



P. I. E. INDUSTRIAL BERHAD

(co.no. 424086-X)



Plot 6  
Jalan Jelawat Satu  
Kawasan Perusahaan Seberang Prai  
13700 Seberang Jaya  
Seberang Perai  
Penang, Malaysia

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annual report  
**2003**

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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at the Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuah Tenggara Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, May 21, 2004 at 9:00 a.m.

### AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2003 together with the Reports of the Directors and of the Auditors thereon. (Resolution 1)
2. To declare a First and Final Dividend of 12 sen per share, exempt from Income Tax for the year ended December 31, 2003. (Resolution 2)
3. To approve the payment of Directors' Fee for the year ended December 31, 2003. (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) En. Ahmad Murad Bin Abdul Aziz; and (Resolution 4)
  - b) Mr. Yen, Chien-Kun (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 Malaysia Securities Exchange Berhad (MSEB) 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 MSEB."

(Resolution 7)

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: April 29, 2004

**NOTICE OF ANNUAL GENERAL MEETING** (cont'd)**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.

**Directors Standing for Re-election**

The particulars of directors standing for re-election pursuant to paragraph 8.28(2) of the MSEB Listing Requirements are reported under "Board of Directors" and "Directors Standing for Re-election" in this issue of Annual Report.

**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 up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a First and Final Dividend of 12 sen per share, exempt from Income Tax for the year ended December 31, 2003, if approved, will be paid on June 15, 2004 to depositors registered in the Records of Depositors at the close of business on May 28, 2004.

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 May 28, 2004 in respect of ordinary transfers;
- b) shares bought on Malaysia Securities Exchange Berhad (MSEB) on a cum entitlement basis according to the rules of MSEB.

By Order of the Board,

**KHOO LAY TATT** (MAICSA 7029262)

**HOW WEE LING** (MAICSA 7033850)

Secretaries

Penang

Date: April 29, 2004

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

Place : The Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuah Tenggiri Dua,  
Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai  
Date : May 21, 2004  
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) En. Ahmad Murad Bin Abdul Aziz; and
  - ii) Mr. Yen, Chien-Kun

### 3. Board of Directors' Meeting held during the Financial Year Ended December 31, 2003 and Details of Directors' Attendance

Four (4) Board of Directors' Meeting were held during the financial year ended December 31, 2003. Details of attendance of Directors at the Board Meetings are as follows:-

Name	No. of Meetings Attended
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	4
Ahmad Murad Bin Abdul Aziz	4
Mui Chung Meng	4
Chen, Chih-Wen	4
Cheng Shing Tsung	3
Yen, Chien-Kun	3
Yeap Hun Leng	3

### 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, 2003 are as follows:-

Date	Time	Venue
24.02.2003 (Monday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
25.04.2003 (Friday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
08.08.2003 (Friday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
03.11.2003 (Monday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang

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

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

a) Name	:	Ahmad Murad Bin Abdul Aziz												
Age	:	45												
Nationality/Race	:	Malaysian/ Malay												
Qualifications	:	He graduated with a law degree from University of Malaya in 1982.												
Executive/Non-Executive	:	Non-Executive Director												
Independent/ Non-Independent	:	Independent												
Working Experience	:	As enumerated in the Profile of Directors on page 10 of this Annual Report.												
Occupation	:	Director												
Other directorship of public companies	:	Nil												
Securities holdings in the Company and Subsidiary	:	<table> <tr> <td><i>Company</i></td> <td>:</td> <td></td> </tr> <tr> <td>Direct Interest</td> <td>:</td> <td>8,001</td> </tr> <tr> <td>Deemed Interest</td> <td>:</td> <td>Nil</td> </tr> <tr> <td><i>Subsidiary</i></td> <td>:</td> <td>Nil</td> </tr> </table>	<i>Company</i>	:		Direct Interest	:	8,001	Deemed Interest	:	Nil	<i>Subsidiary</i>	:	Nil
<i>Company</i>	:													
Direct Interest	:	8,001												
Deemed Interest	:	Nil												
<i>Subsidiary</i>	:	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												

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

b) Name	:	Yen, Chien-Kun
Age	:	44
Nationality/Race	:	Taiwanese /Chinese
Qualifications	:	He graduated with a Bachelor of Chemical Engineering degree from National Taiwan Institute Of Technology in 1985.
Executive/Non-Executive	:	Non-Executive Director
Independent/ Non-Independent	:	Non-Independent
Working Experience	:	As enumerated in the Profile of Directors on page 10 of this Annual Report.
Occupation	:	Director
Other directorship of public companies	:	Nil
Securities holdings in the Company and Subsidiary	:	<i>Company</i> Direct Interest : Nil Deemed Interest : Nil  <i>Subsidiary</i> : 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	Cheng Shing Tsung
Non-Executive Director	Yen, Chien-Kun
Non-Executive Director	Yeap Hun Leng
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-Independent -Executive Director); (Appointed on February 25, 2004)	Chen, Chih-Wen

### 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

### 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

**CORPORATE INFORMATION** (cont'd)

**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 Malaysia Securities Exchange Berhad

**SHARE CAPITAL**

Authorised : RM100,000,000  
Issued and Paid-Up : RM60,186,000

## BOARD OF DIRECTORS' PROFILE

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

*Chairman*

*(Independent / Non-Executive)*

*Malaysian*

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa, aged 66, was appointed to the Board on 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 Universiti Sains Malaysia from 1987 to 1995 and Dean of Education also in Universiti 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, Luster Industries Berhad and CAB Cakaran Corporation Berhad.

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

He has no family relationship with any other Directors and/or major shareholders 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 52, was appointed to the Board on 10 May 2000. He graduated from the University of Singapore majoring in Electronics in 1974 and was an Associate Member of the Institute of Electrical Engineers in 1977. He also obtained a Diploma in Plastic and Rubber Technology (UK) in 1988 under the guidance of Universiti Sains Malaysia and the Rubber Research Institute of Malaysia. Mr. Mui joined Pan-International Electronics (Thailand) Co. Ltd. in 1993 and was subsequently promoted to General Manager of the South East Asian Division of Pan-International Industrial 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 quality control activities of the entire assembly plant respectively. From 1981 to 1992, he was the operations manager of Kayel Rubber Products and Polynic Industry who handled the overall operations of rubber and plastic products manufacturing. Through these experiences, Mr. Mui gained extensive knowledge in the fields of electronics, plastics and rubber.

He has no family relationship with any other Directors and/or major shareholders 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.

### **CHEN, CHIH-WEN**

*Executive Director*

*(Non-Independent / Executive)*

*Taiwanese*

Chen Chih-Wen, aged 46, was appointed to the Board on 10 May 2000. He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. Prior to joining PIE Group in 1991, he was involved in the electronic industry for five (5) years with listed companies in Taiwan and four (4) years in the cement-related industry. He is responsible for the corporate finance in the group of companies.

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

He has no family relationship with any other Directors and/or major shareholders 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** (cont'd)**CHENG SHING TSUNG***Director**(Non-Independent / Non-Executive)**British*

Cheng Shing Tsung, aged 66, was appointed to the Board on 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. In 1965, he joined Atlas Electronic Corp. as Material Chief. Two years later, he was transferred to Electronic Industrial Ltd, a subsidiary of General Electric USA (Audio Division), in Hong Kong, as Purchasing Leader. In early 1974, he was promoted as Procurement Manager who controls all purchasing activities of General Electric Television & Appliance Pte. Ltd. Singapore. He is currently the General Manager of Foxconn Singapore Pte. Ltd, the subsidiary company of Hon Hai Precision Industry Co. Ltd..

He has no family relationship with any other Directors and/or major shareholders 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 44, was appointed to the Board on 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 is now the Operation Manager of South Asia Region for Hon Hai Group.

He has no family relationship with any other Directors and/or major shareholders 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 34, was appointed to the Board on 26 December 2001, was redesignated as Non-Executive Director of the Company on November 11, 2002. He graduated with a Bachelor of Accounting degree from Universiti Kebangsaan in 1996. He was a Senior Audit Assistant in Deloitte KassimChan. He now is a member of Malaysian Institute of Accountants.

