
INVESTMENT IN BOND FUNDS	11	15,224,058	-	15,224,058	-
CURRENT ASSETS					
Inventories	12	15,386,247	18,912,897	-	-
Trade receivables	13	20,647,576	23,190,954	-	-
Other receivables and prepaid expenses	14	5,796,655	1,916,714	3,228,360	18,596
Amount owing by ultimate holding company	15	120	130,919	-	-
Amount owing by subsidiary companies	15	-	-	16,200	10,000,000
Amount owing by related companies	15	3,943,325	1,598,283	-	-
Short-term deposits	24	43,204,191	41,080,809	13,310,896	6,900,000
Cash and bank balances		5,439,241	10,606,662	95,874	106,186
Total Current Assets		94,417,355	97,437,238	16,651,330	17,024,782
CURRENT LIABILITIES					
Trade payables	16	6,714,316	10,456,321	-	-
Other payables and accrued expenses	17	2,926,209	2,378,331	16,000	43,992
Amount owing to ultimate holding company	15	148,728	142,948	-	-
Amount owing to a related company	15	355,003	756,223	-	-
Amount owing to directors	18	6,000	6,000	6,000	6,000
Bank borrowings	19	12,794,769	1,780,847	-	-
Tax liabilities		6,749	143,631	6,200	6,200
Total Current Liabilities		22,951,774	15,664,301	28,200	56,192
NET CURRENT ASSETS		71,465,581	81,772,937	16,623,130	16,968,590
		<u>130,499,237</u>	<u>129,428,946</u>	<u>88,347,186</u>	<u>73,468,588</u>

BALANCE SHEETS

BALANCE SHEETS
AS OF DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
SHARE CAPITAL	20	60,000,000	60,000,000	60,000,000	60,000,000
RESERVES	21	70,499,237	68,923,946	28,347,186	13,468,588
SHAREHOLDERS' EQUITY		<u>130,499,237</u>	<u>128,923,946</u>	<u>88,347,186</u>	<u>73,468,588</u>
DEFERRED TAX LIABILITIES	22	-	505,000	-	-
		<u><u>130,499,237</u></u>	<u><u>129,428,946</u></u>	<u><u>88,347,186</u></u>	<u><u>73,468,588</u></u>

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

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002

The Group	Note	Share Capital RM	Share Premium RM	Revaluation Translation/ Merger Reserve* RM	Retained Profit RM	Total RM
Balance as of January 1, 2001		60,000,000	14,057,166	(24,271,792)	75,725,289	125,510,663
Net losses not recognised in the income statements						
Exchange loss on translation of net investment in foreign subsidiary		-	-	(176,123)	-	(176,123)
Net profit after tax for the year		-	-	-	7,591,406	7,591,406
Dividend	23	-	-	-	(4,002,000)	(4,002,000)
Balance as of December 31, 2001		60,000,000	14,057,166	(24,447,915)	79,314,695	128,923,946
Net gain not recognised in the income statements						
Exchange gain on translation of net investment in foreign subsidiary		-	-	159,476	-	159,476
Net profit after tax for the year		-	-	-	7,415,815	7,415,815
Dividend	23	-	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2002		60,000,000	14,057,166	(24,288,439)	80,730,510	130,499,237

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

STATEMENTS OF CHANGES IN EQUITY

	Revaluation Reserve RM	Translation Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 2001	14,827,895	(99,689)	(38,999,998)	(24,271,792)
Exchange loss on translation of net investment in foreign subsidiary	-	(176,123)	-	(176,123)
Balance as of December 31, 2001	14,827,895	(275,812)	(38,999,998)	(24,447,915)
Exchange gain on translation of net investment in foreign subsidiary	-	159,476	-	159,476
Balance as of December 31, 2002	14,827,895	(116,336)	(38,999,998)	(24,288,439)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002

The Company	Note	Share Capital RM	Share Premium RM	Retained Profit RM	Total RM
Balance as of January 1, 2001		60,000,000	14,057,166	4,096,250	78,153,416
Net profit after tax for the year		-	-	(682,828)	(682,828)
Dividend	23	-	-	(4,002,000)	(4,002,000)
Balance as of December 31, 2001		60,000,000	14,057,166	(588,578)	73,468,588
Profit after tax for the year		-	-	20,878,598	20,878,598
Dividend	23	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2002		60,000,000	14,057,166	14,290,020	88,347,186

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

CASH FLOW STATEMENTS

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (Loss) before tax	10,800,091	10,931,310	21,850,820	(682,828)
Adjustments for:				
Depreciation of property, plant and equipment	5,404,447	5,463,235	-	-
Allowance for slow moving inventories	750,154	754,346	-	-
Allowance for diminution in value of bond funds	467,944	-	467,944	-
Interest expenses	313,535	105,409	-	-
Allowance for doubtful debts	137,762	41,608	-	-
Loss/ (Gain) on disposal of plant and equipment	15,640	(16,000)	-	-
Interest income	(1,249,697)	(709,329)	(429,763)	(305,634)
Bonds in lieu of dividend	(692,002)	-	(692,002)	-
Allowance for slow moving inventories no longer required	(93,455)	(1,032,579)	-	-
Allowance for doubtful debts no longer required	(24,897)	(172,586)	-	-
Bad debts written off	-	330,949	-	-
Plant and equipment written off	-	1,047	-	-
Dividend income	-	-	(21,972,222)	-
Operating profit/ (loss) before working capital changes	15,829,522	15,697,410	(775,223)	(988,462)
(Increase)/ Decrease in:				
Inventories	2,869,951	30,855,279	-	-
Trade receivables	2,430,513	(3,542,151)	-	-
Other receivables and prepaid expenses	(506,492)	(769,930)	-	(1,000)
Amount owing by ultimate holding company	130,799	56,047	-	-
Amount owing by subsidiary companies	-	-	9,983,800	11,516,200
Amount owing by related companies	(2,345,042)	2,468,387	-	-
Increase/ (Decrease) in:				
Trade payables	(3,742,005)	2,272,030	-	-
Other payables and accrued expenses	547,878	(2,375,900)	(27,992)	13,654
Amount owing to ultimate holding company	5,780	(513,984)	-	-

