P.I.E. Industrial Berhad
(co.no. 424086-X)
(Incorporated In Malaysia)

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

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ANNUAL REPORT 2004

P. I. E. INDUSTRIAL BERHAD
(co.no. 424086-X)

CONTENTS

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at the Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, May 20, 2005 at 9:00 a.m.

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended December 31, 2004 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, 2004. (Resolution 2)

3. To approve the payment of Directors' Fees for the year ended December 31, 2004. (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 being eligible, offer themselves for re-election:-

   a) Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa; and (Resolution 4)
   b) Mr. Mui Chung Meng (Resolution 5)

5. To re-elect Mr. Cheung Ho Leung, a Director retiring under the provision of Article 105 of the Articles of Association of the Company and being eligible, offer himself for re-election. (Resolution 6)

6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 7)

SPECIAL BUSINESSES

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

ORDINARY RESOLUTION

7.1 **Authority to Issue Shares**

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") 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 empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." (Resolution 8)

SPECIAL RESOLUTION

7.2 **Proposed Articles Amendments**

"That the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix I of the Circular to Shareholders dated April 28, 2005." (Resolution 9)

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965. (Resolution 10)

By Order of the Board,

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

Penang
Date: April 28, 2005

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 Bursa Securities 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

1. **Resolution pursuant to the Authority to issue Shares**

   The proposed Resolution No. 8 [Item 7.1], if passed, will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) 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.

2. **Resolution pursuant to the Proposed Articles Amendments**

   The proposed Resolution No. 9 [Item No. 7.2], if approved, the amendments to the Articles of Association of the Company as contained in Appendix I set out in the Circular to Shareholders dated April 28, 2005 which was circulated together with the Annual Report 2004, be adopted.

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, 2004, if approved, will be paid on June 14, 2005 to depositors registered in the Records of Depositors at the close of business on May 27, 2005.

A Depositor shall qualify for entitlement to the Dividend in respect of: -

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on May 27, 2005 in respect of ordinary transfers;

b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

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

Penang
Date: April 28, 2005

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

Place	:	The Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai
Date	:	May 20, 2005 (Friday)
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 being eligible, offer themselves for re-election :-

i) Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa; and
ii) Mr. Mui Chung Meng

b) To re-elect Mr. Cheung Ho Leung, a Director retiring under the provision of Article 105 of the Articles of Association of the Company and being eligible, offer himself for re-election.

3. Board of Directors' Meeting held during the Financial Year Ended December 31, 2004 and Details of Directors' Attendance

Four (4) Board of Directors' Meetings were held during the financial year ended December 31, 2004. 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
Mui Chung Meng	4
Chen, Chih-Wen	4
Cheng Shing Tsung	4
Ahmad Murad Bin Abdul Aziz	4
Cheung Ho Leung (Appointed on March 15, 2005)	N/A
Yen, Chien-Kun (Resigned on March 15, 2005)	3
Yeap Hun Leng (Demised on August 4, 2004)	0

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

The Information on place, date and time of the Board of Directors' Meetings held during the financial year ended December 31, 2004 are as follows :-

Date	Time	Venue
20.02.2004 (Friday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
21.05.2004 (Friday)	10.45 a.m.	Conference Room, Pan-International Wire & Cable (Malaysia) Sdn. Bhd. Plot 6, Jalan Jelawat 1 Kawasan Perusahaan Seberang Jaya 13700 Seberang Perai, Penang
19.07.2004 (Monday)	10.00 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang
22.10.2004 (Friday)	10.30 a.m.	Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang

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

a)

Name	:	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Age	:	68
Nationality/Race	:	Malaysian/Malay
Qualifications	:	He obtained his Bachelor of Arts Degree from the University of Malaya in 1967, Masters in Educations from the Pennsylvania State University, the USA in 1972, PhD in Educational Administration from the University of Malaya in 1979 and Post Doctoral Special Audit from Harvard University, the USA in 1984.
Executive/Non-Executive	:	Non-Executive
Independent/ Non-Independent	:	Independent
Working Experience	:	As enumerated in the Profile of Directors on page 11 of this Annual Report.
Occupation	:	Chairman and Director
Other directorship of public companies	:	Oriental Holdings Berhad, Luster Industries Berhad and CAB Cakaran Corporation Berhad
Securities holdings in the Company and Subsidiary	:	***Company*** Direct Interest : 10,001 Deemed Interest : Nil ***Subsidiary*** : Nil
Family relationship with any director of the Company	:	Nil
Family relationship with any major shareholder of the Company	:	Nil
Any conflict of interest with the Company	:	Nil
List of convictions for offences within the past 10 years other than traffic offence, if any	:	Nil

b)	Name	:	Mui Chung Meng
	Age	:	53
	Nationality/Race	:	Malaysian/Chinese
	Qualifications	:	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.
	Executive/Non-Executive	:	Executive
	Independent/ Non-Independent	:	Non-Independent
	Working Experience	:	As enumerated in the Profile of Directors on page 11 of this Annual Report.
	Occupation	:	Managing Director
	Other directorship of public companies	:	Nil
	Securities holdings in the Company and Subsidiary	:	***Company*** Direct Interest : 170,000 Deemed Interest : Nil ***Subsidiary*** : Nil
	Family relationship with any director of the Company	:	Nil
	Family relationship with any major shareholder of the Company	:	Nil
	Any conflict of interest with the Company	:	Nil
	List of convictions for offences within the past 10 years other than traffic offence, if any	:	Nil

c)	Name	:	Cheung Ho Leung
	Age	:	48
	Nationality/Race	:	American/Chinese
	Qualifications	:	He graduated with a Bachelor of Science Degree with Honors Class II in Electrical Engineering from University of Birmingham, UK in 1979.
	Executive/Non-Executive	:	Executive
	Independent/ Non-Independent	:	Non-Independent
	Working Experience	:	As enumerated in the Profile of Directors on page 12 of this Annual Report.
	Occupation	:	Executive Director
	Other directorship of public companies	:	Nil
	Securities holdings in the Company and Subsidiary	:	***Company*** Direct Interest : Nil Deemed Interest : Nil ***Subsidiary*** : Nil
	Family relationship with any director of the Company	:	Nil
	Family relationship with any major shareholder of the Company	:	Nil
	Any conflict of interest with the Company	:	Nil
	List of convictions for offences within the past 10 years other than traffic offence, if any	:	Nil

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman – Senior Independent Non-Executive Director	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Managing Director	Mui Chung Meng
Executive Director	Chen, Chih-Wen
Non-Executive Director	Cheng Shing Tsung
Senior Independent Non-Executive Director	Ahmad Murad Bin Abdul Aziz
Executive Director (Appointed on March 15, 2005)	Cheung Ho Leung
Non-Executive Director (Resigned on March 15, 2005)	Yen, Chien-Kun

AUDIT COMMITTEE

Chairman - (Senior Independent Non-Executive Director)	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Member - (Senior Independent Non-Executive Director)	Ahmad Murad Bin Abdul Aziz
Member - (Non-Independent -Executive Director)	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

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 Bursa Malaysia Securities Berhad
SHARE CAPITAL	Authorised : RM100,000,000 Issued and Paid-Up : RM61,439,000

BOARD OF DIRECTORS' PROFILE

Y.T.M. TUNKU DATO' DR. ISMAIL IBNI ALMARHUM TUNKU MOHD JEWA
Chairman
(Independent / Non-Executive)
Malaysian

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa, aged 68, was appointed to the Board on 2 June 1997. He obtained his Bachelor of Arts Degree from the University of Malaya in 1967, Masters in Educations from the Pennsylvania State University, the USA in 1972, PhD in Educational Administration from the University of Malaya in 1979 and Post Doctoral Special Auditor from Harvard University, the USA in 1984. He is a leading academician with an array of working experiences. He was the Professor of Educational Administration in Universiti Sains Malaysia from 1988 to 1995 and Dean of Education Studies 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 53, was appointed to the Board on 10 May 2000. He graduated from the University of Singapore majoring in Electronics in 1974 and was an Associate Member of the Institute of Electrical Engineers in 1977. He also obtained a Diploma in Plastic and Rubber Technology (UK) in 1988 under the guidance of Universiti Sains Malaysia and the Rubber Research Institute of Malaysia. Mr. Mui joined Pan-International Electronics (Thailand) Co. Ltd. in 1993 and was subsequently promoted to General Manager of the South East Asian Division of Pan-International Industrial Corporation. From 1974 to 1980, he was attached to Siemens and Intel, which are involved in semiconductor electronic manufacturing, as Production Engineer in-charge of transistors and optoelectronic products manufacturing and QA Engineer in-charge of quality control activities of the entire assembly plant respectively. From 1981 to 1992, he was the operation manager of Kayel Rubber Products and Polynic Industry who handled the overall operations of rubber and plastic products manufacturing. Through these experiences, Mr. Mui gained extensive knowledge in the fields of electronics, plastics and rubber.