He has no family relationship with any other Directors and/or major shareholders 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.

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## **BOARD OF DIRECTORS' PROFILE** (cont'd)

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### **AHMAD MURAD BIN ABDUL AZIZ**

*Independent Director  
(Independent / Non-Executive)  
Malaysian*

Ahmad Murad Bin Abdul Aziz, aged 45, was appointed to the Board on 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 was a Senior Partner of Murad & Foo from 1990 to 1999. Prior to that, he worked as a legal assistant with Kadir, Tan & Ramlee from 1983 to 1985 and a partner of Murad and Leong from 1985 to 1989. He is currently a partner of K.M. Chye & Murad.

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

He has no family relationship with any other Directors and/or major shareholders 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 December 31, 2003.

The financial year under review was indeed a challenging time for P.I.E. Industrial Berhad ("PIE") as the year started off with the Iraq war and followed by the Severe Acute Respiratory Syndrome (SARS) outbreak in Asia. However through the vigilance and concerted effort of the Group, we managed to overcome these adversities.

### Financial Performance

For the financial year under review, the Group revenue increased by 2.10% from RM119.15 million to RM121.65 million when compared to the previous financial year. The Group posted a profit after tax of RM 7.34 million, a slight reduction of 1% as compared to RM7.42 millions in the previous financial year. The earning per share dropped accordingly to 12.24 sen from 12.35 sen previously. The decrease was mainly due to the lower margin mix. The Group's net tangible assets stand at 213 sen per share. The Group managed to maintain a financially sound balanced sheet with surplus cash of RM47.46 millions for future expansion and diversification.

### Dividend

The first and final dividend of 10 sen, tax exempt for the year ended December 31, 2002 was paid on June 30, 2003.

The Board of Directors is recommending a first and final dividend of 12 sen per share, tax exempt, for the financial year ended December 31, 2003 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### ESOS

The approved P.I.E. Industrial Berhad's Employee Share Option Scheme ("ESOS") was launched on 13 March 2003. An additional 57,000 new ordinary shares of RM 1.00 was issued to employees under ESOS during this year. This new ESOS will serve as an effective mean to reward and retain valuable employees for their contribution and loyalty towards the Group.

### Operation Review

Faced with continuous uncertainties in the global economic environment, 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.

#### ***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 2003, the CEM division contributed approximately 53% 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 28% of the group revenue, a slight increase from the preceding year of 27%.

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.

## **CHAIRMAN'S STATEMENT** (cont'd)

### ***Trading Activity***

In addition to its existing PC peripheral products, mainly the CD-ROM / CD-RW drive, the trading arm of PIE group diversifies its products to telecommunication and consumer electronics as well. Due to the diversification, this division contributed an increase of 1% from the preceding year of 18% to 19%.

### **Industrial Trend / Company Outlook**

The Group 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.

Going forward, PIE is well positioned to stage a turnaround in performance from the financial year 2004. The Group has succeeded in securing more outsourcing contracts from existing customers and also some remarkable potential business opportunities from new customers. The Group is strategizing itself to take advantage of the expected upturn in the economy by aggressively emphasizing the implementation of our core strategies. With the prevailing favourable economic condition and barring unforeseen circumstances, the Group expect the profit after tax for the next financial year to be increased over the present level of operation.

The Group will continue to strive to insulate itself from any unforeseen 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 continued efforts to solicit new customers in diversified industries.

### **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 JAWA**  
Chairman

## AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended December 31, 2003.

The Audit Committee was established by a resolution of the Board on May 20, 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:

- (1) a member of the Malaysian Institute of Accountants; or
- (2) 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; or
- (3) a degree/ masters/ doctorate holder in accounting or finance with at least 3 years' post qualification experience in accounting or finance; or
- (4) having at least 7 years' experience being a chief financial officer of a corporation; or
- (5) having the function of being primarily responsible for the management of the financial affairs of a corporation.

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)  
Chen, Chih-Wen - (Non-Independent/ Executive Director); (Appointed on February 25, 2004)  
Yeap Hun Leng - (Non-Independent/ Non-Executive Director); (Resigned on February 25, 2004)

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

Name of director	February 24, 2003	April 25, 2003	August 8, 2003	November 3, 2003
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	✓	✓	✓	✓
Ahmad Murad Bin Abdul Aziz	✓	✓	✓	✓
Chen, Chih-Wen (appointed on February 25, 2004)	-	-	-	-
Yeap Hun Leng (resigned on February 25, 2004)	✓	✓	✓	-



## **AUDIT COMMITTEE REPORT** (cont'd)

### **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.

#### **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.

**AUDIT COMMITTEE REPORT** (cont'd)**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 December 31, 2003 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 Malaysia Securities Exchange Berhad (MSEB) 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.

**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 MSEB 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 2003
- 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

## STATEMENT ON CORPORATE GOVERNANCE

### 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 2003.

### 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 MSEB 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:

Name of director	Designation	Number of meetings	
		Held	Attended
Y.T.M. 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
Cheng, Shing Tsung	Non-Independent, Non-Executive Director	4	3
Yen, Chien-Kun	Non-Independent, Non-Executive Director	4	3
Yeap Hun Leng	Non-Independent, Non-Executive Director	4	3
Ahmad Murad Bin Abdul Aziz	Independent, Non-Executive Director	4	4

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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 years, 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.

### 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.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### 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 2003 are as follows:

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

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors	0	213,480	292,822	2,400	508,702
Non-Executive Directors	30,000	0	0	5,000	35,000
Other Directors	0	324,788	90,527	0	415,315
Total	30,000	538,268	383,349	7,400	959,017

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	4
RM 100,001 to RM150,000	0	0	1
RM 450,001 to RM500,000	1	0	0

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### B) Accountability and Audit

#### Audit Committee

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

- Chairman: Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa  
(Independent, Non-Executive Chairman)
- Members: Ahmad Murad Bin Abdul Aziz (Independent, Non-Executive Director)  
Chen, Chih-Wen (Non-Independent, Executive Director) (Appointed on February 25, 2004)  
Yeap Hun Leng (Non-Independent, Non-Executive Director) (Resigned on February 25, 2004)

The terms of reference and the report of Audit Committee are as set out on pages 15 to 17.

#### 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.

### C) Relationship with Shareholders and Investors

In line with the recommendation by the MSEB Listing Requirements and the Code, material information are disseminated to shareholders and investors on a timely basis. These information, which could be assessed through MSEB website at [www.klse.com.my](http://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 April 15, 2004.

## **STATEMENT ON 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 MSEL 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 December 31, 2003 had been approved by the Board on 27 February 2004.

This statement was made in accordance with a resolution of the Board dated April 15, 2004.

## 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. 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 April 15, 2004.



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## **DISCLOSURE REQUIREMENTS**

### **Pursuant To The Listing Requirements Of The Malaysia Securities Exchange Berhad**

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#### **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 stated 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 RM800.

#### **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

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, 2003.

### 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

	The Group RM	The Company RM
Profit/ (loss) after tax for the year	<u>7,344,739</u>	<u>(182,547)</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, 2002 was declared and paid by the Company during the current financial year.

The directors proposed a first and final dividend of 12 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed final dividend if payable in respect of all ordinary shares in issue as at date of the issue of the financial statements would amount to RM7,209,600 and have not been included as liabilities in the financial statements. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has not yet been determined as at to date.

### 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

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM60,000,000 to RM60,057,000 by way of issuance of 57,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM39,900 was credited to the share premium account.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

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

## DIRECTORS' REPORT (cont'd)

### 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 Malaysia Securities Exchange Berhad 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.

The share options granted and exercised during the financial year are as follows:

Exercisable from	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each			Balance as of 31.12.2003
		Balance as of 1.1.2003	Granted	Exercised	
August 13, 2003	1.70	-	4,376,000	(57,000)	4,319,000

### 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 all known bad debts had been 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** (cont'd)

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which 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.

