

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD  
(COMPANY NO.: 424086 X)  
(Incorporated in Malaysia)

FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(In Ringgit Malaysia)

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

FINANCIAL STATEMENTS  
DECEMBER 31, 2000

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P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

## 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, 2000.

### PRINCIPAL ACTIVITIES

The Company was incorporated on March 21, 1997 and commenced commercial operations on October 1, 2000. The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 9 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 except that one of its subsidiary companies commenced the manufacture of PCB assemblies during the year.

### SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the financial year are as follows:

- (a) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Electronics (Malaysia) Sdn. Bhd. for a purchase consideration of RM43,142,667. The purchase consideration was satisfied by the issue of 30,178,709 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM3,254,567 in exchange for 7,500,000 ordinary shares of RM1 each in Pan-International Electronics (Malaysia) Sdn. Bhd.;
- (b) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Wire & Cable (Malaysia) Sdn. Bhd. for a purchase consideration of RM29,765,552. The purchase consideration was satisfied by the issue of 20,821,289 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM2,245,433 in exchange for 1,000,000 ordinary shares of RM10 each in Pan-International Wire & Cable (Malaysia) Sdn. Bhd.;
- (c) On June 22, 2000, the Company issued 9,000,000 new ordinary shares of RM1 each by way of public issue at an issue price of RM2.80 per share to eligible directors and employees of the Group, approved bumiputra investors and institutions, and the Malaysian public; and
- (d) On July 7, 2000, the entire issued and paid-up share capital of the Company comprising 60,000,000 ordinary shares of RM1 each was listed on the Second Board of the Kuala Lumpur Stock Exchange.

### RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Net profit after tax for the year	<u>18,386,134</u>	<u>4,111,687</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the significant events mentioned above.

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### DIVIDENDS

A first and final dividend of 6.67 sen gross per ordinary share, tax-exempt, amounting to RM 4 million was proposed in respect of the current financial year.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

As approved by the Securities Commission on October 4, 1999, the issued and paid-up share capital of the Company was increased from RM2 to RM60,000,000 during the financial year by the issuance of 59,999,998 new ordinary shares of RM1 each as follows:

<u>No. of ordinary shares of RM1 each</u>	<u>Terms of issues</u>	<u>Purposes of issues</u>
50,999,998	Allotment of 50,999,998 new ordinary shares at issue price of approximately RM1.32 per share.	To acquire the entire equity interest in the capital of subsidiary companies, Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
9,000,000	Public issue at an issue price of RM2.80 per share for cash.	To obtain a listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the Kuala Lumpur Stock Exchange; hence providing the Group with access to capital market. The proceeds raised in this public issue are for working capital, purchase of machinery, acquisition of the two subsidiary companies and to pay listing expenses.

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

The Company has not issued any 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 provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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- (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 for bad debts or the amount of the provision 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 except as mentioned in Note 18 to the Financial Statements.

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

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

## DIRECTORS

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	
Y.A.M. Tengku Syarif Temenggung Perlis Dato' Seri Diraja Syed Amir Abidin Putra Jamalullail	(appointed on May 10, 2000)
Ahmad Murad Bin Abdul Aziz	
Mui Chung Meng	(appointed on May 10, 2000)
Jou, Yen-Pong	(appointed on May 10, 2000)
Chen, Chih-Wen	(appointed on May 10, 2000)
Chang, Yen-Kuang	(appointed on May 10, 2000)
Cheng, Ken-Yi	(appointed on May 10, 2000)
Cheng, Shing Tsung	(appointed on May 10, 2000)

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### DIRECTORS' INTEREST

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:

<u>Shares in the Company</u>	<u>No. of ordinary shares of RM1 each</u>			<u>Balance at 31.12.2000</u>
	<u>Balance at 1.1.2000/ date of appointment</u>	<u>Bought</u>	<u>Sold</u>	
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	1	10,000	-	10,001
Y.A.M. Tengku Syarif Temenggung Perlis Dato' Seri Diraja Syed Amir Abidin Putra Jamalullail	-	10,000	-	10,000
Ahmad Murad Bin Abdul Aziz	1	10,000	-	10,001
Mui Chung Meng	-	10,000	-	10,000
Jou, Yen-Pong	-	10,000	-	10,000
Chen, Chih-Wen	-	10,000	-	10,000
Chang, Yen-Kuang	-	10,000	-	10,000
Cheng, Ken-Yi	-	10,000	-	10,000
Cheng, Shing Tsung	-	10,000	-	10,000

<u>Shares in ultimate holding company, Pan-International Industrial Corporation</u>	<u>No. of ordinary shares of NT\$10 each</u>			<u>Balance at 31.12.2000</u>
	<u>Balance at 1.1.2000/ date of appointment</u>	<u>Bought</u>	<u>Sold</u>	
Cheng, Ken-Yi	452,000	-	-	452,000

### 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 other than in conjunction with the public issue of 9,000,000 ordinary shares of RM1 each to eligible directors and employees of the Group, approved bumiputra investors and institutions, and the Malaysian public pursuant to a prospectus issued on May 26, 2000.

