# Annual Report 2008

**P. I. E.** INDUSTRIAL BERHAD

(co.no. 424086-X)

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

# contents


| | |
|---|---|
| Notice of Annual General Meeting | 2 |
| Notice of Dividend Entitlement and Payment | 6 |
| Statement Accompanying Notice of Annual General Meeting | 7 |
| Share Buy-Back Statement | 8 |
| Corporate Information | 14 |
| Board of Directors' Profile | 16 |
| Group Structure | 19 |
| Chairman's Statement | 20 |
| Group Financial Highlights | 23 |
| Audit Committee Report | 24 |
| Statement on Corporate Governance | 28 |
| Statement on Directors' Responsibilities in respect of the Audited Financial Statements | 34 |
| Statement on Internal Control | 35 |
| Disclosure Requirements Pursuant to the Listing Requirements of the Bursa Securities | 37 |
| Directors' Report | 39 |
| Independent Auditors' Report to the Members of P.I.E. Industrial Berhad | 43 |
| Income Statements | 45 |
| Balance Sheets | 46 |
| Statements of Changes in Equity | 48 |
| Cash Flow Statements | 51 |
| Notes to the Financial Statements | 54 |
| Statement by Directors | 94 |
| Declaration by the Director primarily responsible for the Financial Management of the Company | 94 |
| Analysis of Shareholdings | 95 |
| List of Properties | 97 |
| Proxy Form | Enclosed |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of the Company will be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 22 May 2009 at 9.00 a.m.

## AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2008 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*

2. To declare the following Dividends for the year ended 31 December 2008:-

   a) A Special Dividend of 23 sen per share less income tax at 25%; (Resolution 1)
   b) A First and Final Dividend of 12 sen per share less income tax at 25%. (Resolution 2)

3. To approve the Directors' Fee of RM48,000 for the financial year ended 31 December 2008 and payment of such fees to the Directors. (Resolution 3)

4. To re-elect Ahmad Murad Bin Abdul Aziz who is retiring under the Article 98(1) of the Articles of Association of the Company, and being eligible, offered himself for re-election. (Resolution 4)

5. To consider and if thought fit, to pass the following resolutions pursuant to Section 129 (6) of the Companies Act, 1965:-

   a) "That Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting." (Resolution 5)

   b) "That Cheng Shing Tsung, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting." (Resolution 6)

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

**SPECIAL BUSINESS**

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

**ORDINARY RESOLUTION**

**a) 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 authorized 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 its 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)

**b) Renewal of Authority to Purchase its own Shares**

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to purchase its own shares through Bursa Securities, subject to the following:- (Resolution 9)

i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2008, the audited retained profits and share premium account of the Company stood at RM96,521,438 and RM18,993,049 respectively;

iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

**b) Renewal of Authority to Purchase its own Shares** (cont'd)

iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorized to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

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

By Order of the Board,

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

Penang
Date: 28 April 2009

**Notes:-**

A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

**Proxy**

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) 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 two (2) 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 authorized.

The instrument appointing a proxy must be deposited at the Registered Office, 57-1, 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.

**Explanatory Note On Special Business:**

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

   The proposed Resolution No. 8 [Item 7(a)], if passed, will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

2. ***Resolution pursuant to the Authority Purchase its own Shares***

   The proposed Resolution No. 9 [Item 7(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital 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, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

# Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2008, if approved, will be paid on 9 June 2009 to depositors registered in the Records of Depositors on 27 May 2009:-

a) A Special Dividend of 23 sen per share less income tax at 25%; and
b) A First and Final Dividend of 12 sen per share less income tax at 25%.

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

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 27 May 2009 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: 28 April 2009

# Statement Accompanying Notice of Annual General Meeting

## RETIREMENT OF DIRECTORS

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Securities, the details of three (3) directors seeking re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 16 to 18 of the Annual Report. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 96 of the Annual Report.

# Share Buy-Back Statement

## 1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

## 2. RATIONALE FOR THE PROPOSED PURCHASED BY P.I.E. INDUSTRIAL BERHAD ("PIE" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES OF RM1.00 EACH ("SHARES") REPRESENTING UP TO 10% OF THE EXISTING ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

i) The Proposed Share Buy-Back would enable the Company to utilize its surplus financial resources to purchase Shares when appropriate, and at prices which the Board of Directors of the Company ("the Board") view as favourable to the Company;

ii) The Proposed Share Buy-Back would effectively reduce the number of Shares carrying voting and participation rights (unless the Purchased Shares are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share ("EPS") of the PIE Group ("the Group") may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and

iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realizing a potential gain in reserves without affecting the total issued and paid-up share capital of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

## 3. RETAINED EARNINGS AND SHARE PREMIUM

Based on the audited financial statements of PIE as at 31 December 2008, the retained earnings and share premium of the Company stood at RM96,521,438 and RM18,993,049 respectively.

## 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM24.546 million based on the audited financial statements of PIE as at 31 December 2008. Any funds utilized by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

## 5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of PIE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 31 March 2009 and assuming that PIE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors and Substantial Shareholders of PIE are as follows:-

### Directors

| | Existing as at 31 March 2009 | | | | After the Proposed Share Buy-Back | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Name | No. of Shares | % * | No. of Shares | %* | No. of Shares | %^ | No. of Shares | %^ |
| Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa | 10,001 | 0.02 | - | - | 10,001 | 0.02 | - | - |
| Mui Chung Meng | 410,000 | 0.64 | - | - | 410,000 | 0.68 | - | - |
| Chen, Chih-Wen | - | - | - | - | - | - | - | - |
| Cheng Shing Tsung | 10,000 | 0.02 | - | - | 10,000 | 0.02 | - | - |
| Ahmad Murad Bin Abdul Aziz | 8,001 | 0.01 | - | - | 8,001 | 0.01 | - | - |
| Cheung Ho Leung | - | - | - | - | - | - | - | - |

### Substantial Shareholders

| | Existing as at 31 March 2009 | | | | After the Proposed Share Buy-Back | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Name | No. of Shares | % * | No. of Shares | %* | No. of Shares | %^ | No. of Shares | %^ |
| Pan Global Holding Co., Ltd. | 32,909,998 | 51.43 | - | - | 32,909,998 | 54.85 | - | - |
| Lembaga Tabung Haji | 3,722,900 | 5.82 | - | - | 3,722,900 | 6.20 | - | - |
| icapital.biz Berhad | 3,407,200 | 5.32 | - | - | 3,407,200 | 5.68 | - | - |
| Pan-International Industrial Corporation | - | - | 32,909,998[1] | 51.43 | - | - | 32,909,998[1] | 54.85 |

### Person Connected To Director

| | Existing as at 31 March 2009 | | | | After the Proposed Share Buy-Back | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Name | No. of Shares | % * | No. of Shares | %* | No. of Shares | %^ | No. of Shares | %^ |
| Khor Bee Kiow | 255,600 | 0.40 | - | - | 255,600 | 0.43 | - | - |

Note:

* Percentage shareholding computed based on 63,996,000 PIE Shares excluding 11,000 shares held as treasury shares from the total issued and paid-up share capital of 64,007,000 Ordinary Shares of RM1.00 each

^ Percentage shareholding computed based on 60,000,000 PIE Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

[1] By virtue of its substantial interest in Pan Global Holding Co., Ltd.

## 6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

### 6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and

ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of PIE in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of PIE in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in PIE are set out below:

### 7.1 Share Capital

As at 31 March 2009, the issued and paid-up capital of PIE was RM64,007,000 comprising 64,007,000 Shares including 11,000 shares held as treasury shares. As PIE has complied the prescribed minimum share capital requirement for a Main Board Company at RM60,000,000 at all time, therefore, the maximum number of Purchased Shares that can be cancelled by PIE, pursuant to the Proposed Share Buy-Back is 4,007,000 Shares. Under this scenario, the issued and paid-up share capital of PIE will be diminished from RM64,007,000 comprising 64,007,000 Shares as at 31 March 2009 to RM60,000,000 comprising 60,000,000 Shares.

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the Purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

### 7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

### 7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

### 7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2009.

Should the Purchased Shares be resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

### 7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of PIE (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2009 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by PIE in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

### 7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

## 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998 (THE "CODE")

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obligated to make a mandatory offer for the remaining Shares not held by him/her.

However, the affected Substantial Shareholder and/or persons acting in concert with him/her may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Practice Note 2.9.10 of the Code.

## 9. PURCHASES MADE BY THE COMPANY OF ITS OWN SHARES IN THE LAST FINANCIAL YEAR

The information on the purchases made by the Company of its own shares during the financial year ended 31 December 2008 is as set out on the page 37 of this Annual Report.

## 10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 31 March 2009, approximately 29,897,500 Shares representing 46.72% of the issued and paid-up share capital of the Company were held by 1,860 public shareholders holding not less than 100 Shares each. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of PIE shall not fall below 25% of the issued and paid-up share capital of the Company and are in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at all times pursuant to the Proposed Share Buy-Back, in accordance with paragraph 12.14 of the Bursa Securities Listing Requirements.

## 11. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

## 12. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twelfth Annual General Meeting to give effect to the Proposed Share Buy-Back.

## 13. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

# Corporate Information

## BOARD OF DIRECTORS

| | |
|---|---|
| Chairman –<br>Senior Independent Non-Executive Director | Y.T.M. Tunku Dato' Dr. Ismail Ibni<br>Almarhum Tunku Mohammad Jewa |
| Managing Director | Mui Chung Meng |
| Executive Director | Chen, Chih-Wen |
| Executive Director | Cheung Ho Leung |
| Senior Independent Non-Executive Director | Ahmad Murad Bin Abdul Aziz |
| Non-Independent Non-Executive Director | Cheng Shing Tsung |

## AUDIT COMMITTEE*

| | |
|---|---|
| Chairman -<br>Senior Independent Non-Executive Director | Y.T.M. Tunku Dato' Dr. Ismail Ibni<br>Almarhum Tunku Mohammad Jewa |
| Member - Senior Independent Non-Executive Director | Ahmad Murad Bin Abdul Aziz |
| Member - Non-Independent/Non-Executive Director | Chen, Chih-Wen<br>(Resigned on 30 January 2009) |

## 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

57-1 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 04-6429887 Fax : 04-6456698

* Subsequent to the resignation of Mr. Chen, Chih-Wen on 30 January 2009, the Company is required to fill the vacancy by 30 April 2009 pursuant to Paragraph 15.20 of the Listing Requirements. The Company has applied to Bursa Securities for an extension of time up to 31 July 2009 to comply with Paragraph 15.10(1) of the Listing Requirements and as at 22 April 2009 is awaiting the reply from Bursa Securities.

Corporate Information (cont'd)

| | |
|---|---|
| **SHARE REGISTRAR** | PFA Registration Services Sdn. Bhd.<br>(Company No. 19234-W)<br>Level 17 The Gardens North Tower<br>Mid Valley City<br>Lingkaran Syed Putra<br>59200 Kuala Lumpur<br>Tel: 03-22643883<br>Fax: 03-22821886 |
| **STOCK EXCHANGE LISTING** | Main Board of Bursa Malaysia<br>Securities Berhad<br>Sector: Industrial Products<br>Stock Name: PIE<br>Stock Code: 7095<br>*(Listed since 7 July 2000)* |
| **PRINCIPAL BANKERS** | Public Bank Berhad<br>2684 & 2685, Jalan Chain Ferry<br>Taman Inderawasih<br>13600 Prai Penang<br><br>Citibank Berhad<br>42, Jalan Sultan Ahmad Shah<br>10050 Penang<br><br>RHB Bank Berhad<br>2784 & 2785, Jalan Chain Ferry<br>Taman Inderawasih<br>13600 Prai Penang |

# Board of Directors' Profile

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa, aged 72, was appointed to the Board on 2 June 1997. He obtained his Bachelor of Arts Degree from the University of Malaya, Kuala Lumpur in 1967, Master in Education from the Pennsylvania State University, the USA in 1972, PhD in Educational Administration from the University of Malaya, Kuala Lumpur in 1979 and Post Doctoral Special Auditor from Harvard University, the USA in 1984. He is a leading academician with an array of working experience. 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 the School of Educational Studies in Universiti Sains Malaysia from 1979 to 1992 and also Professor of Educational Administration in Universiti Sains Malaysia from 1988 to 1995. He is a member of Penang State Consumer Affairs 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 Independent Non-Executive Chairman of SLP Resources Berhad, Senior Independent Non-Executive Director of CAB Cakaran Corporation Berhad and Independent Non-Executive Director of Oriental Holdings Berhad.

He is also the Chairman of the Audit Committee.

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*
*Malaysian*

Mui Chung Meng, aged 57, 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*
*Taiwanese*

Chen Chih-Wen, aged 52, 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 affairs, treasury and accounting functions of the Group.

He had resigned as a member of the Audit Committee on 30 January 2009 to comply with Paragraph 15.10(b) of the Listing Requirement of Bursa Securities.

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

**CHEUNG HO LEUNG**
*Executive Director*
*American*

Cheung Ho Leung, aged 52, 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.

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

Ahmad Murad Bin Abdul Aziz, aged 50, 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 Murad Yee Partnership.

He is also a member of the Audit Committee.

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**
*Non-Independent Non-Executive Director*
*Singaporean*

Cheng Shing Tsung, aged 71, 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 Consultant 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.

# Group Structure

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

- Pan-International Electronics (Malaysia) Sdn. Bhd. **100%**
  - PIE Enterprise (M) Sdn. Bhd. **100%**
  - Pan-International Corporation (S) Pte. Ltd. **100%**
- Pan-International Electronics (Thailand) Co., Ltd **100%**
- Pan-International Wire & Cable (Malaysia) Sdn. Bhd. **100%**
  - P.I.W. Enterprise (Malaysia) Sdn. Bhd. **100%**

# 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 Statements of the Group and of the Company for the financial year ended 31 December 2008.