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 48, 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 also 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.

CHEUNG HO LEUNG
Executive Director
(Non-Independent / Executive)
American

Cheung Ho Leung, aged 48, was appointed to the Board on 15 March 2005. He graduated with a Bachelor of Science Degree with Honors Class II in Electrical Engineering from University of Birmingham, UK in 1979. Upon graduation, Mr. Cheung began his career in 1979 as an Engineer in Lucas CAV Ltd. in London, England. In 1981, he joined Apple Computer International Ltd. in Singapore as a Test Engineer and was subsequently promoted to Test Engineering & Apple II GS Project Manager in 1985. Two years later, he was transferred to Apple Computer Ltd. in Cupertino, CA, as a Manager of Apple II Design Center and was promoted to Senior Vice President & General Manager in the middle of 1996. He left in 1997 to join Cidco Inc. in Morgan Hill, CA as a Vice President & General Manager of Internet Solution Division. Subsequently in 1998, he joined Nasteel Electronics Ltd. in Morgan Hill, CA (NEL) as a Senior Vice President of Worldwide Marketing and Advance Engineering. He is currently also the Corp Vice President and General Manager of the "Integrated Digital Products Business Group" in Hon Hai Precision Industry Co. Ltd. and is responsible for developing a fully integrated supply chain for its key customers in three regions, USA, Asia and Europe.

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.

CHENG SHING TSUNG
Director
(Non-Independent / Non-Executive)
British

Cheng Shing Tsung, aged 67, 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 controlled all purchasing activities of General Electric Television & Appliance Pte. Ltd. in 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.

AHMAD MURAD BIN ABDUL AZIZ
Senior Independent Director
(Independent / Non-Executive)
Malaysian

Ahmad Murad Bin Abdul Aziz, aged 46, 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 also 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 Statements of P.I.E. Industrial Berhad and its Group of Companies for the financial year ended 31 December 2004.

There are various challenges in the industry. Globalization, new technology and geopolitical uncertainties contributed to a rapidly changing business environment as compared to the past. Confronting these challenges, our management has taken steps in upgrading our engineering capabilities, manufacturing facilities and technical know-how, strategically moving to high-end value-added new products and penetrating into new markets and securing new customers.

Financial Performance

For the financial year under review, the Group's revenue increased by RM32.47 million or 26.69% to RM154.12 million as compared to RM121.65 million recorded in the previous financial year. In tandem with the higher revenue, the Group achieved a profit after tax of RM11.11 million, representing an increase of RM3.67 million or 49.33% as compared to RM7.44 million posted in the previous financial year. The basic earnings per share increased accordingly to 18.28 sen from 12.39 sen recorded previously. As at 31 December 2004, the Group's net tangible assets per share stood at RM2.19, a 3 % increase from RM2.13 recorded at the end of the preceding financial year, which was in line with our objective to enhance shareholders' value. The Group managed to maintain a financially sound balance sheet with surplus cash of RM67.89 million for future expansion and diversification.

Dividend

The first and final dividend of 12 sen, tax exempt for the year ended 31 December 2003 was paid on 15 June 2004.

In line with the Group's performance and as recognition of your continuous support, the Board of Directors is recommending a first and final dividend of 12 sen per share, tax exempt, for the financial year ended 31 December 2004, subject to the shareholders' approval at the forthcoming Annual General Meeting.

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 operations, 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 under review, the CEM division contributed approximately 60% of the Group revenue, as compared to 57% recorded in year 2003. 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 31% of the Group revenue, a slight increase from the preceding year of 28%.

Faced with the increasing cost of raw material, this division, on maintaining traditional product supply to PC-related and consumer electronic industries, kept on developing high-end value-added products, e.g. high quality cross-linked cable and carbon fiber cable for customers in specific automobile and medical industries.

Trading Activity

Due to market competition, the trading arm of PIE group recorded a decrease in sales of PC peripheral products, mainly the CD-ROM / CD-RW drive, but gained increasing sales of telecommunication and consumer electronics products especially in the Bluetooth Wireless Headset. For the year under review, this division contributed about 9% of the Group revenue, which has dropped 10% in comparison with the preceding year.

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. But in line with this industrial trend, competition among major CEM players is anticipated to be stiff in the coming years. Effective cost, supply chain management, high flexible production capability, engineering service and quality control will be the core criteria for success in the global competitive marketplace.

The Group is strategizing itself to take advantage of the expected outsourcing trend in its niche market by aggressively emphasizing the implementation of the core criteria for success. The Group has succeeded in securing more outsourcing contracts from existing customers and also some remarkable potential business opportunities from new customers. The Directors maintain their confidence in the long-term prospects of the electronic industry 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 and 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 continued efforts, commitment and contribution in instituting the strict strategic and operational measures needed to stand resilient during these challenging times. I would also like to thank all our valued customers, suppliers, business associates, investors, the relevant authorities, financiers and bankers for their invaluable and continuous support and confidence in the Group.

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

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2004.

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

1. COMPOSITION OF AUDIT COMMITTEE

The Committee shall be appointed by the Board from amongst its members and shall at all times consist of no 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) a member of 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 Jewa
(Senior Independent Non-Executive Director)

Member
Ahmad Murad bin Abdul Aziz (Senior Independent Non-Executive Director)
Chen, Chih-Wen (Non-Independent/ Executive Director)

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

Name of director	February 20, 2004	May 21, 2004	July 19, 2004	October 22, 2004
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	✓	✓	✓	✓
Ahmad Murad Bin Abdul Aziz	✓	✓	✓	✓
Chen, Chih-Wen (Appointed on February 25, 2004)	-	✓	✓	✓

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 submission to the Board of Directors for approval.
- 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.

Meetings

Meetings 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) members present and the majority of them must be independent non-executive directors.

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

3. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2004 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 Bursa Malaysia Securities Berhad ("Bursa Securities") 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 Bursa Securities 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 party 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 2004
- 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 party transactions

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 financial year ended 31 December 2004.

A) The Board

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

i) Board Balance

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

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

The composition of the Board of Directors is in compliance with the Bursa Securities 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 a timely manner.

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

		Number of meetings	
Name of director	**Designation**	**Held**	**Attended**
Y.T.M. Tunku Dato' Dr Ismail Ibni Almarhum Tunku Mohd Jewa	Senior 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	4
Ahmad Murad Bin Abdul Aziz	Senior Independent, Non-Executive Director	4	4
Cheung Ho Leung (Appointed on March 15, 2005)	Non-Independent, Executive Director	0	0
Yen, Chien-Kun (Resigned on March 15, 2005)	Non-Independent, Non-Executive Director	4	3
Yeap Hun Leng (Demised on August 4, 2004)	Non-Independent, Non-Executive Director	3	0

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. One of the Executive Directors also sits on the Board of certain subsidiaries to ensure decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

iii) Directors' Training

All Directors except for Mr. Cheung Ho Leung who was appointed on March 15, 2005 have attended and completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analysts Malaysia (RIIAM), an affiliate company of Bursa Securities to enhance their skills in the area of corporate governance.

Directors of the Company have also attended the Continuing Education Programme (CEP), as required by Bursa Securities, during the financial year to keep abreast with the developments in the market place and to enable them to discharge their duties as Directors in an effective manner. 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.

Following the amendments to the Listing Requirements of Bursa Securities in relation to the CEP which took effect from 1 January 2005, the CEP requirements has been repealed. However, the Board of Directors will evaluate and determine the training needs of its Directors on a continuous basis.

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, comprised 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 remain 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 are required 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 for re-election by rotation at each AGM.

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 remain 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 2004 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	221,160	328,563	2,400	552,123
Non-Executive Directors	39,500	0	0	4,400	43,900
Other Directors	0	330,830	80,652	0	411,482
Total	39,500	551,990	409,215	6,800	1,007,505

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

B) Accountability and Audit

Audit Committee

The Audit Committee of P.I.E. Industrial Berhad is comprised of:

Chairman: Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
(Senior Independent, Non-Executive Chairman)

Members: Ahmad Murad Bin Abdul Aziz (Senior Independent, Non-Executive Director)
Chen, Chih-Wen (Non-Independent, Executive Director)

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 a transparent relationship with external auditors. Members of the Audit Committee meet the external auditors at least once a year to discuss the results and concerns arising from their audit.