### 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.

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AUDITORS

The auditors, Messrs. Deloitte KassimChan (formerly known as Kassim Chan & Co.), 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  
DIRECTOR



CHEN, CHIH-WEN  
DIRECTOR

Penang,

April 4, 2001

Company No.: 424086 X

**Deloitte KassimChan** (AF 0080)  
(Formerly known as Kassim Chan & Co)  
Public Accountants  
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251-A, Jalan Burma  
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Malaysia

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**Deloitte  
KassimChan**

## REPORT OF THE AUDITORS TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2000, and the related statements of income, changes in equity and cash flows, for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of December 31, 2000 and of their results and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of a subsidiary company, Pan-International Corporation (S) Pte Ltd, of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

(FORWARD)



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**DELOITTE KASSIMCHAN**

REPORT OF THE AUDITORS TO THE MEMBERS OF

P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-Section (3) of Section 174 of the Act.



DELOITTE KASSIMCHAN  
AF 0080  
Public Accountants



TAN BOON HOE  
1836/7/01(J)  
Partner

April 4, 2001

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

INCOME STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Note	<u>The Group</u>		<u>The Company</u>	
		2000 RM	1999 RM	2000 RM	1999 RM
Revenue		181,758,282	135,044,940	4,132,400	-
Other operating income		1,670,523	2,349,871	110,659	-
Changes in inventories of finished goods and work in progress		5,260,027	393,793	-	-
Purchase of trading goods		(29,242,442)	(22,766,878)	-	-
Raw materials used		(107,264,881)	(69,689,675)	-	-
Staff costs	4	(13,381,510)	(11,300,204)	(88,039)	-
Depreciation of property, plant and equipment		(4,455,303)	(3,432,391)	-	-
Other operating expenses		(9,881,078)	(8,457,425)	(37,133)	(3,622)
Profit/ (loss) from operations		24,463,618	22,142,031	4,117,887	(3,622)
Finance cost		(153,330)	(20,503)	-	-
Profit/ (loss) before tax	5	24,310,288	22,121,528	4,117,887	(3,622)
Income tax expense	6	5,924,154	(149,118)	6,200	-
Net profit/ (loss) after tax for the year		18,386,134	22,270,646	4,111,687	(3,622)
Earnings per ordinary share	7	33.13 sen	43.67 sen		

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

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P.I.E. INDUSTRIAL BERHAD  
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BALANCE SHEETS  
AS OF DECEMBER 31, 2000

	Note	<u>The Group</u>		<u>The Company</u>	
		2000 RM	1999 RM	2000 RM	1999 RM
PROPERTY, PLANT AND EQUIPMENT	8	51,507,025	29,000,003	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	9	-	-	56,499,998	-
<b>CURRENT ASSETS</b>					
Inventories	10	49,489,943	17,423,396	-	-
Trade receivables	11	19,848,774	24,817,150	-	-
Other receivables, deposits and prepayments		758,182	1,401,626	500	-
Amount owing by ultimate holding company	12	186,966	73,432	-	-
Amount owing by subsidiary companies	12	-	-	21,516,200	-
Amount owing by related companies	12	4,066,670	5,093,079	-	-
Short-term deposits with licensed banks		8,274,541	10,050,000	150,000	-
Cash and bank balances		10,820,485	3,114,720	32,256	2
<b>Total Current Assets</b>		<b>93,445,561</b>	<b>61,973,403</b>	<b>21,698,956</b>	<b>2</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	12	8,184,291	6,542,009	-	-
Other payables and accruals		4,754,231	10,779,691	30,338	15,437
Amount owing to ultimate holding company	12	656,932	2,416,519	-	-
Amount owing to related companies	12	1,299,457	1,344,509	-	-
Amount owing to directors		9,000	15,711	9,000	-
Bank borrowings	13	3,301,000	-	-	-
Tax liabilities		1,237,012	123,371	6,200	-
<b>Total Current Liabilities</b>		<b>19,441,923</b>	<b>21,221,810</b>	<b>45,538</b>	<b>15,437</b>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<b>74,003,638</b>	<b>40,751,593</b>	<b>21,653,418</b>	<b>(15,435)</b>
		<b>125,510,663</b>	<b>69,751,596</b>	<b>78,153,416</b>	<b>(15,435)</b>

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BALANCE SHEETS  
AS OF DECEMBER 31, 2000

	Note	<u>The Group</u>		<u>The Company</u>	
		2000 RM	1999 RM	2000 RM	1999 RM
SHARE CAPITAL	14	60,000,000	51,000,000	60,000,000	2
RESERVES	15	65,510,663	18,351,596	18,153,416	(15,437)
SHAREHOLDERS' EQUITY		125,510,663	69,351,596	78,153,416	(15,435)
DEFERRED TAX LIABILITIES	16	-	400,000	-	-
		<u>125,510,663</u>	<u>69,751,596</u>	<u>78,153,416</u>	<u>(15,435)</u>