**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 Jawa  
 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 as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	10,001	-	-	10,001
Ahmad Murad Bin Abdul Aziz	10,001	-	(2,000)	8,001
Mui Chung Meng	10,000	-	-	10,000
Chen, Chih-Wen	10,000	-	-	10,000
Cheng, Shing Tsung	10,000	-	-	10,000
Yeap Hun Leng	-	3,000	(3,000)	-

## **DIRECTORS' REPORT** (cont'd)

In addition to the above, the following directors are deemed to have interest in the shares of the Company to the extent of the following options granted to them pursuant to the ESOS of the Company which was implemented on December 2, 2002:

	<b>No. of options over ordinary shares of RM1 each</b>			<b>Balance as of 31.12.2003</b>
	<b>Balance as of 1.1.2003</b>	<b>Granted</b>	<b>Exercised</b>	
Mui Chung Meng	-	400,000	-	400,000
Chen, Chih-Wen	-	200,000	-	200,000

### **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 except for options granted to certain directors pursuant to the Company's ESOS as disclosed above.

### **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.

### **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,

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**MUI CHUNG MENG**

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**CHEN, CHIH-WEN**

Penang,

February 27, 2004

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
P.I.E. INDUSTRIAL BERHAD** (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2003 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, 2003 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.

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,

February 27, 2004



## INCOME STATEMENTS

for the year ended December 31, 2003

	Note	The Group		The Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	4	<b>121,652,688</b>	119,148,848	<b>129,600</b>	22,793,824
Other operating income		<b>2,550,611</b>	3,141,516	<b>677,031</b>	429,763
Changes in inventories of finished goods and work-in-progress		<b>785,130</b>	(1,694,386)	-	-
Purchase of trading goods		<b>(20,328,400)</b>	(20,385,752)	-	-
Raw materials used		<b>(68,019,038)</b>	(62,585,387)	-	-
Staff costs	5	<b>(10,673,002)</b>	(11,909,141)	<b>(712,067)</b>	(641,318)
Depreciation of property, plant and equipment		<b>(5,376,617)</b>	(5,404,447)	-	-
Other operating expenses		<b>(9,726,675)</b>	(9,197,625)	<b>(277,630)</b>	(731,449)
Profit/ (loss) from operations		<b>10,864,697</b>	11,113,626	<b>(183,066)</b>	21,850,820
Finance costs		<b>(147,477)</b>	(313,535)	-	-
Profit/ (loss) before tax	6	<b>10,717,220</b>	10,800,091	<b>(183,066)</b>	21,850,820
Income tax (expense)/ income	7	<b>(3,372,481)</b>	(3,384,276)	<b>519</b>	(972,222)
Net profit/ (loss) after tax for the year		<b>7,344,739</b>	7,415,815	<b>(182,547)</b>	20,878,598
Earnings per ordinary share Basic	8	<b>12.24 sen</b>	12.35 sen		
Diluted	8	<b>11.67 sen</b>			

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

**BALANCE SHEETS**  
 as of December 31, 2003

	Note	The Group		The Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	9	<b>41,725,296</b>	43,809,598	-	-
<b>INVESTMENT IN SUBSIDIARY COMPANIES</b>	10	-	-	<b>56,499,998</b>	56,499,998
<b>INVESTMENT IN BOND FUNDS</b>	11	<b>16,883,407</b>	15,224,058	<b>16,883,407</b>	15,224,058
<b>CURRENT ASSETS</b>					
Inventories	12	<b>17,277,891</b>	15,386,247	-	-
Trade receivables	13	<b>26,028,378</b>	20,647,576	-	-
Other receivables and prepaid expenses	14	<b>637,025</b>	5,032,755	<b>8,116</b>	3,228,360
Tax recoverable		<b>661,606</b>	763,900	-	-
Amount owing by ultimate holding company	15	-	120	-	-
Amount owing by subsidiary companies	15	-	-	<b>10,800</b>	16,200
Amount owing by related companies	15	<b>3,226,463</b>	3,943,325	-	-
Short-term deposits	25	<b>30,513,572</b>	43,204,191	<b>3,059,464</b>	13,310,896
Cash and bank balances		<b>16,949,441</b>	5,439,241	<b>5,821,754</b>	95,874
Total Current Assets		<b>95,294,376</b>	94,417,355	<b>8,900,134</b>	16,651,330
<b>CURRENT LIABILITIES</b>					
Trade payables	16	<b>11,149,364</b>	6,714,316	-	-
Other payables and accrued expenses	17	<b>5,023,961</b>	2,926,209	<b>16,000</b>	16,000
Amount owing to ultimate holding company	15	<b>132,888</b>	148,728	-	-
Amount owing to a related company	15	<b>158,083</b>	355,003	-	-
Amount owing to directors	18	<b>6,000</b>	6,000	<b>6,000</b>	6,000
Bank borrowings	19	<b>5,416,000</b>	12,794,769	-	-
Tax liabilities		<b>23,360</b>	6,749	-	6,200
Total Current Liabilities		<b>21,909,656</b>	22,951,774	<b>22,000</b>	28,200
<b>NET CURRENT ASSETS</b>		<b>73,384,720</b>	71,465,581	<b>8,878,134</b>	16,623,130
		<b>131,993,423</b>	130,499,237	<b>82,261,539</b>	88,347,186

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



**BALANCE SHEETS**

as of December 31, 2003 (cont'd)

	Note	The Group		The Company	
		2003 RM	2002 RM	2003 RM	2002 RM
SHARE CAPITAL	20	<b>60,057,000</b>	60,000,000	<b>60,057,000</b>	60,000,000
RESERVES	21	<b>67,784,612</b>	66,347,426	<b>22,204,539</b>	28,347,186
SHAREHOLDERS' EQUITY		<b>127,841,612</b>	126,347,426	<b>82,261,539</b>	88,347,186
DEFERRED TAX LIABILITIES	22	<b>4,151,811</b>	4,151,811	-	-
		<b>131,993,423</b>	130,499,237	<b>82,261,539</b>	88,347,186

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

## STATEMENTS OF CHANGES IN EQUITY

for the year ended December 31, 2003

The Group	Note	Share Capital RM	Revaluation/ Translation/ Share Premium RM	Merger Reserve* RM	Retained Profit RM	Total RM
Balance as of January 1, 2002		60,000,000	14,057,166	(24,447,915)	79,314,695	128,923,946
As previously stated						
Prior year adjustment	23	-	-	(4,151,811)	-	(4,151,811)
Restated balance		60,000,000	14,057,166	(28,599,726)	79,314,695	124,772,135
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	24	-	-	-	(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
As previously stated						
Prior year adjustment	23	-	-	(4,151,811)	-	(4,151,811)
Restated balance		60,000,000	14,057,166	(28,440,250)	80,730,510	126,347,426
Allotment of 57,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		57,000	39,900	-	-	96,900
Net gain not recognised in the income statements:						
Exchange gain on translation of net investment in foreign subsidiary		-	-	52,547	-	52,547
Net profit after tax for the year		-	-	-	7,344,739	7,344,739
Dividend	24	-	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2003		60,057,000	14,097,066	(28,387,703)	82,075,249	127,841,612

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

## STATEMENTS OF CHANGES IN EQUITY for the year ended December 31, 2003 (cont'd)

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

	Note	Revaluation Reserve RM	Translation Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 2002					
As previously stated		14,827,895	(275,812)	(38,999,998)	(24,447,915)
Prior year adjustment	23	(4,151,811)	-	-	(4,151,811)
Restated balance		10,676,084	(275,812)	(38,999,998)	(28,599,726)
Exchange gain on translation of net investment in foreign subsidiary		-	159,476	-	159,476
Balance as of December 31, 2002					
As previously stated		14,827,895	(116,336)	(38,999,998)	(24,288,439)
Prior year adjustment	23	(4,151,811)	-	-	(4,151,811)
Restated balance		10,676,084	(116,336)	(38,999,998)	(28,440,250)
Exchange gain on translation of net investment in foreign subsidiary		-	52,547	-	52,547
Balance as of December 31, 2003		10,676,084	(63,789)	(38,999,998)	(28,387,703)