## Financial Performance

The Group continued to operate in the challenging environment during the financial year 2008 where faced the upheaval in the subprime mortgage crisis in the United States, which started in the fourth quarter of 2007, has led to the global financial meltdown in the middle of 2008. Furthermore, the foreign currencies exchange, oil prices, copper prices and PVC materials cost which went on a roller coaster ride during the year 2008 had increased the business difficulty. Nevertheless the Group was well positioned to confront these challenges through the vigilance and concerted efforts of the Group and again resulted in a satisfactory performance, even though it is less than expected at the start of year 2008. The improvement of Group performance will be further complemented by the strong platform of vertically integrated business, highly skilled and committed workforce and implementation of the effective cost saving exercises across the entire organization.

In comparison with last year's performance, the Group's revenue for the financial year ended 31 December 2008 increased by RM10.84 million or 3.86% to RM291.78 million. The improvement of the Group's revenue was the net effect of the increased demand for the Contract Electronics Manufacturing (CEM) and Raw Cable and Wire Manufacturing activities but partly offset with dropped demand from Cable and Wire Harness Assembly and trading activities.

However, despite of the higher revenue the Group's net profit sees a decline of 4.65% or RM1.655 million from RM35.59 million in preceding financial year. The reduction in the profitability was mainly due to higher provision for slow-moving inventory, bonus accrued from this year as well as prior year and higher income tax expense due to underprovision in the prior years. In tandem with the results achieved by the Group during the current financial year, the basic earnings per share have slightly reduced by 4 sen to 53 sen from 57 sen recorded in the prior year.

Total assets of the Group increased from RM242.20 million to RM260.73 million, an increase by 7.65% if compared with last year. In line with the favorable results for the year, the Group's net assets per share had rose to RM3.31 as at 31 December 2008 as compared to RM3.06 posted at 31 December 2007. This has met the Group's objective to enhance the shareholders' value. The Group can continue to maintain a set of healthy and financially sound balance sheet with surplus cash of RM98.43 million to cope with future expansion and diversification.

## Dividend

A First and Final Dividend of 12 sen per share, less income tax at 26%, a Tax Exempt Special Dividend I of 8 sen per share and a Special Dividend II of 16 sen per share, less income tax at 26%, amounting to RM5,683,777, RM5,120,520 and RM7,578,370 respectively in respect of the financial year ended 31 December 2007 were declared and paid by the Company during the current financial year.

As an appreciation given to the shareholder for their continuous support and in line with the favorable results achieved by the Group, the Board of Directors is recommending a Special Dividend of 23 sen per share, less income tax at 25% and a First and Final Dividend of 12 sen per share, less income tax at 25%, in respect of the financial year ended 31 December 2008, subject to the shareholders' approval at the forthcoming Twelfth Annual General Meeting. The entitlement and payment date of the above recommended dividends are as disclosed in this Annual Report.

## Operation Review

CEM and Raw Cable and Wire Manufacturing services remained the core businesses and main revenue contributor to the increase in the Group's revenue for the financial year ended 31 December 2008.

The CEM services division continued to play an important role as a major businesses and principal revenue contributor in bringing the Group to achieve satisfactory results for the financial year under review. This division has contributed approximately 58% of the Group's revenue with the increased turnover of RM17.36 million as compared to RM152.91 million recorded in the last financial year. Despite of the current global economic meltdown, the Group still foresees a good opportunity ahead for its CEM division in the long run to secure more business orders from new and existing customers in the selected niche market, i.e. industrial electronic products, medical accessories and 3C products (computer, communication and consumer electronics) and etc., which will continue to contribute principal revenue to the Group in the subsequent years. As such, the Group will continue its endeavor to further enhance integration of new capabilities in manufacturing, engineering and distribution under the concept of a fully integrated one stop turnkey electronic manufacturing services.

The contribution by the Raw Cable and Wire Manufacturing division to the Group's revenue for the financial year under review has slightly reduced to 29% from 30% recorded in the year 2007. In order to remain long-run competitiveness during the years of challenges, arising mainly from the volatility of copper price and PVC materials cost, this division will keep on monitoring its production planning to drive a lower operating cost and initiating further improvement in operation efficiency, productivity and product mix to increase the customer satisfaction. Besides maintaining traditional product supply to PC-related and consumer electronic industries, this division will continue its effort to develop high value-added products, e.g. high quality cross-linked cable and carbon fiber cable for customers in automobile, medical and solar-energy industries.

The Cable and Wire Harness Assembly division in Thailand has continuously brought in sales to the Group's revenue with an approximate contribution of 12% in the year 2008. The Group expects this division to continue earning contribution in the coming years through its orders from multinational corporations in Thailand and implementation of its effective marketing strategy, i.e. by focusing on niche customers that contributes higher profit margin and widening the customer base to further maintain the earning power.

Due to the strong market competition and lack of new series of attractive products, the Trading Activity division of the Group recorded a continuous drop in sales, which only contributed 1% to the Group's revenue as compared to 2% in the preceding year. The Trading Activity division will continue its effort to take secure steps to add on more variety of new products and extend the distribution channels beyond current ASEAN countries to enhance revenue in the coming years.

## Prospect and Outlook

Due to the economic uncertainties arising from the global financial crisis, the operating environment for the Group would be challenging in next 12 months. Especially, the recession in the United States, Eurozone and other major economies in the world will further dampen the already depressed market environment globally. The countries where our major customers run their operations are also under threat of recession and as a result, our business would then be adversely affected in these coming quarters.

However, the electronic technology has ever increasing application to our daily life. As such, the Group foresees that potential of the electronic technology application in the near future and the trend for customers in our niche market to outsource manufacturing operations will continue while they concentrate on their core competencies of research and development, product design, marketing and brand loyalty. The Group will stay focus to provide customers an integrated one stop turnkey services, which include a variety of manufacturing facilities, competent engineering support and efficient distribution services.

Despite facing the current global recession, the Group continues to be fundamentally strong with healthy financials and we expect to remain competitive moving forward. In order to stand resilient during this challenging time and strengthen its position in this competitive business environment, the Board of Directors together with its management constantly review the entire Group's operations and continue our prudent approach to secure long term growth by upgrading the engineering capabilities, manufacturing facilities and technical know-how, strategically moving to high-end value added new products, and undertake more cost effective measures and quality deliveries to meet the customers' requirements. Marketing efforts will be stepped up also to widen customer base and penetrate new markets that to maintain the revenue and profitability.

With prudent evaluation methods, the Group has and will continue to trend the path seeking a delicate balance between risks and return and concentrate on activities that will lend support to growth and value to meet the challenges ahead. Given the strong financial position of the Group, we may look for new manufacturing facilities that are synergy with the Group's business strategic to be acquired in order to generate growth and improve future return. Though the Group's business is currently affected by the global economic recession, the Group is expected to remain profitable in year 2009.

## Acknowledgment

On behalf of the Board of Directors, I would like to express our gratitude and appreciation to the management and staff of the Group for their loyalty, dedication, continued efforts and untiring commitment in instituting the strict strategic and operational measures needed to stand resilient during these challenging times. Further, I would 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. Last but not least, I would also like to thank our fellow Directors for their valuable advice and contributions to the Group.

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

# Group Financial Highlights

## Five Years Financial Summary

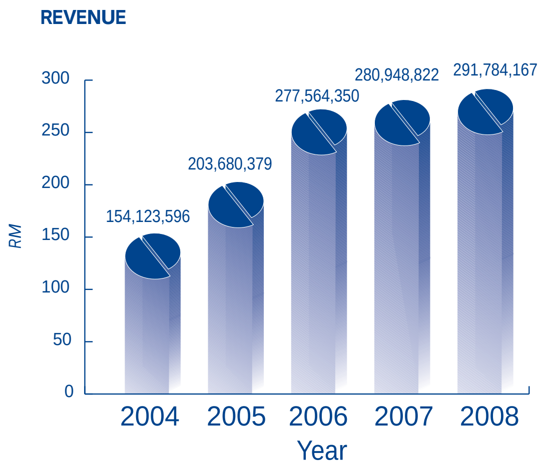
| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2004 RM | 2005 RM | 2006 RM | 2007 RM | 2008 RM |
| Revenue | 154,123,596 | 203,680,379 | 277,564,350 | 280,948,822 | 291,784,167 |
| Profit before taxation | 14,198,430 | 21,321,538 | 32,952,733 | 44,097,566 | 43,502,781 |
| Net profit after taxation | 11,110,729 | 16,948,883 | 26,162,282 | 35,591,350 | 33,936,145 |
| Basic earnings per ordinary share (Sen) | 18.28 | 27.42 | 41.92 | 56.84 | 53.02 |
| Shareholders' equity | 134,106,360 | 150,155,090 | 167,845,003 | 196,035,306 | 211,781,947 |
| Net Assets per share | 2.19 | 2.42 | 2.71 | 3.06 | 3.31 |
| Issued and fully paid-up share capital of RM1.00 each | 61,239,000 | 62,046,000 | 63,130,000 # | 64,007,000 * | 64,007,000 ^ |
| Gross dividend per share (Sen) | 12 | 18 | 23 | 39 | 35 @ |

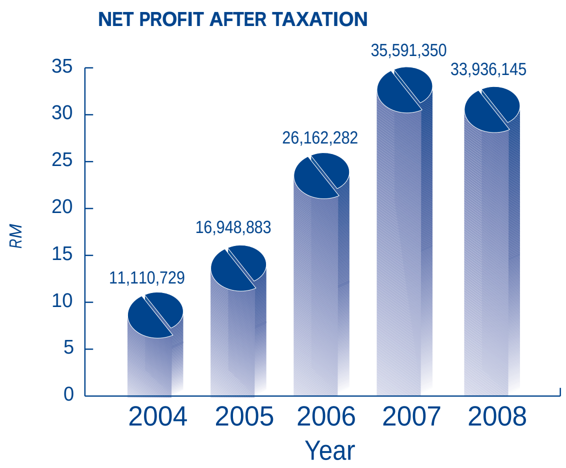
# The issued and fully paid-up share capital of RM63,130,000.00 is divided into 63,130,000 Ordinary Shares of RM1.00 each including 1,207,000 shares held as treasury shares.

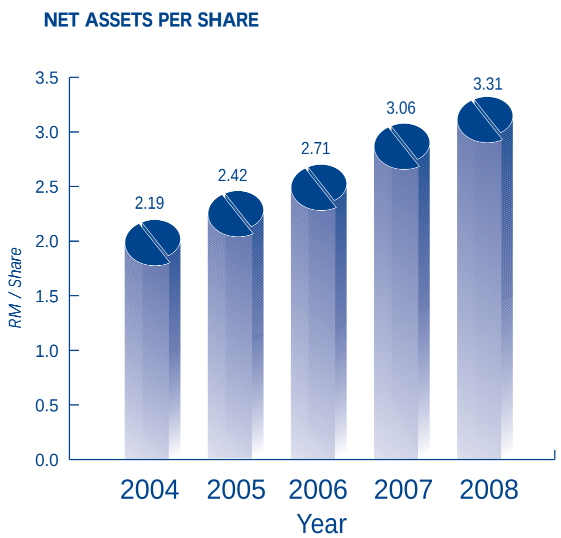
* The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 500 shares held as treasury shares.

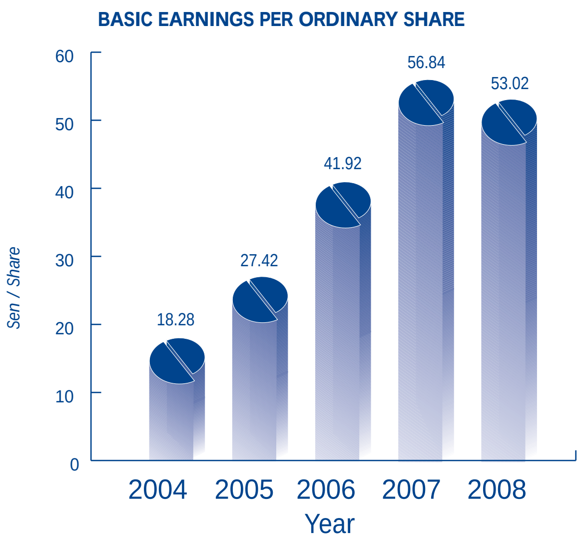
^ The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 11,000 shares held as treasury shares.

@ Subject to shareholders' approval at the forthcoming Annual General Meeting



# Audit Committee Report

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2008.

## 1. AUDIT COMMITTEE

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

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

**Member**
Ahmad Murad Bin Abdul Aziz (Senior Independent Non-Executive Director)
Chen, Chih-Wen (Non-Independent/Executive Director) (Resigned w.e.f. 30 January 2009)

The current Audit Committee comprises two (2) members; both of them are Independent Non-Executive directors.

*Notes:*

*Subsequent to the resignation of Mr. Chen, Chih-Wen on 30 January 2009, the Company is required to fill the vacancy by 30 April 2009 pursuant to Paragraph 15.20 of the Listing Requirements. The Company has applied to Bursa Securities for an extension of time up to 31 July 2009 to comply with Paragraph 15.10(1) of the Listing Requirements and as at 22 April 2009 is awaiting the reply from Bursa Securities.*

## 2. ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee meetings held during the financial year under review are as follows:

| Name of director | February 25, 2008 | May 23, 2008 | August 8, 2008 | November 14, 2008 |
|---|---|---|---|---|
| Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa | ✔ | ✔ | ✔ | ✔ |
| Ahmad Murad Bin Abdul Aziz | ✔ | ✔ | ✔ | ✔ |
| Chen. Chih-Wen | ✔ | ✔ | ✔ | ✔ |

## 3. 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.

### Composition of Audit Committee

The Committee shall be appointed by Board from amongst its members and shall at all times consist of not less than three (3) directors, exclusively Non-Executive Directors of whom majority shall be the Independent 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. fulfills such other requirements as prescribed or approval by the Bursa Securities.

