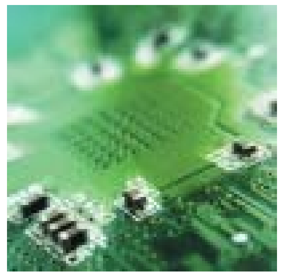


**P.I.E. Industrial Berhad**

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

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

Tel : 604-399 3516-9
Fax : 604-398 9867

# Contents

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at the Nyatoh Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, May 19, 2006 at 9:00 a.m.

**AGENDA**

1. To receive the Audited Financial Statements of the Company for the year ended December 31, 2005 together with the Reports of the Directors and of the Auditors thereon. (Resolution 1)

2. To declare the following Dividends for the year ended December 31, 2005:-

   a) A Special Dividend of 6 sen per share tax exempt; and (Resolution 2)
   b) A First and Final Dividend of 12 sen per share less income tax at 28% (Resolution 3)

3. To approve an increase of Directors' Fee from RM39,500 to RM48,000 for the financial year ended December 31, 2005 and payment of such fees to the Directors. (Resolution 4)

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) Mr. Chen, Chih-Wen; and (Resolution 5)
   b) Mr. Cheng Shing Tsung (Resolution 6)

5. 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 BUSINESS**

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

   **ORDINARY RESOLUTION**

   **Authority to Issue Shares**

   "That pursuant to Section 132D of the Companies Act, 1965 and approvals from the 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)

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965. (Resolution 9)

By Order of the Board,

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

Penang
Date: April 27, 2006

# Notice of Annual General Meeting (cont'd)

**Notes:-**

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

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia 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 Note On Special Business**

The proposed Resolution No. 8 [Item No. 6], if passed, will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 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.

# Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended December 31, 2005, if approved, will be paid on June 13, 2006 to depositors registered in the Records of Depositors on May 26, 2006:-

a) A Special Dividend of 6 sen per share tax exempt; and
b) A First and Final Dividend of 12 sen per share less income tax at 28%

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 26, 2006 in respect of ordinary transfers;

b) shares bought on the 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 27, 2006

# Statement Accompanying Notice of Annual General Meeting

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

| | | |
|---|---|---|
| Place | : | The Nyatoh Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai |
| Date | : | May 19, 2006 (Friday) |
| Time | : | 9:00 a.m. |

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

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) Mr. Chen, Chih-Wen; and
b) Mr. Cheng Shing Tsung

## 3. Board of Directors' Meetings held during the Financial Year Ended December 31, 2005 and Details of Directors' Attendance

Four (4) Board of Directors' Meetings were held during the financial year ended December 31, 2005. 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 Mohammad Jewa | 4 |
| Mui Chung Meng | 4 |
| Chen, Chih-Wen | 4 |
| Cheng Shing Tsung | 3 |
| Ahmad Murad Bin Abdul Aziz | 4 |
| Cheung Ho Leung (Appointed on March 15, 2005) | 3 |
| Yen, Chien-Kun (Resigned on March 15, 2005) | 1 |

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

The Information on place, date and time of Board of Directors' Meetings held during the financial year ended December 31, 2005 are as follows:-

| Date | Time | Venue |
|---|---|---|
| February 25, 2005 (Friday) | 10.00 a.m. | Conference Room, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang |
| May 20, 2005 (Friday) | 11.00 a.m. | Conference Room, Pan-International Electronics (Malaysia) Sdn. Bhd. Plot 4, Jalan Jelawat 1 Kawasan Perusahaan Seberang Jaya 13700 Seberang Perai, Penang |
| August 8, 2005 (Monday) | 10.00 a.m. | Conference Room, Pan-International Electronics (Malaysia) Sdn. Bhd. Plot 4, Jalan Jelawat 1 Kawasan Perusahaan Seberang Jaya 13700 Seberang Perai, Penang |
| November 11, 2005 (Friday) | 10.00 a.m. | Conference Room, 57-1, Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Penang |

# Statement Accompanying Notice of Annual General Meeting
(cont'd)

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

a)

| | | |
|---|---|---|
| Name | : | Chen, Chih-Wen |
| Age | : | 49 |
| Nationality/Race | : | Republic of China/ Chinese |
| Qualifications | : | He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. |
| Executive/Non-Executive | : | Executive |
| Independent/ Non-Independent | : | Non-Independent |
| Working Experience | : | As enumerated in the Profile of Directors on page 10 of this Annual Report. |
| Occupation | : | Executive Director |
| Other directorship of public companies | : | Nil |
| Securities holdings in the Company and Subsidiary | : | ***Company***<br>Direct Interest : 130,000<br>Deemed Interest : Nil<br><br>***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 |

# Statement Accompanying Notice of Annual General Meeting
(cont'd)

| | | | |
|---|---|---|---|
| b) | Name | : | Cheng Shing Tsung |
| | Age | : | 68 |
| | Nationality/Race | : | British /Chinese |
| | Qualifications | : | He obtained a Diploma from Radio Communication College, Hong Kong in 1960. |
| | Executive/Non-Executive | : | Non-Executive |
| | Independent/ Non-Independent | : | Non-Independent |
| | Working Experience | : | As enumerated in the Profile of Directors on page 11 of this Annual Report. |
| | Occupation | : | Director |
| | Other directorship of public companies | : | Nil |
| | Securities holdings in the Company and Subsidiary | : | ***Company***<br>Direct Interest : 10,000<br>Deemed Interest : Nil<br><br>***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 –<br>Senior Independent Non-Executive Director | Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa |
| Managing Director | Mui Chung Meng |
| Executive Director | Chen, Chih-Wen |
| Executive Director | Cheung Ho Leung |
| Non-Executive Director | Cheng Shing Tsung |
| Senior Independent Non-Executive Director | Ahmad Murad Bin Abdul Aziz |

## AUDIT COMMITTEE

| | |
|---|---|
| Chairman -<br>(Senior Independent Non-Executive Director) | Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa |
| Member -<br>(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

57-2 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 04-6429887 Fax : 04-6456698

## REGISTRAR

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

# Corporate Information (cont'd)

| | |
|---|---|
| **PRINCIPAL BANKERS** | RHB Bank Berhad<br>2784 & 2785, Jalan Chain Ferry<br>Taman Inderawasih<br>13600 Prai |
| | Citibank Berhad<br>42, Jalan Sultan Ahmad Shah<br>10050 Penang |
| | Bumiputra-Commerce Bank Berhad<br>1271-2, Jalan Baru, Taman Emas<br>13600 Prai |
| **STOCK EXCHANGE LISTING** | Main Board of Bursa Malaysia<br>Securities Berhad |
| **SHARE CAPITAL** | Authorised : RM100,000,000<br>Issued and Paid-Up : RM62,494,000 |

# Board of Directors' Profile

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa, aged 69, 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 began his career as a teacher with the Ministry of Education in 1961. He was the Senior Assistant of Sekolah Abdullah Munshi in Penang in 1968 and was promoted to Principal in 1969. He was the Dean of Education Studies in Universiti Sains Malaysia from 1979 to 1992 and also the Professor of Educational Administration in Universiti Sains Malaysia from 1988 to 1995. 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 Ibni Almarhum Tunku Mohammad Jewa is also the Senior Independent Non-Executive Director of CAB Cakaran Corporation Berhad and Independent Non-Executive Director of Oriental Holdings Berhad and Luster Industries Berhad.

He is also the 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 54, 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 49, 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.

# Board of Directors' Profile (cont'd)

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

Cheung Ho Leung, aged 49, 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 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 68, 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.

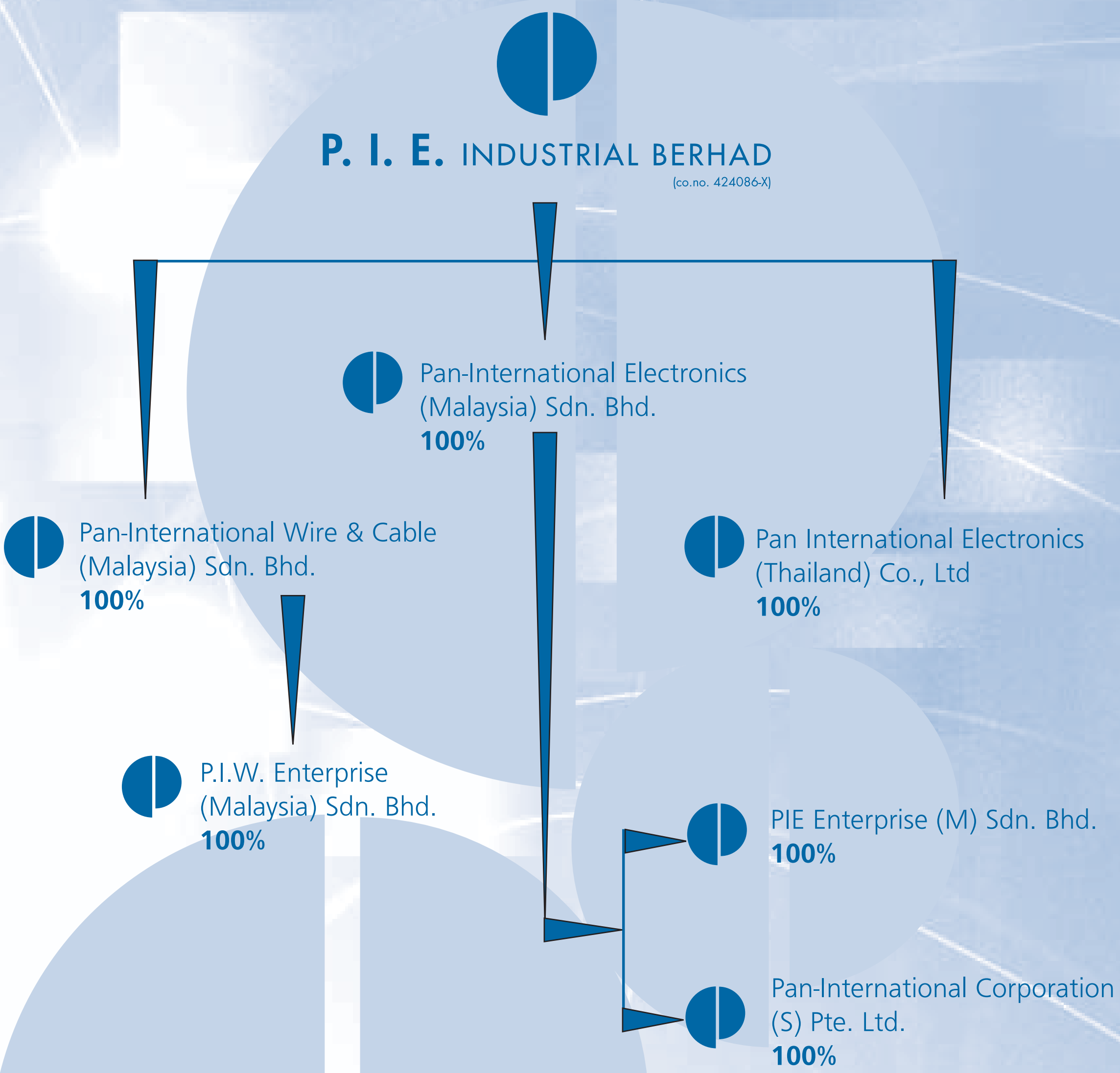
**AHMAD MURAD BIN ABDUL AZIZ**
*Senior Independent Director*
*(Independent / Non-Executive)*
*Malaysian*

Ahmad Murad Bin Abdul Aziz, aged 47, 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.