CASH FLOW STATEMENTS

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Amount owing to a related company	(401,220)	(543,234)	-	-
Amount owing to directors	-	(3,000)	-	(3,000)
Cash generated from operations	14,819,684	43,600,954	9,180,585	10,537,392
Tax paid	(4,085,051)	(4,298,351)	-	-
Net cash generated from operating activities	10,734,633	39,302,603	9,180,585	10,537,392
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,135,933	692,233	420,999	288,538
Proceeds from disposal of plant and equipment	16,720	16,000	-	-
Purchase of investment in bond funds	(15,000,000)	-	(15,000,000)	-
Purchase of property, plant and equipment	(1,588,937)	(1,616,289)	-	-
Dividend received	-	-	21,000,000	-
Prepayment on acquisition of investment	(3,201,000)	-	(3,201,000)	-
Net cash (used in)/ generated from investing activities	(18,637,284)	(908,056)	3,219,999	288,538
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/ (Decrease) in bank borrowings	11,204,769	(1,711,000)	-	-
Dividend paid	(6,000,000)	(4,002,000)	(6,000,000)	(4,002,000)
Interest paid	(313,535)	(105,409)	-	-
Net cash generated from/ (used in) financing activities	4,891,234	(5,818,409)	(6,000,000)	(4,002,000)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(3,011,417)	32,576,138	6,400,584	6,823,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,496,624	19,095,026	7,006,186	182,256
Exchange translation differences	158,225	(174,540)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 24)	48,643,432	51,496,624	13,406,770	7,006,186

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 10. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

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).

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on March 7, 2003.

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 unless stated otherwise in the accounting policies mentioned below.

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 significant intercompany balances and 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 MASB 21, Business Combinations, 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.

NOTES TO THE FINANCIAL STATEMENTS

Revenue and Revenue Recognition

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

Sales revenue are recognised upon delivery of products when the risks and rewards of ownership have passed. Dividend income is recognised when the shareholder's right to receive payments is established. 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 the purpose of consolidation, the financial statements of the foreign subsidiary company have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate of SGD1 : RM2.186 (2001: SGD1 : RM2.05)
Issued capital	- at historical cost
Revenue and expenses	- at average rate

Exchange differences due to such currency translation are dealt with through translation reserve account under shareholders' equity.

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 net deferred tax assets, the tax effects are recognised generally on actual realisation.

Property, Plant and Equipment

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:

	<u>Rates</u>
Long leasehold land	2%
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%
Leasehold flats	1.01%

NOTES TO THE FINANCIAL STATEMENTS

The Group carried its leasehold land, buildings and leasehold flats at revalued amounts. These assets shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where there are significant and volatile movements in fair value of the revalued assets.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to retained profit account.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

Investments in Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

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.

Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investment in Bond Funds

Investment in bond funds is stated at cost less allowance for diminution in value of investment to recognise any decline, other than a temporary decline, in the value of the investment.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

Cost of work-in-progress and finished goods consists of cost of raw materials, direct labour and appropriate proportion of manufacturing overheads while the costs of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location.

Allowance is made for obsolete, slow moving or defective items where applicable.

NOTES TO THE FINANCIAL STATEMENTS

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

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

Cash and Cash Equivalents

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

Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Manufacturing	97,463,299	114,206,583	-	-
Trading	20,993,547	30,177,165	-	-
Dividend income from:				
Subsidiary companies	-	-	21,972,222	-
Bond funds	692,002	-	692,002	-
Management services	-	-	129,600	129,600
	<u>119,148,848</u>	<u>144,383,748</u>	<u>22,793,824</u>	<u>129,600</u>

5. GENERAL INFORMATION

	The Group		The Company	
	2002	2001	2002	2001
Number of directors and employees at end of year:				
Directors	15	15	7	7
Employees	666	639	3	2

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.