C) Relationship with Shareholders and Investors

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

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

In addition to the above, time will be allocated 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 8 April 2005.

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

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 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 Bursa Securities 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 present a balanced and understandable assessment of the financial position and prospect of the Group and of the Company
- Made appropriate enquiries to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2004 had been approved by the Board on 28 February 2005.

This statement was made in accordance with a resolution of Board dated 8 April 2005.

STATEMENT ON INTERNAL CONTROL

The Board of Directors recognizes the importance of a 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 of 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 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 8 April 2005.

DISCLOSURE REQUIREMENTS
Pursuant To The Listing Requirements Of The Bursa Malaysia Securities Berhad

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.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME
During the financial year, the Company did not sponsor any such programme.

IMPOSITION OF SANCTIONS AND/OR PENALTIES
There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

NON-AUDIT FEES
Non-audit fees paid to the external auditors during the financial year was amounted to RM1,600.

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 into in the ordinary course of business by the Company as disclosed in the financial statements.

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.

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, 2004.

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
Net profit after tax for the year	11,110,729	11,368,948

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 12 sen gross per ordinary share, tax-exempt, amounting to RM7,320,159 in respect of the financial year ended December 31, 2003 was declared and paid by the Company during the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM60,057,000 to RM61,239,000 by way of issuance of 1,182,000 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 RM827,400 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.

EMPLOYEES' SHARE OPTION SCHEME

The P.I.E. Industrial Berhad's Employees' 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 Bursa Malaysia Securities 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:

		No. of options over ordinary shares of RM1 each			
Exercisable from	**Exercise price per ordinary share RM**	**Balance as of 1.1.2004**	**Granted**	**Exercised**	**Balance as of 31.12.2004**
August 13, 2003	1.70	4,319,000	-	(1,182,000)	3,137,000

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.

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

(a) which would render the amount written off as 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 Jewa
Ahmad Murad Bin Abdul Aziz
Mui Chung Meng
Chen, Chih-Wen
Cheng Shing Tsung
Yen, Chien-Kun
Yeap Hun Leng (demised on August 4, 2004)

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:

	No. of ordinary shares of RM1 each			
Shares in the Company	**Balance as of 1.1.2004**	**Bought**	**Sold**	**Balance as of 31.12.2004**
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	10,001	-	-	10,001
Ahmad Murad Bin Abdul Aziz	8,001	-	-	8,001
Mui Chung Meng	10,000	160,000	-	170,000
Chen, Chih-Wen	10,000	-	-	10,000
Cheng Shing Tsung	10,000	-	-	10,000

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:

	No. of options over ordinary shares of RM1 each			
	Balance as of 1.1.2004	Granted	Exercised	Balance as of 31.12.2004
Mui Chung Meng	400,000	-	(160,000)	240,000
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.

AUDITORS

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

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

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 28, 2005

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, 2004 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, 2004 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
2225/04/06(J)
Partner

Penang,

February 28, 2005

INCOME STATEMENTS
for the year ended December 31, 2004

	Note	The Group 2004 RM	The Group 2003 RM	The Company 2004 RM	The Company 2003 RM
Revenue	4	**154,123,596**	121,652,688	**11,129,600**	129,600
Other operating income		**4,640,126**	2,417,933	**1,145,347**	677,031
Changes in inventories of finished goods and work-in-progress		**2,224,165**	785,130	**-**	-
Purchase of trading goods		**(8,393,525)**	(20,328,400)	**-**	-
Raw materials used		**(109,325,136)**	(68,019,038)	**-**	-
Staff costs	5	**(13,010,309)**	(10,673,002)	**(779,261)**	(712,067)
Depreciation of property, plant and equipment		**(5,422,169)**	(5,376,617)	**-**	-
Other operating expenses		**(10,467,490)**	(9,593,997)	**(126,738)**	(277,630)
Profit/ (loss) from operations		**14,369,258**	10,864,697	**11,368,948**	(183,066)
Finance costs		**(170,828)**	(147,477)	**-**	-
Profit/ (loss) before tax	6	**14,198,430**	10,717,220	**11,368,948**	(183,066)
Tax (expense)/ income	7	**(3,087,701)**	(3,279,938)	**-**	519
Net profit/ (loss) after tax for the year		**11,110,729**	7,437,282	**11,368,948**	(182,547)
Earnings per ordinary share					
Basic	8	**18.28 sen**	12.39 sen		
Diluted	8	**18.05 sen**	11.82 sen		

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

BALANCE SHEETS
as of December 31, 2004

	Note	The Group 2004 RM	The Group 2003 RM	The Company 2004 RM	The Company 2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	9	**37,887,188**	41,725,296	**-**	-
Investment in subsidiary companies	10	**-**	-	**56,499,998**	56,499,998
Investment in bond funds	11	**-**	16,883,407	**-**	16,883,407
Deferred tax assets	22	**1,587,000**	-	**-**	-
CURRENT ASSETS					
Inventories	12	**22,016,595**	17,277,891	**-**	-
Trade receivables	13	**35,264,816**	26,028,378	**-**	-
Other receivables and prepaid expenses	14	**1,940,674**	637,025	**18,077**	8,116
Tax recoverable		**75,595**	661,606	**-**	-
Amount owing by subsidiary companies	15	**-**	-	**11,010,800**	10,800
Amount owing by related companies	15	**586,344**	3,226,463	**-**	-
Short-term deposits	25	**58,752,236**	30,513,572	**20,384,048**	3,059,464
Cash and bank balances	25	**9,138,628**	16,949,441	**438,117**	5,821,754
Total Current Assets		**127,774,888**	95,294,376	**31,851,042**	8,900,134
CURRENT LIABILITIES					
Trade payables	16	**9,802,962**	11,149,364	**-**	-
Other payables and accrued expenses	17	**4,578,808**	5,023,961	**19,312**	16,000
Amount owing to ultimate holding company	15	**172,498**	132,888	**-**	-
Amount owing to a related company	15	**101,468**	158,083	**-**	-
Amount owing to directors	18	**12,000**	6,000	**12,000**	6,000
Bank borrowings	19	**14,581,000**	5,416,000	**-**	-
Tax liabilities		**204,885**	23,360	**-**	-
Total Current Liabilities		**29,453,621**	21,909,656	**31,312**	22,000
NET CURRENT ASSETS		**98,321,267**	73,384,720	**31,819,730**	8,878,134
		137,795,455	131,993,423	**88,319,728**	82,261,539

(FORWARD)

BALANCE SHEETS
as of December 31, 2004 (cont'd)

	Note	The Group 2004 RM	The Group 2003 RM	The Company 2004 RM	The Company 2003 RM
SHARE CAPITAL	20	**61,239,000**	60,057,000	**61,239,000**	60,057,000
RESERVES	21	**72,867,360**	68,154,785	**27,080,728**	22,204,539
SHAREHOLDERS' EQUITY		**134,106,360**	128,211,785	**88,319,728**	82,261,539
DEFERRED TAX LIABILITIES	22	**3,689,095**	3,781,638	**-**	-
		137,795,455	131,993,423	**88,319,728**	82,261,539

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

The Group	Note	Share Capital RM	Share Premium RM	Revaluation/ Exchange/ Merger Reserve* RM	Retained Profit RM	Total RM
Balance as of January 1, 2003						
As previously stated		60,000,000	14,057,166	(28,440,250)	80,730,510	126,347,426
Prior years adjustments	23	-	-	(713,900)	991,530	277,630
Restated balance		60,000,000	14,057,166	(29,154,150)	81,722,040	126,625,056
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
Exchange gain on translation of net investment in foreign subsidiary		-	-	52,547	-	52,547
Transfer of revaluation reserve	22	-	-	(237,967)	237,967	-
Net gain not recognised in the income statements		-	-	(185,420)	237,967	52,547
Net profit after tax for the year		-	-	-	7,437,282	7,437,282
Dividend	24	-	-	-	(6,000,000)	(6,000,000)

(FORWARD)

STATEMENTS OF CHANGES IN EQUITY
for the year ended December 31, 2004 (cont'd)