# Group Structure



# Chairman's Statement

On behalf of the Board of Directors of P.I.E. Industrial Berhad, I am pleased to present the Annual Report and Audited Financial Statement of the Group and of the Company for the financial year ended 31 December 2005.

The financial year 2005 has been a challenging year for the Group with the competitive business environment coupled with the increase in copper, PVC materials costs and transportation costs resulted from the surge of crude oil prices. However, with the strong platform of tightly integrated businesses, highly skilled and committed workforce, the Group was well positioned to confront these challenges.

## Financial Performance

Despite the competitive business environment, the Group continued to achieve another year of good and satisfactory results.

For the financial year under review, the Group registered an increased profit after tax of RM16.95 million as compared to RM11.11 million recorded in the previous financial year which was in line with the increase in the Group's revenue by RM49.56 million, represented a 32% improvement over the year before. Correspondingly, basic earnings per share increased to 27.42 sen from 18.28 sen recorded previously. In line with our objective to enhance shareholders' value, the Group's net assets per share stood at RM2.42 as at 31 December 2005, which represented an increase of 11 % as compared to RM2.19 recorded at the end of the preceding financial year. The Group managed to maintain a financially sound balance sheet with surplus cash of RM62.99 million for future expansion and diversification.

## Dividend

The first and final dividend of 12 sen, tax exempt for the year ended 31 December 2004 was paid on 14 June 2005.

In line with the Group's performance and as a recognition of your continuous support, the Board of Directors is recommending a special dividend of 6 sen per ordinary share, tax exempt and a first and final dividend of 12 sen gross per ordinary share, less income tax at 28%, for the financial year ended 31 December 2005, subject to the shareholders' approval at the forthcoming Ninth Annual General Meeting. The entitlement and payment date of the above recommended dividends are as disclosed in this Annual Report.

## Corporate Development

The Group has on 8 November 2005 acquired the entire issued and fully paid-up share capital of Pan-International Electronics (Thailand) Co., Ltd. (PIT) comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD3,850,000 (equivalent to RM14,547,110) from its immediate holding company, Pan Global Holding Co., Ltd.. PIT is involved in cable assembly and wire harness manufacturing and providing of cable and wire harness to the computer, communication and consumer electronics industry.

The above acquisition was in line with the Group's strategic plans to expand its business to Thailand and enable the Group to penetrate and gain a foothold in the Thailand market with the availability of certain competitive advantages, namely product integration, shorter leadtime, lower production and transportation costs.

## Operation Review

Faced with the continuous uncertainties in the global economic environment and the competitive business environment and to stand resilient during this challenging time, the Group continues its structured approach to pursuing growth and ensuring the long term growth and prospects by upgrading the engineering capabilities, manufacturing facilities and technical know-how, strategically moving to high-end value added new products, and identifying new business opportunities, especially from the global market perspective.

# Chairman's Statement (cont'd)

### *Contract Electronic Manufacturing (CEM) Services*

The CEM division has demonstrated a highly efficient workforce and operations and continued to be a main contributor to the increase in the Group's revenue during the year under review. This division contributed approximately 58% of the Group's revenue. The Group will continue its endeavor to secure more business contracts from new and existing customers in the following financial year with its efforts in (1) continuous integration of new capabilities in manufacturing, engineering and distribution; and (2) continuing efforts to solicit new business partners in diversified industries.

The Group sees a good year ahead for its CEM services division, which is expected to continue to be the main revenue contributor and the Group will continue to identify its targeted industries, i.e. 3C (computer, communication, and consumer electronic), automobile, and industrial electronics

### *Raw Cable & Wire Manufacturing*

The Raw Cable and Wire Manufacturing division contributed about 25% of the Group revenue during the year 2005. Faced with the continuous drastic increasing of copper, PVC material costs and the transportation cost as a result of the sharp increase in oil prices, improvement of efficiency in this division was the main factor to drive lower operating cost, and remain competitive in the long run. Besides the enhancement in operation efficiency, this division will still keep on developing high value-added products, e.g. high quality cross-linked cable and carbon fiber cable for customers in specific automobile and medical industries, in addition on maintaining traditional product supply to PC-related and consumer electronic industries.

### *Cable Assembly and Wire Harness*

Cable assembly and wire harness in existing Penang facility and the new manufacturing division of the Group through the acquisition of foreign subsidiary company in Thailand has together contributed approximately 6% of the Group revenue in 2005. The contribution is still not significant as the acquisition was completed in November 2005 and the Group only able to consolidate two months results of this new division. This division is expected to contribute positively to the earnings of the Group in the future through the business strategy, namely, focusing on customers that contributes higher profit margin and widening the customer base to further maintain the earning power.

### *Trading Activity*

For the year under review, this division contributed about 11% of the group revenue, as compared to 9% recorded in the previous year. In addition to the sales of PC optical peripheral products, e.g. CD-ROM/ CD-RW drive, telecommunication and consumer electronics products, e.g. Bluetooth Wireless Headset, some aggressive steps also have been taken by this division to add on more variety of new products and extending the distribution channels beyond current Asean countries to enhance revenue in the coming year.

## Industrial Trend / Company Outlook

The Group foresees the trend for customers to outsource manufacturing operations will continue while they concentrate on their core competencies of research and development, product design, marketing and brand loyalty. However, this industry will likely continue to face immense challenges in the coming years with stiff competition among similar CEM players. As such, to overcome this adverse impact, effective cost control , efficient supply chain management, highly flexible production capability, value added engineering service and good quality control will be the core criteria for success in the global competitive marketplace.

The Group continues to implement its strategic approach to take advantage of the expected outsourcing trend. The Group had spent last few years' effort to enlarge its customer base, especially in USA and Europe. Now, a few new business opportunities and development is in the very encouraging progress. Therefore, the group foresees new orders from these new customers will begin to blossom in the coming years and contribute positively to the future growth of the Group's revenue and earning. Barring unforeseen circumstances, the Group is optimistic that in the year 2006, it can improve over the performance level of last year, in addition to the full year contribution of the revenue and profit by the Thailand subsidiary.

In order to stand resilient in the competitive business environment, the Group will continue to strive to insulate itself from any unforeseen unfavorable impacts and its effort to streamline and rationalize the business. The Group will also continue to concentrate in providing better services to both existing and potential customers in order to strengthen its position in this competitive business environment.

# Chairman's Statement (cont'd)

## Acknowledgment

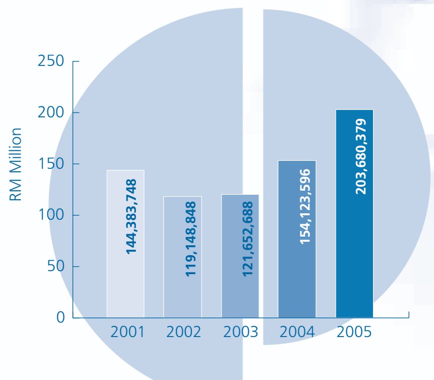
On behalf of the Board of Directors, I would like to express our gratitude and appreciation to the management and the staffs of the Group for their continued efforts, commitment and contribution in instituting the strict strategic and operational measures needed to stand resilient during these challenging 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 MOHAMMAD JEWA**
Chairman

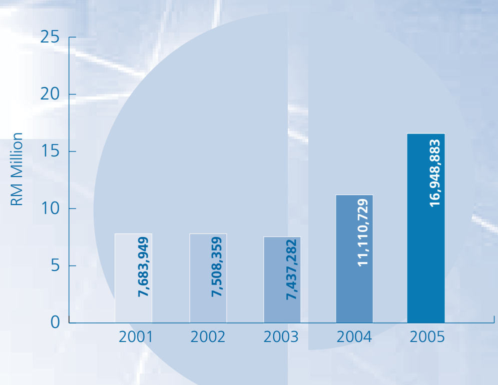
# Group Financial Highlights

## Five Years Financial Summary

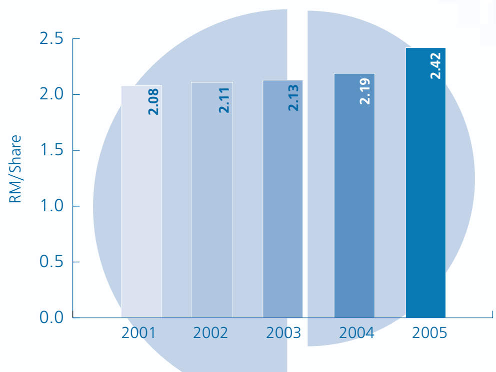
| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Revenue | 144,383,748 | 119,148,848 | 121,652,688 | 154,123,596 | 203,680,379 |
| Profit before taxation | 10,931,310 | 10,800,091 | 10,717,220 | 14,198,430 | 21,321,538 |
| Net profit after taxation | 7,683,949 | 7,508,359 | 7,437,282 | 11,110,729 | 16,948,883 |
| Basic earnings per ordinary share (Sen) | 12.81 | 12.51 | 12.39 | 18.28 | 27.42 |
| Shareholders' equity | 124,957,221 | 126,625,056 | 128,211,785 | 134,106,360 | 150,155,090 |
| Net Assets per share | 2.08 | 2.11 | 2.13 | 2.19 | 2.42 |
| Issued and fully paid-up share capital of | | | | | |
| RM 1.00 each | 60,000,000 | 60,000,000 | 60,057,000 | 61,239,000 | 62,046,000 |
| Gross dividend per share: | | | | | |
| Declared and Paid | 10 | 10 | 12 | 12 | Not Applicable |
| Proposed | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 18 |



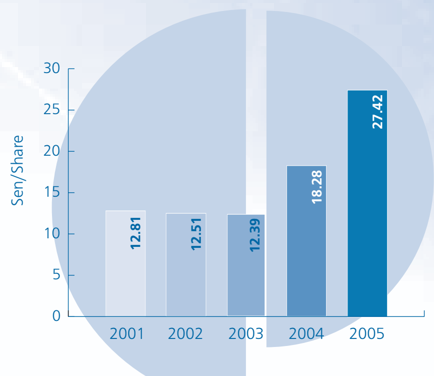

*Revenue*




*Net Profit after taxation*




*Net Assets per share*




*Basic earning per ordinary share*

# Audit Committee Report

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2005.