### The Company

	Note	Share Capital RM	Share Premium RM	Retained Profit RM	Total RM
Balance as of January 1, 2002		60,000,000	14,057,166	(588,578)	73,468,588
Net profit after tax for the year		-	-	20,878,598	20,878,598
Dividend	24	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2002		60,000,000	14,057,166	14,290,020	88,347,186
Allotment of 57,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		57,000	39,900	-	96,900
Net loss after tax for the year		-	-	(182,547)	(182,547)
Dividend	24	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2003		60,057,000	14,097,066	8,107,473	82,261,539

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

## CASH FLOW STATEMENTS

for the year ended December 31, 2003

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/ (loss) before tax	10,717,220	10,800,091	(183,066)	21,850,820
Adjustments for:				
Depreciation of property, plant and equipment	5,376,617	5,404,447	-	-
Allowance for slow moving inventories	1,882,910	750,154	-	-
Allowance for doubtful debts	207,727	137,762	-	-
Allowance for diminution in value of bond funds	148,649	467,944	148,649	467,944
Interest expenses	147,477	313,535	-	-
Bad debts written off	4,631	-	-	-
Interest income	(825,309)	(1,249,697)	(310,908)	(429,763)
Gain on disposal of investment	(365,978)	-	(365,978)	-
Allowance for doubtful debts no longer required	(25,165)	(24,897)	-	-
(Gain)/ loss on disposal of plant and equipment	(399)	15,640	-	-
Bonds in lieu of dividend	-	(692,002)	-	(692,002)
Allowance for slow moving inventories no longer required	-	(93,455)	-	-
Dividend income	-	-	-	(21,972,222)
Operating profit/ (loss) before working capital changes	17,268,380	15,829,522	(711,303)	(775,223)
(Increase)/ decrease in:				
Inventories	(3,774,554)	2,869,951	-	-
Trade receivables	(5,567,995)	2,430,513	-	-
Other receivables and prepaid expenses	1,069,486	(506,492)	19,244	-
Amount owing by ultimate holding company	120	130,799	-	-
Amount owing by subsidiary companies	-	-	5,400	9,983,800
Amount owing by related companies	716,862	(2,345,042)	-	-

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



## CASH FLOW STATEMENTS

for the year ended December 31, 2003 (cont'd)

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Increase/ (decrease) in:				
Trade payables	4,435,048	(3,742,005)	-	-
Other payables and accrued expenses	2,097,752	547,878	-	(27,992)
Amount owing to ultimate holding company	(15,840)	5,780	-	-
Amount owing to a related company	(196,920)	(401,220)	-	-
Cash generated from/ (used in) operations	16,032,339	14,819,684	(686,659)	9,180,585
Tax paid	(3,253,576)	(4,085,051)	(5,681)	-
Net cash generated from/ (used in) operating activities	12,778,763	10,734,633	(692,340)	9,180,585
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of investments	25,158,980	-	25,158,980	-
Interest received	950,553	1,135,933	310,908	420,999
Proceeds from disposal of plant and equipment	800	16,720	-	-
Purchase of investment in bond funds	(23,400,000)	(15,000,000)	(23,400,000)	(15,000,000)
Purchase of property, plant and equipment	(3,292,716)	(1,588,937)	-	-
Prepayment on acquisition of investment	-	(3,201,000)	-	(3,201,000)
Dividend received	-	-	-	21,000,000
Net cash (used in)/ generated from investing activities	(582,383)	(18,637,284)	2,069,888	3,219,999
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceed from issuance of Company's ESOS shares	96,900	-	96,900	-
(Decrease)/ increase in bank borrowings	(7,378,769)	11,204,769	-	-
Dividend paid	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Interest paid	(147,477)	(313,535)	-	-
Net cash (used in)/ generated from financing activities	(13,429,346)	4,891,234	(5,903,100)	(6,000,000)
Exchange translation differences	52,547	158,225	-	-
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,180,419)</b>	<b>(2,853,192)</b>	<b>(4,525,552)</b>	<b>6,400,584</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>48,643,432</b>	<b>51,496,624</b>	<b>13,406,770</b>	<b>7,006,186</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)</b>	<b>47,463,013</b>	<b>48,643,432</b>	<b>8,881,218</b>	<b>13,406,770</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003

**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 February 27, 2004.

**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.

When the acquisition method is adopted, the excess of the purchase consideration over the fair value of the net assets of the subsidiary company at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. The goodwill on consolidation is amortised evenly on a straight-line method over a period of 20 years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount. The results of the subsidiary company acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal.

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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### Foreign Currency Conversion

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

For inclusion in the consolidated financial statements, income and expense items of a foreign subsidiary company are translated into Ringgit Malaysia at the exchange rates prevailing on the transaction dates (average rate) and assets and liabilities are translated into Ringgit Malaysia at the rates of exchange approximately those ruling at the balance sheet date (closing rate). Exchange differences due to such currency translations are dealt with through exchange reserve under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations is disposed of.

The principal closing rates used in translation of foreign currency amounts and the financial statements of foreign entity are as follows:

	<b>2003</b>	2002
	<b>RM</b>	RM
1 United States Dollar	<b>3.800</b>	3.800
1 Singapore Dollar	<b>2.314</b>	2.172
1 New Taiwan Dollar	<b>0.109</b>	0.146
1 Japanese Yen	<b>0.035</b>	0.031

### Income Tax

The charge for the current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax asset. The Company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefits of part or all of the deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statements, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003 (cont'd)

**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:

	<b>Rates</b>
Long leasehold land	2%
Leasehold improvement	20%
Buildings	2% - 10%
Plant and machinery	10% - 33.3%
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%

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 market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

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 a 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 are assessed and written down immediately to its recoverable amount.



## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2003** (cont'd)

### **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 costs to completion.

Cost of work-in-progress and finished goods consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads while the cost 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.

### **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.

### **Employee Benefits**

#### **(i) Short term benefits**

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

#### **(ii) Defined contribution plans**

As required by law, companies in Malaysia and Singapore make contributions to the state pension scheme, the employees' provident fund and central provident fund respectively. Such contributions are recognised as expenses in the income statement as incurred.

#### **(iii) Equity compensation benefits**

The Company's ESOS allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

### **Leases**

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003 (cont'd)

**Borrowing Costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

**Borrowings and Payables**

Borrowings and payables are stated at costs.

**Share Capital**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and bank balances, demand deposits 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 sheets include short-term deposits, cash and bank balances, investments, receivables and payables. 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 and the Company have 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.

**4. REVENUE**

An analysis of revenue is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Manufacturing	<b>98,888,875</b>	97,463,299	-	-
Trading	<b>22,763,813</b>	20,993,547	-	-
Dividend income from:				
Subsidiary companies	-	-	-	21,972,222
Bond funds	-	692,002	-	692,002
Management services	-	-	<b>129,600</b>	129,600
	<b>121,652,688</b>	119,148,848	<b>129,600</b>	22,793,824

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 5. GENERAL INFORMATION

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs:				
Contributions to state pension schemes	712,984	726,750	60,267	30,085
Other staff costs	9,960,018	11,182,391	651,800	611,233
	<b>10,673,002</b>	<b>11,909,141</b>	<b>712,067</b>	<b>641,318</b>
Number of directors and employees at end of year:				
Directors	16	15	7	7
Employees	752	666	3	3

Staff costs include directors' remuneration, salaries, bonuses, contributions to state pension schemes 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 Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya, 13700 Prai, Penang, Malaysia respectively.