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 Secretary 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.

### 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 adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

- 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.

## 3. TERMS OF REFERENCE (cont'd)

### Duties and Responsibilities (cont'd)

- 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 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 or activity;
(e) be able to obtain professional or other advice; and
(f) be able to convene meetings with the internal and external auditors, excluding the attendance of the other Directors and employees of the Company, 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 who shall be Independent Directors.

A meeting with external auditors shall be held at least twice a year without the presence of executive Board members.

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.

## 4. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2008 on discharging 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 Listing Requirements of Bursa Securities, 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.

## 5. 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

The costs incurred for the internal audit function for financial year 2008 was RM27,985. During the financial year, the internal auditors have assisted the Audit Committee to:

- plan and conduct the internal audit for financial year ending 2009
- 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 P.I.E. Industrial Berhad is committed to comply with the Malaysian Code of Corporate Governance ("the Code") which was revised on 1 October 2007 and which sets out the principles and recommended best practices for all public listed companies. This Statement on the Company's corporate governance practices is made in compliance with Paragraph 15.26 of the Listing Requirements of Bursa Securities.

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 2008.

## 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 is comprised of:

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

The composition of the Board is in compliance with the Listing Requirements of Bursa Securities 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.

## A) The Board (cont'd)

### ii) Board Meetings (cont'd)

During the financial year, the Board met four (4) times. The dates of the Board meetings are as follows:
- 25 February 2008
- 23 May 2008
- 8 August 2008
- 14 November 2008

The attendance of each director during the financial year is as follows:

| Name of director | Designation | Number of Board Meetings Attended / Held | Percentage of Attendance |
|---|---|---|---|
| Y.T.M. Tunku Dato' Dr Ismail Ibni Almarhum Tunku Mohammad Jewa | Senior Independent, Non-Executive Chairman | 4 / 4 | 100% |
| Mui Chung Meng | Managing Director | 4 / 4 | 100% |
| Chen, Chih-Wen | Executive Director | 4 / 4 | 100% |
| Cheung Ho Leung | Executive Director | 3 / 4 | 75% |
| Ahmad Murad Bin Abdul Aziz | Senior Independent, Non-Executive Director | 4 / 4 | 100% |
| Cheng Shing Tsung | Non-Independent, Non-Executive Director | 4 / 4 | 100% |

### 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 interim 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.

## A) The Board (cont'd)

### iii) Supply of information (cont'd)

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 attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance. In compliance with Paragraph 15.09 of the Listing Requirements of Bursa Securities, the Directors will continue to attend various external professional programmes deemed necessary in order to keep abreast with the latest developments in the market place, advances in corporate governance and to further enhance their skill and knowledge to enable them to discharge their duties as Directors in an effective manner.

### 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.

## A) The Board (cont'd)

### v) Appointment and Re-election of Director (cont'd)

#### *b) Re-election of Directors*

In accordance with the Company's Articles of Association, all Directors are subject to election at the 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 remained a collective decision of the Board.
2. The remuneration package of Executive Directors shall be determined based on the performance of the Group, the responsibilities, the experience required and the contribution by each individual Director in comparison to the industry norm.
3. The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and 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.

## A) The Board (cont'd)

### vi) Directors' Remuneration (cont'd)

Details of Directors' remuneration for the year ended 31 December 2008 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 | 230,688 | 2,435,528 | 3,200 | 2,669,416 |
| Non-Executive Directors | 48,000 | 0 | 0 | 4,800 | 52,800 |
| **Total** | 48,000 | 230,688 | 2,435,528 | 8,000 | 2,722,216 |

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

| Range of Remuneration | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| Below RM50,000 | 1 | 3 |
| RM550,001 to RM600,000 | 1 | 0 |
| RM2,100,001 to RM2,150,000 | 1 | 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) (Resigned on 30.01.2009)

*Notes:*

*Subsequent to the resignation of Mr. Chen, Chih-Wen on 30 January 2009, the Company is required to fill the vacancy by 30 April 2009 pursuant to Paragraph 15.20 of the Listing Requirements. The Company has applied to Bursa Securities for an extension of time up to 31 July 2009 to comply with Paragraph 15.10(1) of the Listing Requirements and as at 22 April 2009 is awaiting the reply from Bursa Securities.*

The terms of reference and the report of Audit Committee are as set out on pages 24 to 27.

### 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. At the same time, the Audit Committee is assisting the Board in ensuring the accuracy, adequacy and completeness of the financial information that to be disclosed. The financial reports will be reviewed and approved by the Audit Committee prior to tabling them to the Board for approval.

**B) Accountability and Audit** (cont'd)

**Audit Committee** (cont'd)

**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 the Company, 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.

**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 twice 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 Listing Requirements of Bursa Securities and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be assessed through Bursa Securities website at www.bursamalaysia.com., include:

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

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

In compliance with 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 15 April 2009.

# 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 ("MASB") approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the relevant provisions of the Listing Requirements of Bursa Securities 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 will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Financial Reporting Standards and Interpretations issued by MASB that are relevant to the Group's operations and effective for accounting are fully adopted
- 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 2008 had been approved by the Board on 3 March 2009.

This statement was made in accordance with a resolution of Board dated 15 April 2009.

# Statement on Internal Control

## Introduction

This statement is made pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Securities, 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' 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 Groups' 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

**System of Internal Control** (cont'd)

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 that 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 15 April 2009.

# Disclosure Requirements
# Pursuant to the Listing Requirements of Bursa Securities

**UTILISATION OF PROCEEDS**

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

**SHARE BUY-BACK**

The details of the shares purchased from the open market using the internally generated funds and held as Treasury Shares during the financial year are as follows:

| Month | Number of Shares | Unit Cost Lowest (RM) | Unit Cost Highest (RM) | Unit Cost Average (RM) | Total Cost* (RM) |
|---|---|---|---|---|---|
| May 2008 | 500 | 5.35 | 5.35 | 5.35 | 2,719 |
| November 2008 | 10,000 | 2.98 | 2.98 | 2.98 | 30,018 |
| Total | 10,500 | 2.98 | 5.35 | 3.12 | 32,737 |

* Including brokerage, commission, clearing house fee and stamp duty.

Total number of shares bought back and held as treasury shares as at 31 December 2008 is 11,000 shares.

**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company implemented an Employee Share Option Scheme ("ESOS") which came into effect on 11 March 2003 for a period of 5 years and is governed by the by-laws which were approved by the Company's shareholders on 2 December 2002. The ESOS implemented by the Company had expired on 11 March 2008 and the Board of Directors and ESOS committee do not have any intention to renew the scheme.

The Company has not issued any options, warrants or convertible securities during the financial year.

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

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

**IMPOSITION OF SANCTIONS AND/OR PENALTIES**

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

**NON-AUDIT FEES**

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or company affiliated to the auditors' firm is RM40,400.

**REVALUATION POLICY**

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

**MATERIAL CONTRACT**

There were no material contract entered into by the Company and its subsidiary companies involving directors' and substantial shareholders' interest other than those entered into in the ordinary course of business as disclosed in the financial statements

Disclosure Requirements
Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad (cont'd)

**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.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**
The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day to day business operations i.e. constantly reviewing the staff benefits to enhance the quality of life of its employees and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

**RECURRENT RELATED PARTY TRANSACTIONS**
The details of Recurrent Related Party Transactions and their actual amount entered into during the financial year ended 31 December 2008 are disclosed on page 89 of the Annual Report.

# Directors' Report

The directors of P.I.E. INDUSTRIAL BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2008.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13 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/ (loss) after tax for the year** | 33,936,145 | (909,041) |

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

During the current financial year, special dividends of 8 sen per ordinary share, tax exempt and 16 sen gross per ordinary share, less tax, amounting to RM5,120,520 and RM7,578,370 respectively, and a first and final dividend of 12 sen gross per ordinary share, less tax, amounting to RM5,683,777, were declared and paid in respect of the previous financial year.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

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

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

## 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 has been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

(a) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

## DIRECTORS

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Ahmad Murad Bin Abdul Aziz
Mui Chung Meng
Chen, Chih-Wen
Cheng Shing Tsung
Cheung Ho Leung

## DIRECTORS' INTERESTS

The shareholdings in the Company and in related companies 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 1.1.2008** | **Bought** | **Sold** | **Balance as of 31.12.2008** |
| **Direct interest:** | | | | |
| Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa | 10,001 | - | - | 10,001 |
| Ahmad Murad Bin Abdul Aziz | 8,001 | - | - | 8,001 |
| Mui Chung Meng | 410,000 | - | - | 410,000 |
| Chen, Chih-Wen | 210,000 | - | - | 210,000 |
| Cheng Shing Tsung | 10,000 | - | - | 10,000 |

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors received remuneration from related corporations in their capacities as directors or executives of those related corporations.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## HOLDING COMPANIES

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

**AUDITORS**

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

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

**MUI CHUNG MENG**

**CHEN, CHIH-WEN**

Penang,

March 3, 2009

# Independent Auditors' Report

to the Members of P.I.E. Industrial Berhad (Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of P.I.E. Industrial Berhad, which comprise the balance sheets as of December 31, 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 93.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit 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 contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2008 and their financial performance and cash flows for the year then ended.

Independent Auditors' Report
to the Members of P.I.E. Industrial Berhad (Incorporated in Malaysia) (cont'd)

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors as mentioned under Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements;

(c) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and

(d) The auditors' reports on the financial statements of the subsidiaries 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

**TEOH WUEY SZE**
Partner – 2831/01/10 (J)
Chartered Accountant

March 3, 2009

Penang

# Income Statements for the year ended December 31, 2008

| | Note | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|---|
| Revenue | 5 | 291,784,167 | 280,948,822 | 4,071,600 | 161,464,929 |
| Investment revenue | | 3,137,291 | 2,768,691 | 441,811 | 368,304 |
| Other gains and losses | | 1,138,355 | 3,095,151 | - | 109,282 |
| Other income | | 5,862,043 | 5,790,650 | - | - |
| Changes in inventories of finished goods and work-in-progress | | 1,379,324 | 262,661 | - | - |
| Purchase of trading goods | | (3,204,219) | (8,715,549) | - | - |
| Raw materials consumed | | (201,540,731) | (195,955,680) | - | - |
| Employee benefits expense | 6 | (33,223,362) | (25,370,217) | (4,571,190) | (3,823,808) |
| Depreciation and amortisation | | (3,915,690) | (3,563,094) | - | - |
| Finance cost | | - | (568) | - | - |
| Other expenses | | (17,914,397) | (15,163,301) | (858,361) | (197,896) |
| Profit/ (loss) before tax | | 43,502,781 | 44,097,566 | (916,140) | 157,920,811 |
| Tax (expense)/ income | 7 | (9,566,636) | (8,506,216) | 7,099 | (40,364,328) |
| Profit/ (loss) for the year | 8 | 33,936,145 | 35,591,350 | (909,041) | 117,556,483 |
| Earnings per share: | | | | | |
| Basic | 9 | 53 sen | 57 sen | | |

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

# Balance Sheets as of December 31, 2008

| | Note | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 29,594,178 | 25,906,260 | - | - |
| Investment properties | 11 | 10,422,940 | 10,379,376 | - | - |
| Prepaid lease payments on leasehold land | 12 | 11,836,422 | 10,676,647 | - | - |
| Goodwill | | 1,721,665 | 1,721,665 | - | - |
| Investments in subsidiaries | 13 | - | - | 79,918,805 | 79,918,805 |
| Investment in jointly controlled entity | 14 | - | - | 25,000 | 25,000 |
| Deferred tax assets | 15 | 3,033,000 | 1,869,000 | - | - |
| **Total non-current assets** | | 56,608,205 | 50,552,948 | 79,943,805 | 79,943,805 |
| **Current assets** | | | | | |
| Inventories | 16 | 35,497,410 | 36,773,046 | - | - |
| Trade and other receivables | 17 | 67,008,441 | 69,510,233 | 93,548,386 | 111,858,882 |
| Current tax assets | | 1,519,965 | 2,367,138 | 1,403,516 | 1,497,642 |
| Other assets | 18 | 1,663,856 | 2,031,766 | 20,304 | 20,369 |
| Short-term deposits with licensed banks | 19 | 71,887,133 | 66,784,781 | 24,400,000 | 23,700,000 |
| Cash and bank balances | 20 | 26,546,619 | 14,175,893 | 63,261 | 240,315 |
| **Total current assets** | | 204,123,424 | 191,642,857 | 119,435,467 | 137,317,208 |
| **Total assets** | | 260,731,629 | 242,195,805 | 199,379,272 | 217,261,013 |

(FORWARD)

Balance Sheets as of December 31, 2008 (cont'd)

| | Note | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 21 | 64,007,000 | 64,007,000 | 64,007,000 | 64,007,000 |
| Less: Treasury shares, at cost | 21 | (35,306) | (2,569) | (35,306) | (2,569) |
| | | 63,971,694 | 64,004,431 | 63,971,694 | 64,004,431 |
| Reserves | 22 | 147,810,253 | 132,030,875 | 131,922,708 | 151,214,416 |
| **Total equity** | | 211,781,947 | 196,035,306 | 195,894,402 | 215,218,847 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 15 | 3,844,633 | 3,957,596 | - | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | 41,966,058 | 41,364,507 | 3,484,870 | 2,042,166 |
| Current tax liabilities | | 3,138,991 | 838,396 | - | - |
| **Total current liabilities** | | 45,105,049 | 42,202,903 | 3,484,870 | 2,042,166 |
| **Total liabilities** | | 48,949,682 | 46,160,499 | 3,484,870 | 2,042,166 |
| **Total equity and liabilities** | | 260,731,629 | 242,195,805 | 199,379,272 | 217,261,013 |