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 not less than three (3) directors, the majority of whom must be Independent Non-Executive directors and at least one of them must be:

(1) a member of the Malaysian Institute of Accountants; or
(2) 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 Mohammad 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 25, 2005 | May 20, 2005 | August 8, 2005 | November 11, 2005 |
|---|---|---|---|---|
| Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa | ✓ | ✓ | ✓ | ✓ |
| Ahmad Murad Bin Abdul Aziz | ✓ | ✓ | ✓ | ✓ |
| Chen, Chih-Wen | ✓ | ✓ | ✓ | ✓ |

## 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 2005 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.
- Reviewed and verified the allocation of Employee Share Option Scheme (ESOS) in compliance with the Bursa Securities Listing Requirements and ESOS By-Laws of the Company.

## 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 2005
- 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

# Statement on Corporate Governance

## Board's Commitments

The Board of Directors ("the Board") 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 2005.

### A) The Board

The Board 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 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 business and financial experience relevant to the direction of the Group.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for running the Board and ensuring that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the Managing Director has overall responsibilities over the operating units, organization effectiveness and implementation of Board's policies and decisions.

The Board is well balanced with the presence of Independent Non-Executive Directors who are of caliber and collectively provide independent assessments and judgments in the decision making process of the Board.

#### ii) Board Meetings

The Board 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 to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

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

| Name of director | Designation | Number of meetings | |
|---|---|---|---|
| | | Held | Attended |
| Y.T.M. Tunku Dato' Dr Ismail Ibni Almarhum Tunku Mohammad 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 | 3 |
| Ahmad Murad Bin Abdul Aziz | Senior Independent, Non-Executive Director | 4 | 4 |
| Cheung Ho Leung (Appointed on March 15, 2005) | Non-Independent, Executive Director | 4 | 3 |
| Yen, Chien-Kun (Resigned on March 15, 2005) | Non-Independent, Non-Executive Director | 4 | 1 |

### iii) Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations during the meeting, where necessary.

The Directors meet to review and approve all corporate announcements, including the announcement of the quarterly financial reports, before releasing them to the Bursa Securities.

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. The Executive Directors of the Company also participate in management meeting of certain subsidiaries to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

### iv) Directors' Training

All the Directors have given their undertaking to comply with the Bursa Securities Listing Requirements. All the Directors have also attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. (formerly known as Bursa Training Sdn. Bhd.) to enhance their skills in the area of corporate governance.

During the year, the Directors of the Company have also attended various training programmes accredited by Bursa Securities to enhance their professionalism and to keep abreast with the developments in the market place and to enable them to discharge their duties as Directors in an effective manner. The Directors will continue to undergo other relevant training programmes to be determined by the Board from time to time to further enhance their skills and knowledge where relevant.

### v) 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 (iv) 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.

### vi) 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 the contribution 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 financial year ended 31 December 2005 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 | 227,340 | 464,943 | 6,000 | 698,283 |
| Non-Executive Directors | 48,000 | 0 | 0 | 6,000 | 54,000 |
| Other Directors | 0 | 346,965 | 123,705 | 0 | 470,670 |
| **Total** | 48,000 | 574,305 | 588,648 | 12,000 | 1,222,953 |

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

| | Number of Directors | | |
|---|---|---|---|
| **Range of Remuneration** | **Executive** | **Non-Executive** | **Other** |
| Below RM50,000 | 1 | 3 | 0 |
| RM50,001 to RM100,000 | 0 | 0 | 4 |
| RM100,001 to RM150,000 | 1 | 0 | 0 |
| RM150,001 to RM200,000 | 0 | 0 | 1 |
| RM550,001 to RM600,000 | 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 Mohammad 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 17 to 19.

### i) Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### 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 maintaining a sound system of internal control.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of internal control systems, the Board had 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.

# Statement on Corporate Governance (cont'd)

### 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 for during Annual General Meeting for dialogue with shareholders to address issues concerning the Group.

In compliance with the recommended best practice by the Code, the Board has appointed Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa as 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 7 April 2006.

# 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 Malaysian Accounting Standards Board 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 as at the end of the financial year and of their results and cash flows for the year then ended.

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

- Ensured that suitable accounting policies are used and applied consistently
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company
- Made appropriate enquiries to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2005 had been approved by the Board on 27 February 2006.

This statement was made in accordance with a resolution of the Board dated 7 April 2006.

# Statement on Internal Control

## Introduction

This statement is made pursuant to Paragraph 15.27(b) of the Bursa Securities Listing Requirements, which requires public listed companies to include a statement in their annual reports on the state of internal control within the Group.

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

This Statement of Internal Control has been prepared in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" (the "Guidance") issued by the Task Force on Internal Control.

## Responsibility

The Board recognizes the importance of maintaining a sound system of internal control covering controls relating to risk management, financial, operational and compliance to achieve the following objectives:

a) Safeguard the shareholders' interest and assets of the Group
b) Identify and manage risks affecting the Group
c) Ensure compliance with regulatory requirements
d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
e) Ensure the integrity and reliability of financial information

The system of internal control is designed to cater for the Group's needs and manage the risks to which the Group exposed. It should be noted that such system 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.

The Board 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.

## System of Internal Control

The Group's system of internal control is comprised of the following key elements:

a) Organisation structure of each business unit clearly defines operational and financial responsibilities
b) Key responsibilities are properly segregated
c) Authority level is properly defined
d) Executive Directors meet regularly to address key business risks and operational issues
e) Operational procedures are governed by standard operating manuals which are reviewed and updated regularly
f) 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 from the professional service firm engaged by the Board, 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 "Guidance" and that it is adequate to achieve the Group's objectives stated above.

## Conclusion

The Board remains committed towards operating a sound system of internal control and therefore recognize that the system must continuously evolve to support the Group's businesses and the size of the Group's operations. As such, the Board, in striving for continuous improvement will put in place an appropriate actions and plans, when necessary, to further enhance the Group's system of internal control.

This statement was made in accordance with a resolution of the Board dated 7 April 2006.

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

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES
No options, warrants or convertibles securities were issued by the Company during the financial year other than the approved Employee Share Option Scheme as disclosed in the Directors' Report of the financial statements.

### 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
The Company had entered into a Share Sale and Purchase Agreement with its major shareholder, Pan Global Holding Co., Ltd on 11 August 2005 to acquire the entire issued and fully paid-up share capital of Pan International Electronics (Thailand) Co., Ltd. comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition) subject to the terms and conditions of the Share Sale and Purchase Agreement.

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

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

# Directors' Report

The directors of P.I.E. INDUSTRIAL BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2005.

## 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 | 16,948,883 | 7,650,958 |

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 RM7,443,360 in respect of the financial year ended December 31, 2004 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 RM61,239,000 to RM62,046,000 by way of issuance of 807,000 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 RM564,900 was credited to the share premium account.

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

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

## 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 1.1.2005** | **Granted** | **Exercised** | **Lapsed** | **Balance as of 31.12.2005** |
| August 13, 2003 | 1.70 | 3,137,000 | - | (807,000) | (332,000) | 1,998,000 |

**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.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On November 8, 2005, the Company acquired the entire issued and fully paid-up share capital of Pan International Electronics (Thailand) Co., Ltd. comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD3,850,000 (equivalent to RM14,547,110).

## 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 Mohammad Jewa | |
| Ahmad Murad Bin Abdul Aziz | |
| Mui Chung Meng | |
| Chen, Chih-Wen | |
| Cheng Shing Tsung | |
| Cheung Ho Leung | (appointed on March 15, 2005) |
| Yen, Chien-Kun | (resigned on March 15, 2005) |

## 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 1.1.2005** | **Bought** | **Sold** | **Balance as of 31.12.2005** |
| Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa | 10,001 | - | - | 10,001 |
| Ahmad Murad Bin Abdul Aziz | 8,001 | - | - | 8,001 |
| Mui Chung Meng | 170,000 | - | - | 170,000 |
| Chen, Chih-Wen | 10,000 | 120,000 | - | 130,000 |
| Cheng Shing Tsung | 10,000 | - | - | 10,000 |

In addition to the above, the following directors are also 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 1.1.2005 | Granted | Exercised | Balance as of 31.12.2005 |
| Mui Chung Meng | 240,000 | - | - | 240,000 |
| Chen, Chih-Wen | 200,000 | - | (120,000) | 80,000 |

**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 27, 2006

# 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, 2005 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. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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 MASB 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, 2005 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' reports of the subsidiary companies, Pan-International Electronics (Thailand) Co., Ltd. and 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 27, 2006

# Income Statements
for the year ended December 31, 2005

| | Note | The Group 2005 RM | The Group 2004 RM | The Company 2005 RM | The Company 2004 RM |
|---|---|---|---|---|---|
| Revenue | 4 | **203,680,379** | 154,123,596 | **10,304,600** | 11,129,600 |
| Other operating income | | **4,240,356** | 3,220,758 | **692,285** | 919,757 |
| Changes in inventories of finished goods and work-in-progress | | **(384,081)** | 2,224,165 | **-** | - |
| Purchase of trading goods | | **(25,436,136)** | (8,393,525) | **-** | - |
| Raw materials used | | **(129,713,483)** | (109,325,136) | **-** | - |
| Staff costs | 5 | **(16,907,728)** | (13,010,309) | **(1,040,026)** | (779,261) |
| Depreciation of property, plant and equipment | | **(4,458,138)** | (5,422,169) | **-** | - |
| Other operating expenses | | **(11,240,026)** | (10,467,490) | **(427,097)** | (126,738) |
| Profit from operations | | **19,781,143** | 12,949,890 | **9,529,762** | 11,143,358 |
| Income from other investments | | **1,780,731** | 1,419,368 | **269,814** | 225,590 |
| Finance costs | | **(240,336)** | (170,828) | **-** | - |
| Profit before tax | 6 | **21,321,538** | 14,198,430 | **9,799,576** | 11,368,948 |
| Income tax expense | 7 | **(4,372,655)** | (3,087,701) | **(2,148,618)** | - |
| Net profit after tax for the year | | **16,948,883** | 11,110,729 | **7,650,958** | 11,368,948 |
| Earnings per ordinary share Basic | 8 | **27.42 sen** | 18.28 sen | | |
| Diluted | 8 | **27.23 sen** | 18.05 sen | | |