### 6. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:				
Allowance for slow moving inventories	1,882,910	750,154	-	-
Directors' remuneration:				
Fee				
Directors of the Company	30,000	27,000	30,000	27,000
Contributions to state pension schemes				
Directors of the Company	50,642	24,000	50,642	24,000
Directors of subsidiary companies	33,657	40,775	-	-
Emoluments				
Directors of the Company	513,702	509,352	513,702	509,352
Directors of subsidiary companies	415,315	513,241	-	-
Allowance for doubtful debts	207,727	137,762	-	-
Allowance for diminution in value of bond funds	148,649	467,944	148,649	467,944
Interest on bank borrowings	147,477	313,535	-	-
Realised loss on foreign exchange	133,008	60,040	-	-
Audit fee:				
Statutory	59,277	62,512	16,000	16,000
Overprovision in prior year	-	(2,000)	-	-
Rental of premises	55,206	60,844	-	-
Office equipment rental	8,757	7,087	-	-
Bad debts written off	4,631	-	-	-
Loss on disposal of plant and equipment	-	15,640	-	-
Preliminary expenses	-	2,992	-	-

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
And crediting:				
Interest on:				
Short-term deposits	825,309	1,249,697	310,908	363,563
Advances to a subsidiary company	-	-	-	66,200
Realised gain on foreign exchange	425,626	387,642	-	-
Gain on disposal of investments	365,978	-	365,978	-
Allowance for doubtful debts no longer required	25,165	24,897	-	-
Bad debts recovered	5,564	-	-	-
Gain on disposal of property, plant and equipment	399	-	-	-
Dividend income	-	692,002	-	692,002
Allowance for slow moving Inventories no longer required	-	93,455	-	-
Gross dividend from subsidiary companies	-	-	-	21,972,222

## 7. INCOME TAX EXPENSE/ (INCOME)

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current Tax:				
Malaysian:				
Current year	3,373,000	3,845,000	-	972,222
(Over)/ Underprovision in prior year	(519)	44,572	(519)	-
Foreign:				
Current year	-	-	-	-
Overprovision in prior year	-	(296)	-	-
Deferred tax (Note 22)	-	(505,000)	-	-
	<b>3,372,481</b>	<b>3,384,276</b>	<b>(519)</b>	<b>972,222</b>

The Malaysian government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 with effect from the year of assessment 2003. For chargeable income in excess of RM100,000, the corporate income tax rate is at 28%.

The Group is operating in the jurisdictions of Malaysia and Republic of Singapore. The applicable domestic statutory income tax rates are 20% and 28% for Malaysia and 22% for Republic of Singapore.

In view of that, the applicable statutory income tax rates for the Group range from 20% to 28% (2002: 22% to 28%).

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

The numerical reconciliations between tax expenses/ (income) and the product of accounting profit/ (loss) multiplied by the applicable tax rates are as follows:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Accounting profit/ (loss)	<b>10,717,220</b>	10,800,091	<b>(183,066)</b>	21,850,820
Tax amount of up to RM100,000 of chargeable income at the statutory income tax of 20%	<b>19,000</b>	-	-	-
Tax amount of RM100,001 thereafter at the statutory income tax rate of 28%	<b>3,055,000</b>	3,049,000	<b>(51,000)</b>	6,118,000
Tax at statutory income tax rate of 22%	<b>(39,000)</b>	(20,000)	-	-
	<b>3,035,000</b>	3,029,000	<b>(51,000)</b>	6,118,000
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	<b>339,000</b>	435,000	<b>66,000</b>	228,222
Non-taxable income	<b>(106,000)</b>	(204,000)	<b>(102,000)</b>	(5,374,000)
Tax saving on utilisation of reinvestment allowances	<b>(453,000)</b>	(230,000)	-	-
Net deferred tax assets not recognised	<b>558,000</b>	310,000	<b>87,000</b>	-
(Over)/ underprovision of current tax in prior year	<b>(519)</b>	44,276	<b>(519)</b>	-
	<b>3,372,481</b>	3,384,276	<b>(519)</b>	972,222

As of December 31, 2003, 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	
	2003 RM	2002 RM	2003 RM	2002 RM
Carryforward tax losses	<b>667,000</b>	175,000	<b>385,000</b>	74,000

### 8. EARNINGS PER ORDINARY SHARE

	The Company	
	2003 RM	2002 RM
Net profit attributable to ordinary shareholders	<b>7,344,739</b>	7,415,815
	<b>2003 Units</b>	<b>2002 Units</b>
Number of shares in issue as of January 1	<b>60,000,000</b>	60,000,000
Effect of the exercise of ESOS	<b>10,520</b>	-
Weighted average number of ordinary shares in issue	<b>60,010,520</b>	60,000,000
Basic earnings per ordinary share (sen)	<b>12.24</b>	12.35

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 8. EARNINGS PER ORDINARY SHARE (cont'd)

	2003 Units
Weighted average number of ordinary shares in issue	60,010,520
ESOS:	
No. of unissued shares	4,319,000
No. of shares that would have been issued at fair value	(1,411,115)
	<hr/>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	62,918,405
	<hr/>
Fully diluted earnings per ordinary share (sen)	11.67

## 9. PROPERTY, PLANT AND EQUIPMENT

## The Group

Cost Unless Stated Otherwise	Beginning of year	Additions	Disposals/ Written-off	Exchange Reserve*	End of year
<b>2003:</b>					
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	34,557,020	3,162,100	-	-	37,719,120
Production tools and equipment	1,763,482	70,360	-	-	1,833,842
Furniture, fixtures and office equipment	2,172,173	60,256	(3,859)	427	2,228,997
Mechanical and electrical installation	1,608,537	-	-	-	1,608,537
Motor vehicles	1,344,421	-	-	-	1,344,421
Leasehold flats					
- at 2000 valuation	2,170,000	-	-	-	2,170,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	77,858,647	3,292,716	(3,859)	427	81,147,931
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2002	76,588,001	1,588,937	(324,213)	5,922	77,858,647

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Accumulated Depreciation	Beginning of year RM	Charge for The year RM	Disposals/ Written-off RM	Exchange Reserve* RM	End of year RM
<b>2003:</b>					
Long leasehold land					
- at cost	83,908	40,276	-	-	124,184
- at 2000 valuation	560,898	202,981	-	-	763,879
Leasehold improvement	203,862	-	-	-	203,862
Buildings					
- at cost	601,294	288,621	-	-	889,915
- at 2000 valuation	1,788,941	563,472	-	-	2,352,413
Plant and machinery	24,969,261	3,765,090	-	-	28,734,351
Production tools and equipment	1,322,066	174,827	-	-	1,496,893
Furniture, fixtures and office equipment	1,785,391	169,807	(3,458)	427	1,952,167
Mechanical and electrical installation	1,527,036	22,571	-	-	1,549,607
Motor vehicles	1,138,537	125,385	-	-	1,263,922
Leasehold flats					
- at 2000 valuation	67,855	23,587	-	-	91,442
	<b>34,049,049</b>	<b>5,376,617</b>	<b>(3,458)</b>	<b>427</b>	<b>39,422,635</b>
2002	28,931,992	5,404,447	(290,965)	3,575	34,049,049

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

	2003 RM	2002 RM
<b>Net Book Value:</b>		
Long leasehold land		
- at cost	1,889,611	1,929,887
- at 2000 valuation	9,385,168	9,588,149
Leasehold improvement	22	22
Buildings		
- at cost	1,996,290	2,284,911
- at 2000 valuation	16,637,670	17,201,142
Plant and machinery	8,984,769	9,587,759
Production tools and equipment	336,949	441,416
Furniture, fixtures and office equipment	276,830	386,782
Mechanical and electrical installation	58,930	81,501
Motor vehicles	80,499	205,884
Leasehold flats		
- at 2000 valuation	2,078,558	2,102,145
	<b>41,725,296</b>	<b>43,809,598</b>

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 was credited to revaluation reserve.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

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

	2003 RM	2002 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
	<b>19,112,197</b>	19,112,197
Accumulated depreciation:		
Long leasehold land	772,756	713,910
Buildings	4,243,527	3,838,606
Leasehold flats	149,927	135,058
	<b>5,166,210</b>	4,687,574
Net book value	<b>13,945,987</b>	14,424,623

As of December 31, 2003, the strata titles for the leasehold flats with a carrying value of RM2,078,558 (2002: RM2,102,145) have not yet been issued by the relevant authorities.