The Group	Note	Share Capital RM	Share Premium RM	Revaluation/ Exchange/ Merger Reserve* RM	Retained Profit RM	Total RM
Balance as of December 31, 2003 As previously stated		60,057,000	14,097,066	(28,387,703)	82,075,249	127,841,612
Prior years adjustments	23	-	-	(951,867)	1,322,040	370,173
Restated balance		60,057,000	14,097,066	(29,339,570)	83,397,289	128,211,785
Allotment of 1,182,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,182,000	827,400	-	-	2,009,400
Exchange gain on translation of net investment in foreign subsidiary		-	-	94,605	-	94,605
Transfer of revaluation reserve	22	-	-	(237,967)	237,967	-
Net gain not recognised in the income statements		-	-	(143,362)	237,967	94,605
Net profit after tax for the year		-	-	-	11,110,729	11,110,729
Dividend	24	-	-	-	(7,320,159)	(7,320,159)
Balance as of December 31, 2004		61,239,000	14,924,466	(29,482,932)	87,425,826	134,106,360

(FORWARD)

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

	Note	Revaluation Reserve RM	Exchange Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 2003					
As previously stated		10,676,084	(116,336)	(38,999,998)	(28,440,250)
Prior years adjustments	23	(713,900)	-	-	(713,900)
Restated balance		9,962,184	(116,336)	(38,999,998)	(29,154,150)
Exchange gain on translation of net investment in foreign subsidiary		-	52,547	-	52,547
Transfer of revaluation reserve	22	(237,967)	-	-	(237,967)
Net gain not recognised in the income statements		(237,967)	52,547	-	(185,420)
Balance as of December 31, 2003					
As previously stated		10,676,084	(63,789)	(38,999,998)	(28,387,703)
Prior years adjustments	23	(951,867)	-	-	(951,867)
Restated balance		9,724,217	(63,789)	(38,999,998)	(29,339,570)
Exchange gain on translation of net investment in foreign subsidiary		-	94,605	-	94,605
Transfer of revaluation reserve	22	(237,967)	-	-	(237,967)
Net gain not recognised in the income statements		(237,967)	94,605	-	(143,362)
Balance as of December 31, 2004		9,486,250	30,816	(38,999,998)	(29,482,932)

(FORWARD)

STATEMENTS OF CHANGES IN EQUITY
for the year ended December 31, 2004 (cont'd)

The Company

	Note	Share Capital RM	Share Premium RM	Retained Profit RM	Total RM
Balance as of January 1, 2003		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
Allotment of 1,182,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,182,000	827,400	-	2,009,400
Net profit after tax for the year		-	-	11,368,948	11,368,948
Dividend	24	-	-	(7,320,159)	(7,320,159)
Balance as of December 31, 2004		61,239,000	14,924,466	12,156,262	88,319,728

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

	The Group		The Company	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (loss) before tax	**14,198,430**	10,717,220	**11,368,948**	(183,066)
Adjustments for:				
Depreciation of property, plant and equipment	**5,422,169**	5,376,617	**-**	-
Allowance for slow moving inventories	**1,683,186**	1,882,910	**-**	-
Allowance for doubtful debts	**206,339**	207,727	**-**	-
Interest expenses	**170,828**	147,477	**-**	-
Property, plant and equipment written off	**17,823**	-	**-**	-
Interest income	**(739,368)**	(825,309)	**(225,590)**	(310,908)
Allowance for diminution in value of investment in bond funds no longer required	**(616,593)**	-	**(616,593)**	-
Gain on disposal of investments	**(303,164)**	(365,978)	**(303,164)**	(365,978)
Allowance for doubtful debts no longer required	**(206,494)**	(25,165)	**-**	-
Gain on disposal of property, plant and equipment	**(96,731)**	(399)	**-**	-
Gross dividend income from subsidiary companies	**-**	-	**(11,000,000)**	-
Allowance for diminution in value of investment in bond funds	**-**	148,649	**-**	148,649
Bad debts written off	**-**	4,631	**-**	-
Operating profit/ (loss) before working capital changes	**19,736,425**	17,268,380	**(776,399)**	(711,303)
(Increase)/ decrease in:				
Inventories	**(6,421,890)**	(3,774,554)	**-**	-
Trade receivables	**(9,351,607)**	(5,567,995)	**-**	-
Other receivables and prepaid expenses	**(1,293,688)**	1,069,486	**-**	19,244
Amount owing by ultimate holding company	**-**	120	**-**	-
Amount owing by subsidiary companies	**-**	-	**-**	5,400
Amount owing by related companies	**2,755,443**	716,862	**-**	-

(FORWARD)

	The Group 2004 RM	The Group 2003 RM	The Company 2004 RM	The Company 2003 RM
Increase/ (decrease) in:				
Trade payables	**(1,346,402)**	4,435,048	**-**	-
Other payables and accrued expenses	**(445,153)**	2,097,752	**3,312**	-
Amount owing to ultimate holding company	**39,610**	(15,840)	**-**	-
Amount owing to a related company	**(56,615)**	(196,920)	**-**	-
Amount owing to directors	**6,000**	-	**6,000**	-
Cash generated from/ (used in) operations	**3,622,123**	16,032,339	**(767,087)**	(686,659)
Tax paid	**(3,999,708)**	(3,253,576)	**-**	(5,681)
Net cash (used in)/ generated from operating activities	**(377,585)**	12,778,763	**(767,087)**	(692,340)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	**17,803,164**	25,158,980	**17,803,164**	25,158,980
Interest received	**729,407**	950,553	**215,629**	310,908
Proceeds from disposal of property, plant and equipment	**102,400**	800	**-**	-
Purchase of property, plant and equipment	**(1,607,553)**	(3,292,716)	**-**	-
Purchase of investment in bond funds	**-**	(23,400,000)	**-**	(23,400,000)
Net cash generated from/ (used in) investing activities	**17,027,418**	(582,383)	**18,018,793**	2,069,888
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/ (decrease) in bank borrowings	**9,165,000**	(7,378,769)	**-**	-
Proceeds from issuance of the Company's ESOS shares	**2,009,400**	96,900	**2,009,400**	96,900
Dividend paid	**(7,320,159)**	(6,000,000)	**(7,320,159)**	(6,000,000)
Interest paid	**(170,828)**	(147,477)	**-**	-
Net cash generated from/ (used in) financing activities	**3,683,413**	(13,429,346)	**(5,310,759)**	(5,903,100)
Exchange translation difference	**94,605**	52,547	**-**	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,427,851**	(1,180,419)	**11,940,947**	(4,525,552)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**47,463,013**	48,643,432	**8,881,218**	13,406,770
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	**67,890,864**	47,463,013	**20,822,165**	8,881,218

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

1. GENERAL INFORMATION

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.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the main board of Bursa Malaysia Securities.

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.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on February 28, 2005.

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 in Malaysia.

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, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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 and when the risks and rewards of ownership have passed. Dividend income is recognised when the shareholder's right to receive payments is established. Rental income is accrued on a time basis, by reference to the agreements entered. Interest income and other operating income are recognised on an accrual basis.

Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.

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

Assets and liabilities	- at closing rate
Issued capital	- at historical rate
Revenue and expenses	- at average 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:

	2004 RM	2003 RM
1 United States Dollar	**3.800**	3.800
1 Singapore Dollar	**2.448**	2.314
1 New Taiwan Dollar	**0.109**	0.109
1 Japanese Yen	**0.031**	0.035

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their 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 generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(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 statements 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.

Borrowing Costs

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

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 in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

	Rates
Short 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	1.09%

The Group carried certain of 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 such assets are transferred to retained profit account.

During the financial year, the Group changed its accounting policy on the recognition of annual realisation of revaluation surplus through use of the revalued assets in conjunction with the crystallisation of deferred tax liabilities on revaluation surplus. Previously, the annual realisation of revaluation surplus through use of the revalued assets was not recognised. Upon the change of the aforesaid accounting policy, the Group transfers each year from revaluation surplus to retained profit the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of assets.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

The effect of the change in accounting policy on the financial statements for the current and prior years are shown in Note 23.

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.

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.

Borrowings and Payables

Borrowings and payables are stated at cost.

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 the cost is charged to the income statements if there is insufficient share premium.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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.

Leased Assets

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.

Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, 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 intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4. **REVENUE**

An analysis of revenue is as follows:

	The Group		**The Company**	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Sales of goods:				
Manufacturing	**140,544,956**	98,888,875	**-**	-
Trading	**13,578,640**	22,763,813	**-**	-
Dividend income from subsidiary companies	**-**	-	**11,000,000**	-
Management fee	**-**	-	**129,600**	129,600
	154,123,596	121,652,688	**11,129,600**	129,600

5. STAFF COSTS

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Staff costs:				
Employees' provident fund and central provident fund contributions	**698,335**	712,984	**64,904**	60,267
Other staff costs	**12,311,974**	9,960,018	**714,357**	651,800
	13,010,309	10,673,002	**779,261**	712,067
Number of directors and employees at end of year:				
Directors	**14**	16	**6**	7
Employees	**817**	752	**3**	3

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

6. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
After charging:				
Allowance for slow moving inventories	**1,683,186**	1,882,910	**-**	-
Directors' remuneration:				
Fee				
Directors of the Company	**39,500**	30,000	**39,500**	30,000
Employees' provident fund and central provident fund contributions				
Directors of the Company	**54,301**	50,642	**54,301**	50,642
Directors of subsidiary companies	**30,838**	33,657	**-**	-
Other emoluments				
Directors of the Company	**556,523**	513,702	**556,523**	513,702
Directors of subsidiary companies	**411,482**	415,315	**-**	-
Allowance for doubtful debts	**206,339**	207,727	**-**	-
Interest on bank borrowings	**170,828**	147,477	**-**	-
Rental of premises	**77,059**	55,206	**-**	-
Audit fee	**59,501**	59,277	**16,000**	16,000
Property, plant and equipment written off	**17,823**	-	**-**	-
Office equipment rental	**10,552**	8,757	**-**	-
Allowance for diminution in value of investment in bond funds	**-**	148,649	**-**	148,649
Bad debts written off	**-**	4,631	**-**	-

6. **PROFIT/ (LOSS) BEFORE TAX** (cont'd)

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
And crediting:				
Interest on short-term deposits	**739,368**	825,309	**225,590**	310,908
Rental income	**680,000**	-	**-**	-
Allowance for diminution in value of investment in bond funds no longer required	**616,593**	-	**616,593**	-
Realised gain on foreign exchange	**559,520**	292,618	**-**	-
Gain on disposal of investments	**303,164**	365,978	**303,164**	365,978
Allowance for doubtful debts no longer required	**206,494**	25,165	**-**	-
Gain on disposal of property, plant and equipment	**96,731**	399	**-**	-
Bad debts recovered	**-**	5,564	**-**	-

7. **TAX EXPENSE/ (INCOME)**

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Current tax expense:				
Current year	**4,760,000**	3,373,000	**-**	-
Deferred tax income (Note 22):				
Recognition of previously unrecognised deferred tax assets	**(798,000)**	-	**-**	-
Deferred tax income relating to the origination and reversal of temporary differences in current year	**(789,000)**	-	**-**	-
Annual crystallisation of deferred tax on revaluation surplus	**(92,543)**	(92,543)	**-**	-
	(1,679,543)	(92,543)	**-**	-
Under/ (over)provision of current tax expense in prior year	**7,244**	(519)	**-**	(519)
Tax expense/ (income)	**3,087,701**	3,279,938	**-**	(519)

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 RM500,000 and RM100,000 for the years of assessment 2004 and 2003 respectively. For chargeable income in excess of these amounts, the corporate income tax rate is at 28%.

The Group is operating in the jurisdictions of Malaysia and Singapore. The applicable domestic statutory income tax rates are 20% and 28% for Malaysia and 20% (2003: 22%) for Singapore.

7. **TAX EXPENSE/ (INCOME)** (cont'd)

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

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Accounting profit/ (loss)	**14,198,430**	10,717,220	**11,368,948**	(183,066)
Tax amount at the statutory income tax rate of 28%	**3,976,000**	3,001,000	**3,183,000**	(51,000)
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	**119,457**	279,457	**19,000**	66,000
Non-taxable income	**(129,000)**	(106,000)	**(3,202,000)**	(102,000)
Net deferred tax assets not recognised	**29,300**	558,000	**-**	87,000
Effect of different tax rates used in computing deferred tax	**13,000**	-	**-**	-
Reduction on opening deferred tax resulting from reduction in tax rate	**12,000**	-	**-**	-
Under/ (over)provision of current tax expense in prior year	**7,244**	(519)	**-**	(519)
Tax saving on utilisation of reinvestment allowance	**(113,000)**	(453,000)	**-**	-
Recognition of previously unrecognised deferred tax assets	**(798,000)**	-	**-**	-
Effect of different tax rates in subsidiary companies	**(29,300)**	1,000	**-**	-
Tax expense/ (income)	**3,087,701**	3,279,938	**-**	(519)

The applicable tax rate of 28% (2003: 28%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

As of December 31, 2004, the approximate amount of unabsorbed tax losses of the Group and of the Company, for which no deferred tax asset has been recognised in the financial statements, which are available for set-off against future taxable income are as follows:

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Unabsorbed tax losses	**1,328,000**	667,000	**872,000**	385,000

The unabsorbed tax losses is subject to agreement by the tax authority.

8. **EARNINGS PER ORDINARY SHARE**

	The Group	
	2004 RM	2003 RM
Net profit attributable to ordinary shareholders	**11,110,729**	7,437,282

8. EARNINGS PER ORDINARY SHARE (cont'd)

	The Group 2004 Units	2003 Units
Number of shares in issue as of January 1	**60,057,000**	60,000,000
Effect of the exercise of ESOS	**723,584**	10,520
Weighted average number of ordinary shares in issue	**60,780,584**	60,010,520
Basic earnings per ordinary share (sen)	**18.28**	12.39
Weighted average number of ordinary shares in issue	**60,780,584**	60,010,520
ESOS:		
No. of unissued shares	**3,137,000**	4,319,000
No. of shares that would have been issued at fair value	**(2,370,178)**	(1,411,115)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	**61,547,406**	62,918,405
Diluted earnings per ordinary share (sen)	**18.05**	11.82

9. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost Unless Stated Otherwise	Beginning of year RM	Additions RM	Disposals/ Written-off RM	Exchange Reserve* RM	End of year RM
2004:					
Short 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	**37,719,120**	**1,214,480**	**(353,811)**	-	**38,579,789**
Production tools and equipment	**1,833,842**	**238,200**	**(61,910)**	-	**2,010,132**
Furniture, fixtures and office equipment	**2,228,997**	**154,873**	**(122,722)**	**805**	**2,261,953**
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**
	81,147,931	**1,607,553**	**(538,443)**	**805**	**82,217,846**
2003	77,858,647	3,292,716	(3,859)	427	81,147,931

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**
2004:					
Short leasehold land					
- at cost	**124,184**	**40,276**	**-**	**-**	**164,460**
- at 2000 valuation	**763,879**	**202,981**	**-**	**-**	**966,860**
Leasehold improvement	**203,862**	**-**	**-**	**-**	**203,862**
Buildings					
- at cost	**889,915**	**288,621**	**-**	**-**	**1,178,536**
- at 2000 valuation	**2,352,413**	**549,557**	**-**	**-**	**2,901,970**
Plant and machinery	**28,734,351**	**3,921,945**	**(342,217)**	**-**	**32,314,079**
Production tools and equipment	**1,496,893**	**190,524**	**(58,953)**	**-**	**1,628,464**
Furniture, fixtures and office equipment	**1,952,167**	**149,594**	**(113,781)**	**805**	**1,988,785**
Mechanical and electrical installation	**1,549,607**	**22,357**	**-**	**-**	**1,571,964**
Motor vehicles	**1,263,922**	**32,727**	**-**	**-**	**1,296,649**
Leasehold flats					
- at 2000 valuation	**91,442**	**23,587**	**-**	**-**	**115,029**
	39,422,635	**5,422,169**	**(514,951)**	**805**	**44,330,658**
2003	34,049,049	5,376,617	(3,458)	427	39,422,635

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

	The Group	
	2004 RM	2003 RM
Net Book Value:		
Short leasehold land		
- at cost	**1,849,335**	1,889,611
- at 2000 valuation	**9,182,187**	9,385,168
Leasehold improvement	**22**	22
Buildings		
- at cost	**1,707,669**	1,996,290
- at 2000 valuation	**16,088,113**	16,637,670
Plant and machinery	**6,265,710**	8,984,769
Production tools and equipment	**381,668**	336,949
Furniture, fixtures and office equipment	**273,168**	276,830
Mechanical and electrical installation	**36,573**	58,930
Motor vehicles	**47,772**	80,499
Leasehold flats		
- at 2000 valuation	**2,054,971**	2,078,558
	37,887,188	41,725,296

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.