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

# Balance Sheets
as of December 31, 2005

| | Note | The Group 2005 RM | The Group 2004 RM | The Company 2005 RM | The Company 2004 RM |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 9 | **49,465,071** | 37,887,188 | **-** | - |
| Investment in subsidiary companies | 10 | **-** | - | **71,047,108** | 56,499,998 |
| Deferred tax assets | 11 | **2,127,000** | 1,587,000 | **-** | - |
| Goodwill on consolidation | 12 | **1,721,665** | - | **-** | - |
| **CURRENT ASSETS** | | | | | |
| Inventories | 13 | **22,903,339** | 22,016,595 | **-** | - |
| Trade receivables | 14 | **47,047,370** | 35,264,816 | **-** | - |
| Other receivables and prepaid expenses | 15 | **1,200,638** | 1,940,674 | **17,524** | 18,077 |
| Tax recoverable | | **661,166** | 75,595 | **196,340** | - |
| Amount owing by subsidiary companies | 16 | **-** | - | **8,565,800** | 11,010,800 |
| Amount owing by a related company | 16 | **-** | 586,344 | **-** | - |
| Short-term deposits | 17 | **43,418,438** | 58,752,236 | **9,800,000** | 20,384,048 |
| Cash and bank balances | 17 | **19,578,360** | 9,138,628 | **300,454** | 438,117 |
| Total Current Assets | | **134,809,311** | 127,774,888 | **18,880,118** | 31,851,042 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 18 | **14,557,569** | 9,802,962 | **-** | - |
| Other payables and accrued expenses | 19 | **8,749,435** | 4,578,808 | **16,000** | 19,312 |
| Amount owing to ultimate holding company | 16 | **112,046** | 172,498 | **-** | - |
| Amount owing to a related company | 16 | **101,084** | 101,468 | **-** | - |
| Amount owing to directors | 20 | **12,000** | 12,000 | **12,000** | 12,000 |
| Bank borrowings | 21 | **7,841,000** | 14,581,000 | **-** | - |
| Tax liabilities | | **997,105** | 204,885 | **-** | - |
| Total Current Liabilities | | **32,370,239** | 29,453,621 | **28,000** | 31,312 |
| **NET CURRENT ASSETS** | | **102,439,072** | 98,321,267 | **18,852,118** | 31,819,730 |
| | | **155,752,808** | 137,795,455 | **89,899,226** | 88,319,728 |
| **SHARE CAPITAL** | 22 | **62,046,000** | 61,239,000 | **62,046,000** | 61,239,000 |
| **RESERVES** | 23 | **88,109,090** | 72,867,360 | **27,853,226** | 27,080,728 |
| **SHAREHOLDERS' EQUITY** | | **150,155,090** | 134,106,360 | **89,899,226** | 88,319,728 |
| **DEFERRED TAX LIABILITIES** | 11 | **5,597,718** | 3,689,095 | **-** | - |
| | | **155,752,808** | 137,795,455 | **89,899,226** | 88,319,728 |

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

# Statements of Changes in Equity
for the year ended December 31, 2005

| The Group | Note | Share Capital RM | Share Premium RM | Revaluation/ Exchange/ Merger Reserve* RM | Retained Profit RM | Total RM |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2004 | | 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 | 11 | - | - | (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) |

(FORWARD)

# Statements of Changes in Equity
for the year ended December 31, 2005 (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, 2004 | | 61,239,000 | 14,924,466 | (29,482,932) | 87,425,826 | 134,106,360 |
| Allotment of 807,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS | | 807,000 | 564,900 | - | - | 1,371,900 |
| Exchange loss on translation of net investment in foreign subsidiaries | | - | - | (41,662) | - | (41,662) |
| Surplus on revaluation of short leasehold land and buildings | | - | - | 7,240,235 | - | 7,240,235 |
| Deferred tax liabilities arising on revaluation of short leasehold land and buildings | | - | - | (2,027,266) | - | (2,027,266) |
| Transfer of revaluation reserve | 11 | - | - | (305,082) | 305,082 | - |
| Net gain not recognised in the income statements | | - | - | 4,866,225 | 305,082 | 5,171,307 |
| Net profit after tax for the year | | - | - | - | 16,948,883 | 16,948,883 |
| Dividend | 24 | - | - | - | (7,443,360) | (7,443,360) |
| Balance as of December 31, 2005 | | **62,046,000** | **15,489,366** | **(24,616,707)** | **97,236,431** | **150,155,090** |

(FORWARD)

# Statements of Changes in Equity
for the year ended December 31, 2005 (cont'd)

* 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, 2004 | | 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 | 11 | (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) |
| Exchange loss on translation of net investment in foreign subsidiaries | | - | (41,662) | - | (41,662) |
| Surplus on revaluation of short leasehold land and buildings | | 7,240,235 | - | - | 7,240,235 |
| Deferred tax liabilities arising on revaluation of short leasehold land and buildings | | (2,027,266) | - | - | (2,027,266) |
| Transfer of revaluation reserve | 11 | (305,082) | - | - | (305,082) |
| Net gain not recognised in the income statements | | 4,907,887 | (41,662) | - | 4,866,225 |
| Balance as of December 31, 2005 | | **14,394,137** | **(10,846)** | **(38,999,998)** | **(24,616,707)** |

(FORWARD)

# Statements of Changes in Equity
for the year ended December 31, 2005 (cont'd)

## The Company

| | Note | Share Capital RM | Share Premium RM | Retained Profit RM | Total RM |
|---|---|---|---|---|---|
| Balance as of January 1, 2004 | | 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 |
| Allotment of 807,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS | | 807,000 | 564,900 | - | 1,371,900 |
| Net profit after tax for the year | | - | - | 7,650,958 | 7,650,958 |
| Dividend | 24 | - | - | (7,443,360) | (7,443,360) |
| Balance as of December 31, 2005 | | **62,046,000** | **15,489,366** | **12,363,860** | **89,899,226** |

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

# Cash Flow Statements
for the year ended December 31, 2005

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | **21,321,538** | 14,198,430 | **9,799,576** | 11,368,948 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **4,458,138** | 5,422,169 | **-** | - |
| Allowance for slow moving inventories | **851,987** | 1,683,186 | **-** | - |
| Interest expenses | **240,336** | 170,828 | **-** | - |
| Bad debts written off | **14,537** | - | **-** | - |
| Property, plant and equipment written off | **1,806** | 17,823 | **-** | - |
| Interest income | **(914,971)** | (739,368) | **(269,814)** | (225,590) |
| Unrealised gain on foreign exchanges | **(745,629)** | - | **-** | - |
| Gain on disposal of investments | **(692,285)** | (303,164) | **(692,285)** | (303,164) |
| Allowance for doubtful debts no longer required | **(209,328)** | (206,494) | **-** | - |
| Gain on disposal of property, plant and equipment | **(69,780)** | (96,731) | **-** | - |
| Interest on late payment by customers | **(29,564)** | - | **-** | - |
| Allowance for diminution in value of investment in bond funds no longer required | **-** | (616,593) | **-** | (616,593) |
| Allowance for doubtful debts | **-** | 206,339 | **-** | - |
| Gross dividend income from subsidiary companies | **-** | - | **(10,175,000)** | (11,000,000) |
| Operating profit/ (loss) before working capital changes | **24,226,785** | 19,736,425 | **(1,337,523)** | (776,399) |
| (Increase)/ decrease in: | | | | |
| Inventories | **(126,058)** | (6,421,890) | **-** | - |
| Trade receivables | **(8,221,520)** | (9,351,607) | **-** | - |
| Other receivables and prepaid expenses | **1,002,849** | (1,293,688) | **-** | - |
| Amount owing by related companies | **586,344** | 2,755,443 | **-** | - |

(FORWARD)

# Cash Flow Statements
for the year ended December 31, 2005 (cont'd)

| | The Group 2005 RM | The Group 2004 RM | The Company 2005 RM | The Company 2004 RM |
|---|---|---|---|---|
| Increase/ (decrease) in: | | | | |
| Trade payables | **3,500,663** | (1,346,402) | **-** | - |
| Other payables and accrued expenses | **2,879,796** | (445,153) | **(3,312)** | 3,312 |
| Amount owing to ultimate holding company | **(60,452)** | 39,610 | **-** | - |
| Amount owing to a related company | **(384)** | (56,615) | **-** | - |
| Amount owing to directors | **-** | 6,000 | **-** | 6,000 |
| Cash generated from/ (used in) operations | **23,788,023** | 3,622,123 | **(1,340,835)** | (767,087) |
| Tax refunded | **847,834** | - | **35,042** | - |
| Tax paid | **(5,767,533)** | (3,999,708) | **-** | - |
| Net cash generated from/ (used in) operating activities | **18,868,324** | (377,585) | **(1,305,793)** | (767,087) |

**CASH FLOWS FROM INVESTING ACTIVITIES**

| | The Group 2005 RM | The Group 2004 RM | The Company 2005 RM | The Company 2004 RM |
|---|---|---|---|---|
| Proceeds from disposal of investments | **19,692,285** | 17,803,164 | **19,692,285** | 17,803,164 |
| Interest received | **915,524** | 729,407 | **270,367** | 215,629 |
| Proceeds from disposal of property, plant and equipment | **69,789** | 102,400 | **-** | - |
| Purchase of investment in bond funds | **(19,000,000)** | - | **(19,000,000)** | - |
| Acquisition of a subsidiary company, net of cash acquired (Note 10) | **(7,214,711)** | - | **-** | - |
| Purchase of property, plant and equipment | **(5,827,785)** | (1,607,553) | **-** | - |
| Dividend received | **-** | - | **11,000,000** | - |
| Investment in a subsidiary company | **-** | - | **(14,547,110)** | - |
| Increase in amount owing by subsidiary companies | **-** | - | **(760,000)** | - |
| Net cash (used in)/ generated from investing activities | **(11,364,898)** | 17,027,418 | **(3,344,458)** | 18,018,793 |

(FORWARD)

# Cash Flow Statements
for the year ended December 31, 2005 (cont'd)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of the Company's ESOS shares | **1,371,900** | 2,009,400 | **1,371,900** | 2,009,400 |
| Dividend paid | **(7,443,360)** | (7,320,159) | **(7,443,360)** | (7,320,159) |
| (Decrease)/ increase in bank borrowings | **(6,740,000)** | 9,165,000 | **-** | - |
| Interest paid | **(240,336)** | (170,828) | **-** | - |
| Net cash (used in)/ generated from financing activities | **(13,051,796)** | 3,683,413 | **(6,071,460)** | (5,310,759) |
| Exchange translation difference | **(41,662)** | 94,605 | **-** | - |
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS** | **(5,590,032)** | 20,427,851 | **(10,721,711)** | 11,940,947 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **67,890,864** | 47,463,013 | **20,822,165** | 8,881,218 |
| Effect of exchange differences | **695,966** | - | **-** | - |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)** | **62,996,798** | 67,890,864 | **10,100,454** | 20,822,165 |

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

# Notes to the Financial Statements
December 31, 2005

## 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 Berhad.

The Company's registered office and principal place of business are at 57-2 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, 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 27, 2006.

## 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 Malaysian Accounting Standards Board ("MASB") 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. 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 Financial Reporting Standards FRS $122_{2004}$ (formerly known as 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 aggregate of the nominal value of equity shares issued and cash consideration. The difference between the cost of the merger and the nominal value of shares acquired is treated as merger reserves/ deficits in the consolidated financial statements. 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 acquisition method except for the financial statements of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. which are consolidated under the merger 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 companies have 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 operation is disposed of.

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

| | **2005** | 2004 |
|---|---|---|
| | **RM** | RM |
| 1 United States Dollar | **3.751** | 3.800 |
| 1 Singapore Dollar | **2.243** | 2.448 |
| 1 New Taiwan Dollar | **0.114** | 0.109 |
| 1 Japanese Yen | **0.031** | 0.031 |
| 1 Thai Baht | **0.092** | Not Applicable |

**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.

Deferred tax is charged or credited to the income statements except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

**Employee Benefits**

(i) **Short term benefits**

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

(ii) **Defined contribution plans**

As required by law, companies in Malaysia and Singapore make contributions to the state pension scheme, the employees' provident fund and central provident fund respectively. Such contributions are recognised as expenses in the income 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. Freehold land is not depreciated. 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 | 2.22% |
| Leasehold improvement | 20% |
| Buildings | 2.22% - 5% |
| Plant and machinery | 10% - 33.3% |
| Production tools and equipment | 10% - 20% |
| Furniture, fixtures and office equipment | 10% - 33.3% |
| Mechanical and electrical installation | 10% - 20% |
| Motor vehicles | 20% |
| Leasehold flats | 1.16% |
| Road | 10% |

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.