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT/ (LOSS) BEFORE TAX

Profit/ (Loss) before tax is arrived at:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
After charging:				
Directors' remuneration:				
Fee				
Directors of the Company	27,000	30,000	27,000	30,000
Emoluments				
Directors of the Company	533,352	825,600	533,352	825,600
Directors of subsidiary companies	541,729	442,962	-	-
Rental of accommodation provided	-	4,000	-	-
Allowance for slow moving inventories	750,154	754,346	-	-
Allowance for diminution in value of bond funds	467,944	-	467,944	-
Interest on bank borrowings	313,535	105,409	-	-
Allowance for doubtful debts	137,762	41,608	-	-
Realised loss on foreign exchange	60,040	58,677	-	-
Rental of premises	60,844	73,329	-	-
Audit fee:				
Statutory	62,512	63,658	16,000	16,000
Overprovision in prior year	(2,000)	-	-	-
Loss on disposal of plant and equipment	15,640	-	-	-
Office equipment rental	7,087	-	-	-
Preliminary expenses	2,992	-	-	-
Bad debts written off	-	330,949	-	-
Plant and equipment written off	-	1,047	-	-
And crediting:				
Interest on:				
Short-term deposits	1,249,697	709,329	363,563	98,509
Advances to a subsidiary company	-	-	66,200	207,125
Realised gain on foreign exchange	387,642	433,964	-	-
Dividend income	692,002	-	692,002	-
Allowance for slow moving inventories no longer required	93,455	1,032,579	-	-
Allowance for doubtful debts no longer required	24,897	172,586	-	-
Gain on disposal of plant and equipment	-	16,000	-	-
Bad debts recovered	-	4,245	-	-
Gross dividend from subsidiary companies	-	-	21,972,222	-

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Estimated tax payable:				
Malaysian:				
Current year	3,845,000	2,845,000	972,222	-
Underprovision in prior year	44,572			
Foreign:				
Current year	-	5,864	-	-
Overprovision in prior year	(296)	(15,960)	-	-
Deferred tax (Note 22)				
Current year	(505,000)	317,000	-	-
Underprovision in prior year	-	188,000	-	-
	(505,000)	505,000	-	-
	<u>3,384,276</u>	<u>3,339,904</u>	<u>972,222</u>	<u>-</u>

The Group's taxation for 2002 and 2001 reflect effective tax rates which are higher than the statutory income tax rate due mainly to certain expenses are not allowable as deduction for income tax purposes.

The effective tax rate of the Company in 2002 is lower than statutory income tax rate due mainly to certain dividend income are exempted from tax.

No provision for income tax was made for the Company in 2001 in view of the losses incurred.

As of December 31, 2002, the approximate amount of carryforward tax losses of the Group and of the Company which are subject to agreement by the tax authorities are as follows:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Carryforward tax losses	<u>175,000</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>

NOTES TO THE FINANCIAL STATEMENTS

8. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the Group's profit after tax of RM7,415,815 (2001: RM7,591,406) by the weighted average number of ordinary shares in issue during the year of 60,000,000 (2001: 60,000,000).

9. PROPERTY, PLANT AND EQUIPMENT

Cost Unless Stated Otherwise	The Group				End of year RM
	Beginning of year RM	Disposals/ Additions RM	Exchange Reserve* RM	Written-off RM	
2002:					
Long leasehold land					
- at cost	2,013,795	-	-	-	2,013,795
- at 2000 valuation	10,149,047	-	-	-	10,149,047
Leasehold improvement	203,884	-	-	-	203,884
Buildings					
- at cost	2,886,205	-	-	-	2,886,205
- at 2000 valuation	18,990,083	-	-	-	18,990,083
Plant and machinery	33,482,504	1,320,719	(246,203)	-	34,557,020
Production tools and equipment	1,707,410	56,072	-	-	1,763,482
Furniture, fixtures and office equipment	2,048,653	146,749	(25,983)	2,754	2,172,173
Mechanical and electrical installation	1,608,537	-	-	-	1,608,537
Motor vehicles	1,327,883	65,397	(52,027)	3,168	1,344,421
Leasehold flats					
- at 2000 valuation	2,170,000	-	-	-	2,170,000
	<u>76,588,001</u>	<u>1,588,937</u>	<u>(324,213)</u>	<u>5,922</u>	<u>77,858,647</u>
2001	<u>75,081,840</u>	<u>1,616,289</u>	<u>(101,392)</u>	<u>(8,736)</u>	<u>76,588,001</u>

NOTES TO THE FINANCIAL STATEMENTS

Accumulated Depreciation	Beginning of year RM	Charge for The year RM	Disposals/ Written-off RM	Exchange Reserve* RM	End of year RM
2002:					
Long leasehold land					
- at cost	43,632	40,276	-	-	83,908
- at 2000 valuation	357,917	202,981	-	-	560,898
Leasehold improvement	203,862	-	-	-	203,862
Buildings					
- at cost	312,673	288,621	-	-	601,294
- at 2000 valuation	1,225,469	563,472	-	-	1,788,941
Plant and machinery	21,431,119	3,784,338	(246,196)	-	24,969,261
Production tools and equipment	1,132,512	189,554	-	-	1,322,066
Furniture, fixtures and office equipment	1,649,309	159,633	(25,983)	2,432	1,785,391
Mechanical and electrical installation	1,502,731	24,305	-	-	1,527,036
Motor vehicles	1,028,500	127,680	(18,786)	1,143	1,138,537
Leasehold flats					
- at 2000 valuation	44,268	23,587	-	-	67,855
	<u>28,931,992</u>	<u>5,404,447</u>	<u>(290,965)</u>	<u>3,575</u>	<u>34,049,049</u>
2001	<u>23,574,815</u>	<u>5,463,235</u>	<u>(100,345)</u>	<u>(5,713)</u>	<u>28,931,992</u>

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

	2002 RM	2001 RM
Net Book Value:		
Long leasehold land		
- at cost	1,929,887	1,970,163
- at 2000 valuation	9,588,149	9,791,130
Leasehold improvement	22	22
Buildings		
- at cost	2,284,911	2,573,532
- at 2000 valuation	17,201,142	17,764,614
Plant and machinery	9,587,759	12,051,385
Production tools and equipment	441,416	574,898
Furniture, fixtures and office equipment	386,782	399,344
Mechanical and electrical installation	81,501	105,806
Motor vehicles	205,884	299,383
Leasehold flats		
- at 2000 valuation	2,102,145	2,125,732
	<u>43,809,598</u>	<u>47,656,009</u>

NOTES TO THE FINANCIAL STATEMENTS

The short leasehold land, buildings and leasehold flats of the Group were revalued in 2000 based on the reports of an independent firm of professional valuers using open market values on existing use basis. The surplus arising from the revaluation amounting to RM14,827,895, which was approved by the Securities Commission on October 4, 2000, was credited to revaluation reserve.