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

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

	The Group 2004 RM	The Group 2003 RM
At cost:		
Short leasehold land	**3,530,739**	3,530,739
Buildings	**14,109,458**	14,109,458
Leasehold flats	**1,472,000**	1,472,000
	19,112,197	19,112,197
Accumulated depreciation:		
Short leasehold land	**831,602**	772,756
Buildings	**4,648,448**	4,243,527
Leasehold flats	**164,796**	149,927
	5,644,846	5,166,210
Net book value	**13,467,351**	13,945,987

As of December 31, 2004, the strata titles for the leasehold flats with a carrying value of RM2,054,971 (2003: RM2,078,558) have not yet been issued by the relevant authorities.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2004 RM	The Company 2003 RM
Unquoted shares, at cost	**56,499,998**	56,499,998

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership 2004	Percentage of Ownership 2003
Direct holdings				
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%

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

Indirect holdings

*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	**100%**	100%
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of electronic and telecommunication components and equipment	**100%**	100%
+P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	Trading of electrical products	**100%**	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**

	The Group and The Company	
	2004	2003
	RM	RM
Investment in bond funds – at cost	**-**	17,500,000
Less: Allowance for diminution in value	**-**	(616,593)
	-	16,883,407

12. **INVENTORIES**

	The Group	
	2004	2003
	RM	RM
At cost:		
Raw materials	**13,606,465**	10,791,800
Work-in-progress	**5,209,109**	5,120,891
Finished goods	**3,201,021**	1,365,200
	22,016,595	17,277,891
At net realisable value:		
Raw materials	**6,244,410**	4,834,249
Less: Allowance for slow moving inventories	**(6,244,410)**	(4,834,249)
	-	-
Work-in-progress	**1,942**	2,057
Less: Allowance for slow moving inventories	**(1,942)**	(2,057)
	-	-
Finished goods	**646,081**	372,941
Less: Allowance for slow moving inventories	**(646,081)**	(372,941)
	-	-
	22,016,595	17,277,891

13. **TRADE RECEIVABLES**

	The Group	
	2004	2003
	RM	RM
Amount outstanding	**35,645,382**	26,293,775
Less: Allowance for doubtful debts	**(380,566)**	(265,397)
	35,264,816	26,028,378

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 90 days (2003: 30 to 90 days). An allowance has been made for estimated irrecoverable amount from the sale of goods of RM380,566 (2003: RM265,397). This allowance has been determined by reference to past default experience.

Analysis of trade receivables by currencies:

	The Group	
	2004	2003
	RM	RM
United States Dollar	**22,517,902**	15,494,605
Ringgit Malaysia	**10,623,526**	8,947,043
Singapore Dollar	**2,123,388**	1,586,730
	35,264,816	26,028,378

14. **OTHER RECEIVABLES AND PREPAID EXPENSES**

	The Group		The Company	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Prepaid expenses	**1,708,826**	525,511	**-**	-
Deposits	**109,317**	105,898	**2,500**	2,500
Other receivables	**106,954**	-	**-**	-
Interest receivable	**15,577**	5,616	**15,577**	5,616
	1,940,674	637,025	**18,077**	8,116

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

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

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

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

	The Company 2004 RM	The Company 2003 RM
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	**9,605,400**	5,400
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	**1,405,400**	5,400
	11,010,800	10,800

	The Group 2004 RM	The Group 2003 RM
Amount owing by related companies:		
PT. Pan Super Bintang Surya Manufacturing	**-**	2,408,334
Less: Allowance for doubtful debts	**-**	(167,068)
	-	2,241,266
Pan-International Electronics (Thailand) Co. Ltd.	**586,344**	744,533
Dong Guan Pan-International Wire & Cable	**-**	240,664
	586,344	3,226,463
Amount owing to a related company:		
PT. Pan Super Bintang Surya Manufacturing	**101,468**	158,083

Included in the following accounts of the Group as of December 31, 2004 are amounts owing by/ to related parties:

	The Group 2004 RM	The Group 2003 RM
Trade receivable:		
Hon Hai Precision Industry Co. Ltd.*	**89**	3,167
Trade payable:		
Hon Hai Precision Industry Co. Ltd.*	**-**	10,499

* 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:

	The Group 2004 RM	The Group 2003 RM
With Ultimate Holding Company		
Purchase of raw materials	**705,001**	471,798
Sales of finished goods	**12,555**	-
Purchase of property, plant and equipment	**8,917**	-
Miscellaneous purchases	**47,029**	111,369

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

	The Company	
	2004	2003
	RM	RM
With Subsidiary Companies		
Dividend receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	**9,600,000**	-
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	**1,400,000**	-
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

	The Group	
	2004	2003
	RM	RM
With Related Companies		
Sales of finished goods		
Pan-International Electronics (Thailand) Co. Ltd.	**2,962,307**	2,853,444
PT. Pan Super Bintang Surya Manufacturing	**39,263**	793,947
Dong Guan Pan-International Wire & Cable	**-**	240,664
Purchase of raw materials		
PT. Pan Super Bintang Surya Manufacturing	**54,830**	940,669
Pan-International Electronics (Thailand) Co. Ltd.	**-**	335

	The Group	
	2004	2003
	RM	RM
With Other Related Parties		
Purchase of raw materials		
Hon Hai Precision Industry Co. Ltd.	**85,485**	162,348
Sales of finished goods		
Hon Hai Precision Industry Co. Ltd.	**-**	128,235

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

16. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 60 days (2003: 30 to 60 days).

Analysis of trade payables by currencies:

	The Group	
	2004	2003
	RM	RM
United States Dollar	**5,170,541**	6,061,447
Ringgit Malaysia	**4,612,817**	4,421,838
Japanese Yen	**186**	613,531
Other currencies	**19,418**	52,548
	9,802,962	11,149,364

17. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Other payables	**1,195,569**	2,696,146	**3,312**	-
Accrued expenses	**3,383,239**	2,327,815	**16,000**	16,000
	4,578,808	5,023,961	**19,312**	16,000

Other payables and accrued expenses comprise amount outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	The Group		The Company	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Ringgit Malaysia	**4,464,153**	3,226,494	**19,312**	16,000
United States Dollar	**96,702**	43,169	**-**	-
Singapore Dollar	**17,953**	14,686	**-**	-
Japanese Yen	**-**	1,739,612	**-**	-
	4,578,808	5,023,961	**19,312**	16,000

18. AMOUNT OWING TO DIRECTORS

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

19. BANK BORROWINGS – Unsecured

	The Group	
	2004	2003
	RM	RM
Bankers' acceptance	**14,581,000**	5,416,000

The bankers' acceptance bears effective interest rate at 2.9% (2003: 2.9%) per annum and is maturing from January 2005 to March 2005.

The Group has banking facilities totalling RM54.25 million obtained from three local banks. The banking facilities bear interests at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rates or cost of funds and are covered by corporate guarantees from the Company.

20. SHARE CAPITAL

	The Group and the Company			
	2004		2003	
	No. of shares	RM	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	**60,057,000**	**60,057,000**	60,000,000	60,000,000
Exercise of employees' share options	**1,182,000**	**1,182,000**	57,000	57,000
At end of year	**61,239,000**	**61,239,000**	60,057,000	60,057,000

During the financial year, the issued and paid-up share capital of the Company was increased from RM60,057,000 to RM61,239,000 by way of issuance of 1,182,000 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 RM827,400 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:

		No. of options over ordinary shares of RM1 each			
Exercisable from	Exercise price per ordinary share RM	Balance as of 1.1.2004	Granted	Exercised	Balance as of 31.12.2004
August 13, 2003	1.70	4,319,000	-	(1,182,000)	**3,137,000**

20. SHARE CAPITAL (cont'd)

Details of ESOS exercised during the financial year and the fair value, at exercise date, of shares issued are as follows:

Exercise Date	Exercise price per ordinary share RM	Fair value of shares issued RM	No. of options exercised	Considerations received RM
2004:				
January 2004	**1.70**	**2.01 - 2.04**	**2,000**	**3,400**
February 2004	**1.70**	**1.92 - 2.01**	**22,000**	**37,400**
March 2004	**1.70**	**2.07 - 2.15**	**105,000**	**178,500**
April 2004	**1.70**	**2.11 - 2.28**	**761,000**	**1,293,700**
May 2004	**1.70**	**2.12 - 2.23**	**31,000**	**52,700**
June 2004	**1.70**	**2.15 - 2.26**	**39,000**	**66,300**
July 2004	**1.70**	**2.29 - 2.33**	**49,000**	**83,300**
August 2004	**1.70**	**2.29 - 2.35**	**40,000**	**68,000**
September 2004	**1.70**	**2.30 - 2.34**	**18,000**	**30,600**
October 2004	**1.70**	**2.29 - 2.36**	**28,000**	**47,600**
November 2004	**1.70**	**2.35 - 2.40**	**10,000**	**17,000**
December 2004	**1.70**	**2.43 - 2.45**	**77,000**	**130,900**
			1,182,000	**2,009,400**

Exercise Date	Exercise price per ordinary share RM	Fair value of shares issued RM	No. of options exercised	Considerations received RM
2003:				
September 2003	1.70	2.04	12,000	20,400
October 2003	1.70	2.15 - 2.20	38,000	64,600
November 2003	1.70	2.01	2,000	3,400
December 2003	1.70	2.00	5,000	8,500
			57,000	96,900

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;

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

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 Bursa Malaysia Securities 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.