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

# Statements of Changes in Equity for the year ended December 31, 2008

| The Group | Note | Share Capital RM | Treasury Shares RM | Share Premium RM | Revaluation Reserve/ Translation Reserve* RM | Retained Earnings RM | Total RM |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2007 | | 63,130,000 | (2,980,484) | 16,248,166 | 11,201,086 | 80,246,235 | 167,845,003 |
| Transfer of revaluation surplus | 15 | - | - | - | (290,477) | 290,477 | - |
| Exchange differences arising on translation of foreign subsidiaries | | - | - | - | (264,798) | - | (264,798) |
| **Net income and expenses recognised directly in equity** | | - | - | - | (555,275) | 290,477 | (264,798) |
| Profit for the year | | - | - | - | - | 35,591,350 | 35,591,350 |
| **Total recognised income and expenses** | | - | - | - | (555,275) | 35,881,827 | 35,326,552 |
| Issuance of 877,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to ESOS exercised | | 877,000 | - | 613,900 | - | - | 1,490,900 |
| Sale of treasury shares | | - | 3,940,929 | 2,130,983 | - | - | 6,071,912 |
| Buy-back of ordinary shares | | - | (963,014) | - | - | - | (963,014) |
| Dividends | 24 | - | - | - | - | (13,736,047) | (13,736,047) |
| **Balance as of December 31, 2007** | | 64,007,000 | (2,569) | 18,993,049 | 10,645,811 | 102,392,015 | 196,035,306 |

(FORWARD)

## Statements of Changes in Equity for the year ended December 31, 2008 (cont'd)

| The Group | Note | Share Capital RM | Treasury Shares RM | Share Premium RM | Revaluation Reserve/ Translation Reserve* RM | Retained Earnings RM | Total RM |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2008 | | 64,007,000 | (2,569) | 18,993,049 | 10,645,811 | 102,392,015 | 196,035,306 |
| Transfer of revaluation surplus | 15 | - | - | - | (290,479) | 290,479 | - |
| Exchange differences arising on translation of foreign subsidiaries | | - | - | - | 225,900 | - | 225,900 |
| **Net income and expenses recognised directly in equity** | | - | - | - | (64,579) | 290,479 | 225,900 |
| Profit for the year | | - | - | - | - | 33,936,145 | 33,936,145 |
| **Total recognised income and expenses** | | - | - | - | (64,579) | 34,226,624 | 34,162,045 |
| Buy-back of ordinary shares | | - | (32,737) | - | - | - | (32,737) |
| Dividends | 24 | - | - | - | - | (18,382,667) | (18,382,667) |
| **Balance as of December 31, 2008** | | 64,007,000 | (35,306) | 18,993,049 | 10,581,232 | 118,235,972 | 211,781,947 |

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

| | Note | Revaluation Reserve RM | Translation Reserve RM | Total RM |
|---|---|---|---|---|
| Balance as of January 1, 2007 | | 10,467,161 | 733,925 | 11,201,086 |
| Transfer of revaluation surplus | 15 | (290,477) | - | (290,477) |
| Exchange differences arising on translation of foreign subsidiaries | | - | (264,798) | (264,798) |
| **Net income and expenses recognised directly in equity** | | (290,477) | (264,798) | (555,275) |
| Balance as of December 31, 2007 | | 10,176,684 | 469,127 | 10,645,811 |
| Balance as of January 1, 2008 | | 10,176,684 | 469,127 | 10,645,811 |
| Transfer of revaluation surplus | 15 | (290,479) | - | (290,479) |
| Exchange differences arising on translation of foreign subsidiaries | | - | 225,900 | 225,900 |
| **Net income and expenses recognised directly in equity** | | (290,479) | 225,900 | (64,579) |
| **Balance as of December 31, 2008** | | 9,886,205 | 695,027 | 10,581,232 |

(FORWARD)

## Statements of Changes in Equity for the year ended December 31, 2008 (cont'd)

### The Company

| | Note | Share Capital RM | Treasury Shares RM | Share Premium RM | Merger Reserve RM | Retained Earnings RM | Total RM |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2007 | | 63,130,000 | (2,980,484) | 16,248,166 | 16,408,221 | 11,992,710 | 104,798,613 |
| Issuance of 877,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to ESOS exercised | | 877,000 | - | 613,900 | - | - | 1,490,900 |
| Sale of treasury shares | | - | 3,940,929 | 2,130,983 | - | - | 6,071,912 |
| Buy-back of ordinary shares | | - | (963,014) | - | - | - | (963,014) |
| Profit for the year, representing total recognised income and expenses | | - | - | - | - | 117,556,483 | 117,556,483 |
| Dividends | 24 | - | - | - | - | (13,736,047) | (13,736,047) |
| **Balance as of December 31, 2007** | | 64,007,000 | (2,569) | 18,993,049 | 16,408,221 | 115,813,146 | 215,218,847 |
| Balance as of January 1, 2008 | | 64,007,000 | (2,569) | 18,993,049 | 16,408,221 | 115,813,146 | 215,218,847 |
| Buy-back of ordinary shares | | - | (32,737) | - | - | - | (32,737) |
| Loss for the year, representing total recognised income and expenses | | - | - | - | - | (909,041) | (909,041) |
| Dividends | 24 | - | - | - | - | (18,382,667) | (18,382,667) |
| **Balance as of December 31, 2008** | | 64,007,000 | (35,306) | 18,993,049 | 16,408,221 | 96,521,438 | 195,894,402 |

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

# Cash Flow Statements for the year ended December 31, 2008

| | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/ (loss) for the year | 33,936,145 | 35,591,350 | (909,041) | 117,556,483 |
| Adjustments for: | | | | |
| Tax expense/ (income) recognised in profit or loss | 9,566,636 | 8,506,216 | (7,099) | 40,364,328 |
| Depreciation of property, plant and equipment | 3,668,779 | 3,333,754 | - | - |
| Allowance for slow moving inventories | 1,638,591 | - | - | - |
| Allowance for doubtful debts | 416,857 | 691,958 | - | - |
| Amortisation of prepaid lease payments on leasehold land | 246,911 | 229,340 | - | - |
| Changes in fair values of investment properties | 238,556 | - | - | - |
| Unrealised loss/ (gain) on foreign exchange | 124,887 | (14,186) | - | - |
| Property, plant and equipment written off | 2 | 30,883 | - | - |
| Interest income | (2,041,789) | (1,690,225) | (441,811) | (357,196) |
| Gain on disposal of property, plant and equipment | (22,572) | (65,825) | - | - |
| Bad debts written off | - | 11,787 | - | - |
| Finance cost | - | 568 | - | - |
| Allowance for slow moving inventories no longer required | - | (2,697,703) | - | - |
| Gain on disposal of investments | - | (11,108) | - | (11,108) |
| Gross dividend income from subsidiaries | - | - | (2,000,000) | (161,335,329) |
| | 47,773,003 | 43,916,809 | (3,357,951) | (3,782,822) |
| Movements in working capital: | | | | |
| (Increase)/ Decrease in: | | | | |
| Inventories | (362,955) | (3,387,616) | - | - |
| Trade and other receivables | 2,051,080 | 7,652,120 | - | - |
| Other assets | 367,910 | (430,172) | 65 | (17,869) |
| Increase in: | | | | |
| Trade and other payables | 528,273 | 9,208,142 | 1,442,704 | 2,008,166 |
| Cash generated from/ (used in) operations | 50,357,311 | 56,959,283 | (1,915,182) | (1,792,525) |

(FORWARD)

Cash Flow Statements for the year ended December 31, 2008 (cont'd)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Tax refunded | 829,559 | 598,749 | 621,225 | - |
| Tax paid | (8,523,886) | (12,282,046) | - | - |
| Net cash from/ (used in) operating activities | 42,662,984 | 45,275,986 | (1,293,957) | (1,792,525) |
| **Cash flows from investing activities** | | | | |
| Interest received | 2,024,035 | 1,665,324 | 426,507 | 332,295 |
| Proceeds from disposal of property, plant and equipment | 22,572 | 65,826 | - | - |
| Purchase of property, plant and equipment | (5,442,816) | (2,901,368) | - | - |
| Purchase of leasehold land | (3,300,000) | - | - | - |
| Additions to investment properties | (258,000) | - | - | - |
| Proceeds from disposal of investments | - | 5,011,108 | - | 5,011,108 |
| Purchase of investment in bond funds | - | (5,000,000) | - | (5,000,000) |
| Advances to jointly controlled entity | - | (45,000) | - | (45,000) |
| Dividends received | - | - | 113,170,000 | 17,935,329 |
| (Advances to)/ repayment of advances by subsidiaries | - | - | (93,364,200) | 5,000,422 |
| Dividend received from a subsidiary declared out of pre-acquisition profit | - | - | - | 2,344,052 |
| Net cash (used in)/ from investing activities | (6,954,209) | (1,204,110) | 20,232,307 | 25,578,206 |

(FORWARD)

## Cash Flow Statements for the year ended December 31, 2008 (cont'd)

| | Note | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | (18,382,667) | (13,736,047) | (18,382,667) | (13,736,047) |
| Bank balances held as security | | (55,664) | - | - | - |
| Payment for shares buy-back | | (32,737) | (963,014) | (32,737) | (963,014) |
| Proceeds from sale of treasury shares | | - | 6,071,912 | - | 6,071,912 |
| Proceeds from issuance of shares pursuant to ESOS exercised | | - | 1,490,900 | - | 1,490,900 |
| Interest paid | | - | (568) | - | - |
| Net cash used in financing activities | | (18,471,068) | (7,136,817) | (18,415,404) | (7,136,249) |
| **Net increase in cash and cash equivalents** | | 17,237,707 | 36,935,059 | 522,946 | 16,649,432 |
| **Cash and cash equivalents at beginning of year** | | 80,960,674 | 44,295,169 | 23,940,315 | 7,290,883 |
| Effect of foreign exchange rates changes | | 179,707 | (269,554) | - | - |
| **Cash and cash equivalents at end of year** | 25 | 98,378,088 | 80,960,674 | 24,463,261 | 23,940,315 |

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

# Notes to the Financial Statements December 31, 2008

## 1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13. 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 immediate and ultimate holding companies are Pan Global Holding Co. Ltd., a corporation incorporated in British Virgin Islands and Pan-International Industrial Corporation, a corporation incorporated in Taiwan respectively.

The registered office of the Company is at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia. The principal place of business of the Company is at Plot 6, Jalan Jelawat Satu, Kawasan Perusahaan Seberang Jaya, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

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 March 3, 2009.

## 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 are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

During the financial year, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and Issues Committee ("IC") Interpretations issued by MASB that are relevant to their operations and effective for the Group's and Company's financial period beginning on January 1, 2008 as follows:

| | |
|---|---|
| FRS 107 | Cash Flow Statements |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 121 | Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net investment in a foreign operation |
| FRS 134 | Interim Financial Reporting |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| IC Interpretation 8 | Scope of FRS 2 |

The adoption of these revised FRSs and IC Interpretations have no material effect on the financial statements of the Group and of the Company.

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

### Basis of accounting (cont'd)

At the date of authorisation of issue of the financial statements, the following new/ revised FRSs and IC Interpretations were in issue but not yet effective:

| | |
|---|---|
| FRS 4 | Insurance Contracts* |
| FRS 7 | Financial Instruments: Disclosures* |
| FRS 8 | Operating Segments** |
| FRS 139 | Financial Instruments: Recognition and Measurement* |
| IC Interpretation 9 | Reassessment of Embedded Derivatives* |
| IC Interpretation 10 | Interim Financial Reporting and Impairment* |

* Effective for annual periods beginning on or after January 1, 2010.
** Effective for annual periods beginning on or after July 1, 2009.

The adoption of FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements will introduce new disclosure requirements in relation to the Group's and the Company's financial instruments and the objectives, policies and processes for managing capital. FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of FRS 139 as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The directors anticipate that all of the other FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are consolidated using the purchase method of accounting, except for certain business combinations with agreement dated before January 1, 2006 that meet the conditions of a merger as set out in FRS $122_{2004}$ Business Combinations, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by FRS 3 to apply this standard prospectively. Accordingly, business combinations entered into prior to January 1, 2006 have not been restated to comply with this standard.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statements.

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

**Basis of consolidation** (cont'd)

When the merger method is used, the cost of investment in the Company's books is recorded at cost. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit balance is adjusted against any suitable reserve. The results of the subsidiaries being merged are presented as if the merger had been effected throughout the current and previous financial years.

The financial statements of all subsidiaries are consolidated under the purchase 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.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest revenue is recognised on a time proportion basis that takes into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Rental income is accrued on a time basis, by reference to the agreements entered.

Management fee and other operating income are recognised on an accrual basis.

**Employee benefits**

**(a) 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 and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

### Employee benefits (cont'd)

#### (b) Defined contribution plans

As required by law, companies in Malaysia and Republic of Singapore make contributions to the state pension schemes, the Employees Provident Fund and Central Provident Fund respectively. Such contributions are recognised as expenses in the income statements as incurred.

### Borrowing costs

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

### Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the "balance sheet liability" method. 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 taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are included in profit or loss for the period. For non-monetary items that are measured in terms of historical cost in foreign currency, any exchange component of that gain or loss is recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in income statements in the period in which the foreign operation is disposed of.

### Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

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

**Leases** (cont'd)

### (a) The Group as lessee under operating leases

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

### (b) The Group as lessor under operating leases

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

**Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

The Group carried some of its 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 values.

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 revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

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

Freehold land is not depreciated. All other property, plant and equipment are depreciated on a straight line method in order to write off the cost of each asset to its residual value over its estimated useful life.