The tax effect relating to the increase in the carrying value of the revalued properties is not disclosed or provided for 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:

	2002 RM	2001 RM
At cost:		
Long leasehold land	3,530,739	3,530,739
Buildings	14,109,458	14,109,458
Leasehold flats	1,472,000	1,472,000
	19,112,197	19,112,197
Accumulated depreciation:		
Long leasehold land	713,910	655,064
Buildings	3,838,606	3,433,685
Leasehold flats	135,058	120,189
	4,687,574	4,208,938
Net book value	14,424,623	14,903,259

As of December 31, 2002, the strata titles for the leasehold flats with a carrying value of RM2,102,145 (2001: RM2,125,732) have not yet been issued by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2002 RM	2001 RM
Unquoted shares, at cost	56,499,998	56,499,998

The subsidiary companies are as follows:

	<u>Country of incorporation</u>	<u>Principal Activity</u>	<u>Percentage of Ownership</u>	
			<u>2002</u>	<u>2001</u>
<u>Direct holdings</u>				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies	100%	100%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding components	100%	100%
<u>Indirect holdings</u>				
*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	100%	100%
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of mechanical, electrical, computer, capacitors, resistors and telecommunication components and equipment	100%	100%
+P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	Trading of electrical products	100%	-

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

+ This company is wholly owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENT IN BOND FUNDS

	The Group and The Company	
	2002 RM	2001 RM
Investment in bond funds – at cost	15,692,002	-
Less: Allowance for diminution in value	(467,944)	-
	<u>15,224,058</u>	<u>-</u>

12. INVENTORIES

	The Group	
	2002 RM	2001 RM
At cost:		
Raw materials	9,479,284	11,206,732
Work-in-progress	3,676,419	5,038,209
Finished goods	2,230,544	2,667,956
	<u>15,386,247</u>	<u>18,912,897</u>
At Net Realisable Value		
Raw materials	3,157,338	2,607,619
Less: Allowance for slowing moving inventories	(3,157,338)	(2,607,619)
	-	-
Work-in-progress	2,059	-
Less: Allowance for slow moving inventories	(2,059)	-
	-	-
Finished goods	166,940	62,019
Less: Allowance for slow moving inventories	(166,940)	(62,019)
	<u>15,386,247</u>	<u>18,912,897</u>

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

	The Group	
	2002 RM	2001 RM
Amount outstanding	21,089,228	23,519,741
Less: Allowance for doubtful debts	(441,652)	(328,787)
	<u>20,647,576</u>	<u>23,190,954</u>

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods is 30 to 90 days (2001: 30 to 90 days).

14. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	25,860	17,783	25,860	17,096
Deposit	101,648	105,855	1,500	1,500
Prepaid expenses	4,905,247	1,087,861	3,201,000	-
Tax recoverable	763,900	705,215	-	-
	<u>5,796,655</u>	<u>1,916,714</u>	<u>3,228,360</u>	<u>18,596</u>

Included in prepaid expenses of the Group and of the Company is an amount of RM3,201,000 (2001: Nil) representing amount prepaid for the acquisition of 30% equity interest in Global Mould Manufacturing Pte. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

15. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

The companies regarded by the directors as 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 amount owing by/ (to) ultimate holding company and related companies arose mainly from trade transactions.

The amount owing by subsidiary companies in 2002 arose mainly from management fee receivable.

The amount owing by subsidiary companies in 2001 arose mainly from dividend receivable.

The amount owing by/ (to) subsidiary companies and other related companies are as follows:

	The Company	
	2002 RM	2001 RM
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	10,800	10,000,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	5,400	-
	<u>16,200</u>	<u>10,000,000</u>
	The Group	
	2002 RM	2001 RM
Amount owing by related companies:		
PT. Pan Super Bintang Surya Manufacturing	2,669,262	1,119,694
Pan-International Electronics (Thailand) Co. Ltd.	1,274,063	478,589
	<u>3,943,325</u>	<u>1,598,283</u>
	The Group	
	2002 RM	2001 RM
Amount owing to a related company:		
PT. Pan Super Bintang Surya Manufacturing	<u>355,003</u>	<u>756,223</u>

NOTES TO THE FINANCIAL STATEMENTS

Included in the following accounts of the Group as of December 31, 2002 are amounts owing by/ to related parties:

	The Group	
	2002 RM	2001 RM
Trade receivables:		
Foxconn Advanced Technology Inc. Ltd.*	140,278	2,659,309
Hon Hai Precision Industry Co. Ltd.*	162,587	630,852
	302,865	3,290,161
Trade payables:		
Foxconn Advanced Technology Inc. Ltd.*	138,168	2,613,488
Hon Hai Precision Industry Co. Ltd.*	111,901	249,474
	250,069	2,862,962

* A substantial shareholder of Pan-International Industrial Corporation.