21. **RESERVES**

	The Group		The Company	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Non-distributable:				
Share premium	**14,924,466**	14,097,066	**14,924,466**	14,097,066
Revaluation reserve				
As previously stated	**9,486,250**	10,676,084	**-**	-
Prior years adjustments (Note 23)	**-**	(951,867)	**-**	-
Restated balance	**9,486,250**	9,724,217	**-**	-
Exchange reserve	**30,816**	(63,789)	**-**	-
Merger deficit	**(38,999,998)**	(38,999,998)	**-**	-
	(14,558,466)	(15,242,504)	**14,924,466**	14,097,066
Distributable:				
Retained profit:				
As previously stated	**87,425,826**	82,075,249	**12,156,262**	8,107,473
Prior years adjustments (Note 23)	**-**	1,322,040	**-**	-
Restated balance	**87,425,826**	83,397,289	**12,156,262**	8,107,473
	72,867,360	68,154,785	**27,080,728**	22,204,539

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, as described in the accounting policies. This amount arose from the revaluation of leasehold land, buildings and leasehold flats as disclosed in Note 9, net of the related deferred tax liabilities.

The exchange reserve is used to record exchange differences arising on translation of foreign subsidiary company.

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

	The Group	
	2004	2003
	RM	RM
Deferred tax liabilities	**3,689,095**	3,781,638
Deferred tax assets	**(1,587,000)**	-
Net position	**2,102,095**	3,781,638

The movement of the Group's deferred tax liabilities is as follows:

	2004	2003
	RM	RM
Balance at beginning of year		
As previously stated	**4,151,811**	4,151,811
Prior years adjustments (Note 23)	**(370,173)**	(277,630)
Restated balance	**3,781,638**	3,874,181
Transfer to income statements (Note 7):		
Annual crystallisation of deferred tax on revaluation surplus	**(92,543)**	(92,543)
Balance at end of year	**3,689,095**	3,781,638

The Group's deferred tax liabilities are in respect of tax effect of revaluation surplus.

A deferred tax income of RM92,543 (2003: RM92,543) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM237,967 (2003: RM237,967) net of the related deferred tax was transferred from revaluation reserve to retained profit. These relate to the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of the assets.

The movement of the Group's deferred tax assets is as follows:

	2004	2003
	RM	RM
Balance at beginning of year	**-**	-
Transfer to income statements (Note 7):		
Deferred tax income relating to the origination and reversal of temporary differences in current year	**(789,000)**	-
Recognition of previously unrecognised deferred tax assets	**(798,000)**	-
Balance at end of year	**(1,587,000)**	-

22. DEFERRED TAX (cont'd)

The Group's deferred tax assets are in respect of the following:

	Deferrred Tax Assets/(Liabilities) 2004 RM	2003 RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	**(933,000)**	-
Tax effect of:		
Allowance for slow moving inventories	**1,916,000**	-
Provision of bonus	**541,000**	-
Other temporary differences	**63,000**	-
	1,587,000	-

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, 2004, 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:

	Deferrred Tax Assets/(Liabilities) The Group 2004 RM	The Group 2003 RM	The Company 2004 RM	The Company 2003 RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	**-**	(1,041,000)	**-**	-
Tax effect of:				
Unabsorbed tax losses	**335,295**	169,074	**244,000**	107,000
Other temporary differences	**-**	1,839,000	**-**	-
	335,295	967,074	**244,000**	107,000

23. PRIOR YEARS ADJUSTMENTS

In the previous financial year, the Group adopted MASB 25, Income Taxes pursuant to which the deferred tax liabilities relating to the revaluation surplus of certain properties was accounted for retrospectively in the financial statements of the Group. However, the annual crystallisation of deferred tax liabilities on revaluation surplus through use of the revalued assets are not transferred to income statements. This constitutes a fundamental error and is subject to prior years adjustments.

During the financial year, the Group changed its accounting policy on the recognition of annual realisation of revaluation surplus through use of the revalued assets. Previously, the annual realisation of revaluation surplus through use of the revalued assets was not recognised. Upon adjustment of the aforesaid fundamental error, the Group transfers each year from revaluation surplus to retained profit the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of assets.

The effect of the correction of the aforesaid fundamental error on the annual crystallisation of deferred tax liabilities on revaluation surplus is to increase deferred tax income and net profit for the current financial year of the Group by RM92,543.

23. PRIOR YEARS ADJUSTMENTS (cont'd)

The aforesaid fundamental error and change in accounting policy have been accounted for retrospectively and the effects on prior years have been taken up as prior years adjustments in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the correction of the aforesaid fundamental error and accounting changes:

The Group	As previously reported RM	Adjustments RM	As restated RM
Financial year ended December 31, 2003			
Income statements			
Tax expense	3,372,481	(92,543)	3,279,938
Net profit after tax for the year	7,344,739	92,543	7,437,282
As of December 31, 2003			
Balance sheets			
Retained profit at end of year	82,075,249	1,322,040	83,397,289
Revaluation reserve	10,676,084	(951,867)	9,724,217
Deferred tax liabilities	4,151,811	(370,173)	3,781,638
As of December 31, 2002			
Balance sheets			
Retained profit at end of year	80,730,510	991,530	81,722,040
Revaluation reserve	10,676,084	(713,900)	9,962,184
Deferred tax liabilities	4,151,811	(277,630)	3,874,181

24. DIVIDEND

	The Group and The Company	
	2004 RM	2003 RM
First and final tax exempt dividend, declared and paid of 12 sen per ordinary share, for 2003	**7,320,159**	-
First and final tax exempt dividend, declared and paid of 10 sen per ordinary share, for 2002	**-**	6,000,000
	7,320,159	6,000,000

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	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Short-term deposits with:				
Licenced bank	**49,066,232**	26,337,153	**18,384,048**	2,022,409
Licenced finance companies	**9,686,004**	4,176,419	**2,000,000**	1,037,055
	58,752,236	30,513,572	**20,384,048**	3,059,464
Cash and bank balances	**9,138,628**	16,949,441	**438,117**	5,821,754
	67,890,864	47,463,013	**20,822,165**	8,881,218

The short-term deposits bear interests at rates ranging from 1.7% to 3.20% (2003: 1% to 4%) per annum and are maturing in January 2005.

25. CASH AND CASH EQUIVALENTS (cont'd)

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2004 RM	2003 RM	**2004 RM**	2003 RM
Ringgit Malaysia	**52,383,715**	30,837,254	**20,822,165**	8,881,218
United States Dollar	**15,425,499**	16,504,472	**-**	-
Singapore Dollar	**81,650**	121,287	**-**	-
	67,890,864	47,463,013	**20,822,165**	8,881,218

26. CONTINGENT LIABILITY - Unsecured

As of December 31, 2004, the Company is contingently liable to the extent of RM14,581,000 (2003: RM5,416,000) in respect of guarantees given to certain banks and financial institutions for banking facilities granted to and utilised by its subsidiary companies.

27. LEASE COMMITMENTS

As of December 31, 2004, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	The Group	
	2004 RM	2003 RM
Not later than 1 year	**59,350**	47,410
Later than 1 year but not later than 5 years	**18,890**	12,910
	78,240	60,320

28. CAPITAL COMMITMENTS

As of December 31, 2004, the Group's capital expenditures approved and contracted for amounted to approximately RM1,129,000 (2003: Nil).

29. SUBSEQUENT EVENT

Subsequent to December 31, 2004, the Company has invested an amount of RM5,000,000 in bond funds.