## 10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2003 RM	2002 RM
Unquoted shares, at cost	<b>56,499,998</b>	56,499,998

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
<b>Direct holdings</b>				
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 compounds	100%	100%



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 10. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

#### Indirect holdings

*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	<b>100%</b>	100%
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of mechanical, electrical, computer, capacitors, resistors and telecommunication components and equipment	<b>100%</b>	100%
+P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	Trading of electrical products	<b>100%</b>	100%

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

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

### 11. INVESTMENT IN BOND FUNDS

	<b>The Group and The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Investment in bond funds – at cost	<b>17,500,000</b>	15,692,002
Less: Allowance for diminution in value	<b>(616,593)</b>	(467,944)
	<b>16,883,407</b>	15,224,058

### 12. INVENTORIES

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
At cost:		
Raw materials	<b>10,791,800</b>	9,479,284
Work-in-progress	<b>5,120,891</b>	3,676,419
Finished goods	<b>1,365,200</b>	2,230,544
	<b>17,277,891</b>	15,386,247
At Net Realisable Value		
Raw materials	<b>4,834,249</b>	3,157,338
Less: Allowance for slowing moving inventories	<b>(4,834,249)</b>	(3,157,338)
	-	-
Work-in-progress	<b>2,057</b>	2,059
Less: Allowance for slow moving inventories	<b>(2,057)</b>	(2,059)
	-	-
Finished goods	<b>372,941</b>	166,940
Less: Allowance for slow moving inventories	<b>(372,941)</b>	(166,940)
	-	-
	<b>17,277,891</b>	15,386,247

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 13. TRADE RECEIVABLES

	The Group	
	2003 RM	2002 RM
Amount outstanding	26,293,775	21,089,228
Less: Allowance for doubtful debts	(265,397)	(441,652)
	<b>26,028,378</b>	<b>20,647,576</b>

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranges from 30 to 90 days (2002: 30 to 90 days). An allowance has been made for estimated irrecoverable amount from the sales of goods of RM265,397 (2002: RM441,652). This allowance has been determined by reference to past default experience.

Analysis of trade receivables by currencies:

	The Group	
	2003 RM	2002 RM
Ringgit Malaysia	8,947,043	5,256,406
United States Dollar	15,494,605	11,267,480
Singapore Dollar	1,586,730	4,123,640
	<b>26,028,378</b>	<b>20,647,576</b>

## 14. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Other receivables	5,616	130,860	5,616	25,860
Deposit	105,898	101,648	2,500	1,500
Prepaid expenses	525,511	4,800,247	-	3,201,000
	<b>637,025</b>	<b>5,032,755</b>	<b>8,116</b>	<b>3,228,360</b>

Included in the prepaid expenses of the Group and of the Company as of December 31, 2002 is an amount of RM3,201,000 representing amount prepaid for the acquisition of a 30% equity interest in Global Mould Manufacturing Pte. Ltd.. The equity interest in this investee company was disposed of in 2003.

## 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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003 (cont'd)

**15. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS (cont'd)**

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

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	5,400	10,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	5,400	5,400
	<b>10,800</b>	<b>16,200</b>
	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Amount owing by related companies:		
PT. Pan Super Bintang Surya Manufacturing	2,408,334	2,669,262
Less: Allowance for doubtful debts	(167,068)	-
	<b>2,241,266</b>	2,669,262
Pan-International Electronics (Thailand) Co. Ltd.	744,533	1,274,063
Dong Guan Pan-International Wire & Cable	240,664	-
	<b>3,226,463</b>	<b>3,943,325</b>
Amount owing to a related company:		
PT. Pan Super Bintang Surya Manufacturing	158,083	355,003

Included in the following accounts of the Group as of December 31, 2003 are amounts owing by/ to related parties:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Trade receivables:		
Hon Hai Precision Industry Co. Ltd.*	3,167	162,587
Foxconn Advanced Technology Inc. Ltd.*	-	140,278
	<b>3,167</b>	<b>302,865</b>
Trade payables:		
Hon Hai Precision Industry Co. Ltd.*	10,499	111,901
Foxconn Advanced Technology Inc. Ltd.*	-	138,168
	<b>10,499</b>	<b>250,069</b>

\* A substantial shareholder of Pan-International Industrial Corporation.

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

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
<b>With Ultimate Holding Company</b>		
Purchase of raw materials	471,798	926,592
Sales of finished goods	-	168,750
Miscellaneous purchases	111,369	111,202

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 15. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS (cont'd)

	The Company	
	2003 RM	2002 RM
<b>With Subsidiary Companies</b>		
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
Dividend received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	-	12,000,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	-	9,972,222
Interest charges received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	-	66,200

	The Group	
	2003 RM	2002 RM
<b>With Related Companies</b>		
Sales of finished goods		
Pan-International Electronics (Thailand) Co. Ltd.	2,853,444	2,838,335
PT. Pan Super Bintang Surya Manufacturing	793,947	2,009,030
Purchase of trading goods		
PT. Pan Super Bintang Surya Manufacturing	240,664	1,673,498
Purchase of raw materials		
PT. Pan Super Bintang Surya Manufacturing	940,669	397,154
Pan-International Electronics (Thailand) Co. Ltd.	335	-
Purchase of plant and equipment		
PT. Pan Super Bintang Surya Manufacturing	-	64,688

	The Group	
	2003 RM	2002 RM
<b>With Other Related Parties</b>		
Sales of finished goods		
Hon Hai Precision Industry Co. Ltd.	128,235	402,278
Foxconn Advanced Technology Inc. Ltd.	-	894,535
Purchase of raw materials		
Hon Hai Precision Industry Co. Ltd.	162,348	1,105,581
Foxconn Advanced Technology Inc. Ltd.	-	878,539

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.

The amounts owing by/ (to) ultimate holding company and other related companies are denominated in United States Dollar.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 16. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases ranges from 30 to 60 days (2002: 30 to 60 days).

Analysis of trade payables by currencies:

	The Group	
	2003 RM	2002 RM
Ringgit Malaysia	4,421,838	2,522,073
United States Dollar	6,061,447	4,147,696
Japanese yen	613,531	186
Other currencies	52,548	44,361
	<b>11,149,364</b>	<b>6,714,316</b>

### 17. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Other payables	2,696,146	528,216	-	-
Accrued expenses	2,327,815	2,397,993	16,000	16,000
	<b>5,023,961</b>	<b>2,926,209</b>	<b>16,000</b>	<b>16,000</b>

Other payables comprise amount outstanding for ongoing cost.

Analysis of other payables and accrued expenses by currencies:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Ringgit Malaysia	3,226,494	2,502,207	16,000	16,000
Japanese Yen	1,739,612	-	-	-
United States Dollar	43,169	408,669	-	-
Singapore Dollar	14,686	15,333	-	-
	<b>5,023,961</b>	<b>2,926,209</b>	<b>16,000</b>	<b>16,000</b>

### 18. AMOUNT OWING TO DIRECTORS

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

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 19. BANK BORROWINGS – Unsecured

	The Group	
	2003 RM	2002 RM
Bankers acceptance	5,416,000	5,931,000
Foreign currency trade loan	-	6,863,769
	<u>5,416,000</u>	<u>12,794,769</u>

Analysis of the group's bank borrowings by currencies is as follows:

	Ringgit Malaysia RM	United States Dollar RM	Total RM
<b>2003:</b>			
Bankers acceptance	5,416,000	-	5,416,000
<b>2002:</b>			
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>

The average effective interest rates are as follows:

	2003 %	2002 %
Bankers acceptance	3.20	3.01
Foreign currency trade loan	-	2.02

The Group has banking facilities totalling RM57.25million 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 guarantees from the Company.