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

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P.I.E. INDUSTRIAL BERHAD  
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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>The Group</u>	Share Capital RM	Share Premium RM	Revaluation/ Translation/ Merger Reserve* RM	Retained Profit RM	Total RM
Balance as of January 1, 1999	51,000,000	-	(38,999,998)	50,568,509	62,568,511
Pre-merger dividends paid and proposed by subsidiary companies	-	-	-	(15,500,000)	(15,500,000)
Exchange gain on translation of net investment in foreign subsidiary	-	-	12,439	-	12,439
Net profit after tax for the year	-	-	-	22,270,646	22,270,646
Balance as of December 31, 1999	51,000,000	-	(38,987,559)	57,339,155	69,351,596
Exchange loss on translation of net investment in foreign subsidiary	-	-	(112,128)	-	(112,128)
Surplus on revaluation of leasehold land, buildings and flats	-	-	14,827,895	-	14,827,895
Public issue of 9,000,000 new ordinary shares of RM1 each at RM2.80 per share	9,000,000	16,200,000	-	-	25,200,000
Listing expenses written off	-	(2,142,834)	-	-	(2,142,834)
Net profit after tax for the year	-	-	-	18,386,134	18,386,134
Balance as of December 31, 2000	60,000,000	14,057,166	(24,271,792)	75,725,289	125,510,663

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

	Revaluation Reserve RM	Translation Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 1999	-	-	(38,999,998)	(38,999,998)
Exchange gain on translation of net investment in foreign subsidiary	-	12,439	-	12,439
Balance as of December 31, 1999	-	12,439	(38,999,998)	(38,987,559)
Exchange loss on translation of net investment in foreign subsidiary	-	(112,128)	-	(112,128)
Surplus on revaluation of leasehold land, buildings and flats	14,827,895	-	-	14,827,895
Balance as of December 31, 2000	14,827,895	(99,689)	(38,999,998)	(24,271,792)

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2000

The Company

	<u>Note</u>	<u>Share Capital RM</u>	<u>Share Premium RM</u>	<u>Retained Profit RM</u>	<u>Total RM</u>
Balance as of January 1, 1999		2	-	(11,815)	(11,813)
Net loss for the year		-	-	(3,622)	(3,622)
Balance as of December 31, 1999		2	-	(15,437)	(15,435)
Allotment of 50,999,998 new ordinary shares of RM1 each at approximately RM1.32 per share in exchange for shares of subsidiary companies	20	50,999,998	-	-	50,999,998
Public issue of 9,000,000 new ordinary shares of RM1 each at RM2.80 per share		9,000,000	16,200,000	-	25,200,000
Listing expenses written off		-	(2,142,834)	-	(2,142,834)
Net profit after tax for the year		-	-	4,111,687	4,111,687
Balance as of December 31, 2000		<u>60,000,000</u>	<u>14,057,166</u>	<u>4,096,250</u>	<u>78,153,416</u>

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

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CASH FLOW STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>The Group</u>		<u>The Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/ (loss) before tax	24,310,288	22,121,528	4,117,887	(3,622)
Adjustments for:				
Depreciation of property, plant and equipment	4,455,303	3,432,391	-	-
Provision for slow moving inventories	1,759,432	394,096	-	-
Interest expenses	153,330	20,503	-	-
Provision for doubtful debts	109,725	135,225	-	-
Bad debts written off	6,950	-	-	-
Loss/ (gain) on disposal of plant and equipment	922	(108,055)	-	-
Plant and equipment written off	2	26	-	-
Interest income	(524,253)	(800,593)	(110,659)	-
Dividend income	-	-	(4,100,000)	-
Provision for doubtful debts no longer required	-	(180,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit/ (loss) before working capital changes	30,271,699	25,015,121	(92,772)	(3,622)
Increase in inventories	(33,825,979)	(3,756,391)	-	-
Decrease/ (increase) in trade receivables	4,851,701	(11,527,835)	-	-
Decrease/ (increase) in other receivables, deposits and prepayments	1,061,016	281,648	(500)	-
Increase in amount owing by ultimate holding company	(113,534)	(73,432)	-	-
Increase in amount owing by subsidiary companies	-	-	(21,516,200)	-
Decrease in amount owing by related companies	1,026,409	5,183,162	-	-
Increase/ (decrease) in trade payables	1,642,282	(1,226,502)	-	-
(Decrease)/ increase in other payables and accruals	(6,025,460)	(9,272,095)	14,901	3,622
(Decrease)/ increase in amount owing to ultimate holding company	(1,759,587)	1,332,661	-	-