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

**Property, Plant and Equipment** (cont'd)

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 or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained profit account.

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

**Investments in Subsidiary Companies**

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

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost.

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.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and weighted average methods. 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.

**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.

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

### 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 | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Sales of goods: | | | | |
| Manufacturing | **180,343,951** | 140,544,956 | **-** | - |
| Trading | **23,336,428** | 13,578,640 | **-** | - |
| Dividend income from subsidiary companies | **-** | - | **10,175,000** | 11,000,000 |
| Management fee | **-** | - | **129,600** | 129,600 |
| | **203,680,379** | 154,123,596 | **10,304,600** | 11,129,600 |

## 5. STAFF COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Staff costs: | | | | |
| Employees' provident fund and central provident fund contributions | **781,119** | 698,335 | **90,884** | 64,904 |
| Other staff costs | **16,126,609** | 12,311,974 | **949,142** | 714,357 |
| | **16,907,728** | 13,010,309 | **1,040,026** | 779,261 |
| Number of directors and employees at end of year: | | | | |
| Directors | **15** | 14 | **6** | 6 |
| Employees | **1,118** | 817 | **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 BEFORE TAX

Profit before tax is arrived at:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| After charging: | | | | |
| Directors' remuneration: | | | | |
| Fee | | | | |
| Directors of the Company | **48,000** | 39,500 | **48,000** | 39,500 |
| Employees' provident fund and central provident fund contributions | | | | |
| Directors of the Company | **70,865** | 54,301 | **70,865** | 54,301 |
| Directors of subsidiary companies | **37,629** | 30,838 | **-** | - |
| Other emoluments | | | | |
| Directors of the Company | **704,283** | 556,523 | **704,283** | 556,523 |
| Directors of subsidiary companies | **470,670** | 411,482 | - | - |
| Allowance for slow moving inventories | **851,987** | 1,683,186 | **-** | - |
| Interest on bank borrowings | **240,336** | 170,828 | **-** | - |
| Realised loss on foreign exchange | **123,498** | - | **-** | - |
| Rental of premises | **90,969** | 77,059 | **-** | - |
| Audit fee | **86,568** | 59,501 | **24,000** | 16,000 |
| Bad debts written off | **14,537** | - | **-** | - |
| Office equipment rental | **14,335** | 10,552 | **-** | - |
| Property, plant and equipment written off | **1,806** | 17,823 | **-** | - |
| Allowance for doubtful debts | **-** | 206,339 | **-** | - |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| And crediting: | | | | |
| Interest on short-term deposits | **914,971** | 739,368 | **269,814** | 225,590 |
| Rental income | **865,760** | 680,000 | **-** | - |
| Unrealised gain on foreign exchange | **745,629** | - | **-** | - |
| Gain on disposal of investments | **692,285** | 303,164 | **692,285** | 303,164 |
| Allowance for doubtful debts no longer required | **209,328** | 206,494 | **-** | - |
| Gain on disposal of property, plant and equipment | **69,780** | 96,731 | **-** | - |
| Interest on late payment by customers | **29,564** | - | **-** | - |
| Allowance for diminution in value of investment in bond funds no longer required | **-** | 616,593 | **-** | 616,593 |
| Realised gain on foreign exchange | **-** | 559,520 | **-** | - |

7. **INCOME TAX EXPENSE**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Current tax expense: | | | | |
| Malaysian | **5,125,026** | 4,760,000 | **2,183,660** | - |
| Foreign | **19,518** | - | **-** | - |
| Deferred tax (Note 11): | | | | |
| Relating to the origination and reversal of temporary differences in current year | **(520,000)** | (789,000) | **-** | - |
| Crystallisation of deferred tax on revaluation surplus | **(118,643)** | (92,543) | **-** | - |
| Recognition of previously unrecognised deferred tax assets | **-** | (798,000) | **-** | - |
| | **(638,643)** | (1,679,543) | **-** | - |
| | **4,505,901** | 3,080,457 | **2,183,660** | - |
| (Over)/ underprovision in prior year: | | | | |
| Current tax | **(113,246)** | 7,244 | **(35,042)** | - |
| Deferred tax | **(20,000)** | - | **-** | - |
| | **(133,246)** | 7,244 | **(35,042)** | - |
| Income tax expense | **4,372,655** | 3,087,701 | **2,148,618** | - |

The Group is operating in the jurisdictions of Malaysia, Thailand and Singapore. The applicable domestic statutory income tax rates are 20% and 28% for Malaysia, 30% for Thailand and 20% for Singapore.

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

A subsidiary company in Thailand has received investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. As a result, it is entitled to corporate income tax exemption for certain income, as well as other rights and privileges as prescribed by the Board of Investment. As for income which is derived from Non-Board of Investment operations, it is still liable for corporate income tax at 30% of the net profit.

The numerical reconciliations between income tax expense and the product of accounting profit multiplied by the applicable tax rate are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Accounting profit | **21,321,538** | 14,198,430 | **9,799,576** | 11,368,948 |
| Tax amount at the statutory income tax rate of 28% | **5,970,031** | 3,976,000 | **2,743,880** | 3,183,000 |
| Tax effect on non-deductible/ (non-taxable) items: | | | | |
| Non-deductible expenses | **134,367** | 119,457 | **102,620** | 19,000 |
| Non-taxable income | **(685,826)** | (129,000) | **(662,840)** | (3,202,000) |
| Tax saving on utilisation of reinvestment allowance | **(892,000)** | (113,000) | **-** | - |
| Effect of different tax rates in subsidiary companies | **(16,000)** | (29,300) | **-** | - |
| Net deferred tax assets not recognised | **(4,671)** | 29,300 | **-** | - |
| 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 | **-** | - |
| Recognition of previously unrecognised deferred tax assets | **-** | (798,000) | **-** | - |
| | **4,505,901** | 3,080,457 | **2,183,660** | - |
| (Over)/ underprovision in prior year: | | | | |
| Current tax | **(113,246)** | 7,244 | **(35,042)** | - |
| Deferred tax | **(20,000)** | - | **-** | - |
| | **(133,246)** | 7,244 | **(35,042)** | - |
| Income tax expense | **4,372,655** | 3,087,701 | **2,148,618** | - |

The applicable tax rate of 28% (2004: 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.

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

As of December 31, 2005, 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 | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Unabsorbed tax losses | 1,298,000 | 1,321,000 | 865,000 | 865,000 |

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

8. **EARNINGS PER ORDINARY SHARE**

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Net profit attributable to ordinary shareholders | **16,948,883** | 11,110,729 |
| | **2005** | 2004 |
| | **Units** | Units |
| Number of shares in issue as of January 1 | **61,239,000** | 60,057,000 |
| Effect of the exercise of ESOS | **567,664** | 723,584 |
| Weighted average number of ordinary shares in issue | **61,806,664** | 60,780,584 |
| Basic earnings per ordinary share (sen) | **27.42** | 18.28 |
| Weighted average number of ordinary shares in issue | **61,806,664** | 60,780,584 |
| ESOS: | | |
| No. of unissued shares | **1,998,000** | 3,137,000 |
| No. of shares that would have been issued at fair value | **(1,550,959)** | (2,370,178) |
| Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share | **62,253,705** | 61,547,406 |
| Diluted earnings per ordinary share (sen) | **27.23** | 18.05 |

## 9. PROPERTY, PLANT AND EQUIPMENT

### The Group

| Cost Unless Stated Otherwise | Beginning of year RM | Additions RM | Arising from acquisition of subsidiary company RM | Disposals/ Written-off RM | Exchange Reserve* RM | Revaluation RM | End of year RM |
|---|---|---|---|---|---|---|---|
| **2005:** | | | | | | | |
| Freehold land | - | - | 1,670,567 | - | 1,818 | - | 1,672,385 |
| Short leasehold land | | | | | | | |
| - at cost | 2,013,795 | - | - | - | - | (2,013,795) | - |
| - at 2000 valuation | 10,149,047 | - | - | - | - | (10,149,047) | - |
| - at 2005 valuation | - | - | - | - | - | 11,720,000 | 11,720,000 |
| Leasehold improvement | 203,884 | - | - | - | - | - | 203,884 |
| Buildings | | | | | | | |
| - at cost | 2,886,205 | 11,000 | 1,239,342 | - | 1,349 | (2,886,205) | 1,251,691 |
| - at 2000 valuation | 18,990,083 | - | - | - | - | (18,990,083) | - |
| - at 2005 valuation | - | - | - | - | - | 23,900,000 | 23,900,000 |
| Plant and machinery | 38,579,789 | 5,343,096 | 29,345 | (49,909) | 32 | - | 43,902,353 |
| Production tools and equipment | 2,010,132 | 102,353 | 1,475 | (11,391) | 1 | - | 2,102,570 |
| Furniture, fixtures and office equipment | 2,261,953 | 9,989 | 17,790 | (238,666) | (461) | - | 2,050,605 |
| Mechanical and electrical installation | 1,608,537 | - | - | - | - | - | 1,608,537 |
| Motor vehicles | 1,344,421 | 361,347 | 1 | (222,486) | - | - | 1,483,283 |
| Leasehold flats | | | | | | | |
| - at 2000 valuation | 2,170,000 | - | - | - | - | (2,170,000) | - |
| - at 2005 valuation | - | - | - | - | - | 1,950,000 | 1,950,000 |
| Road | - | - | 8,068 | - | 9 | - | 8,077 |
| | 82,217,846 | 5,827,785 | 2,966,588 | (522,452) | 2,748 | 1,360,870 | 91,853,385 |
| 2004 | 81,147,931 | 1,607,553 | - | (538,443) | 805 | - | 82,217,846 |

| Accumulated Depreciation | Beginning of year RM | Charge for the year RM | Disposals/ Written-off RM | Exchange Reserve* RM | Revaluation RM | End of year RM |
|---|---|---|---|---|---|---|
| **2005:** | | | | | | |
| Short leasehold land | | | | | | |
| - at cost | 164,460 | 20,138 | - | - | (184,598) | - |
| - at 2000 valuation | 966,860 | 101,491 | - | - | (1,068,351) | - |
| - at 2005 valuation | - | 130,222 | - | - | - | 130,222 |
| Leasehold improvement | 203,862 | - | - | - | - | 203,862 |
| Buildings | | | | | | |
| - at cost | 1,178,536 | 168,686 | - | - | (1,322,844) | 24,378 |
| - at 2000 valuation | 2,901,970 | 274,781 | - | - | (3,176,751) | - |
| - at 2005 valuation | - | 322,197 | - | - | - | 322,197 |
| Plant and machinery | 32,314,079 | 3,013,266 | (49,504) | - | - | 35,277,841 |
| Production tools and equipment | 1,628,464 | 241,510 | (10,056) | - | - | 1,859,918 |
| Furniture, fixtures and office equipment | 1,988,785 | 107,858 | (238,592) | (480) | - | 1,857,571 |
| Mechanical and electrical installation | 1,571,964 | 11,301 | - | - | - | 1,583,265 |
| Motor vehicles | 1,296,649 | 42,785 | (222,485) | - | - | 1,116,949 |
| Leasehold flats | | | | | | |
| - at 2000 valuation | 115,029 | 11,792 | - | - | (126,821) | - |
| - at 2005 valuation | - | 11,339 | - | - | - | 11,339 |
| Road | - | 772 | - | - | - | 772 |
| | 44,330,658 | 4,458,138 | (520,637) | (480) | (5,879,365) | 42,388,314 |
| 2004 | 39,422,635 | 5,422,169 | (514,951) | 805 | - | 44,330,658 |

* Exchange reserve arising from translation of foreign subsidiary companies.