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

### Property, plant and equipment (cont'd)

The annual depreciation rates are as follows:

| | |
|---|---|
| Leasehold improvement | 20% |
| Buildings | 2.22% - 5% |
| Leasehold flats | 2.22% |
| 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% |
| Road | 10% |

At each balance sheet date, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes are recognised prospectively.

### Investment properties

Investment properties, comprising principally freehold land, short leasehold land and buildings are held to earn rentals and/ or for capital appreciation, and are not occupied by the Group.

Investment properties are stated at fair value, representing open-market value determined annually by external valuers and the directors. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of investment properties are included in income statements for the period in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in income statements in the period of the retirement or disposal.

### Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

### Investments in subsidiaries

Subsidiaries 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 subsidiaries, which are eliminated on consolidation, are stated in the Company's financial statements at cost. When there is an indication of impairment in the value of the assets, the carrying amount of the investment are assessed and written down immediately to its recoverable amount.

### Investment in jointly controlled entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in the jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The most recent available audited financial statements of the jointly controlled entity are used by the Group in applying the equity method.

In the Company's separate financial statements, investment in the jointly controlled entity is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in income statements.

### Impairment of assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

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

### Impairment of assets (cont'd)

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

### 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.

Cost of raw materials consists of the purchase price plus the cost incurred in bringing the inventories to their present location. Cost of work-in-progress and finished good consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads. Goods-in-transit is stated at cost.

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.

### Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances 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.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Treasury shares

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where such treasury shares are subsequently sold or reissued, the net consideration received is included in shareholders' equity.

Where the Company reacquires its own equity share capital, the consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

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

### Payables

Payables are stated at the nominal value of the consideration to be paid in the future for goods and services received.

### Borrowings

All borrowings are initially recognised at the nominal value of the consideration received less directly attributable transaction costs.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits which are not charged, bank overdrafts and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments are offset when the Group has 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.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of the recognition of deferred tax assets.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised deferred tax assets of the Group is RM3,033,000 (2007: RM1,869,000).

## 5. REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Sale of goods | 291,784,167 | 280,948,822 | - | - |
| Management fee | - | - | 2,071,600 | 129,600 |
| Dividend income from subsidiaries | - | - | 2,000,000 | 161,335,329 |
| | 291,784,167 | 280,948,822 | 4,071,600 | 161,464,929 |

## 6. EMPLOYEE BENEFITS EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Contribution to Employees Provident Fund and Central Provident Fund | 1,639,568 | 1,146,044 | 759,394 | 238,637 |
| Other employee benefits expense | 31,583,794 | 24,224,173 | 3,811,796 | 3,585,171 |
| | 33,223,362 | 25,370,217 | 4,571,190 | 3,823,808 |

Employee benefits expense of the Group and of the Company includes directors' remuneration, salaries, bonuses, contribution to Employees Provident Fund and Central Provident Fund and all other staff related expenses.

Details of remuneration of executive directors and officers, who are the key management personnel of the Group and of the Company, are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Contribution to Employees Provident Fund and Central Provident Fund | 640,022 | 222,200 | 593,612 | 170,046 |
| Other employee benefits expense | 3,117,176 | 3,070,144 | 2,722,216 | 2,465,198 |
| | 3,757,198 | 3,292,344 | 3,315,828 | 2,635,244 |

## 7. TAX EXPENSE/ (INCOME)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Current tax expense: | | | | |
| Malaysian | 8,136,583 | 7,221,583 | 46,583 | 40,433,583 |
| Foreign | 1,556,263 | 478,230 | - | - |
| Deferred tax expense/ (income): | | | | |
| Reduction in opening deferred tax resulting from the change in tax rates | 104,000 | 69,000 | - | - |
| Relating to the origination and reversal of temporary differences in current year | (464,963) | 943,036 | - | - |
| Reversal of deferred tax liabilities arising from the exemption of capital gains tax | - | (255,371) | - | - |
| | 9,331,883 | 8,456,478 | 46,583 | 40,433,583 |
| Under/ (over)provision in prior years: | | | | |
| Current tax | 1,150,753 | 161,738 | (53,682) | (69,255) |
| Deferred tax | (916,000) | (112,000) | - | - |
| | 9,566,636 | 8,506,216 | (7,099) | 40,364,328 |

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

A numerical reconciliation of tax expense applicable to profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Accounting profit/ (loss) | 43,502,781 | 44,097,566 | (916,140) | 157,920,811 |
| Tax amount at the statutory tax rate of 26% (2007: 27%) | 11,311,000 | 11,906,343 | (238,000) | 42,638,619 |
| Tax effects of: | | | | |
| Expenses that are not deductible in determining taxable profit | 89,883 | 691,850 | 25,583 | 24,167 |
| Income that are not taxable in determining taxable profit | (574,000) | (3,431,828) | - | (2,229,203) |
| Tax savings from the claim of: | | | | |
| Allowance for increased exports | (559,000) | (675,000) | - | - |
| Double deduction on expenses | (111,000) | (164,347) | - | - |
| Reinvestment allowances | - | (156,000) | - | - |
| Reduction in opening deferred tax resulting from the change in tax rates | 104,000 | 69,000 | - | - |
| Effect of different tax rates | (1,285,000) | 468,558 | 10,000 | - |
| Reversal of deferred tax liabilities arising from the exemption of capital gains tax | - | (255,371) | - | - |
| Net deferred tax assets not recognised in current year | 356,000 | 3,273 | 249,000 | - |
| | 9,331,883 | 8,456,478 | 46,583 | 40,433,583 |
| Under/ (over)provision in prior years: | | | | |
| Current tax | 1,150,753 | 161,738 | (53,682) | (69,255) |
| Deferred tax | (916,000) | (112,000) | - | - |
| Tax expense/ (income) | 9,566,636 | 8,506,216 | (7,099) | 40,364,328 |

The Group is operating in the jurisdictions of Malaysia, Republic of Singapore and Thailand. The applicable domestic statutory tax rates are 20% and 26% (2007: 20% and 27%) for Malaysia, 18% (2007: 18%) for Republic of Singapore and 15% and 30% (2007: 15% and 30%) for Thailand.

The applicable tax rate of 26% (2007: 27%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory tax rate prevailing for the Company.

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

Small and medium enterprises ("SME") in Malaysia with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the corporate tax rate was 26% for the year of assessment 2008 (2007: 27%) and will be reduced to 25% for year of assessment 2009. With effect from year of assessment 2009, SME is defined as a company resident in Malaysia with paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company does not control or is controlled directly or indirectly by, another company which has a paid-up capital of more than RM2.5 million in respect of ordinary shares.

A subsidiary in Thailand is enjoying investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. Under this incentive, the subsidiary is entitled to corporate tax exemption and tax reduction (at 15%) 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 tax at 30% of the net profit.

As of December 31, 2008, the Group has unused tax losses of approximately RM495,000 (2007: RM598,000) which are available for set off against future taxable income. The unused tax losses are subject to agreement by the relevant tax authorities.

## 8. PROFIT/ (LOSS) FOR THE YEAR

Profit/ (loss) for the year has been arrived at:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| **After charging:** | | | | |
| Directors' remuneration: | | | | |
| Directors of the Company: | | | | |
| Fee | 48,000 | 48,000 | 48,000 | 48,000 |
| Contribution to Employees Provident Fund | 593,612 | 170,046 | 593,612 | 170,046 |
| Other emoluments | 2,674,216 | 2,465,198 | 2,674,216 | 2,465,198 |
| Directors of subsidiaries: | | | | |
| Fee | - | - | - | - |
| Contribution to Employees Provident Fund and Central Provident Fund | 46,410 | 67,699 | - | - |
| Other emoluments | 394,960 | 561,231 | - | - |
| Depreciation of property, plant and equipment | 3,668,779 | 3,333,754 | - | - |
| Allowance for slow moving inventories | 1,638,591 | - | - | - |
| Allowance for doubtful debts | 416,857 | 691,958 | - | - |
| Amortisation of prepaid lease payments on leasehold land | 246,911 | 229,340 | - | - |

(FORWARD)

## 8. PROFIT/ (LOSS) FOR THE YEAR (cont'd)

| | The Group 2008 RM | The Group 2007 RM | The Company 2008 RM | The Company 2007 RM |
|---|---|---|---|---|
| Fair value adjustment on investment properties | 238,556 | - | - | - |
| Rental of: | | | | |
| Premises | 126,390 | 112,725 | - | - |
| Office equipment | 14,458 | 13,001 | - | - |
| Unrealised loss on foreign exchange | 124,887 | - | - | - |
| Audit fee: | | | | |
| Current year | 97,704 | 99,289 | 22,000 | 22,000 |
| Overprovision in prior year | (2,300) | (7,400) | - | - |
| Property, plant and equipment written off | 2 | 30,883 | - | - |
| Bad debts written off | - | 11,787 | - | - |
| Interest on bank borrowings | - | 568 | - | - |
| **And crediting:** | | | | |
| Gain on foreign exchange: | | | | |
| Realised | 3,481,898 | 1,769,739 | - | 109,282 |
| Unrealised | - | 14,186 | - | - |
| Interest income on short-term deposits | 2,041,789 | 1,690,225 | 441,811 | 357,196 |
| Rental income | 1,095,502 | 1,067,358 | - | - |
| Gain on disposal of property, plant and equipment | 22,572 | 65,825 | - | - |
| Allowance for slow moving inventories no longer required | - | 2,697,703 | - | - |
| Gain on disposal of invesments | - | 11,108 | - | 11,108 |

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

| | The Group 2008 RM | The Group 2007 RM |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company (RM) | 33,936,145 | 35,591,350 |
| Weighted average number of ordinary shares in issue (units) | 64,005,058 | 62,614,799 |
| Basic earnings per share (sen) | 53 | 57 |

## 10. PROPERTY, PLANT AND EQUIPMENT

### The Group

| Cost unless stated otherwise | Beginning of year RM | Transfer from prepaid lease payments RM | Additions RM | Disposals/ write-off RM | Currency translation differences RM | End of year RM |
|---|---|---|---|---|---|---|
| **2008:** | | | | | | |
| Freehold land | 668,044 | - | - | - | 8,163 | 676,207 |
| Leasehold improvement | 203,884 | - | - | - | - | 203,884 |
| Buildings | | | | | | |
| - at cost | 928,819 | - | - | - | 11,216 | 940,035 |
| - at 2005 valuation | 17,820,000 | - | 1,415,839 | - | - | 19,235,839 |
| Leasehold flats | | | | | | |
| - at 2005 valuation | - | 1,950,000 | - | - | - | 1,950,000 |
| Plant and machinery | 46,611,268 | - | 3,625,183 | (1,545,289) | (488) | 48,690,674 |
| Production tools and equipment | 2,647,246 | - | 103,500 | (6,870) | 111 | 2,743,987 |
| Furniture, fixtures and office equipment | 2,222,655 | - | 298,294 | (8,190) | 878 | 2,513,637 |
| Mechanical and electrical installation | 1,608,537 | - | - | - | - | 1,608,537 |
| Motor vehicles | 1,828,881 | - | - | (5,615) | 2,902 | 1,826,168 |
| Road | 8,621 | - | - | - | 105 | 8,726 |
| | 74,547,955 | 1,950,000 | 5,442,816 | (1,565,964) | 22,887 | 80,397,694 |
| **2007:** | | | | | | |
| Freehold land | 667,364 | - | - | - | 680 | 668,044 |
| Leasehold improvement | 203,884 | - | - | - | - | 203,884 |
| Buildings | | | | | | |
| - at cost | 927,884 | - | - | - | 935 | 928,819 |
| - at 2005 valuation | 17,820,000 | - | - | - | - | 17,820,000 |
| Plant and machinery | 44,818,972 | - | 2,233,800 | (441,536) | 32 | 46,611,268 |
| Production tools and equipment | 2,416,613 | - | 230,626 | - | 7 | 2,647,246 |
| Furniture, fixtures and office equipment | 2,162,034 | - | 88,705 | (28,047) | (37) | 2,222,655 |
| Mechanical and electrical installation | 1,608,537 | - | - | - | - | 1,608,537 |
| Motor vehicles | 1,483,283 | - | 348,237 | - | (2,639) | 1,828,881 |
| Road | 8,612 | - | - | - | 9 | 8,621 |
| | 72,117,183 | - | 2,901,368 | (469,583) | (1,013) | 74,547,955 |

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

### The Group

| Accumulated depreciation | Beginning of year RM | Transfer from prepaid lease payments RM | Charge for the year RM | Disposals/ write-off RM | Currency translation differences RM | End of year RM |
|---|---|---|---|---|---|---|
| **2008:** | | | | | | |
| Leasehold improvement | 203,862 | - | - | - | - | 203,862 |
| Buildings | | | | | | |
| - at cost | 193,696 | - | 91,019 | - | 1,730 | 286,445 |
| - at 2005 valuation | 1,382,720 | - | 582,451 | - | - | 1,965,171 |
| Leasehold flats | | | | | | |
| - at 2005 valuation | - | 56,686 | 22,674 | - | - | 79,360 |
| Plant and machinery | 39,569,207 | - | 2,634,715 | (1,545,287) | 78 | 40,658,713 |
| Production tools and equipment | 2,358,352 | - | 93,499 | (6,870) | 55 | 2,445,036 |
| Furniture, fixtures and office equipment | 1,991,165 | - | 103,264 | (8,190) | 263 | 2,086,502 |
| Mechanical and electrical installation | 1,608,113 | - | - | - | - | 1,608,113 |
| Motor vehicles | 1,325,959 | - | 141,157 | (5,615) | 87 | 1,461,588 |
| Road | 8,621 | - | - | - | 105 | 8,726 |
| | 48,641,695 | 56,686 | 3,668,779 | (1,565,962) | 2,318 | 50,803,516 |
| **2007:** | | | | | | |
| Leasehold improvement | 203,862 | - | - | - | - | 203,862 |
| Buildings | | | | | | |
| - at cost | 104,290 | - | 91,031 | - | (1,625) | 193,696 |
| - at 2005 valuation | 820,161 | - | 562,559 | - | - | 1,382,720 |
| Plant and machinery | 37,675,787 | - | 2,308,753 | (415,247) | (86) | 39,569,207 |
| Production tools and equipment | 2,195,927 | - | 162,464 | - | (39) | 2,358,352 |
| Furniture, fixtures and office equipment | 1,940,118 | - | 74,765 | (23,452) | (266) | 1,991,165 |
| Mechanical and electrical installation | 1,599,191 | - | 8,922 | - | - | 1,608,113 |
| Motor vehicles | 1,203,828 | - | 122,363 | - | (232) | 1,325,959 |
| Road | 5,750 | - | 2,897 | - | (26) | 8,621 |
| | 45,748,914 | - | 3,333,754 | (438,699) | (2,274) | 48,641,695 |

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

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| **Net book value:** | | |
| Freehold land | 676,207 | 668,044 |
| Leasehold improvement | 22 | 22 |
| Buildings | | |
| - at cost | 653,590 | 735,123 |
| - at 2005 valuation | 17,270,668 | 16,437,280 |
| Leasehold flats | | |
| - at 2005 valuation | 1,870,640 | - |
| Plant and machinery | 8,031,961 | 7,042,061 |
| Production tools and equipment | 298,951 | 288,894 |
| Furniture, fixtures and office equipment | 427,135 | 231,490 |
| Mechanical and electrical installation | 424 | 424 |
| Motor vehicles | 364,580 | 502,922 |
| Road | - | - |
| | 29,594,178 | 25,906,260 |

The buildings and leasehold flats were revalued by the directors in 2005 based on the valuations carried out by an independent firm of professional valuers. The valuations were based on open market values on existing use basis.