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P.I.E. INDUSTRIAL BERHAD  
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CASH FLOW STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>The Group</u>		<u>The Company</u>	
	2000 RM	1999 RM	2000 RM	1999 RM
Decrease in amount owing to related companies	(45,052)	(1,028,128)	-	-
(Decrease)/ increase in amount owing to directors	(6,711)	(1,820)	9,000	-
Exchange translation differences	(113,287)	13,858	-	-
Cash generated from/ (used in) operations	(3,036,503)	4,940,247	(21,585,571)	-
Interest received	524,253	800,593	110,659	-
Interest paid	(153,330)	(20,503)	-	-
Tax paid	(5,626,532)	(5,914,312)	-	-
Net cash (used in)/ generated from operating activities	(8,292,112)	(193,975)	(21,474,912)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of plant and equipment	359	159,700	-	-
Purchase of property, plant and equipment	(12,136,107)	(7,720,830)	-	-
Cash paid for acquisition of subsidiaries	-	-	(5,500,000)	-
Dividend income	-	-	4,100,000	-
Net cash used in investing activities	(12,135,748)	(7,561,130)	(1,400,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from public issue of shares	25,200,000	-	25,200,000	-
Increase in bank borrowings	3,301,000	-	-	-
Listing expenses paid	(2,142,834)	-	(2,142,834)	-
Net cash generated from financing activities	26,358,166	-	23,057,166	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,930,306	(7,755,105)	182,254	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	13,164,720	20,919,825	2	2
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)</b>	19,095,026	13,164,720	182,256	2

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



**P.I.E. INDUSTRIAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2000**

1. **PRINCIPAL ACTIVITIES AND SIGNIFICANT EVENTS**

The Company was incorporated on March 21, 1997 and commenced commercial operations on October 1, 2000. The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 9. Other than the commencement of manufacturing of PCB assemblies by a subsidiary company and the significant events during the year as set out below, there have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

Significant events during the financial year are as follows:

- (a) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Electronics (Malaysia) Sdn. Bhd. for a purchase consideration of RM43,142,667. The purchase consideration was satisfied by the issue of 30,178,709 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM3,254,567 in exchange for 7,500,000 ordinary shares of RM1 each in Pan-International Electronics (Malaysia) Sdn. Bhd.;
- (b) On May 8, 2000, the Company acquired the entire issued and paid-up share capital of Pan-International Wire & Cable (Malaysia) Sdn. Bhd. for a purchase consideration of RM29,765,552. The purchase consideration was satisfied by the issue of 20,821,289 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.32 per share and cash consideration of RM2,245,433 in exchange for 1,000,000 ordinary shares of RM10 each in Pan-International Wire & Cable (Malaysia) Sdn. Bhd.;
- (c) On June 22, 2000, the Company issued 9,000,000 new ordinary shares of RM1 each by way of public issue at an issue price of RM2.80 per share to eligible directors and employees of the Group, approved bumiputra investors and institutions, and the Malaysian public; and
- (d) On July 7, 2000, the entire issued and paid-up share capital of the Company comprising 60,000,000 ordinary shares of RM1 each was listed on the Second Board of the Kuala Lumpur Stock Exchange.

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB).

During the financial year, the Group and the Company adopted the MASB 1, Presentation of Financial Statements which is effective for financial periods commencing on and after July 1, 1999. Accordingly, the presentation and disclosures of the financial information have been modified to conform with the requirements of MASB 1. Certain comparative figures have been reclassified to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The Group adopts both the acquisition and merger methods of consolidation.

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Companies Act, 1965 and Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued, cash and cash equivalents and fair values of other considerations. The difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserves/deficits in the consolidated financial statements in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

The financial statements of all subsidiary companies are consolidated under the merger method except for the financial statements of the indirect subsidiary companies which are consolidated under the acquisition method.

Revenue and Revenue Recognition

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

Sales revenue are recognised when goods are delivered to customers. Other revenues are recognised on an accrual basis.

Foreign Currency Conversion

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

For inclusion in the consolidated financial statements, assets and liabilities of the foreign subsidiary company are translated into Ringgit Malaysia at the exchange rates approximate those ruling at the balance sheet date. The results of the foreign subsidiary company are translated into Ringgit Malaysia at the average exchange rates for the year. Any exchange differences due to such currencies translation are dealt with through exchange reserve account.

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

Assets and liabilities - at closing rate of SGD\$1:RM2.2 (1999: SGD\$1:RM2.3)  
Issued capital - at historical rate  
Revenue and expenses - at average rate

#### Income Tax

The tax effects of transactions are generally recognised, using the “liability” method, when such transactions enter into determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to a net deferred tax debit, the tax effects are recognised generally on actual realisation.

#### Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment, is computed on the straight-line method based on the estimated useful lives of the various property, plant and equipment at the following annual rates:

	<u>Rates</u>
Leasehold improvement	20%
Buildings	2% - 10%
Plant and machinery	10% - 20%
Production tools and equipment	10% & 16.67%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% & 20%
Motor vehicles	20%

Long leasehold land and leasehold flats are depreciated over the lease period of 60 years and 99 years respectively.

During the financial year, the long leasehold land, buildings and leasehold flats were revalued based on the report of an independent firm of professional valuers using open market value on existing use basis. The long leasehold land, buildings and leasehold flats shall be revalued at regular interval of at least once in every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued long leasehold land, buildings and leasehold flats differ materially from the market value.

#### Investments

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company’s financial statements at cost under the acquisition method or at nominal value of the shares issued, cash and cash equivalents and fair values of other considerations in exchange for shares in subsidiary companies acquired under the merger method as applicable.