Significant transactions between the Group and the Company with its related parties during the financial year are as follows:

	The Group	
	2002 RM	2001 RM
<u>With Ultimate Holding Company</u>		
Purchase of raw materials	926,592	518,808
Sales of finished goods	168,750	290,046
Miscellaneous purchases	111,202	421,317
Purchase of trading goods	-	931,566
Purchase of property, plant and equipment	-	148,164
Commission income received	-	464
	-	464
	The Company	
	2002 RM	2001 RM
<u>With Subsidiary Companies</u>		
Dividend received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	12,000,000	-
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	9,972,222	-
Management fee received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	64,800	64,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	64,800	64,800
Interest charges received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	66,200	207,125
	12,131,800	271,725

NOTES TO THE FINANCIAL STATEMENTS

	The Group	
	2002 RM	2001 RM
<u>With Other Related Companies</u>		
Sales of finished goods		
Pan-International Electronics (Thailand) Co. Ltd.	2,838,335	2,111,778
PT. Pan Super Bintang Surya Manufacturing	2,009,030	1,682,595
Purchase of trading goods		
PT. Pan Super Bintang Surya Manufacturing	1,673,498	2,168,699
Sales commission paid		
Pan-International Electronics Inc.	-	22,953
Purchase of raw materials		
PT. Pan Super Bintang Surya Manufacturing	397,154	5,172
Pan-International Electronics (Thailand) Co. Ltd.	-	9,029
Purchase of plant and equipment		
PT. Pan Super Bintang Surya Manufacturing	64,688	-
Sales of semi-finished goods		
Pan-International Electronics (Thailand) Co. Ltd.	-	6,800
	The Group	
	2002 RM	2001 RM
<u>With Related Parties</u>		
Sales of finished goods		
Foxconn Advanced Technology Inc. Ltd.	894,535	2,937,462
Hon Hai Precision Industry Co. Ltd.	402,278	861,892
Purchase of raw materials		
Foxconn Advanced Technology Inc. Ltd.	878,539	2,879,184
Hon Hai Precision Industry Co. Ltd.	1,105,581	845,371

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

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases is 30 to 60 days (2001: 30 to 60 days).

17. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables	528,216	744,801	-	-
Accrued expenses	2,397,993	1,633,530	16,000	43,992
	<u>2,926,209</u>	<u>2,378,331</u>	<u>16,000</u>	<u>43,992</u>

Other payables comprise amount outstanding for ongoing cost.

18. AMOUNT OWING TO DIRECTORS

The amount owing to the directors represents directors' remuneration payable to them.

19. BANK BORROWINGS – Unsecured

	The Group	
	2002 RM	2001 RM
Bankers acceptance	5,931,000	1,590,000
Foreign currency trade loan	6,863,769	-
Bank overdrafts	-	190,847
	<u>12,794,769</u>	<u>1,780,847</u>

NOTES TO THE FINANCIAL STATEMENTS

Analysis of borrowings by currency is as follows:

	Ringgit Malaysia RM	US Dollar RM	Total RM
2002:			
Bankers acceptance	5,931,000	-	5,931,000
Foreign currency trade loan	-	6,863,769	6,863,769
	<u>5,931,000</u>	<u>6,863,769</u>	<u>12,794,769</u>
2001:			
Bankers acceptance	1,590,000	-	1,590,000
Bank overdrafts	190,847	-	190,847
	<u>1,780,847</u>	<u>-</u>	<u>1,780,847</u>

The average effective interest rates are as follows:

	2002 %	2001 %
Banker acceptance	2.90	-
Foreign currency trade loan	2.02	-
Bank overdrafts	-	7.90

The Group has banking facilities totalling RM67.85 million obtained from three 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 or cost of funds and are covered by corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL

	The Group and the Company	
	2002 RM	2001 RM
Authorised: 100,000,000 shares of RM1 each	100,000,000	100,000,000
Issued and fully paid 60,000,000 ordinary shares of RM1 each	60,000,000	60,000,000

21. RESERVES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Non-distributable:				
Share premium	14,057,166	14,057,166	14,057,166	14,057,166
Revaluation reserve	14,827,895	14,827,895	-	-
Translation reserve	(116,336)	(275,812)	-	-
Merger deficit	(38,999,998)	(38,999,998)	-	-
	<u>(10,231,273)</u>	<u>(10,390,749)</u>	<u>14,057,166</u>	<u>14,057,166</u>
Distributable:				
Retained profit/ (Accumulated losses)	80,730,510	79,314,695	14,290,020	(588,578)
	<u>70,499,237</u>	<u>68,923,946</u>	<u>28,347,186</u>	<u>13,468,588</u>

The share premium arose from the issue of shares at premium, net of listing expenses written off.

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets. This amount arose from the revaluation of leasehold land, buildings and leasehold flats as disclosed in Note 9.

The translation reserve is used to record exchange differences arising on translation of foreign subsidiary company, as described in the accounting policies.

The merger deficit represents 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.

NOTES TO THE FINANCIAL STATEMENTS

Distributable reserves are those available for distribution by way of dividends. 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.