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

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Net Book Value: | | |
| Freehold land | **1,672,385** | - |
| Short leasehold land | | |
| - at cost | **-** | 1,849,335 |
| - at 2000 valuation | **-** | 9,182,187 |
| - at 2005 valuation | **11,589,778** | - |
| Leasehold improvement | **22** | 22 |
| Buildings | | |
| - at cost | **1,227,313** | 1,707,669 |
| - at 2000 valuation | **-** | 16,088,113 |
| - at 2005 valuation | **23,577,803** | - |
| Plant and machinery | **8,624,512** | 6,265,710 |
| Production tools and equipment | **242,652** | 381,668 |
| Furniture, fixtures and office equipment | **193,034** | 273,168 |
| Mechanical and electrical installation | **25,272** | 36,573 |
| Motor vehicles | **366,334** | 47,772 |
| Leasehold flats | | |
| - at 2000 valuation | **-** | 2,054,971 |
| - at 2005 valuation | **1,938,661** | - |
| Road | **7,305** | - |
| | **49,465,071** | 37,887,188 |

The short leasehold land, buildings and leasehold flats were revalued by the directors on June 30, 2005 based on the reports of an independent firm of professional valuers, Jones Lang Wootton using open market values on existing use basis. The valuations were carried out by Mr. Tay Tam, FISM, B.Surv. (Hons).Prop.Mgt., a registered valuer. The resulting revaluation surplus net of related deferred tax liabilities has been credited to revaluation reserve.

Had the short leasehold land, buildings and leasehold flats been carried at the historical costs, the carrying amounts of the revalued short leasehold land, buildings and leasehold flats will be as follows:

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| At cost: | | |
| Short leasehold land | **5,544,534** | 3,530,739 |
| Buildings | **16,995,663** | 14,109,458 |
| Leasehold flats | **1,472,000** | 1,472,000 |
| | **24,012,197** | 19,112,197 |
| Accumulated depreciation: | | |
| Short leasehold land | **1,095,184** | 831,602 |
| Buildings | **6,520,526** | 4,648,448 |
| Leasehold flats | **179,665** | 164,796 |
| | **7,795,375** | 5,644,846 |
| Carrying amounts | **16,216,822** | 13,467,351 |

As of December 31, 2005, the strata titles for the leasehold flats with a total carrying value of RM1,938,661 (2004: RM2,054,971) have not yet been issued by the relevant authorities.

As of December 31, 2005, certain of the Group's freehold land and buildings with a total carrying value of RM2,888,881 (2004: Nil) are pledged to a commercial bank as securities for banking facilities granted to the Group as mentioned in Note 21.

## 10. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2005 RM | The Company 2004 RM |
|---|---|---|
| Unquoted shares, at cost | **71,047,108** | 56,499,998 |

The subsidiary companies are as follows:

| | Country of incorporation | Principal Activity | Percentage of Ownership 2005 | Percentage of Ownership 2004 |
|---|---|---|---|---|
| **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% |
| Pan International Electronics (Thailand) Co., Ltd# | Thailand | Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry | **100%** | - |
| **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.
\# The financial statements of these subsidiary companies were audited by other firms of auditors.

On November 8, 2005, the Company acquired the entire issued and fully paid-up share capital of Pan International Electronics (Thailand) Co., Ltd. comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD3,850,000 (equivalent to RM14,547,110) from its immediate holding company.

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

The effect of this acquisition on the financial results of the Group for the financial year is as follows:

| | The Group RM |
|---|---|
| Post-acquisition results of subsidiary company acquired: | |
| Revenue | 3,593,619 |
| Other operating income | 318,417 |
| Changes in inventories of finished goods and work-in-progress | (79,302) |
| Raw materials used | (1,965,588) |
| Staff costs | (682,540) |
| Depreciation of property, plant and equipment | (27,414) |
| Other operating expenses | (214,230) |
| Profit from operations | 942,962 |
| Income from other investments | 42,156 |
| Profit before tax | 985,118 |
| Income tax expense | (19,518) |
| Increase in Group's profit attributable to shareholders | 965,600 |

The effect of this acquisition on the financial position of the Group as of year end is as follows:

| | Unaudited November 8, 2005 RM |
|---|---|
| Net assets acquired as of date of acquisition | |
| Property, plant and equipment | 2,966,588 |
| Inventories | 1,612,673 |
| Trade receivables | 3,290,140 |
| Other receivables and prepaid expenses | 263,366 |
| Cash and bank balances | 7,332,399 |
| Trade payables | (1,253,944) |
| Other payables and accrued expenses | (1,290,831) |
| Tax liabilities | (94,946) |
| Share of net assets acquired | 12,825,445 |
| Add: Goodwill on consolidation | 1,721,665 |
| Total purchase consideration | 14,547,110 |
| Less: Cash and cash equivalents acquired | (7,332,399) |
| Acquisition of subsidiary company, net of cash and cash equivalents acquired | 7,214,711 |

## 11. DEFERRED TAX

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Deferred tax liabilities | **5,597,718** | 3,689,095 |
| Deferred tax assets | **(2,127,000)** | (1,587,000) |
| Net position | **3,470,718** | 2,102,095 |

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

| | **2005** | 2004 |
|---|---|---|
| | **RM** | RM |
| Balance at beginning of year | **3,689,095** | 3,781,638 |
| Transfer to income statements (Note 7): | | |
| Crystallisation of deferred tax on revaluation surplus | **(118,643)** | (92,543) |
| Amount charged to equity: | | |
| Deferred tax liabilities arising on revaluation of short leasehold land and buildings | **2,027,266** | - |
| Balance at end of year | **5,597,718** | 3,689,095 |

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

A deferred tax income of RM118,643 (2004: RM92,543) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM305,082 (2004: 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:

| | **2005** | 2004 |
|---|---|---|
| | **RM** | RM |
| Balance at beginning of year | **(1,587,000)** | - |
| Transfer to income statements (Note 7): | | |
| Deferred tax relating to the origination and reversal of temporary differences in current year | **(520,000)** | (789,000) |
| Underprovision of deferred tax assets in prior years | **(20,000)** | - |
| Recognition of previously unrecognised deferred tax asset in prior years | **-** | (798,000) |
| Balance at end of year | **(2,127,000)** | (1,587,000) |

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

| | Deferred Tax Assets/(Liabilities) | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment | **(1,216,000)** | (933,000) |
| Tax effect of: | | |
| Allowance for slow moving inventories | **2,146,000** | 1,916,000 |
| Provision of bonus | **1,082,000** | 541,000 |
| Other temporary differences | **115,000** | 63,000 |
| | **2,127,000** | 1,587,000 |

## 11. DEFERRED TAX (cont'd)

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2005, the amounts of estimated net deferred tax assets of the Group and of the Company calculated at applicable tax rates which are not recognised in the financial statements, are as follows:

| | Deferred Tax Assets/(Liabilities) | | | |
|---|---|---|---|---|
| | The Group | | The Company | |
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Tax effect of unabsorbed tax losses | **328,624** | 333,295 | **242,000** | 242,000 |

## 12. GOODWILL ON CONSOLIDATION

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| At beginning of year | **-** | - |
| Goodwill arising from acquisition of a subsidiary company | **1,721,665** | - |
| At end of year | **1,721,665** | - |

## 13. INVENTORIES

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| At cost: | | |
| Raw materials | **14,497,332** | 13,606,465 |
| Work-in-progress | **5,007,925** | 5,209,109 |
| Finished goods | **3,302,808** | 3,201,021 |
| Goods-in-transit | **95,274** | - |
| | **22,903,339** | 22,016,595 |
| At net realisable value | | |
| Raw materials | **11,708,060** | 6,244,410 |
| Less: Allowance for slowing moving inventories | **(11,708,060)** | (6,244,410) |
| | **-** | - |
| Work-in-progress | **26,346** | 1,942 |
| Less: Allowance for slow moving inventories | **(26,346)** | (1,942) |
| | **-** | - |
| Finished goods | **1,456,805** | 646,081 |
| Less: Allowance for slow moving inventories | **(1,456,805)** | (646,081) |
| | **-** | - |
| | **22,903,339** | 22,016,595 |

## 14. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Amount outstanding | **47,729,911** | 35,645,382 |
| Less: Allowance for doubtful debts | **(682,541)** | (380,566) |
| | **47,047,370** | 35,264,816 |

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 90 days (2004: 30 to 90 days). An allowance has been made for estimated irrecoverable amount from the sale of goods of RM682,541 (2004: RM380,566). This allowance has been determined by reference to past default experience.

Analysis of trade receivables by currencies:

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| United States Dollar | **26,853,080** | 22,517,902 |
| Ringgit Malaysia | **11,834,776** | 10,623,526 |
| Singapore Dollar | **5,555,522** | 2,123,388 |
| Thai Baht | **2,803,992** | - |
| | **47,047,370** | 35,264,816 |

## 15. OTHER RECEIVABLES AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Prepaid expenses | **980,248** | 1,708,826 | **-** | - |
| Deposits | **127,011** | 109,317 | **2,500** | 2,500 |
| Other receivables | **78,355** | 106,954 | **-** | - |
| Interest receivable | **15,024** | 15,577 | **15,024** | 15,577 |
| | **1,200,638** | 1,940,674 | **17,524** | 18,077 |

The currency of other receivables and interest receivable is in Ringgit Malaysia.

## 16. 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, dividend receivable and advances which are unsecured, interest free and have no fixed term of repayment.