Investments in subsidiary companies are only written down when the directors consider that there is permanent diminution in the value of the investments.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost of raw materials consists of the purchase price plus the cost of bringing the inventories to location. Cost of work-in-process and finished goods consist of cost of raw materials, direct labour and an appropriate proportion of factory overheads. Goods-in-transit is stated at cost. Provision is made for obsolete, slow moving or defective items where appropriate.

Receivables

Bad debts are written off while provision for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Cash and Cash Equivalents

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

4. GENERAL INFORMATION

	<u>The Group</u>		<u>The Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Number of directors and employees at end of year:				
Directors	13	9	9	2
Employees	735	599	3	-

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

The Company's registered office and principal place of business are at 3<sup>rd</sup> Floor, Wisma Wang, 251-A Jalan Burma, 10350 Georgetown, Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya, 13700 Prai, Penang, Malaysia respectively.

5. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	<u>The Group</u>		<u>The Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
After charging:				
Provision for slow moving inventories	1,759,432	394,096	-	-
Directors' remuneration:				
Fee	36,000	-	36,000	-
Emoluments	589,620	712,941	25,080	-
Rental of accommodation provided	4,000	2,000	-	-
Provision for bonus	540,330	1,247,256	-	-
Interest on bank borrowings	153,330	20,503	-	-
Provision for doubtful debts	109,725	135,225	-	-
Rental of premises	88,922	75,436	-	-
Audit fee:				
Statutory	63,600	51,300	16,000	500
Special	-	30,750	-	-
Overprovision in prior year	(3,600)	(3,600)	-	-
Bad debts written off	6,950	-	-	-
Loss on disposal of plant and equipment	922	-	-	-
Plant and equipment written off	2	26	-	-
Realised loss on foreign exchange	-	57,098	-	-

	<u>The Group</u>		<u>The Company</u>	
	2000	1999	2000	1999
	RM	RM	RM	RM
And crediting:				
Realised gain on foreign exchange	598,304	487,219	-	-
Interest on short-term deposits	524,253	800,593	110,659	-
Bad debt recovered	8,965	-	-	-
Gross dividend from subsidiary companies	-	-	4,100,000	-
Gain on disposal of plant and equipment	-	108,055	-	-
Provision for doubtful debts no longer required	-	180,000	-	-

6. INCOME TAX EXPENSE

	<u>The Group</u>		<u>The Company</u>	
	2000	1999	2000	1999
	RM	RM	RM	RM
Income tax expense consists of:				
Tax payable				
Malaysian tax:				
Current year	6,289,200	-	6,200	-
Overprovision in prior year	-	(26,672)	-	-
Overseas tax:				
Current year	33,183	78,476	-	-
Underprovision in prior year	1,771	708	-	-
Reversal of deferred tax liabilities (Note 16)	(400,000)	(201,630)	-	-
	5,924,154	(149,118)	6,200	-

The Group's taxation for the current year reflects an effective tax rate which is lower than the statutory income tax rate due to the claim of reinvestment allowances.

The Company's taxation for the current year reflects an effective tax rate which is lower than the statutory income tax rate because the dividend income received is exempted from tax.

No provision for Malaysian tax was made in 1999 as the Malaysian government had waived the tax on chargeable income earned by a company in financial year 1999.

7. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated by dividing the Group's profit after tax of RM18,386,134 (RM22,270,646 in 1999) by the weighted average number of ordinary shares in issue during the year of 55,500,000 (51,000,000 in 1999). In arriving at the weighted average number of ordinary shares in issue, shares issued for acquisition of subsidiary companies accounted for in the consolidated financial statements using the merger method are assumed to have been in issue throughout the current and prior years.

8. PROPERTY, PLANT AND EQUIPMENTThe Group

<u>Cost or Valuation</u>	<u>Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Revaluation/ Exchange Reserve</u>	<u>End of year</u>
	RM	RM	RM	RM	RM
2000:					
Long leasehold land					
- at cost	-	2,013,795	-	-	2,013,795
- at 2000 valuation	3,530,739	-	-	6,618,308	10,149,047
Leasehold improvement	203,884	-	-	-	203,884
Buildings					
- at cost	-	2,886,205	-	-	2,886,205
- at 2000 valuation	14,109,458	-	-	4,880,625	18,990,083
Plant and machinery	25,497,975	6,743,909	(75,300)	-	32,166,584
Production tools and equipment	1,325,199	286,081	(6,400)	-	1,604,880
Furniture, fixtures and office equipment	1,880,152	147,757	(2,884)	(3,559)*	2,021,466
Mechanical and electrical installation	1,517,337	6,000	-	-	1,523,337
Motor vehicles	1,380,699	52,360	(77,000)	(3,500)*	1,352,559
Leasehold flats					
- at 2000 valuation	1,472,000	-	-	698,000	2,170,000
	<u>50,917,443</u>	<u>12,136,107</u>	<u>(161,584)</u>	<u>12,189,874</u>	<u>75,081,840</u>
1999	<u>43,743,042</u>	<u>7,720,830</u>	<u>(547,228)</u>	<u>799</u>	<u>50,917,443</u>