22. DEFERRED TAX LIABILITIES

	The Group	
	2002 RM	2001 RM
Balance as of beginning of year	505,000	-
Current year	(505,000)	317,000
Underprovision in prior year	-	188,000
Transfer (to)/ from income statements (Note 7)	(505,000)	505,000
Balance as of end of year	-	505,000
	The Group	
	2002 RM	2001 RM
The deferred tax liability of the Group is represented by the tax effects of the following:		
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	-	(1,338,000)
Tax effect of:		
Allowance for slow moving inventories	-	659,000
Allowance for doubtful debts	-	42,000
Other timing differences	-	132,000
	-	505,000

NOTES TO THE FINANCIAL STATEMENTS

As mentioned in Note 3, the tax effects of timing differences which give rise to net deferred tax assets are recognised generally on actual realisation. As of December 31, 2002, the amount of deferred taxation, calculated at applicable tax rates, which is not recognised in the financial statements, is as follows:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Tax effect of timing differences between tax capital allowances and depreciation on property, plant and equipment	(1,117,000)	(86,000)	-	-
Tax effect of carryforward tax losses	42,447	20,000	20,000	20,000
Tax effect of:				
Allowance for slow moving inventories	917,000	77,000	-	-
Allowance for doubtful debts	122,000	44,000	-	-
Other timing differences	445,000	41,000	-	-
	<u>409,447</u>	<u>96,000</u>	<u>20,000</u>	<u>20,000</u>

23. DIVIDEND

	The Group and the Company	
	2002 RM	2001 RM
First and final tax exempt dividend, declared and paid of 6.67 sen per ordinary share, for 2000	-	4,002,000
First and final tax exempt dividend, declared and paid of 10 sen per ordinary share, for 2001	6,000,000	-
	<u>6,000,000</u>	<u>4,002,000</u>

NOTES TO THE FINANCIAL STATEMENTS

24. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Short-term deposits with: Licenced bank	31,172,314	41,080,809	9,113,605	6,900,000
Licenced finance companies	12,031,877	-	4,197,291	-
	43,204,191	41,080,809	13,310,896	6,900,000
Cash and bank balances	5,439,241	10,606,662	95,874	106,186
Bank overdrafts	-	(190,847)	-	-
	<u>48,643,432</u>	<u>51,496,624</u>	<u>13,406,770</u>	<u>7,006,186</u>

The effective interest rates of short term deposits are 1.10% - 4.00% (2001: 1.70% - 3.20%).

25. CONTINGENT LIABILITY - Unsecured

As of December 31, 2002, the Company is contingently liable to the extent of RM54.85 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to subsidiary companies.

26. COMMITMENT

As of December 31, 2002, the Company has outstanding commitment amounting to SGD747,429 (equivalent to approximately RM1,637,990) in respect of the acquisition of 30% equity interest in Global Mould Manufacturing Pte. Ltd. for a total consideration of SGD2,247,429, out of which SGD1,500,000 (equivalent to RM3,201,000) has been paid and taken up in the financial statements as prepaid expenses.

NOTES TO THE FINANCIAL STATEMENTS

27. LEASE COMMITMENTS

As of December 31, 2002, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	2002 RM	2001 RM
Not later than 1 year	42,730	38,270
Later than 1 year but not later than 5 years	23,410	3,010
	66,140	41,280
	66,140	41,280

28. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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. Foreign currency risk

The Group has exposures to foreign exchange risk as a result of transactions and receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

ii. Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's short-term deposits with licenced bank and finance companies. It has no significant interest bearing financial assets or liabilities other than the short-term deposits. The short-term deposits are placed with reputable banks and finance companies. The Group does not use derivative financial instrument to hedge its risk.

iii. Market risk

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

iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial conditions and credit histories. The Group also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

NOTES TO THE FINANCIAL STATEMENTS

v. Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

vi. Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Financial Assets

The Group's principal financial assets are cash and bank balances, trade and other receivables, amount owing by ultimate holding company, amount owing by related companies and investment in bond funds.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

c. Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade and other payables, amount owing to ultimate holding company, amount owing to related companies and bank borrowings.

Bank borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received.

d. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

e. Fair Values

The fair value of investment in bond funds estimated based on unit price quoted by the fund managers as of December 31, 2002 is as follows:

	The Group and the Company		
	Note	Carrying Amount RM	Fair Value RM
Investment in bond funds	11	15,224,058	15,224,058

The fair values of other financial assets and financial liabilities approximate their carrying amounts, because of the short maturity of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

29. SEGMENTAL REPORTING

Business Segments

For management purposes, the Group is organised into the following operating divisions:

- manufacturing of industrial products (includes cables and wires for electrical devices, cable moulding components and PCB assemblies)
- trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment)
- others (includes investment holdings)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