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

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

| | The Company | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Amount owing by subsidiary companies: | | |
| Pan-International Electronics (Malaysia) Sdn. Bhd. | **5,300,400** | 9,605,400 |
| Pan-International Wire & Cable (Malaysia) Sdn. Bhd. | **2,505,400** | 1,405,400 |
| PIE Enterprise (M) Sdn. Bhd. | **760,000** | - |
| | **8,565,800** | 11,010,800 |

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Amount owing by a related company: | | |
| Pan International Electronics (Thailand) Co., Ltd. | **-** | 586,344 |
| Amount owing to a related company: | | |
| PT. Pan Super Bintang Surya Manufacturing | **101,084** | 101,468 |

Included in the following accounts of the Group as of December 31, 2005 are amounts owing by/ (to) related parties:

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Trade receivable: | | |
| Hon Hai Precision Industry Co. Ltd.* | **-** | 89 |
| Trade payable: | | |
| Hon Hai Precision Industry Co. Ltd.* | **15,815** | - |

* 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 | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| **With Ultimate Holding Company** | | |
| Purchase of raw materials | **1,150,850** | 705,001 |
| Sales of finished goods | **4,498** | 12,555 |
| Purchase of property, plant and equipment | **-** | 8,917 |
| Miscellaneous purchases | **90,841** | 47,029 |

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

| | The Company | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| **With Subsidiary Companies** | | |
| Dividend receivable | | |
| Pan-International Electronics (Malaysia) Sdn. Bhd. | **6,975,000** | 9,600,000 |
| Pan-International Wire & Cable (Malaysia) Sdn. Bhd. | **3,200,000** | 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 | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| **With Related Companies** | | |
| Sales of finished goods | | |
| Pan International Electronics (Thailand) Co. Ltd. | **3,165,148** | 2,962,307 |
| PT. Pan Super Bintang Surya Manufacturing | **-** | 39,263 |
| Sales of moulds | | |
| Pan International Electronics (Thailand) Co. Ltd. | **27,715** | - |
| Purchase of raw materials | | |
| PT. Pan Super Bintang Surya Manufacturing | **-** | 54,830 |
| **With Other Related Parties** | | |
| Purchase of raw materials | | |
| Hon Hai Precision Industry Co. Ltd. | **67,181** | 85,485 |

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.

## 17. 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 | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Short-term deposits with: | | | | |
| Licenced bank | **34,665,945** | 49,066,232 | **8,800,000** | 18,384,048 |
| Licensed finance companies | **8,752,493** | 9,686,004 | **1,000,000** | 2,000,000 |
| | **43,418,438** | 58,752,236 | **9,800,000** | 20,384,048 |
| Cash and bank balances | **19,578,360** | 9,138,628 | **300,454** | 438,117 |
| | **62,996,798** | 67,890,864 | **10,100,454** | 20,822,165 |

## 17. CASH AND CASH EQUIVALENTS (cont'd)

The short-term deposits bear interests at rates ranging from 2.00 % to 3.85% (2004: 1.7% to 3.2%) per annum and are maturing in January 2006.

Analysis of cash and cash equivalents by currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **35,897,450** | 52,383,715 | **10,100,454** | 20,822,165 |
| United States Dollar | **18,106,512** | 15,425,499 | **-** | - |
| Thai Baht | **8,495,299** | - | **-** | - |
| Singapore Dollar | **497,537** | 81,650 | **-** | - |
| | **62,996,798** | 67,890,864 | **10,100,454** | 20,822,165 |

Included in cash and bank balances is an amount of RM88,320 pledged as guarantee for the issuance of letter of guarantee by a commercial bank for a foreign subsidiary company's installation of electrical transformer.

## 18. 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 (2004: 30 to 60 days).

Analysis of trade payables by currencies:

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| United States Dollar | **8,728,860** | 5,170,541 |
| Ringgit Malaysia | **5,333,774** | 4,612,817 |
| Thai Baht | **412,836** | - |
| Singapore Dollar | **57,449** | - |
| Japanese Yen | **16,735** | 186 |
| Other currencies | **7,915** | 19,418 |
| | **14,557,569** | 9,802,962 |

## 19. OTHER PAYABLES AND ACCRUED EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Other payables | **1,936,772** | 1,195,569 | **-** | 3,312 |
| Accrued expenses | **6,812,663** | 3,383,239 | **16,000** | 16,000 |
| | **8,749,435** | 4,578,808 | **16,000** | 19,312 |

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

19. **OTHER PAYABLES AND ACCRUED EXPENSES** (cont'd)

Analysis of other payables and accrued expenses by currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **6,382,631** | 4,464,153 | **16,000** | 19,312 |
| Thai Baht | **1,642,152** | - | **-** | - |
| United States Dollar | **609,395** | 96,702 | **-** | - |
| Singapore Dollar | **115,257** | 17,953 | **-** | - |
| | **8,749,435** | 4,578,808 | **16,000** | 19,312 |

20. **AMOUNT OWING TO DIRECTORS**

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

21. **BANK BORROWINGS**

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Unsecured: | | |
| Bankers' acceptances | **7,841,000** | 14,581,000 |

The bankers' acceptances bear effective interest rates at 2.95% to 3.30% (2004: 2.9%) per annum and are maturing from January 2006 to March 2006.

The Group's banking facilities bear interest at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rate, 0.5% to 0.75% per annum above the lending bank's cost of funds and 1% to 1.5% per annum above Bank Negara Malaysia's funding rate.

The banking facilities of the Group are generally secured as follows:
a) a mortgage over a subsidiary company's freehold land and buildings; and
b) corporate guarantees from the Company.

22. **SHARE CAPITAL**

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **2005** | | 2004 | |
| | **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 | 61,239,000 | 61,239,000 | 60,057,000 | 60,057,000 |
| Exercise of employees' share options | 807,000 | 807,000 | 1,182,000 | 1,182,000 |
| At end of year | 62,046,000 | 62,046,000 | 61,239,000 | 61,239,000 |

## 22. SHARE CAPITAL (cont'd)

During the financial year, the issued and paid-up share capital of the Company was increased from RM61,239,000 to RM62,046,000 by way of issuance of 807,000 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 RM564,900 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 are as follows:

| | | No. of options over ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|---|
| **Exercisable from** | **Exercise price per ordinary share RM** | **Balance as of 1.1.2005** | **Granted** | **Exercised** | **Lapsed** | **Balance as of 31.12.2005** |
| August 13, 2003 | 1.70 | 3,137,000 | - | (807,000) | (332,000) | **1,998,000** |

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** |
|---|---|---|---|---|
| **2005:** | | | | |
| January 2005 | **1.70** | **2.34 - 2.39** | **33,000** | **56,100** |
| February 2005 | **1.70** | **2.40 - 2.43** | **22,000** | **37,400** |
| March 2005 | **1.70** | **2.47 - 2.48** | **145,000** | **246,500** |
| April 2005 | **1.70** | **2.42 - 2.46** | **284,000** | **482,800** |
| May 2005 | **1.70** | **2.41 - 2.45** | **307,000** | **521,900** |
| June 2005 | **1.70** | **2.20** | **5,000** | **8,500** |
| July 2005 | **1.70** | **2.13** | **1,000** | **1,700** |
| September 2005 | **1.70** | **2.18** | **5,000** | **8,500** |
| December 2005 | **1.70** | **1.96** | **5,000** | **8,500** |
| | | | **807,000** | **1,371,900** |
| 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 |

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

The principal features of the ESOS are as follows:

a) The maximum number of new ordinary shares of the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;

b) the ESOS will be available to executive directors and eligible employees of the Group and the Company;

c) to be eligible to participate in the ESOS, an employee must be at least eighteen (18) years of age, have been employed in the Group for at least six (6) months and have been confirmed in service;

d) the ESOS shall be in force for a period of five (5) years from the date of the confirmation letter submitted to the Securities Commission ("SC"). However, the company may, if the Board of Directors and ESOS committee deems fit, extend the scheme for another five (5) years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws save for any revisions and/ or changes to the statutes and/ or regulations currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities;

e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by the 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.

23. **RESERVES**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **RM** | RM | **RM** | RM |
| Non-distributable: | | | | |
| Share premium | **15,489,366** | 14,924,466 | **15,489,366** | 14,924,466 |
| Revaluation reserve | **14,394,137** | 9,486,250 | **-** | - |
| Translation reserve | **(10,846)** | 30,816 | **-** | - |
| Merger deficit | **(38,999,998)** | (38,999,998) | **-** | - |
| | **(9,127,341)** | (14,558,466) | **15,489,366** | 14,924,466 |
| Distributable: | | | | |
| Retained profit | **97,236,431** | 87,425,826 | **12,363,860** | 12,156,262 |
| | **88,109,090** | 72,867,360 | **27,853,226** | 27,080,728 |

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. The revaluation reserve represents surplus arising from the revaluation of the Group's short leasehold land, buildings and leasehold flats as disclosed in Note 9, net of the related deferred tax liabilities.

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

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.

## 24. DIVIDEND

| | The Group and the Company | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| First and final tax exempt dividend, declared and paid of 12 sen per ordinary share, for 2004 | **7,443,360** | - |
| First and final tax exempt dividend, declared and paid of 12 sen per ordinary share, for 2003 | **-** | 7,320,159 |
| | **7,443,360** | 7,320,159 |

## 25. CONTINGENT LIABILITY - Unsecured

As of December 31, 2005, the Company is contingently liable to the extent of RM7,841,000 (2004: RM14,581,000) in respect of guarantees given to certain banks and financial institutions for banking facilities granted to and utilised by its subsidiary companies.

As of December 31, 2005, there were obligations and contingent liabilities for the Group resulting from the issuance of letter of guarantee on a foreign subsidiary company's import duties by a banker amounting to approximately RM267,000.

## 26. LEASE COMMITMENTS

As of December 31, 2005, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

| | The Group | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| Not later than 1 year | **69,770** | 59,350 |
| Later than 1 year but not later than 5 years | **27,340** | 18,890 |
| | **97,110** | 78,240 |

## 27. 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, cable and wireharness to the computer, communication, consumer electronic industry and cable assembly)
- trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment)
- investment holdings

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

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

**The Group**

| 2005 | Manufacturing of industrial products RM | Trading of electrical products RM | Investment holdings RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 180,343,951 | 23,336,428 | - | - | 203,680,379 |
| Inter-segment sales | 4,117,854 | 22,009 | 10,304,600 | (14,444,463) | - |
| Total revenue | 184,461,805 | 23,358,437 | 10,304,600 | (14,444,463) | 203,680,379 |
| **Results** | | | | | |
| Profit from operations | 19,830,057 | 411,041 | 9,529,762 | (9,989,717) | 19,781,143 |
| Income from other investments | 1,614,826 | 46,091 | 269,814 | (150,000) | 1,780,731 |
| Finance costs | (227,082) | (13,254) | - | - | (240,336) |
| Profit before tax | 21,217,801 | 443,878 | 9,799,576 | (10,139,717) | 21,321,538 |
| Tax expense | (4,525,671) | (78,366) | (2,148,618) | 2,380,000 | (4,372,655) |
| Profit after tax | 16,692,130 | 365,512 | 7,650,958 | (7,759,717) | 16,948,883 |
| **Other information** | | | | | |
| Capital additions | 5,827,785 | - | - | - | 5,827,785 |
| Depreciation of property, plant and equipment | 4,458,152 | 777 | - | (791) | 4,458,138 |
| Non-cash expenses other than depreciation | 868,330 | - | - | - | 868,330 |
| **Consolidated Balance Sheet** | | | | | |
| **Assets** | | | | | |
| Segment assets | 167,201,009 | 8,449,355 | 89,730,886 | (80,046,369) | 185,334,881 |
| Income tax assets | 2,303,597 | 288,229 | 196,340 | - | 2,788,166 |
| Consolidated total assets | 169,504,606 | 8,737,584 | 89,927,226 | (80,046,369) | 188,123,047 |
| **Liabilities** | | | | | |
| Segment liabilities | 39,257,377 | 2,373,305 | 28,000 | (10,285,548) | 31,373,134 |
| Income tax liabilities | 6,594,823 | - | - | - | 6,594,823 |
| Consolidated total liabilities | 45,852,200 | 2,373,305 | 28,000 | (10,285,548) | 37,967,957 |

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

| 2004 | Manufacturing of industrial products RM | Trading of electrical products RM | Investment holdings RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **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 | 12,279,075 | 332,927 | 11,143,358 | (10,805,470) | 12,949,890 |
| Income from other investments | 1,335,996 | 7,782 | 225,590 | (150,000) | 1,419,368 |
| 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 |

**Geographical segments**

The Group's operations are located in Malaysia, Thailand 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 and Thailand.