Accumulated Depreciation	Beginning of year	Charge for The year	Disposals	Revaluation/ Exchange Reserve	End of year
	RM	RM	RM	RM	RM
2000:					
Long leasehold land					
- at cost	-	3,356	-	-	3,356
- at 2000 valuation	537,373	75,406	-	(457,843)	154,936
Leasehold improvement	203,862	-	-	-	203,862
Buildings					
- at cost	-	24,052	-	-	24,052
- at 2000 valuation	2,623,843	135,691	-	(2,097,537)	661,997
Plant and machinery	14,237,589	3,565,765	(75,299)	-	17,728,055
Production tools and equipment	788,877	169,335	(5,120)	-	953,092
Furniture, fixtures and office equipment	1,399,435	151,258	(2,882)	(3,165) *	1,544,646
Mechanical and electrical installation	1,188,927	159,458	-	-	1,348,385
Motor vehicles	847,083	165,170	(77,000)	(3,500) *	931,753
Leasehold flats					
- at 2000 valuation	90,451	5,812	-	(75,582)	20,681
	<u>21,917,440</u>	<u>4,455,303</u>	<u>(160,301)</u>	<u>(2,637,627)</u>	<u>23,574,815</u>
1999	<u>18,979,839</u>	<u>3,432,391</u>	<u>(495,557)</u>	<u>767</u>	<u>21,917,440</u>

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

	2000 RM	1999 RM
Net Book Value:		
Long leasehold land		
- at cost	2,010,439	2,993,366
- at 2000 valuation	9,994,111	-
Leasehold improvement	22	22
Buildings		
- at cost	2,862,153	11,485,615
- at 2000 valuation	18,328,086	-
Plant and machinery	14,438,529	11,260,386
Production tools and equipment	651,788	536,322
Furniture, fixtures and office equipment	476,820	480,717
Mechanical and electrical installation	174,952	328,410
Motor vehicles	420,806	533,616
Leasehold flats		
- at cost	-	1,381,549
- at 2000 valuation	2,149,319	-
	<u>51,507,025</u>	<u>29,000,003</u>

The long leasehold land, buildings and leasehold flats of the Group were revalued in 2000 based on the reports of an independent firm of professional valuers, Jones Lang Wootton using open market values on existing use basis. The valuations were carried out by Mr. Tay Tam, FISM, B.Surv. (Hons). Prop. Mgt., a registered valuer. The surplus arising from the revaluation amounting to RM14,827,895, which was approved by the Securities Commission on October 4, 1999, was credited to revaluation reserve.

The tax effect relating to the increase in the carrying value of the revalued property is not disclosed, as there is no intention to dispose of these assets in the foreseeable future.

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

	<u>2000</u> RM
At cost:	
Long leasehold land	3,530,739
Buildings	14,109,458
Leasehold flats	1,472,000
	<u>19,112,197</u>
Accumulated depreciation:	
Long leasehold land	596,218
Buildings	3,028,764
Leasehold flats	105,320
	<u>3,730,302</u>
Net book value at end of year	<u><u>15,381,895</u></u>

Certain property, plant and equipment of the Group with a total carrying value of RM14,209,241 are pledged to a local bank as securities for credit facilities granted to a subsidiary company as mentioned in Note 13.

As of December 31, 2000, the title deed to a long leasehold land of the Group with a carrying value of RM2,010,439 is in the process of being transferred to the name of one of the subsidiary company.

The strata titles for the flats have not yet been issued by the relevant authorities to one of the subsidiary company.

9. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>The Company</u>	
	<u>2000</u> RM	<u>1999</u> RM
Unquoted shares, at cost	<u>56,499,998</u>	<u>-</u>

The subsidiary companies are as follows:

	<u>Country of incorporation</u>	<u>Principal Activity</u>	<u>Percentage of Ownership</u>	
			<u>2000</u>	<u>1999</u>
<u>Direct holdings</u>				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies	100%	-



	Country of incorporation	Principal Activity	Percentage of Ownership	
			2000	1999
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding components	100%	-
<u>Indirect holdings</u>				
*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	100%	-
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of mechanical, electrical, computer, capacitors, resistors and telecommunication components and equipment	100%	-

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

#### 10. INVENTORIES

	<u>The Group</u>	
	2000	1999
	RM	RM
At cost:		
Raw materials	37,229,061	8,628,087
Work-in-process	8,267,328	6,123,870
Finished goods	6,140,193	3,023,624
Goods-in-transit	801,232	836,254
Less: Provision for slow moving inventories	(2,947,871)	(1,188,439)
	<u>49,489,943</u>	<u>17,423,396</u>

#### 11. TRADE RECEIVABLES

	<u>The Group</u>	
	2000	1999
	RM	RM
Amount outstanding	20,361,538	25,245,080
Less: Provision for doubtful debts	(512,764)	(427,930)
	<u>19,848,774</u>	<u>24,817,150</u>

#### 12. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

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.