The Group	Manufacturing of industrial products	Trading of electrical products	Others	Elimination	Total
2002	RM	RM	RM	RM	RM
<u>Revenue</u>					
External sales	97,463,299	20,993,547	692,002	-	119,148,848
Inter-segment sales	2,522,958	219,644	22,101,822	(24,844,424)	-
Total revenue	<u>99,986,257</u>	<u>21,213,191</u>	<u>22,793,824</u>	<u>(24,844,424)</u>	<u>119,148,848</u>
<u>Results</u>					
Profit from operations	10,711,112	586,019	21,850,820	(22,034,325)	11,113,626
Finance costs	(342,231)	(37,504)	-	66,200	(313,535)
Profit before tax	10,368,881	548,515	21,850,820	(21,968,125)	10,800,091
Income tax expense	(3,204,572)	(179,704)	(972,222)	972,222	(3,384,276)
Profit after tax	<u>7,164,309</u>	<u>368,811</u>	<u>20,878,598</u>	<u>(20,995,903)</u>	<u>7,415,815</u>
<u>Other information</u>					
Depreciation of property, plant and equipment	5,409,997	1,488	-	(7,038)	5,404,447
<u>Consolidated Balance Sheet</u>					
<u>Assets</u>					
Segment assets	<u>116,511,750</u>	<u>6,390,525</u>	<u>31,875,388</u>	<u>(1,326,652)</u>	<u>153,451,011</u>
<u>Liabilities</u>					
Segment liabilities	<u>23,085,503</u>	<u>1,121,916</u>	<u>28,200</u>	<u>(1,283,845)</u>	<u>22,951,774</u>

NOTES TO THE FINANCIAL STATEMENTS

The Group	Manufacturing of industrial products	Trading of electrical products	Others	Elimination	Total
2001	RM	RM	RM	RM	RM
Revenue					
External sales	114,206,583	30,177,165	-	-	144,383,748
Inter-segment sales	2,519,462	3,738,585	129,600	(6,387,647)	-
Total revenue	116,726,045	33,915,750	129,600	(6,387,647)	144,383,748
Results					
Profit from operations	11,072,488	869,608	(682,828)	(222,549)	11,036,719
Finance costs	(258,325)	(54,209)	-	207,125	(105,409)
Profit before tax	10,814,163	815,399	(682,828)	(15,424)	10,931,310
Income tax expenses	(3,150,000)	(189,904)	-	-	(3,339,904)
Profit after tax	7,664,163	625,495	(682,828)	(15,424)	7,591,406
Other information					
Depreciation of property, plant and equipment	5,452,933	20,892	-	(10,590)	5,463,235
Consolidated Balance Sheet Assets					
Segment assets	131,319,636	8,343,343	17,024,782	(11,594,514)	145,093,247
Liabilities					
Segment liabilities	23,452,698	3,703,021	56,192	(11,547,610)	15,664,301

NOTES TO THE FINANCIAL STATEMENTS

Geographical segments

The Group's operations are located in Malaysia and Singapore. The Group's trading of electrical products division is located in Malaysia and Singapore, whereas the manufacturing of industrial products is located in Malaysia.

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market	
	2002 RM	2001 RM
Malaysia	50,152,422	83,520,478
Other Asian countries	37,526,582	44,724,006
United States of America	26,205,131	14,316,880
Other Asia Pacific countries	5,223,913	1,799,809
African countries	40,800	-
European countries	-	22,575
	<u>119,148,848</u>	<u>144,383,748</u>

The following is an analysis of the carrying amount of segment assets by the geographical area in which the assets are located.

	2002 RM	2001 RM
Malaysia	150,873,323	141,343,150
Singapore	2,577,688	3,750,097
	<u>153,451,011</u>	<u>145,093,247</u>

STATEMENT BY DIRECTORS

P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of P.I.E. INDUSTRIAL BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are 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 the state of affairs of the Group and of the Company as of December 31, 2002 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

March 7, 2003

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

I, CHEN, CHIH-WEN, the director primarily responsible for the financial management of P.I.E. INDUSTRIAL BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, 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 CHEN, CHIH-WEN at

GEORGETOWN in the State of PENANG

on March 7, 2003

Before me,

GM. GOVINDASAMY, PJM
COMMISSIONER FOR OATHS

ANALYSIS OF SHARE HOLDINGS

SHARE CAPITAL

Authorised	:	RM100,000,000.00
Issued and Fully Paid-Up	:	RM60,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	3,533

DISTRIBUTION OF SHAREHOLDERS

<u>Holdings</u>	<u>No. of holders</u>	<u>Total holdings</u>	<u>%</u>
1 – 999	2,239	2,237,000	3.73
1,000 - 10,000	1,159	4,339,000	7.23
10,001 - 100,000	117	3,260,002	5.43
100,001 - 2,999,999	16	12,454,000	20.76
3,000,000 and above	2	37,709,998	62.85
	-----	-----	-----
Total	3,533	60,000,000	100.00
	=====	=====	=====

SUBSTANTIAL SHAREHOLDERS

<u>Name</u>	<u>Direct</u> <u>No. of shares held</u>	<u>%</u>	<u>Indirect</u> <u>No. of shares held</u>	<u>%</u>
Pan Global Holding Co., Ltd.	32,909,998	54.85	-	-
Lembaga Tabung Haji	4,800,000	8.00	-	-
Pan-International Industrial Corporation	-	-	32,909,998*	54.85
	-----	-----	-----	-----
	37,709,998	62.85	32,909,998	54.85
	=====	=====	=====	=====

Note: * By virtue of its substantial interest in Pan Global Holding Co., Ltd.