30. 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)
- investment holdings

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

30. **SEGMENTAL REPORTING** (cont'd)

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
2004					
Revenue					
External sales	140,544,956	13,578,640	-	-	154,123,596
Inter-segment sales	4,667,438	3,400	11,129,600	(15,800,438)	-
Total revenue	145,212,394	13,582,040	11,129,600	(15,800,438)	154,123,596
Results					
Profit from operations	13,615,071	340,709	11,368,948	(10,955,470)	14,369,258
Finance costs	(170,828)	-	-	-	(170,828)
Profit before tax	13,444,243	340,709	11,368,948	(10,955,470)	14,198,430
Tax expense	(3,003,701)	(84,000)	-	-	(3,087,701)
Profit after tax	10,440,542	256,709	11,368,948	(10,955,470)	11,110,729
Other information					
Capital additions	1,607,553	-	-	-	1,607,553
Depreciation of property, plant and equipment	5,426,189	1,167	-	(5,187)	5,422,169
Non-cash expenses other than depreciation	1,692,507	214,841	-	-	1,907,348
Consolidated Balance Sheet					
Assets					
Segment assets	139,411,344	7,042,709	31,851,042	(12,718,614)	165,586,481
Income tax assets	1,583,595	79,000	-	-	1,662,595
Consolidated total assets	140,994,939	7,121,709	31,851,042	(12,718,614)	167,249,076
Liabilities					
Segment liabilities	40,773,053	1,067,324	31,312	(12,622,953)	29,248,736
Income tax liabilities	3,893,980	-	-	-	3,893,980
Consolidated total liabilities	44,667,033	1,067,324	31,312	(12,622,953)	33,142,716

30. **SEGMENTAL REPORTING** (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
2003					
Revenue					
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
Results					
Profit/ (loss) 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/ (loss) before tax	10,393,755	603,916	(183,066)	(97,385)	10,717,220
Tax (expense)/ income	(3,058,457)	(222,000)	519	-	(3,279,938)
Profit/ (loss) after tax	7,335,298	381,916	(182,547)	(97,385)	7,437,282
Other information					
Capital additions	3,292,716	-	-	-	3,292,716
Depreciation of property, plant and equipment	5,381,432	1,165	-	(5,980)	5,376,617
Non-cash expenses other than depreciation	2,050,807	44,461	148,649	-	2,243,917
Consolidated Balance Sheet					
Assets					
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
Liabilities					
Segment liabilities	21,974,758	938,195	22,000	(1,048,657)	21,886,296
Income tax liabilities	3,781,638	23,360	-	-	3,804,998
Consolidated total liabilities	25,756,396	961,555	22,000	(1,048,657)	25,691,294

30. **SEGMENTAL REPORTING** (cont'd)

Geographical segments

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

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

	Sales revenue by geographical market	
	2004	2003
	RM	RM
United States of America	**76,590,424**	36,519,655
Malaysia	**45,088,826**	36,154,119
Other Asia Pacific Countries	**32,444,346**	48,978,914
	154,123,596	121,652,688

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

	2004	2003
	RM	RM
Malaysia	**164,754,688**	151,235,405
Singapore	**2,494,388**	2,667,674
	167,249,076	153,903,079

31. **FINANCIAL INSTRUMENTS**

a. **Financial Risk Management Objectives and Policies**

The operations of the Group and of the Company 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 and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/ or costs associated with the financing, investing and operating activities of the Group and the Company.

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

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

31. **FINANCIAL INSTRUMENTS** (cont'd)

iii. **Market risk**

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

iv. **Credit risk**

The Group and the Company are exposed to credit risk mainly from 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 and the Company practise 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 and the Company review its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. **Credit Risk**

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

c. **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, 2004 are as follows:

	Carring Amount		**Fair Value**	
	2004	2003	**2004**	2003
	RM	RM	**RM**	RM
Investment in bond funds	-	16,883,407	-	16,883,407

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 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.

It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs or eventual outcome.

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, 2004 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 28, 2005

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 above named CHEN, CHIH-WEN at)
GEORGETOWN in the State of PENANG)
on February 28, 2005.)

Before me,

GM. GOVINDASAMY, *PJM*
COMMISSIONER FOR OATHS

SHARE CAPITAL AS AT MARCH 29, 2005

Authorised	:	RM100,000,000.00
Issued and Fully Paid-Up	:	RM61,439,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	2,648

DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 29, 2005

Holdings	No. of holders	Total holdings	%
1 – 99	0	0	0
100 – 1,000	1,687	1,678,100	2.73
1,001 – 10,000	842	3,198,301	5.21
10,001 – 100,000	94	2,434,601	3.96
100,001 – 3,071,949	23	16,418,000	26.72
3,071,950 and above	2	37,709,998	61.38
Total	2,648	61,439,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT MARCH 29, 2005

	Direct		Indirect	
Name	No. of shares held	%	No. of shares held	%
Pan Global Holding Co. Ltd.	32,909,998	53.57	-	-
Lembaga Tabung Haji	4,800,000	7.81	-	-
Pan-International Industrial Corporation	-	-	32,909,998 *	53.57
	37,709,998	61.38	32,909,998	53.57

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

ANALYSIS OF SHAREHOLDINGS (cont'd)

TOP THIRTY SHAREHOLDERS AS AT MARCH 29, 2005

	Name	Shareholdings	%
1.	Pan Global Holding Co. Ltd.	32,909,998	53.57
2.	Lembaga Tabung Haji	4,800,000	7.81
3.	Allianz General Insurance Malaysia Berhad	3,011,400	4.90
4.	Lembaga Tabung Angkatan Tentera	2,000,000	3.26
5.	Allianz Life Insurance Malaysia Berhad	1,719,000	2.80
6.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier : HSBC (M) Trustee Bhd for HWANG-DBS Select Small Caps Fund (4579)	1,496,200	2.44
7.	Allianz Life Insurance Malaysia Berhad	1,289,500	2.10
8.	Outstanding Growth Technology Limited	1,180,000	1.92
9.	Koperasi Permodalan Melayu Negeri Johor Berhad	685,000	1.11
10.	Best Skill Technology Limited	630,000	1.03
11.	Employees Provident Fund Board	544,200	0.89
12.	Wong Yoke Fong @ Wong Nyok Fing	512,000	0.83
13.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)	500,000	0.81
14.	Cimsec Nominees (Tempatan) Sdn. Bhd. Qualifier : CIMB for Man Bin Mat (Margin-MM0774)	429,000	0.70
15.	Allianz Life Insurance Malaysia Berhad	425,700	0.69
16.	Wong Yoke Fong @ Wong Nyok Fing	394,000	0.64
17.	Operate Technology Limited	377,000	0.61
18.	Yeoh Kean Hua	230,000	0.37
19.	Allianz Life Insurance Malaysia Berhad	171,000	0.28
20.	Mui Chung Meng	170,000	0.28
21.	Chen Ming-Lung	165,000	0.27
22.	Loke Chong	130,000	0.21
23.	Allianz Life Insurance Malaysia Berhad	124,000	0.20
24.	Uchi Electronic (M) Sdn. Bhd.	120,000	0.20
25.	Liao Yueh Chen	115,000	0.19
26.	Allianz Life Insurance Malaysia Berhad	88,000	0.14
27.	Kao, Te-Pei @ Edward Kao	79,000	0.13
28.	Wang Pu Hui	76,000	0.12
29.	Koperasi Polis Diraja Malaysia Berhad	72,000	0.12
30.	Mayban Securities Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Lin Yeen Lum (REM 838)	64,000	0.10
	Total	54,506,998	88.72

DIRECTORS' SHAREHOLDINGS AS AT MARCH 29, 2005

	Name	No. of shares held	%
1.	Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	10,001	0.02
2.	Mui Chung Meng	170,000	0.28
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.	Cheung Ho Leung (Appointed on March 15, 2005)	NIL	NIL
7.	Yen, Chien-Kun (Resigned on March 15, 2005)	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 31.12.2004 (RM)	Date of revaluation	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 (10 years)	5.0 acres/ 12,257 sq. meters	12,142,382	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 (12 years)	7.0 acres/ 10,448 sq. meters	13,127,918	30 May 2000	-
H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60years leasehold expiring 3.12.2050	# Vacant, Future Investment - 1 storey office - 2 storey factory - 1 storey store (12 years)	3.08 acres/ 8,527 sq. meters	3,557,004	-	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 (10 years)	1,801 sq. meters	2,054,971	30 May 2000	-
			TOTAL	**30,882,275**		

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 EIGHTH ANNUAL GENERAL MEETING of the Company to be held at Balau Room Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, May 20, 2005 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 the Audited Financial Statements of the Company for the year ended December 31, 2004 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, 2004.		
3.	To approve the payment of Directors' fees for the year ended December 31, 2004.		
4.	To re-elect Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa, a director retiring under the provision of Article 98(1) of the Articles of Association of the Company.		
5.	To re-elect Mr. Mui Chung Meng, a director retiring under the provision of Article 98(1) of the Articles of Association of the Company.		
6.	To re-elect Mr. Cheung Ho Leung, a director retiring under the provision of Article 105 of the Articles of Association of the Company.		
7.	To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
8.	**Special Business** **Ordinary Resolution** To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		
9.	**Special Resolution** To approve the Proposed Articles Amendments.		

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.

Fold along this line

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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