## 20. SHARE CAPITAL

	2003	The Group and the Company		2002
	No. of shares	2003 RM	2002 No. of shares	RM
Authorised:				
100,000,000 shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At beginning of year	60,000,000	60,000,000	60,000,000	60,000,000
Exercise of employees' share options	57,000	57,000	-	-
At end of year	<u>60,057,000</u>	<u>60,057,000</u>	<u>60,000,000</u>	<u>60,000,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 20. SHARE CAPITAL (cont'd)

During the financial year, the issued and paid up share capital of the Company was increased from RM60,000,000 to RM60,057,000 by way of issuance of 57,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM39,000 was credited to the share premium account.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

Under the Company's ESOS which became effective on December 2, 2002, options to subscribe for unissued new ordinary shares of RM1 each in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The share options granted and exercised during the financial year were as follows:

Exercisable from	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each			Balance as of 31.12.2003
		Balance as of 1.1.2003	Granted	Exercised	
August 13, 2003	1.70	-	4,376,000	(57,000)	<b>4,319,000</b>

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 Malaysia Securities Exchange Berhad 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.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 21. RESERVES

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-distributable:				
Share premium	14,097,066	14,057,166	14,097,066	14,057,166
Revaluation reserve				
As previously stated	10,676,084	14,827,895	-	-
Prior year adjustment (Note 23)	-	(4,151,811)	-	-
Restated balance	10,676,084	10,676,084	-	-
Translation reserve	(63,789)	(116,336)	-	-
Merger deficit	(38,999,998)	(38,999,998)	-	-
	<b>(14,290,637)</b>	<b>(14,383,084)</b>	<b>14,097,066</b>	<b>14,057,166</b>
Distributable:				
Retained profit	82,075,249	80,730,510	8,107,473	14,290,020
	<b>67,784,612</b>	<b>66,347,426</b>	<b>22,204,539</b>	<b>28,347,186</b>

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.

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	
	2003 RM	2002 RM
Balance as of beginning of year		
As previously stated	-	505,000
Prior year adjustment (Note 23)	4,151,811	4,151,811
Restated balance	4,151,811	4,656,811
Transfer to income statement (Note 7)	-	(505,000)
Balance as of end of year	<b>4,151,811</b>	<b>4,151,811</b>

The deferred tax liabilities as of end of year are in respect of tax effect of revaluation surplus.



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 22. DEFERRED TAX LIABILITIES (cont'd)

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2003, the amounts of estimated net deferred tax assets of the Group and of the Company calculated at applicable tax rates which are not recognised in the financial statements, are as follows:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(1,041,000)	(1,117,000)	-	-
Tax effect of:				
Carryforward tax losses	169,074	42,447	107,000	20,000
Allowance for slow moving inventories	1,458,000	931,000	-	-
Other temporary differences	381,000	553,000	-	-
	<u>967,074</u>	<u>409,447</u>	<u>107,000</u>	<u>20,000</u>

### 23. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy on the recognition of deferred tax liabilities on revaluation surplus arising from the revaluation of property, plant and equipment to comply with MASB 25, Income Taxes.

Previously, the tax effect relating to the increase in the carrying value of the revalued properties were not provided for as there is no intention to dispose of these assets in the foreseeable future. Upon adoption of MASB 25, the Group is required to recognise deferred tax liabilities in respect of asset revaluations.

This accounting change has been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustment in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting change:

The Group	As previously reported RM	Adjustments RM	As restated RM
As of December 31, 2002			
Deferred tax liabilities	-	4,151,811	4,151,811
Revaluation reserve	14,827,895	(4,151,811)	10,676,084
As of December 31, 2001			
Deferred tax liabilities	505,000	4,151,811	4,656,811
Revaluation reserve	14,827,895	(4,151,811)	10,676,084

### 24. DIVIDEND

	The Group and The Company	
	2003 RM	2002 RM
First and final tax exempt dividend, declared and paid of 10 sen per ordinary share, for 2001	-	6,000,000
First and final tax exempt dividend, declared and paid of 10 sen per ordinary share, for 2002	6,000,000	-
	<u>6,000,000</u>	<u>6,000,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003 (cont'd)

**24. DIVIDEND** (cont'd)

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, 2002 was declared and paid by the Company during the current financial year.

The directors proposed a first and final dividend of 12 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed final dividend if payable in respect of all ordinary shares in issue as at date of the issue of the financial statements would amount to RM7,209,600 and have not been included as liabilities in the financial statements. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has not yet been determined as at to date.

**25. 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	
	2003	2002	2003	2002
	RM	RM	RM	RM
Short-term deposits with:				
Licenced bank	<b>20,330,244</b>	31,172,314	<b>2,022,409</b>	9,113,605
Licenced finance companies	<b>10,183,328</b>	12,031,877	<b>1,037,055</b>	4,197,291
	<b>30,513,572</b>	43,204,191	<b>3,059,464</b>	13,310,896
Cash and bank balances	<b>16,949,441</b>	5,439,241	<b>5,821,754</b>	95,874
	<b>47,463,013</b>	48,643,432	<b>8,881,218</b>	13,406,770

The short-term deposits bear interests at rates ranging from 1% to 4% (2002: 1.10% to 4.00%) per annum and are maturing between January 2004 to December 2004.

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Ringgit Malaysia	<b>30,837,254</b>	26,359,016	<b>8,881,218</b>	13,406,770
United Stated Dollar	<b>16,504,472</b>	22,122,227	-	-
Singapore Dollar	<b>121,287</b>	162,189	-	-
	<b>47,463,013</b>	48,643,432	<b>8,881,218</b>	13,406,770

**26. CONTINGENT LIABILITY - Unsecured**

As of December 31, 2003, 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.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 27. LEASE COMMITMENTS

As of December 31, 2003, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	2003 RM	2002 RM
Not later than 1 year	47,410	42,730
Later than 1 year but not later than 5 years	12,910	23,410
	60,320	66,140

### 28. 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 RM	Trading of electrical products RM	Others RM	Elimination RM	Total RM
<b>2003</b>					
<b>Revenue</b>					
External sales	98,888,875	22,763,813	-	-	121,652,688
Inter-segment sales	2,697,055	24,040	129,600	(2,850,695)	-
Total revenue	101,585,930	22,787,853	129,600	(2,850,695)	121,652,688
<b>Results</b>					
Profit from operations	10,540,015	614,487	(183,066)	(106,739)	10,864,697
Finance costs	(146,260)	(10,571)	-	9,354	(147,477)
Profit before tax	10,393,755	603,916	(183,066)	(97,385)	10,717,220
Income tax (expense)/ income	(3,151,000)	(222,000)	519	-	(3,372,481)
Profit after tax	7,242,755	381,916	(182,547)	(97,385)	7,344,739

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

## 28. SEGMENTAL REPORTING (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Others RM	Elimination RM	Total RM
<b>2003</b>					
<b>Other information</b>					
Capital additions	3,292,716	-	-	-	3,292,716
Depreciation of property, plant and equipment	5,381,432	1,165	-	(5,980)	5,376,617
<b>Consolidated Balance Sheet Assets</b>					
Segment assets	121,982,154	6,664,627	25,783,541	(1,188,849)	153,241,473
Income tax assets	661,606	-	-	-	661,606
Consolidated total assets	122,643,760	6,664,627	25,783,541	(1,188,849)	153,903,079
<b>Liabilities</b>					
Segment liabilities	21,974,758	938,195	22,000	(1,048,657)	21,886,296
Income tax liabilities	4,151,811	23,360	-	-	4,175,171
Consolidated total liabilities	26,126,569	961,555	22,000	(1,048,657)	26,061,467
<b>2002</b>					
<b>Revenue</b>					
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	99,986,257	21,213,191	22,793,824	(24,844,424)	119,148,848
<b>Results</b>					
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	7,164,309	368,811	20,878,598	(20,995,903)	7,415,815