ANALYSIS OF SHARE HOLDINGS

TOP THIRTY SHAREHOLDERS AS AT APRIL 14, 2003

	Name	Shareholdings	%
1	Pan Global Holding Co. Ltd	32,909,998	54.85
2	Lembaga Tabung Haji	4,800,000	8.00
3	Lembaga Tabung Angkatan Tentera	2,000,000	3.33
4	Allianz General Insurance Malaysia Berhad	1,490,000	2.48
5	Employees Provident Fund Board	1,289,000	2.15
6	Outstanding Growth Technology Limited	1,180,000	1.97
7	HSBC Nominees (Tempatan) Sdn Bhd Qualifier : HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,073,000	1.79
8	Koperasi Permodalan Melayu Negeri Johor Berhad	685,000	1.14
9	Best Skill Technology Limited	630,000	1.05
10	Allianz Life Insurance Malaysia Berhad	500,000	0.83
11	Wong Yoke Fong @ Wong Nyok Fing	482,000	0.80
12	Cimsec Nominees (Tempatan) Sdn. Bhd. Qualifier : Pledged Securities Account for Man Bin Mat (MM0774)	429,000	0.72
13	Wong Yoke Fong @ Wong Nyok Fing	422,000	0.70
14	Operate Technology Limited	377,000	0.63
15	Allianz General Insurance Malaysia Berhad	329,000	0.55
16	OSK Nominees (Tempatan) Sdn Berhad Qualifier : Wong Chong Shee (CK 18573)	278,000	0.46
17	Loke Chong	165,000	0.28
18	Yeoh Kean Hua	135,000	0.23
19	Allianz Life Insurance Malaysia Berhad	131,000	0.22
20	Allianz General Insurance Malaysia Berhad	131,000	0.22
21	Allianz General Insurance Malaysia Berhad	130,000	0.22
22	Uchi Electronic (M) Sdn. Bhd.	120,000	0.20
23	Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier : Amanah Saham Johor	120,000	0.20
24	Mayban Securities Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Lin Yeen Lum (REM 838)	100,000	0.17
25	Chen Ming-Lung	100,000	0.17
26	Allianz Life Insurance Malaysia Berhad	88,000	0.15
27	Koperasi Polis Diraja Malaysia Berhad	86,000	0.14
28	Chong Ah Him @ Chong Kum Kwan	83,000	0.14
29	Allianz General Insurance Malaysia Berhad	82,000	0.14
30	Kao, Te-Pei @ Edward Kao	79,000	0.13
	Total	50,423,998	84.06

ANALYSIS OF SHARE HOLDINGS

DIRECTORS' SHAREHOLDINGS

	<u>Name</u>	<u>No. of shares held</u>	<u>%</u>
1.	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	10,001	0.02
2.	Mui Chung Meng	10,000	0.02
3.	Chen, Chih-Wen	10,000	0.02
4.	Cheng Shing Tsung	10,000	0.02
5.	Ahmad Murad bin Abdul Aziz	10,001	0.02
6.	Yen, Chien-Kun	NIL	NIL
7.	Yeap Hun Leng	3,000	0.005

Note: No indirect shareholdings.

LIST OF PROPERTIES

LIST OF PROPERTIES

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2002 (RM)	Date of revaluation	Date of acquisition
H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 3.12.2050	*Industrial complex - 2 storey office - 1 storey factory (7 years)	5.0 acres/ 12,257 sq. meters	12,980,799	30 May 2000	-
H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 year leasehold expiring 11.11.2050	# Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre (9 years)	7.0 acres/ 10,448 sq. meters	13,808,493	30 May 2000	-
H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 3.12.2050	# Vacant, Future Investment - 1 storey office - 2 storey factory - 1 storey store (9 years)	3.08 acres/ 8,527 sq. meters	4,214,798	-	22 December 2000
H.S.(D) HBM2 P.T. No. 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	99 years leasehold expiring 13.4.2091	# Staff housing - 24 units of medium-cost apartments (7 years)	1,801 sq. meters	2,102,145	30 May 2000	-
			TOTAL	33,106,234		

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 Electronics (Malaysia) Sdn. Bhd.

PROXY FORM

P.I.E. INDUSTRIAL BERHAD (424086-X)
(Incorporated in Malaysia)

PROXY FORM

I/We, _____

of _____

being a Member of the above Company hereby appoint _____

or failing him, _____

of _____

or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us on my/our behalf at the SIXTH ANNUAL GENERAL MEETING of the Company to be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tanggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday June 6, 2003 at 9.00 a.m. and at any adjournment thereof.

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

Resolutions

1. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2002 together with the Reports of the Directors and of the Auditors thereon.
2. To declare a First and Final Dividend of 10 sen per share, exempt from Income Tax for the year ended December 31, 2002
3. To approve the payment of Directors' fees for the year ended December 31, 2002.
4. To re-elect Mr. Chen, Chih-Wen, a Director retiring under the provision of Article 98(1) of the Articles of Association of the Company.
5. To re-elect Mr. Cheng Shing Tsung, a Director retiring under the provision of Article 98(1) of the Articles of Association of the Company.
6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

For	Against

PROXY FORM

Special Business

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Ordinary Resolution

7. To approve the resolution pursuant to Section 132D of the Companies Act, 1965.

Signature of Member:

Signed this:

Number of shares held:

Notes: -

A Member of the Company entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not, apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. 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, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.



P.I.E. INDUSTRIAL BERHAD

(co.no. 424086-X) (Incorporated in Malaysia)

Plot6, Jalan Jelawat Satu,
Kawasan Perusahaan Seberang Prai,
13700 Seberang Jaya, Seberang Prai,
Penang, Malaysia.

Tel: 6 04-399 3516-9

Fax: 6 04-398 9867