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

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 | |
|---|---|---|
| | **2005** | 2004 |
| | **RM** | RM |
| United States of America | 103,695,445 | 76,590,424 |
| Malaysia | 47,655,647 | 45,088,826 |
| Other Asia Pacific Countries | 52,329,287 | 32,444,346 |
| | 203,680,379 | 154,123,596 |

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

| | **2005** | 2004 |
|---|---|---|
| | **RM** | RM |
| Malaysia | 166,437,849 | 163,092,093 |
| Thailand | 16,742,698 | - |
| Singapore | 2,154,334 | 2,494,388 |
| | 185,334,881 | 165,586,481 |

28. **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.

iii. **Market risk**

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

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

iv. **Credit risk**

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial 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 their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their 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 fair values of 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 MASB 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, 2005 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 27, 2006

# Declaration by the Director

## primarily responsible for the Financial Management of the Company

I, CHEN, CHIH-WEN, the director primarily responsible for the financial management of P.I.E. INDUSTRIAL BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed CHEN, CHIH-WEN at )
GEORGETOWN in the State of PENANG )
on February 27, 2006 )

Before me,

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

# Analysis of Shareholdings

## SHARE CAPITAL AS AT MARCH 31, 2006

| | | |
|---|---|---|
| Authorised | : | RM100,000,000.00 |
| Issued and Fully Paid-Up | : | RM62,494,000.00 |
| Class of Share | : | Ordinary Shares of RM1.00 each with equal voting rights |
| Number of Shareholders | : | 2,589 |

## DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 31, 2006

| Holdings | No. of holders | Total holdings | % |
|---|---|---|---|
| 1 – 99 | 2 | 100 | 0 |
| 100 – 1,000 | 1,575 | 1,560,100 | 2.50 |
| 1,001 – 10,000 | 852 | 3,367,401 | 5.39 |
| 10,001 – 100,000 | 126 | 3,197,301 | 5.11 |
| 100,001 – 3,124,699 | 32 | 16,659,100 | 26.66 |
| 3,124,700 and above | 2 | 37,709,998 | 60.34 |
| Total | 2,589 | 62,494,000 | 100.00 |

## SUBSTANTIAL SHAREHOLDERS AS AT MARCH 31, 2006

| | Direct | | Indirect | |
|---|---|---|---|---|
| Name | No. of shares held | % | No. of shares held | % |
| Pan Global Holding Co., Ltd. | 32,909,998 | 52.66 | - | - |
| Lembaga Tabung Haji | 4,800,000 | 7.68 | - | - |
| Pan-International Industrial Corporation | - | - | 32,909,998* | 52.66 |
| | 37,709,998 | 60.34 | 32,909,998 | 52.66 |

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

# Analysis of Shareholdings (cont'd)

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 31, 2006

| | Name | Shareholdings | % |
|---|---|---|---|
| 1 | Pan Global Holding Co. Ltd. | 32,909,998 | 52.66 |
| 2 | Lembaga Tabung Haji | 4,800,000 | 7.68 |
| 3 | K&N Kenanga Bhd.<br>Qualifier: IVT (DJ) | 2,179,000 | 3.49 |
| 4 | Lembaga Tabung Angkatan Tentera | 2,000,000 | 3.20 |
| 5 | Outstanding Growth Technology Limited | 1,180,000 | 1.89 |
| 6 | HSBC Nominees (Tempatan) Sdn Bhd<br>Qualifier : HSBC (M) Trustee Bhd for HWANG-DBS Select Small Caps Fund (4579) | 1,007,200 | 1.61 |
| 7 | Allianz General Insurance Malaysia Berhad | 834,700 | 1.34 |
| 8 | HSBC Nominees (Tempatan) Sdn Bhd<br>Qualifier : HSBC (M) Trustee Bhd for Prudential Dynamic Fund (4496) | 775,600 | 1.24 |
| 9 | Allianz Life Insurance Malaysia Berhad | 699,900 | 1.12 |
| 10 | Koperasi Permodalan Melayu Negeri Johor Berhad | 685,000 | 1.10 |
| 11 | Allianz Life Insurance Malaysia Berhad | 652,100 | 1.04 |
| 12 | Allianz Life Insurance Malaysia Berhad | 651,500 | 1.04 |
| 13 | Best Skill Technology Limited | 630,000 | 1.01 |
| 14 | HSBC Nominees (Tempatan) Sdn Bhd<br>Qualifier : HSBC (M) Trustee Bhd for Prudential Dana Dinamik (4546) | 588,000 | 0.94 |
| 15 | Wong Yoke Fong @ Wong Nyok Fing | 524,000 | 0.84 |
| 16 | Wong Yoke Fong @ Wong Nyok Fing | 509,000 | 0.81 |
| 17 | Public Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC) | 500,000 | 0.80 |
| 18 | Cimsec Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: CIMB for Man Bin Mat (Margin-MM0774) | 384,800 | 0.62 |
| 19 | Operate Technology Limited | 377,000 | 0.60 |
| 20 | BHLB Trustee Berhad<br>Qualifier: Prusmall-Cap Fund | 317,400 | 0.51 |
| 21 | Yeoh Kean Hua | 236,000 | 0.38 |
| 22 | Goh Thong Beng | 230,000 | 0.37 |
| 23 | Kao, Te-Pei @ Edward Kao | 218,600 | 0.35 |
| 24 | Mui Chung Meng | 170,000 | 0.27 |
| 25 | Liao Yueh Chen | 146,000 | 0.23 |
| 26 | Amanah Raya Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Public Islamic Opportunities Fund | 145,700 | 0.23 |
| 27 | Wang Pu Hui | 143,700 | 0.23 |
| 28 | Chen Ming-Lung | 133,800 | 0.21 |
| 29 | PB Securities Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Yoong Fui Kien (C) | 130,300 | 0.21 |
| 30 | Chen, Chih-Wen | 130,000 | 0.21 |
| | Total | 53,889,298 | 86.23 |

## DIRECTORS' SHAREHOLDINGS AS AT MARCH 31, 2006

| | Name | No. of shares held | % |
|---|---|---|---|
| 1. | Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa | 10,001 | 0.02 |
| 2. | Mui Chung Meng | 170,000 | 0.27 |
| 3. | Chen, Chih-Wen | 130,000 | 0.21 |
| 4. | Cheng Shing Tsung | 10,000 | 0.02 |
| 5. | Ahmad Murad Bin Abdul Aziz | 8,001 | 0.01 |
| 6. | Cheung Ho Leung | 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 31.12.2005 (RM) | Date of last revaluation | Date of acquisition |
|---|---|---|---|---|---|---|
| H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 3.12.2050 | * Industrial complex<br>- 2 storey office<br>- 1 storey factory<br>(11 years) | 5.0 acres/ 12,257 sq. meters | 13,223,953 | 30 June 2005 | - |
| H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 11.11.2050 | # Industrial complex<br>- 2 storey office<br>- 1 storey factory<br>- 1 storey warehouse<br>- 2 storey training centre<br>(13 years) | 7.0 acres/ 10,448 sq. meters | 13,548,890 | 30 June 2005 | - |
| H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 3.12.2050 | # Vacant, Future Investment<br>- 1 storey office<br>- 2 storey factory<br>- 1 storey store<br>(13 years) | 3.08 acres/ 8,527 sq. meters | 8,405,555 | 30 June 2005 | - |
| 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<br>- 24 units of medium-cost apartments<br>(11 years) | 1,801 sq. meters | 1,938,661 | 30 June 2005 | - |
| T/D No. 10832 No. 101/47/15 Moo 20 Navanakorn I.E. Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand | Freehold | @ Vacant, Future Investment<br>- 2 storey office<br>- 1 storey factory<br>- 1 storey store<br>(16 years) | 0.64 acres/ 2,251 sq. meters | 795,464 | - | 16 November 1990 |
| T/D No. 10051, No. 101/4/1 Moo 20 Navanakorn I.E. Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand | Freehold | @ Vacant, Future Investment<br>- 1 storey office<br>- 1 storey factory<br>- 1 storey store<br>(15 years) | 0.44 acres/ 1,183 sq. meters | 642,122 | - | 31 October 1991 |
| T/D No. 30175 and 1018 and 1047 No. 12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand | Freehold | @ Industrial Complex<br>- 1 storey office<br>- 1 storey factory<br>- 1 storey store<br>(11 years) | 5.84 acres/ 6,514 sq. meters | 1,458,600 | - | 6 September 1995 |
| | | | **TOTAL** | **40,013,245** | | |

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.
@ All the land and buildings are owned by Pan-International Electronics (Thailand) Co., Ltd.

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**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 NINTH ANNUAL GENERAL MEETING of the Company to be held at Nyatoh Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, May 19, 2006 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, 2005 together with the Reports of the Directors and of the Auditors thereon. | | |
| 2. | To declare a Special Dividend of 6 sen per share tax exempt for the year ended December 31, 2005. | | |
| 3. | To declare a First and Final Dividend of 12 sen per share less income tax at 28% for the year ended December 31, 2005. | | |
| 4. | To approve an increase of Directors' Fee from RM39,500 to RM48,000 for the financial year ended December 31, 2005 and payment of such fees to the Directors. | | |
| 5. | To re-elect Chen, Chih-Wen, a director retiring under the provision of Article 98(1) of the Articles of Association of the Company. | | |
| 6. | To re-elect Mr. Cheng Shing Tsung, a director retiring under the provision of Article 98(1) of the Articles of Association of the Company. | | |
| 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**<br>**Ordinary Resolution**<br>To approve the resolution pursuant to Section 132D of the Companies Act, 1965. | | |

Signed this ______________ day of ______________ 2006.

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, 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

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STAMP

The Secretary

**P.I.E. INDUSTRIAL BERHAD** (424086-x)

(Incorporated in Malaysia)

Registered Office
57-2 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Malaysia.

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