Had the buildings and leasehold flats been carried at historical cost, the carrying amount of the revalued assets will be as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| **Cost:** | | |
| Buildings | 15,581,896 | 15,581,896 |
| Leasehold flats | 1,472,000 | - |
| | 17,053,896 | 15,581,896 |
| **Accumulated depreciation:** | | |
| Buildings | 6,713,105 | 6,283,643 |
| Leasehold flats | 224,272 | - |
| | (6,937,377) | (6,283,643) |
| **Carrying amount** | 10,116,519 | 9,298,253 |

As of December 31, 2008, certain of the Group's freehold land and buildings with a total carrying value of RM1,319,714 (2007: RM1,392,838) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

## 11. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| **At fair value:** | | |
| At beginning of year | 10,379,376 | 10,377,366 |
| Addition during the year | 258,000 | - |
| Fair value adjustment | (238,556) | - |
| Effect of exchange differences | 24,120 | 2,010 |
| At end of year | 10,422,940 | 10,379,376 |

The investment properties as of December 31, 2008 are as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| Freehold land | 1,468,037 | 1,450,314 |
| Short leasehold land and buildings | 8,954,903 | 8,929,062 |
| | 10,422,940 | 10,379,376 |

The fair value of certain of the Group's investment properties as of December 31, 2008 amounting to RM8,425,000 (2007: RM8,405,556) has been arrived at on the basis of valuations carried out by an independent firm of professional valuer that is not related to the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

The fair value of the remaining amount of the Group's investment properties as of December 31, 2008 amounting to RM1,997,940 (2007: RM1,973,820) was determined by the directors by reference to market evidence of transaction prices for similar properties of which no valuation was carried out by an independent valuer.

The rental income earned by the Group from its investment properties is RM867,000 (2007: RM1,067,358). Direct operating expenses incurred on the investment properties during the financial year amounted to RM109,818 (2007: RM102,543).

As of December 31, 2008, the unexpired lease period of the short leasehold land of the Group which are included under investment properties is 41 years.

As of December 31, 2008, certain of the Group's investment properties with a total carrying value of RM1,997,940 (2007: RM1,973,820) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

## 12. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| At beginning of year | 10,676,647 | 10,905,987 |
| Addition during the year | 3,300,000 | - |
| Transfer to property, plant and equipment | (1,893,314) | - |
| Amortisation during the year | (246,911) | (229,340) |
| At end of year | 11,836,422 | 10,676,647 |

The prepaid lease payments on leasehold land as of December 31, 2008 are as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| Short leasehold land | 11,836,422 | 8,783,333 |
| Leasehold flats | - | 1,893,314 |
| | 11,836,422 | 10,676,647 |

As of December 31, 2008, the unexpired lease period of the short leasehold land of the Group which are included under prepaid lease payments on leasehold land is 41 years.

## 13. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| **Unquoted shares:** | | |
| At beginning of year | 79,918,805 | 82,262,857 |
| Dividend received from a subsidiary declared out of pre-acquisition profit | - | (2,344,052) |
| At end of year | 79,918,805 | 79,918,805 |

## 13. INVESTMENTS IN SUBSIDIARIES (cont'd)

The subsidiaries are as follows:

| | Country of incorporation | Principal activities | Percentage of ownership 2008 | 2007 |
|---|---|---|---|---|
| **Direct holdings** | | | | |
| Pan-International Electronics (Malaysia) Sdn. Bhd. | Malaysia | Contract electronic manufacturing and cable and PCB assemblies | 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% | 100% |
| Pan-International Wire & Cable (Malaysia) Sdn. Bhd. | Malaysia | Manufacture of cables and wires for electronic devices and cable moulding compounds | 100% | 100% |
| **Indirect holdings** | | | | |
| Pan-International Corporation (S) Pte. Ltd.*# | Republic of Singapore | Marketing and trading of electronic and telecommunication components and equipment | 100% | 100% |
| PIE Enterprise (M) Sdn. Bhd.* | Malaysia | Trading of cables and computers | 100% | 100% |
| P.I.W. Enterprise (Malaysia) Sdn. Bhd.+ | Malaysia | Trading of electrical products. However, in 2004, the Company ceased its trading activity and is presently inactive. | 100% | 100% |

# The financial statements of these subsidiaries were audited by other firms of auditors.

* 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..

## 14. INVESTMENT IN JOINTLY CONTROLLED ENTITY

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Unquoted shares, at cost | 25,000 | 25,000 | 25,000 | 25,000 |
| Share of post acquisition results | (25,000) | (25,000) | - | - |
| | - | - | 25,000 | 25,000 |

The Company holds 50% (2007: 50%) equity interest in a jointly controlled entity, Infra-Info Telecommunications Sdn. Bhd., a company incorporated in Malaysia. The jointly controlled entity is principally engaged in the provision of wireless broadband services and sale of related telecommunication products.

The Group's share of loss in jointly controlled entity has been recognised to the extent of the carrying amount of the investment. The cumulative and current year unrecognised share of loss in excess of carrying amount amounted to RM55,159 (2007: RM38,825) and RM16,334 (2007: RM37,704) respectively.

The Group's aggregate share of non-current assets, current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| **Assets and liabilities** | | |
| Non-current assets | 67,558 | 84,429 |
| Current assets | 6,410 | 3,595 |
| Total assets | 73,968 | 88,024 |
| Current liabilities | 129,127 | 126,849 |
| **Results** | | |
| Revenue | 16,472 | 14,297 |
| Expenses | 32,806 | 53,251 |
| Other income | - | 1,250 |

## 15. DEFERRED TAX ASSETS/ (LIABILITIES)

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| Deferred tax assets | 3,033,000 | 1,869,000 |
| Deferred tax liabilities | (3,844,633) | (3,957,596) |
| | (811,633) | (2,088,596) |

## 15. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

The movement in the deferred tax assets is as follows:

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Balance at beginning of year | 1,869,000 | 2,882,000 |
| Transfer from/ (to) income statements: | | |
| Relating to the origination and reversal of temporary differences | 1,268,000 | (944,000) |
| Reduction in opening deferred tax resulting from the change in tax rates | (104,000) | (69,000) |
| Balance at end of year | 3,033,000 | 1,869,000 |

The deferred tax assets are in respect of the following:

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| **Tax effects of:** | | |
| Temporary differences arising from: | | |
| Property, plant and equipment | (1,371,000) | (1,278,000) |
| Inventories | - | 2,424,000 |
| Others | 4,404,000 | 723,000 |
| Net | 3,033,000 | 1,869,000 |

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2008, deferred tax assets have not been recognised in respect of the following:

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| **Tax effects of:** | | |
| Temporary differences arising from: | | |
| Receivables | 99,000 | - |
| Inventories | 15,000 | - |
| Others | 20,684 | - |
| Unused tax losses | 93,263 | 116,833 |
| | 227,947 | 116,833 |

## 15. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

The movement in the deferred tax liabilities is as follows:

| | The Group | |
|---|---|---|
| | 2008<br>RM | 2007<br>RM |
| Balance at beginning of year | 3,957,596 | 4,325,931 |
| Transfer to income statements: | | |
| Relating to the origination and reversal of temporary differences: | | |
| Crystallation of deferred tax liabilities on revaluation surplus | (112,963) | (112,964) |
| Reversal of deferred tax liabilities arising from the exemption of capital gains tax | - | (255,371) |
| Balance at end of year | 3,844,633 | 3,957,596 |

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

A deferred tax income of RM112,963 (2007: RM112,964) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM290,479 (2007: RM290,477) was transferred from revaluation reserve to retained earnings. This relates to the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of the assets.

## 16. INVENTORIES

| | The Group | |
|---|---|---|
| | 2008<br>RM | 2007<br>RM |
| Raw materials | 24,256,509 | 26,430,476 |
| Work-in-progress | 5,568,421 | 6,424,046 |
| Finished goods | 5,502,641 | 3,511,359 |
| Goods-in-transit | 169,839 | 407,165 |
| | 35,497,410 | 36,773,046 |

The cost of inventories recognised as an expense during the financial year was RM238,757,636 (2007: RM234,754,266).

## 17. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Trade receivables | 68,608,026 | 70,626,631 | - | - |
| Less: Allowance for doubtful debts | (1,830,486) | (1,404,900) | - | - |
| | 66,777,540 | 69,221,731 | - | - |
| Amount owing by subsidiaries | - | - | 93,375,000 | 111,700,800 |
| Amount owing by jointly controlled entity | 125,000 | 125,000 | 125,000 | 125,000 |
| Other receivables | 105,901 | 163,502 | 48,386 | 33,082 |
| | 67,008,441 | 69,510,233 | 93,548,386 | 111,858,882 |

The currency exposure profile of trade receivables is as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| United States Dollar | 51,467,862 | 45,274,763 |
| Ringgit Malaysia | 7,844,243 | 13,703,632 |
| Euro | 4,839,394 | 4,246,842 |
| Thai Baht | 1,423,314 | 3,059,395 |
| Singapore Dollar | 1,202,727 | 2,937,099 |
| | 66,777,540 | 69,221,731 |

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit periods granted by the Group for sale of goods range from 30 to 90 days (2007: 30 to 90 days).

An allowance has been made by the Group for estimated irrecoverable amount from the sale of goods of RM1,830,486 (2007: RM1,404,900) based on the past default experience of the Group.

The amount owing by subsidiaries are as follows:

| | The Company | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| Pan-International Electronics (Malaysia) Sdn. Bhd. | 66,795,000 | 76,655,400 |
| Pan-International Wire & Cable (Malaysia) Sdn. Bhd. | 26,580,000 | 35,045,400 |
| | 93,375,000 | 111,700,800 |

## 17. TRADE AND OTHER RECEIVABLES (cont'd)

The amount owing by subsidiaries arose mainly from dividend receivable, management fee receivable and unsecured advances which are interest free and have no fixed term of repayment.

The amount owing by jointly controlled entity, Infra-Info Telecommunications Sdn. Bhd. arose mainly from unsecured advances which are interest free and have no fixed term of repayment.

The currency exposure profile of other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Ringgit Malaysia | 101,043 | 115,477 | 48,386 | 33,082 |
| Thai Baht | 4,858 | 48,025 | - | - |
| | 105,901 | 163,502 | 48,386 | 33,082 |

## 18. OTHER ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Refundable deposits | 958,536 | 132,090 | 2,441 | 2,500 |
| Prepaid expenses | 705,320 | 1,899,676 | 17,863 | 17,869 |
| | 1,663,856 | 2,031,766 | 20,304 | 20,369 |

Included in prepaid expenses of the Group in 2007 was an amount of RM540,000 relating to prepayment for purchase of leasehold land and building.

## 19. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The currency exposure profile of short-term deposits with licensed banks is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Ringgit Malaysia | 61,452,437 | 44,546,181 | 24,400,000 | 23,700,000 |
| United States Dollar | 7,297,500 | 19,292,600 | - | - |
| Thai Baht | 3,137,196 | 2,946,000 | - | - |
| | 71,887,133 | 66,784,781 | 24,400,000 | 23,700,000 |

The short-term deposits of the Group carry interests at rates ranging from 0.2% to 3.55% (2007: 2.25% to 4.3%) per annum and will mature within January 2009 to March 2009. The short-term deposits of the Company carry interests at rates ranging from 3.2% to 3.55% (2007: 3.45% to 3.5%) per annum and will mature in January 2009 and February 2009.

## 20. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| United States Dollar | 14,726,620 | 7,339,603 | - | - |
| Thai Baht | 8,478,638 | 3,749,385 | - | - |
| Ringgit Malaysia | 2,942,919 | 2,975,213 | 63,261 | 240,315 |
| Singapore Dollar | 392,260 | 111,692 | - | - |
| Euro | 6,182 | - | - | - |
| | 26,546,619 | 14,175,893 | 63,261 | 240,315 |

As of December 31, 2008, certain bank balances of the Group with a total carrying amount of RM55,664 (2007: Nil) are charged as guarantee for the issuance of letter of guarantee by a bank for a foreign subsidiary's installation of electrical transformer and guarantee for the performance.