Company No.: 424086 X

The financial statements of the Group reflect the following significant intercompanies transactions:

	<u>The Group</u>	
	2000	1999
	RM	RM
<u>Ultimate Holding Company</u>		
Purchases of trading goods	23,591,450	17,744,262
Sales of finished goods	305,638	120,565
Purchases of raw materials	271,837	997,048
Commission income received	157,166	70,010
Purchases of plant and equipment	70,183	79,553
Miscellaneous purchases	588,189	531,027
Sales commission paid	-	4,019
	<u>                    </u>	<u>                    </u>
<u>Related Companies</u>		
Sales of finished goods	5,902,068	12,482,234
Purchase of trading goods	2,102,995	-
Sales commission paid	91,813	91,813
Purchase of raw materials	24,966	698,593
Purchase of plant and equipment	-	68,409
Sales of plant and equipment	-	58,500
	<u>                    </u>	<u>                    </u>

Related parties are entities, excluding related companies, which have common directors and/or shareholders with the Group.

As of December 31, 2000, there is an outstanding payable account with a related party which are interest free as follows:

	<u>The Group</u>
	2000
	RM
Included as trade payables	192,193
	<u>                    </u>

Significant transactions between the Group with a related party during the financial year were as follows:

	<u>The Group</u>
	2000
	RM
Purchases of raw materials	4,235,516
Sales of finished goods	779
	<u>                    </u>

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

13. BANK BORROWINGS

	<u>The Group</u>	
	2000	1999
	RM	RM
Bankers acceptance	3,301,000	-
	<u>                    </u>	<u>                    </u>

The Group has banking facilities totalling RM53.51 million obtained from two local banks. The banking facilities bear interests at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rates and are secured by a corporate guarantee from the Company and against debenture over certain of the Group's property, plant and equipment and floating assets, both present and future.

14. SHARE CAPITAL

	<u>The Group</u>		<u>The Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Shares of RM1 each:				
Authorised:				
At beginning of year	100,000	100,000	100,000	100,000
Created during the year	99,900,000	-	99,900,000	-
Adjustment to reflect the adoption of merger accounting	-	99,900,000	-	-
At end of year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000</u>
Ordinary shares of RM1 each:				
Issued and fully paid:				
At beginning of year	2	2	2	2
Issued during the year	50,999,998	-	50,999,998	-
Public issue	9,000,000	-	9,000,000	-
Adjustment to reflect the adoption of merger accounting	-	50,999,998	-	-
At end of year	<u>60,000,000</u>	<u>51,000,000</u>	<u>60,000,000</u>	<u>2</u>

As approved by the shareholders at an Extraordinary General Meeting held on February 25, 2000, the authorised share capital of the Company was increased from RM100,000 comprising 100,000 shares of RM1 each to RM100,000,000 by the creation of an additional 99,900,000 shares of RM1 each.

Also, pursuant to the approval by the shareholders at the said Extraordinary General Meeting and the approval by the Securities Commission on October 4, 1999, the issued and paid up share capital of the Company was increased from RM2 to RM60,000,000 by way of:

- (i) an issue of 30,178,709 ordinary shares of RM1 each at an issue price of approximately RM1.32 per share plus cash considerations for the acquisition of the entire issued and paid up share capital of Pan-International Electronics (Malaysia) Sdn. Bhd.;
- (ii) an issue of 20,821,289 ordinary shares of RM1 each at an issue price of approximately RM1.32 per share plus cash considerations for the acquisition of the entire issued and paid up share capital of Pan-International Wire & Cable (Malaysia) Sdn. Bhd.; and

- (iii) a public issue of 9,000,000 ordinary shares of RM1 each at an issue price of RM2.80 per share. The share premium arising from the public issue amounting to RM16,200,000 has been credited to share premium account.

All the new shares issued rank pari passu with the then existing shares of the Company.

15. RESERVES

	<u>The Group</u>		<u>The Company</u>	
	2000	1999	2000	1999
	RM	RM	RM	RM
Non-distributable:				
Share premium	14,057,166	-	14,057,166	-
Revaluation reserve	14,827,895	-	-	-
Translation reserve	(99,689)	12,439	-	-
Merger deficit	(38,999,998)	(38,999,998)	-	-
	(10,214,626)	(38,987,559)	14,057,166	-
Distributable:				
Retained profit/ (Accumulated loss)	75,725,289	57,339,155	4,096,250	(15,437)
	65,510,663	18,351,596	18,153,416	(15,437)

Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the retained profit of the Company is available for distribution by way of cash dividends without incurring additional tax liability.

16. DEFERRED TAX LIABILITIES

	<u>The Group</u>		<u>The Company</u>	
	2000	1999	2000	1999
	RM	RM	RM	RM
Balance at beginning of year	400,000	601,630	-	-
Transfer to income statements (Note 6)	(400,000)	(201,630)	-	-
Balance at end of year	-	400,000	-	-
Represented by the tax effects of the following:				
Excess of tax capital allowances over book depreciation	-	1,106,800	-	-
Other timing differences	-	(706,800)	-	-
	-	400,000	-	-

As mentioned in Note 3, the tax effects of timing differences which give rise to net deferred tax debit are recognised generally on actual realisation. As of December 31, 2000, the amount of deferred taxation, calculated at applicable tax rates, which is not recognised in the financial statements, is as follows:

	<u>The Group</u>	
	<u>Deferred Asset/(Liability)</u>	
	<u>2000</u>	<u>1999</u>
	RM	RM
Tax effects of timing differences in respect of the excess of tax capital allowances over book depreciation	(1,574,500)	(139,500)
Tax effects of other timing differences	1,694,600	211,300
	<u>120,100</u>	<u>71,800</u>

17. CASH AND CASH EQUIVALENTS

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Short-term deposits with licensed banks	8,274,541	10,050,000	150,000	-
Cash and bank balances	10,820,485	3,114,720	32,256	2
	<u>19,095,026</u>	<u>13,164,720</u>	<u>182,256</u>	<u>2</u>

18. CONTINGENT LIABILITY - Unsecured

As of December 31, 2000, the Company is contingently liable to the extent of RM38.35 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to subsidiary companies.

Subsequent to year end, the Company is contingently liable to the extent of an additional RM5.1 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to a subsidiary company.

19. LEASE COMMITMENTS

As of December 31, 2000, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	RM
2001	66,920
2002	15,750
	<u>82,670</u>

20. MERGER ACCOUNTING

Pursuant to the relief given under Section 60 (4) of the Companies Act, 1965, the Company has not recorded the share premium arising from the issue of 50,999,998 ordinary shares of RM1 each for the acquisition of the two subsidiary companies as indicated in Note 21.

The difference between the nominal value of shares issued as consideration plus the cash consideration and the nominal value of the shares of those subsidiary companies transferred to the Company is treated as a reduction of reserves on consolidation.

21. MERGER SCHEME

On May 8, 2000, the Company acquired the entire issued and paid-up share capitals of two subsidiary companies for a total consideration of RM72,908,219 by an issue of 50,999,998 new ordinary shares in the Company at issue price of approximately RM1.32 per share and cash consideration of RM5,500,000.

Details of the subsidiary companies and the shares acquired are as follows:

	<u>Ordinary shares of RM1 each</u>
Pan-International Electronics (Malaysia) Sdn. Bhd.	7,500,000
	<u>Ordinary shares of RM10 each</u>
Pan-International Wire and Cables (Malaysia) Sdn. Bhd.	1,000,000

As mentioned in Note 3, the results of the subsidiary companies being merged are included for full year. The profit after tax of these companies in the current year was RM18,374,447, of which RM11,880,464 was earned after the effective date of acquisition. There were no extraordinary items in their results for the current financial year.

22. SEGMENTAL INFORMATION

Analysis by Geographical Area

The point of origin (the location of the manufacturing facilities) of revenue and the location of the assets determine the geographical area. The following tables set forth information by geographical area of the Group for the year ended December 31, 2000:

	<u>Turnover</u>	<u>Profit before tax</u>	<u>Total Assets Employed</u>
	RM	RM	RM
<u>2000</u>			
Malaysia	170,565,927	24,139,480	140,481,022
Singapore	11,192,355	170,808	4,471,564
	<u>181,758,282</u>	<u>24,310,288</u>	<u>144,952,586</u>
<u>1999</u>			
Malaysia	123,796,606	21,847,414	85,043,029
Singapore	11,248,334	274,114	5,930,377
	<u>135,044,940</u>	<u>22,121,528</u>	<u>90,973,406</u>

Analysis by Activities

The analysis of the Group's operations by activities is as follows:

	<u>Turnover</u>	<u>Profit before tax</u>	<u>Total Assets Employed</u>
<u>2000</u>	RM	RM	RM
Manufacturing	150,485,223	23,439,388	135,068,830
Trading	31,273,059	885,413	9,701,000
Others	-	(14,513)	182,756
	<u>181,758,282</u>	<u>24,310,288</u>	<u>144,952,586</u>
<u>1999</u>			
Manufacturing	111,257,411	20,964,239	78,457,381
Trading	23,787,529	1,160,911	12,516,023
Others	-	(3,622)	2
	<u>135,044,940</u>	<u>22,121,528</u>	<u>90,973,406</u>

23. COMPARATIVE FIGURES

As mentioned in Note 3, the acquisition of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. are accounted for in the consolidated financial statements using the merger accounting principles as provided under the Companies Act, 1965 and Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, which requires the comparative figures in the consolidated financial statements to be presented as if these subsidiary companies had been combined throughout the previous period and at the previous balance sheet date. The comparative figures for the consolidated financial statements have accordingly been presented to conform with such requirements.

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD  
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of P.I.E. INDUSTRIAL BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2000 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,

April 4, 2001

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

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

Subscribed and solemnly declared by )  
the abovenamed CHEN, CHIH-WEN at )  
GEORGETOWN in the State of PENANG )  
on April 4, 2001 )



CHEN, CHIH WEN

**( s. t. ) GM. GOVINDASAMY, PJM**  
Pesuruhjaya Sumpah  
21, Lebuh King  
**COMMISSIONER FOR OATHS**  
10200 Pulau Pinang.

Before me,

GOVINDASAMY A/L G. MUTTUSAMY, PJM (No. P047)  
COMMISSIONER FOR OATHS