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

### 28. SEGMENTAL REPORTING (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Others RM	Elimination RM	Total RM
2002					
<b>Other information</b>					
Depreciation of property, plant and equipment	5,409,997	1,488	-	(7,038)	5,404,447
Capital additions	1,588,937	-	-	-	1,588,937
<b>Consolidated Balance Sheet Assets</b>					
Segment assets	115,747,850	6,390,525	31,875,388	(1,326,652)	152,687,111
Income tax assets	763,900	-	-	-	763,900
Consolidated total assets	116,511,750	6,390,525	31,875,388	(1,326,652)	153,451,011
<b>Liabilities</b>					
Segment liabilities	23,085,503	1,121,367	22,000	(1,283,845)	22,945,025
Income tax liabilities	4,151,811	549	6,200	-	4,158,560
Consolidated total assets	27,237,314	1,121,916	28,200	(1,283,845)	27,103,585

#### 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:

	<b>Sales revenue by geographical market</b>	
	2003 RM	2002 RM
Malaysia	36,154,119	50,152,422
Other Asian countries	36,316,621	37,526,582
United States of America	36,519,655	26,205,131
Australia and New Zealand	12,662,293	5,223,913
African countries	-	40,800
	<b>121,652,688</b>	<b>119,148,848</b>

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

	2003 RM	2002 RM
Malaysia	151,235,405	150,873,323
Singapore	2,667,674	2,577,688
	<b>153,903,079</b>	<b>153,451,011</b>

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2003 (cont'd)

**29. 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 exposure 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 exposure to foreign exchange risk as a result of transactions, 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 and bank borrowings. The short term deposits are placed with reputable licenced bank and finance companies. The Group does not use derivative financial instruments to hedge its risk.

**iii. Market risk**

The Group has in place policies to manage the Group's exposures to fluctuation and the prices of the key raw materials used in the operations. For marketable securities, the Group monitors fluctuations in market prices and to establish suitable cut loss procedures.

**iv. Credit risk**

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

**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 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.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003 (cont'd)

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

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

#### 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 carrying amount and the estimated fair value of the Group's and the Company's investment in bond funds as of December 31, 2003 is as follows:

	<b>The Group and the Company</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>RM</b>	<b>RM</b>
Investment in bond funds	<u>16,883,407</u>	<u>16,883,407</u>

The fair value of investment in bond funds is determined by reference to the price quoted by the bond fund manager at the close of the business at the balance sheet date.

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

## 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, 2003 and of their results and cash flows for the year ended on that date.

Signed in accordance with  
a resolution of the Directors,

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**MUI CHUNG MENG**

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**CHEN, CHIH-WEN**

Penang,

February 27, 2004

### **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 February 27, 2004. )

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Before me,

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**GM. GOVINDASAMY, PJM**  
COMMISSIONER FOR OATHS



## ANALYSIS OF SHAREHOLDINGS

### SHARE CAPITAL

Authorised	:	RM100,000,000.00
Issued and Fully Paid-Up	:	RM60,186,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	3,173

### DISTRIBUTION OF SHAREHOLDERS

Holdings	No. of holders	Total holdings	%
1 – 99	0	0	0
100 – 1,000	1,986	1,980,700	3.29
1,001 – 10,000	1,058	4,073,101	6.77
10,001 – 100,000	108	3,093,901	5.14
100,001 – 3,009,299	19	13,328,300	22.14
3,009,300 and above	2	37,709,998	62.66
<b>Total</b>	<b>3,173</b>	<b>60,186,000</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Pan Global Holding Co., Ltd.	32,909,998	54.68	-	-
Lembaga Tabung Haji	4,800,000	7.98	-	-
Pan-International Industrial Corporation	-	-	32,909,998*	54.68
	<b>37,709,998</b>	<b>62.66</b>	<b>32,909,998</b>	<b>54.68</b>

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

## ANALYSIS OF SHAREHOLDINGS (cont'd)

## TOP THIRTY SHAREHOLDERS AS AT MARCH 30, 2004

Name	Shareholdings	%
1. Pan Global Holding Co. Ltd	32,909,998	54.68
2. Lembaga Tabung Haji	4,800,000	7.98
3. Allianz General Insurance Malaysia Berhad	2,771,000	4.60
4. Lembaga Tabung Angkatan Tentera	2,000,000	3.32
5. Employees Provident Fund Board	1,257,500	2.09
6. HSBC Nominees (Tempatan) Sdn Bhd Qualifier : HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,180,000	1.96
7. Outstanding Growth Technology Limited	1,180,000	1.96
8. Allianz Life Insurance Malaysia Berhad	869,800	1.45
9. Koperasi Permodalan Melayu Negeri Johor Berhad	685,000	1.14
10. Best Skill Technology Limited	630,000	1.05
11. Wong Yoke Fong @ Wong Nyok Fing	501,000	0.83
12. Public Nominees (Tempatan) Sdn. Bhd. Qualifier : Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)	500,000	0.83
13. Cimsec Nominees (Tempatan) Sdn. Bhd. Qualifier : Pledged Securities Account for Man Bin Mat (MM0774)	429,000	0.71
14. Operate Technology Limited	377,000	0.63
15. Chee Sau Foong	177,000	0.29
16. Loke Chong	170,000	0.28
17. Yeoh Kean Hua	135,000	0.22
18. Allianz Life Insurance Malaysia Berhad	124,000	0.21
19. Amanah Raya Nominees (Tempatan) Sdn. Bhd. Qualifier : Amanah Saham Johor	120,000	0.20
20. Uchi Electronic (M) Sdn. Bhd.	120,000	0.20
21. Wong Yoke Fong @ Wong Nyok Fing	102,000	0.17
22. Chee Ming-Lung	100,000	0.17
23. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Qualifier : Pledged Securities Account for Lin Yeen Lum (REM 838)	100,000	0.17
24. Allianz Life Insurance Malaysia Berhad	88,000	0.15
25. Koperasi Polis Diraja Malaysia Berhad	85,000	0.14
26. Lim Sai Ngin	82,700	0.14
27. Kao, Te-Pei @ Edward Kao	79,000	0.13
28. Liao Yueh Chen	64,000	0.10
29. Wah Nyok Choo	63,000	0.10
30. Kenanga Nominees (Tempatan) Sdn. Bhd. Qualifier : Pledged Securities Account for Lau Siih Ngie	62,000	0.10
Total	51,761,998	86.00

## DIRECTORS' SHAREHOLDINGS

Name	No. of shares held	%
1. Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	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	8,001	0.01
6. Yen, Chien-Kun	NIL	NIL
7. Yeap Hun Leng	NIL	NIL

Note: No indirect shareholdings.

## 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 31.12.2003 (RM)	Date of revaluation (RM)	Date of acquisition
H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 year leasehold expiring 3.12.2050	*Industrial complex - 2 storey office - 1 storey factory (9 years)	5.0 acres/ 12,257 sq. meters	12,561,590	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 (11 years)	7.0 acres/ 10,448 sq. meters	13,461,248	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 (11 years)	3.08 acres/ 8,527 sq. meters	3,885,901	–	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 (9 years)	1,801 sq. meters	2,078,558	30 May 2000	–
			<b>TOTAL</b>	<b>31,987,297</b>		

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.

**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 SEVENTH ANNUAL GENERAL MEETING of the Company to be held at the Meranti Room Level 2, Sunway Hotel, Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday May 21, 2004 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)

No.	Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2003 together with the Reports of the Directors and of the Auditors thereon.		
2.	To declare a First and Final Dividend of 12 sen per share, exempt from Income Tax for the year ended December 31, 2003		
3.	To approve the payment of Directors' fees for the year ended December 31, 2003.		
4.	To re-elect En. Ahmad Murad Bin Abdul Aziz, a Director retiring under the provision of Article 98(1) of the Articles of Association of the Company.		
5.	To re-elect Mr. Yen, Chien-Kun, 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.		
7.	<b>Special Business Ordinary Resolution</b> To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

Number of shares held

\_\_\_\_\_  
Signature of Member

**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.



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STAMP

The Secretary  
**P.I.E. INDUSTRIAL BERHAD** (424086-x)  
(Incorporated in Malaysia)

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

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