## 21. SHARE CAPITAL

| | The Company | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| | No. of shares | RM | No. of shares | RM |
| **Authorised:** | | | | |
| Shares of RM1 each | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of RM1 each: | | | | |
| At beginning of year | 64,007,000 | 64,007,000 | 63,130,000 | 63,130,000 |
| Exercise of employees' share options | - | - | 877,000 | 877,000 |
| At end of year | 64,007,000 | 64,007,000 | 64,007,000 | 64,007,000 |

At an Annual General Meeting held on May 23, 2008, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital. The share buy-back exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 10,500 (2007: 294,300) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM3.12 (2007: RM3.27) per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

## 21. SHARE CAPITAL (cont'd)

During the financial year ended December 31, 2007, the Company sold 1,500,800 treasury shares in the open market at an average re-sale price of RM4.06 per ordinary share for a total consideration of RM6,071,912.

As of December 31, 2008, out of the total 64,007,000 (2007: 64,007,000) issued and paid-up share capital, 11,000 (2007: 500) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,996,000 (2007: 64,006,500) ordinary shares of RM1 each.

During the financial year ended December 31, 2007, the issued and paid-up share capital of the Company was increased from RM63,130,000 to RM64,007,000 by way of issuance of 877,000 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 RM613,900 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 implemented the ESOS which came into effect on March 11, 2003 for a period of five years. The ESOS is governed by the By-Laws which were approved by the Company's shareholders on December 2, 2002 and expired during the financial year ended December 31, 2008.

The movement in 2007 in the number of share options outstanding and their related weighted average exercise price was as follows:

| | The Group and the Company | |
|---|---|---|
| | Average exercise price RM/share | Options |
| At January 1, 2007 | 1.70 | 888,000 |
| Granted | - | - |
| Forfeited | 1.70 | (11,000) |
| Exercised | 1.70 | (877,000) |
| Expired | - | - |
| At December 31, 2007 | 1.70 | - |

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

Details of share options exercised during the financial year ended December 31, 2007 and the fair values at exercise dates of shares issued were as follows:

| Exercise date | Exercise price per ordinary share RM | Fair value of shares issued RM | No. of options exercised RM | Considerations received RM |
|---|---|---|---|---|
| **2007:** | | | | |
| January 2007 | 1.70 | 2.92 - 2.94 | 5,000 | 8,500 |
| February 2007 | 1.70 | 3.16 | 1,000 | 1,700 |
| March 2007 | 1.70 | 3.10 - 3.42 | 391,000 | 664,700 |
| April 2007 | 1.70 | 3.30 - 3.66 | 287,000 | 487,900 |
| May 2007 | 1.70 | 3.44 - 3.90 | 180,000 | 306,000 |
| June 2007 | 1.70 | 3.46 | 3,000 | 5,100 |
| August 2007 | 1.70 | 4.02 | 2,000 | 3,40 |
| September 2007 | 1.70 | 3.88 - 3.90 | 4,000 | 6,800 |
| November 2007 | 1.70 | 5.05 | 4,000 | 6,800 |
| | | | 877,000 | 1,490,900 |

The principal features of the ESOS are as follows:

a. The maximum number of new ordinary shares of the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed ten percent 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 years of age, have been employed in the Group for at least six months and have been confirmed in service;

d. the ESOS shall be in force for a period of five 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 deem fit, extend the scheme for another five years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS By-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 Berhad for the five 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.

## 22. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| **Distributable as cash dividends:** | | | | |
| Retained earnings | 118,235,972 | 102,392,015 | 96,521,438 | 115,813,146 |
| **Non-distributable as cash dividends:** | | | | |
| Share premium | 18,993,049 | 18,993,049 | 18,993,049 | 18,993,049 |
| Revaluation reserve | 9,886,205 | 10,176,684 | - | - |
| Translation reserve | 695,027 | 469,127 | - | - |
| Merger reserve | - | - | 16,408,221 | 16,408,221 |
| | 147,810,253 | 132,030,875 | 131,922,708 | 151,214,416 |

Effective January 1, 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by December 31, 2013.

The Company has tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings as of December 31, 2008.

The share premium arose from the issue of shares at premium and sale of treasury shares, net of share issue expenses.

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of the Group's short leasehold land, buildings and leasehold flats, net of the related deferred tax liabilities.

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

The merger reserve represents the difference between the cost of investment in subsidiaries and the nominal value of shares issued as consideration plus cash consideration.

## 23. TRADE AND OTHER PAYABLES

The currency exposure profile of trade and other payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| **Trade payables:** | | | | |
| United States Dollar | 17,019,030 | 15,045,424 | - | - |
| Ringgit Malaysia | 6,046,350 | 9,855,051 | - | - |
| Euro | 307,352 | 862 | - | - |
| Thai Baht | 264,603 | 786,596 | - | - |
| Japanese Yen | 122,174 | 681,044 | - | - |
| Singapore Dollar | 83,236 | 202,351 | - | - |
| Pound Sterling | 31,097 | 74,009 | - | - |
| | 23,873,842 | 26,645,337 | - | - |
| **Amount owing to ultimate holding company:** | | | | |
| United States Dollar | 2,055 | 90,082 | - | - |
| New Taiwan Dollar | - | 17,235 | - | - |
| | 2,055 | 107,317 | - | - |
| **Amount owing to directors:** | | | | |
| Ringgit Malaysia | 800 | 13,200 | 800 | 13,200 |
| **Other payables:** | | | | |
| Ringgit Malaysia | 1,222,075 | 1,965,311 | - | - |
| Thai Baht | 123,970 | 1,460,586 | - | - |
| United States Dollar | 102,899 | 71,443 | - | - |
| Singapore Dollar | 4,369 | 499 | - | - |
| | 1,453,313 | 3,497,839 | - | - |
| **Accrued expenses:** | | | | |
| Ringgit Malaysia | 14,525,920 | 10,821,929 | 3,484,070 | 2,028,966 |
| Thai Baht | 2,092,232 | 263,163 | - | - |
| Singapore Dollar | 17,896 | 15,722 | - | - |
| | 16,636,048 | 11,100,814 | 3,484,070 | 2,028,966 |
| | 41,966,058 | 41,364,507 | 3,484,870 | 2,042,166 |

Included in trade payables is an amount of RM11,874 (2007: Nil) owing to Hon Hai Precision Industries Co. Ltd., a shareholder of the Company's ultimate holding company.

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 10 to 60 days (2007: 10 to 60 days).

## 23. TRADE AND OTHER PAYABLES (cont'd)

The amount owing to ultimate holding company arose mainly from trade transactions. The credit period granted to the Group for trade transactions with ultimate holding company is 30 days (2007: 30 days).

The amount owing to directors is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| **Directors of the Company:** | | | | |
| Cheung Ho Leung | 800 | 800 | 800 | 800 |
| Ahmad Murad Bin Abdul Aziz | - | 6,000 | - | 6,000 |
| Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa | - | 6,000 | - | 6,000 |
| Cheng Shing Tsung | - | 400 | - | 400 |
| | 800 | 13,200 | 800 | 13,200 |

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

Other payables comprise mainly amounts outstanding for ongoing costs.

## 24. DIVIDENDS

| | The Group and the Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| **Declared in respect of financial year ended December 31, 2007:** | | |
| Special dividend of 8 sen per ordinary share, tax exempt | 5,120,520 | - |
| Special dividend of 16 sen gross per ordinary share, less tax | 7,578,370 | - |
| First and final dividend of 12 sen gross per ordinary share, less tax | 5,683,777 | - |
| Special interim dividend of 3 sen per ordinary share, tax exempt | - | 1,877,364 |
| **Declared in respect of financial year ended December 31, 2006:** | | |
| Special dividend of 8 sen per ordinary share, tax exempt | - | 5,006,304 |
| Special dividend of 3 sen gross per ordinary share, less tax | - | 1,370,476 |
| First and final dividend of 12 sen gross per ordinary share, less tax | - | 5,481,903 |
| | 18,382,667 | 13,736,047 |

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of year comprise the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Short-term deposits with licensed banks | 71,887,133 | 66,784,781 | 24,400,000 | 23,700,000 |
| Cash and bank balances | 26,546,619 | 14,175,893 | 63,261 | 240,315 |
| | 98,433,752 | 80,960,674 | 24,463,261 | 23,940,315 |
| Less: Bank balances charged as security | (55,664) | - | - | - |
| | 98,378,088 | 80,960,674 | 24,463,261 | 23,940,315 |

## 26. BANKING FACILITIES

The Group's banking facilities bore interests at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rates, 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 charge over a subsidiary's freehold land, buildings and investment properties; and
b. corporate guarantees by the Company for RM6,600,000.

## 27. FINANCIAL INSTRUMENTS

### a. Financial risk management objectives and policies

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

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

#### i. Foreign currency risk

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

#### ii. Interest rate risk

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

## 27. FINANCIAL INSTRUMENTS (cont'd)

### a. Financial risk management objectives and policies (cont'd)

#### iii. Market risk

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

#### iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheets. There is concentration of credit risk with respect to trade receivables from a major group of customers with amount receivable of RM33,328,617 as of December 31, 2008. However, this trade receivable was consistently settling its debts within the credit period granted by the Group.

#### v. Liquidity risk

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

#### vi. Cash flow risk

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

### b. Off balance sheet derivative financial instruments

The Group enters into various financial derivative transactions to control and manage financial risks arising from its operations. The use of derivative instruments is to manage its exposures to fluctuations in foreign exchange rates. These instruments are not recognised in the financial statements on inception.

### c. Foreign currency forward contracts

In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

## 27. FINANCIAL INSTRUMENTS (cont'd)

### c. Foreign currency forward contracts (cont'd)

At the balance sheet date, the Group had contracted to sell the following amount under forward contracts:

| | The Group | | Average exchange rate | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| United States Dollar | 14,380,000 | - | 3.1956 | - |

All of these contracts outstanding as of December 31, 2008 will mature within January 2009 to April 2009. The net deferred loss arising on such contracts as of December 31, 2008 of approximately RM1,224,000 will be recognised in the underlying transactions in 2009.

### d. Fair values

The estimated fair values of the Group's financial instruments as of December 31, 2008 are as follows:

**i. Cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables and amount owing to directors**

The fair values approximate their carrying amounts shown in the balance sheets because of the short maturity of these instruments.

**ii. Off balance sheet item**

| | The Group | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Foreign currency forward contracts | - | 15,603,750 | - | - |

The fair value of foreign currency forward contracts was calculated by reference to the current rate for contracts with similar maturity profiles.

## 28. RELATED PARTY TRANSACTIONS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| **With ultimate holding company:** | | | | |
| Purchase of raw materials | 247,744 | 576,143 | - | - |
| Purchase of sundry items | 7,508 | 7,163 | - | - |
| Purchase of trading goods | - | 4,760 | - | - |
| **With subsidiaries:** | | | | |
| Pan-International Electronics (Malaysia) Sdn. Bhd. | | | | |
| Management fee received | - | - | 1,460,800 | 64,800 |
| Pan-International Wire & Cable (Malaysia) Sdn. Bhd. | | | | |
| Management fee received | - | - | 610,800 | 64,800 |
| **With another related company:** | | | | |
| Pan-International USA | | | | |
| Sale of finished goods | 15,235 | - | - | - |
| **With another related party:** | | | | |
| Hon Hai Precision Industries Co. Ltd.* | | | | |
| Purchase of raw materials | 11,874 | - | - | - |

* A shareholder of the Company's ultimate holding company.

## 29. CAPITAL COMMITMENTS

As of December 31, 2008, the Group has commitment in respect of capital expenditure on leasehold land and building as follows:

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| Approved and contracted for | - | 3,960,000 |

## 30. OPERATING LEASE ARRANGEMENTS

The Group has entered into operating lease agreements to lease out its investment properties. The future minimum lease payments receivable under operating lease of the Group's short leasehold land and building contracted for as of the balance sheet date but not recognised as receivables, are as follows:

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Not later than one year | 1,068,610 | 1,118,839 |
| Later than one year and not later than five years | 1,972,872 | 2,912,159 |
| Later than five years | - | 118,783 |
| | 3,041,482 | 4,149,781 |

The Group has entered into operating lease agreements for the use of premises. The future aggregate minimum lease payments under operating leases contracted for as of the balance sheet date but not recognised as liabilities are as follows:

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Not later than one year | 101,210 | 84,440 |
| Later than one year and not later than five years | 31,820 | 24,270 |
| | 133,030 | 108,710 |

## 31. SEGMENT REPORTING

**Business segments**

For management purposes, the Group is organised into the following business segments:

a. 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);
b. trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment); and
c. investment holdings.

Inter-segment revenue are charged on an arms length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

## 31. SEGMENT REPORTING (cont'd)

### The Group

| | Manufacturing of industrial products RM | Trading of electrical products RM | Investment holdings RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|
| **2008:** | | | | | |
| Revenue | | | | | |
| External sales | 288,242,162 | 3,542,005 | - | - | 291,784,167 |
| Inter-segment revenue | 2,875,916 | 1,776,412 | 4,071,600 | (8,723,928) | - |
| **Total revenue** | 291,118,078 | 5,318,417 | 4,071,600 | (8,723,928) | 291,784,167 |
| **Results** | | | | | |
| Segment results | 43,542,398 | (79,730) | (1,357,951) | (1,739,227) | 40,365,490 |
| Investment revenue | | | | | 3,137,291 |
| Profit before tax | | | | | 43,502,781 |
| Tax expense | | | | | (9,566,636) |
| **Profit for the year** | | | | | 33,936,145 |
| **Assets** | | | | | |
| Segment assets | 166,032,977 | 3,781,722 | 1,979,111 | 2,074,781 | 173,868,591 |
| Income producing assets | | | | | 82,310,073 |
| Income tax assets | | | | | 4,552,965 |
| **Consolidated total assets** | | | | | 260,731,629 |
| **Liabilities** | | | | | |
| Segment liabilities | 38,447,004 | 34,184 | 3,484,870 | - | 41,966,058 |
| Income tax liabilities | | | | | 6,983,624 |
| **Consolidated total liabilities** | | | | | 48,949,682 |
| **Other information** | | | | | |
| Capital additions | 9,082,816 | - | - | (82,000) | 9,000,816 |
| Depreciation and amortisation | 3,896,329 | - | - | 19,361 | 3,915,690 |
| Other non-cash expenses | 2,081,514 | 194,045 | - | 143,334 | 2,418,893 |

## 31. SEGMENT REPORTING (cont'd)

### The Group

| | Manufacturing of industrial products RM | Trading of electrical products RM | Investment holdings RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|
| **2007:** | | | | | |
| **Revenue** | | | | | |
| External sales | 274,444,499 | 6,504,323 | - | - | 280,948,822 |
| Inter-segment revenue | 837,076 | 1,743,441 | 161,464,929 | (164,045,446) | - |
| **Total revenue** | 275,281,575 | 8,247,764 | 161,464,929 | (164,045,446) | 280,948,822 |
| **Results** | | | | | |
| Segment results | 45,334,719 | (94,666) | 157,552,507 | (161,463,117) | 41,329,443 |
| Investment revenue | | | | | 2,768,691 |
| Finance cost | | | | | (568) |
| Profit before tax | | | | | 44,097,566 |
| Tax expense | | | | | (8,506,216) |
| Profit for the year | | | | | 35,591,350 |
| **Assets** | | | | | |
| Segment assets | 153,041,879 | 5,613,200 | 2,140,431 | - | 160,795,510 |
| Income producing assets | | | | | 77,164,157 |
| Income tax assets | | | | | 4,236,138 |
| **Consolidated total assets** | | | | | 242,195,805 |
| **Liabilities** | | | | | |
| Segment liabilities | 38,569,980 | 752,361 | 2,042,166 | - | 41,364,507 |
| Income tax liabilities | | | | | 4,795,992 |
| **Consolidated total liabilities** | | | | | 46,160,499 |
| **Other information** | | | | | |
| Capital additions | 2,901,368 | - | - | - | 2,901,368 |
| Depreciation and amortisation | 3,563,094 | - | - | - | 3,563,094 |
| Other non-cash expenses | 601,017 | 133,611 | - | - | 734,628 |

## 31. SEGMENT REPORTING (cont'd)

### Geographical segments

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

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

| | The Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| United States of America | 118,532,469 | 113,270,183 |
| Malaysia | 55,250,030 | 61,002,055 |
| Other Asia Pacific countries | 73,963,386 | 69,449,765 |
| Europe | 44,038,282 | 37,226,819 |
| | 291,784,167 | 280,948,822 |

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

| | The Group | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| | Carrying amount of segment assets RM | Capital additions RM | Carrying amount of segment assets RM | Capital additions RM |
| Malaysia | 148,643,826 | 8,728,224 | 143,090,173 | 2,658,936 |
| Thailand | 22,720,878 | 272,592 | 16,640,055 | 242,432 |
| Republic of Singapore | 2,503,887 | - | 1,065,282 | - |
| | 173,868,591 | 9,000,816 | 160,795,510 | 2,901,368 |

# 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, 2008 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

**MUI CHUNG MENG**

**CHEN, CHIH-WEN**

Penang,

March 3, 2009

# 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.

Subscribe and solemnly declared by )
the abovenamed **CHEN, CHIH-WEN** at )
**GEORGETOWN** in the State of **PENANG** )
on March 3, 2009 )

Before me,

**KARUPAYEE KAMALAM A/P R. MOTTAI**
COMMISSIONER FOR OATHS

# Analysis of Shareholdings

## SHARE CAPITAL AS AT MARCH 31, 2009

| | | |
|---|---|---|
| Authorized | : | RM100,000,000.00 |
| Issued and Fully paid-up | : | RM63,996,000.00* |
| Class of Share | : | Ordinary Shares of RM1.00 each with equal voting rights |
| Number of Shareholders | : | 1,872 |

* Excluding 11,000 Ordinary Shares held as Treasury Shares

## DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 31, 2009

| Holdings | No. of Holders | Total Holdings | % |
|---|---|---|---|
| 1 - 99 | 2 | 100 | 0.00 |
| 100 - 1,000 | 923 | 875,500 | 1.37 |
| 1,001 - 10,000 | 736 | 3,062,401 | 4.79 |
| 10,001 – 100,000 | 174 | 5,341,001 | 8.35 |
| 100,001 – 3,199,799 * | 34 | 14,676,900 | 22.93 |
| 3,199,800 and above ** | 3 | 40,040,098 | 62.56 |
| **Total** | **1,872** | **63,996,000** | **100.00** |

**Remark:**
* Less than 5% of issued shares
** 5% and above of issued shares

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 31, 2009

| | Name | Shareholdings | % |
|---|---|---|---|
| 1. | Pan Global Holding Co. Ltd | 32,909,998 | 51.43 |
| 2. | Lembaga Tabung Haji | 3,722,900 | 5.82 |
| 3. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>*Qualifier: icapital.biz Berhad* | 3,407,200 | 5.32 |
| 4. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Public Smallcap Fund* | 2,219,400 | 3.47 |
| 5. | Outstanding Growth Technology Limited | 1,180,000 | 1.84 |
| 6. | Goh Thong Beng | 1,056,500 | 1.65 |
| 7. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Public Islamic Opportunities Fund* | 905,300 | 1.41 |
| 8. | Wong Yoke Fong @ Wong Nyok Fing | 901,100 | 1.41 |
| 9. | Kao, Te-Pei @ Edward Kao | 659,300 | 1.03 |
| 10. | Best Skill Technology Limited | 630,000 | 0.98 |
| 11. | Mayban Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Capital Dynamics Asset Management Sdn Bhd for Ace Synergy Insurance Berhad (CDAM23-990350)* | 620,000 | 0.97 |
| 12. | Cartaban Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Corston-Smith Asset Management Sdn Bhd for Corston-Smith Asean Corporate Governance Fund* | 501,600 | 0.78 |
| 13. | Public Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)* | 500,000 | 0.78 |
| 14. | Mui Chung Meng | 410,000 | 0.64 |
| 15. | Cimsec Nominees (Tempatan) Sdn Bhd<br>*Qualifier : CIMB Bank for Mak Tian Meng (MY0343)* | 400,000 | 0.63 |

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 31, 2009 (cont'd)

| | Name | Shareholdings | % |
|---|---|---|---|
| 16. | Koperasi Permodalan Melayu Negeri Johor Berhad | 395,000 | 0.62 |
| 17. | Operate Technology Limited | 377,000 | 0.59 |
| 18. | Citigroup Nominees (Asing) Sdn Bhd<br>*Qualifier: CBNY for DFA Emerging Markets Fund* | 323,600 | 0.51 |
| 19. | Wong Kin Cheong | 303,400 | 0.47 |
| 20. | Mayban Nominees (Tempatan) Sdn Bhd<br>*Qualifier: Capital Dynamics Asset Management Sdn Bhd for Choong Lye Hock Estates Sdn Berhad (CDAM36-200748)* | 300,000 | 0.47 |
| 21. | Wong Yoon Tet | 265,000 | 0.41 |
| 22. | Khor Bee Kiow | 255,600 | 0.40 |
| 23. | Chen Ming-Lung | 253,800 | 0.40 |
| 24. | Capital Dynamics Sdn Bhd | 250,000 | 0.39 |
| 25. | Neoh Choo Ee & Company, Sdn. Berhad | 200,000 | 0.31 |
| 26. | Wong Yoke Fong @ Wong Nyok Fing | 199,500 | 0.31 |
| 27. | Tan Teng Boo | 194,000 | 0.30 |
| 28. | Wong Yoon Chyuan | 194,000 | 0.30 |
| 29. | Liao Yueh Chen | 165,000 | 0.26 |
| 30. | HSBC Nominees (Asing) Sdn Bhd<br>*Qualifier: Exempt an for Credit Suisse (SG-BR-TST-Asing)* | 159,500 | 0.25 |

## SUBSTANTIAL SHAREHOLDERS AS AT MARCH 31, 2009

| | Name | Direct No. of shares held | % | Indirect No. of shares held | % |
|---|---|---|---|---|---|
| 1. | Pan Global Holding Co., Ltd | 32,909,998 | 51.43 | - | - |
| 2. | Lembaga Tabung Haji | 3,722,900 | 5.82 | - | - |
| 3. | icapital.biz Berhad | 3,407,200 | 5.32 | - | - |
| 4. | Pan-International Industrial Corporation | - | - | 32,909,998* | 51.43 |

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

## DIRECTORS' SHAREHOLDINGS AS AT MARCH 31, 2009

| | Name | No. of Shares held | % |
|---|---|---|---|
| 1. | Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa | 10,001 | 0.02 |
| 2. | Mui Chung Meng | 410,000 | 0.64 |
| 3. | Cheng Shing Tsung | 10,000 | 0.02 |
| 4. | Ahmad Murad bin Abdul Aziz | 8,001 | 0.01 |
| 5. | Chen, Chih-Wen | - | - |
| 6. | Cheung Ho Leung | - | - |

**Note:** No indirect shareholdings

# List of Properties

## OWNER-OCCUPIED 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 31.12.2008 (RM) | Date of last revaluation | Date of acquisition |
|---|---|---|---|---|---|---|
| H.S.(D) HBM2 P.T. No. 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 99 years leasehold expiring 13.4.2091 | # Staff housing - 24 units of medium-cost apartments (14 years) | 1,801 sq. meters | 1,870,640 | 30 June 2005 | - |
| H.S.(D) 37959, Lot No. 3188, MK 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 6.6.2050 | # Industrial complex - 1-1/2 storey office cum factory - 2 storey factory complex - guard house and other out buildings (18 years) | 4.44 acres/ 17,970 sq. meters | 4,658,329 | - | 10 July 2008 |
| 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 - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre (16 years) | 7.0 acres/ 10,448 sq. meters | 12,638,493 | 30 June 2005 | - |
| H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 3.12.2050 | * Industrial complex - 2 storey office - 1 storey factory (14 years) | 5.0 acres/ 12,257 sq. meters | 11,820,352 | 30 June 2005 | - |
| T/D No. 30175 and 1018 and 1047 No. 12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand | Freehold | @ Industrial Complex - 1 storey office - 1 storey factory - 1 storey store (14 years) | 5.84 acres/ 6,514 sq. meters | 1,319,713 | - | 6 September 1995 |
| | | | **TOTAL** | **32,307,527** | | |

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.

List of Properties (cont'd)

## INVESTMENT PROPERTIES

| Title/ Location | Tenure/ Date of expiry of lease | Description/ Existing use (approximate age of building) | Land area/ Built-up area | Fair value as at 31.12.2008 (RM) | Date of last revaluation |
|---|---|---|---|---|---|
| H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang | 60 years leasehold expiring 3.12.2050 | # Vacant, Future Investment - 1 storey office - 2 storey factory - 1 storey store (16 years) | 3.08 acres/ 8,527 sq. meters | 8,425,000 | 21 December 2008 |
| 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 - 2 storey office - 1 storey factory - 1 storey store (19 years) | 0.64 acres/ 2,251 sq. meters | 1,093,400 | 31 December 2008 |
| 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 - 1 storey office - 1 storey factory - 1 storey store (18 years) | 0.44 acres/ 1,183 sq. meters | 904,540 | 31 December 2008 |
| | | | **TOTAL** | **10,422,940** | |

Note :

# 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.

P. I. E. INDUSTRIAL BERHAD (co.no. 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 TWELFTH ANNUAL GENERAL MEETING of the Company to be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 22 May 2009 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 declare a Special Dividend of 23 sen per share less income tax at 25% for the year ended 31 December 2008. | | |
| 2. | To declare a First and Final Dividend of 12 sen per share less income tax at 25% for the year ended 31 December 2008. | | |
| 3. | To approve the Directors' Fee of RM48,000 for the financial year ended 31 December 2008 and payment of such fees to the Directors. | | |
| 4. | To re-elect Ahmad Murad Bin Abdul Aziz who is retiring under the Article 98(1) of the Articles of Association of the Company, and being eligible, offered himself for re-election. | | |
| 5. | To re-elect Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jewa, a Director retiring under Section 129(2) of the Companies Act, 1965. | | |
| 6. | To re-elect Cheng Shing Tsung, a Director retiring under Section 129(2) of the Companies Act, 1965. | | |
| 7. | To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. | | |
| | **Special Business**<br>**Ordinary Resolutions** | | |
| 8. | To approve the resolution pursuant to Section 132D of the Companies Act, 1965. | | |
| 9. | To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares | | |

Signed this ____________ day of _____________ 2009.

Number of shares held: [ ]

______________________________
Signature of Member

**Notes:-**

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) 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 two (2) 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 authorized.

The instrument appointing a proxy must be deposited at the Registered Office, 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

Fold along this line

STAMP

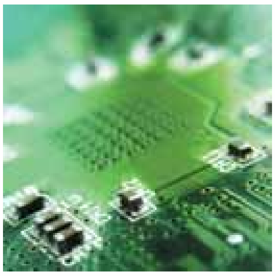

The Secretary

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

(Incorporated in Malaysia)

Registered Office
57-1 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Malaysia.


Fold along this line



**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