

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2003
(In Ringgit Malaysia)

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2003

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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, 2003.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 10 to the Financial Statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Profit/ (loss) after tax for the year	<u>7,344,739</u>	<u>(182,547)</u>

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

DIVIDENDS

A first and final dividend of 10 sen gross per ordinary share, tax-exempt, amounting to RM6,000,000 in respect of the financial year ended December 31, 2002 was declared and paid by the Company during the current financial year.

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

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

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

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

EMPLOYEE SHARE OPTION SCHEME

The P.I.E. Industrial Berhad's Employee Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on December 2, 2002 and all relevant authorities.

The principal features of the ESOS are as follows:

- a) The maximum number of new ordinary shares of the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- b) the ESOS will be available to executive directors and eligible employees of the Group and the Company;
- c) to be eligible to participate in the ESOS, an employee must be at least eighteen (18) years of age, have been employed in the Group for at least six (6) months and have been confirmed in service;
- d) the ESOS shall be in force for a period of five (5) years from the date of the confirmation letter submitted to the Securities Commission ("SC"). However, the company may, if the Board of Directors and ESOS committee deems fit, extend the scheme for another five (5) years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws save for any revisions and/ or changes to the statutes and/ or regulations currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities;
- e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by the Malaysia Securities Exchange Berhad for the five (5) market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher; and
- f) the new shares to be issued pursuant to the ESOS, shall upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to participate in any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid before the allotment of such shares.

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

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

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

DIRECTORS

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni
Almarhum Tunku Mohd Jawa
Ahmad Murad Bin Abdul Aziz
Mui Chung Meng
Chen, Chih-Wen
Cheng, Shing Tsung
Yen, Chien-Kun
Yeap Hun Leng

DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	<u>No. of ordinary shares of RM1 each</u>			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Y.T.M. Tunku Dato' Dr. Ismail Ibni				
Almarhum Tunku Mohd Jawa	10,001	-	-	10,001
Ahmad Murad Bin Abdul Aziz	10,001	-	(2,000)	8,001
Mui Chung Meng	10,000	-	-	10,000
Chen, Chih-Wen	10,000	-	-	10,000
Cheng, Shing Tsung	10,000	-	-	10,000
Yeap Hun Leng	-	3,000	(3,000)	-

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

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

DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted to certain directors pursuant to the Company's ESOS as disclosed above.

HOLDING COMPANIES

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

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AUDITORS

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

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

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 27, 2004

REPORT OF THE AUDITORS TO THE MEMBERS OF

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

We have audited the accompanying balance sheets as of December 31, 2003 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2003 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies incorporated in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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DELOITTE KASSIMCHAN

REPORT OF THE AUDITORS TO THE MEMBERS OF

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

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/04(J)
Partner

Penang,

February 27, 2004

Company No.: 424086 X

P.I.E. INDUSTRIAL BERHAD
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INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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BALANCE SHEETS
AS OF DECEMBER 31, 2003

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

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BALANCE SHEETS
AS OF DECEMBER 31, 2003

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

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>The Group</u>	<u>Note</u>	<u>Share Capital</u> RM	<u>Share Premium</u> RM	<u>Revaluation/ Translation/ Merger Reserve*</u> RM	<u>Retained Profit</u> RM	<u>Total</u> RM
Balance as of January 1, 2002						
As previously stated		60,000,000	14,057,166	(24,447,915)	79,314,695	128,923,946
Prior year adjustment	23	-	-	(4,151,811)	-	(4,151,811)
Restated balance		60,000,000	14,057,166	(28,599,726)	79,314,695	124,772,135
Net gain not recognised in the income statements:						
Exchange gain on translation of net investment in foreign subsidiary		-	-	159,476	-	159,476
Net profit after tax for the year		-	-	-	7,415,815	7,415,815
Dividend	24	-	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2002						
As previously stated		60,000,000	14,057,166	(24,288,439)	80,730,510	130,499,237
Prior year adjustment	23	-	-	(4,151,811)	-	(4,151,811)
Restated balance		60,000,000	14,057,166	(28,440,250)	80,730,510	126,347,426
Allotment of 57,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		57,000	39,900	-	-	96,900
Net gain not recognised in the income statements:						
Exchange gain on translation of net investment in foreign subsidiary		-	-	52,547	-	52,547
Net profit after tax for the year		-	-	-	7,344,739	7,344,739
Dividend	24	-	-	-	(6,000,000)	(6,000,000)
Balance as of December 31, 2003		<u>60,057,000</u>	<u>14,097,066</u>	<u>(28,387,703)</u>	<u>82,075,249</u>	<u>127,841,612</u>

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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STATEMENTS OF CHANGES IN EQUITY
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The Company

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

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

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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P.I.E. INDUSTRIAL BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Increase/ (decrease) in:				
Trade payables	4,435,048	(3,742,005)	-	-
Other payables and accrued expenses	2,097,752	547,878	-	(27,992)
Amount owing to ultimate holding company	(15,840)	5,780	-	-
Amount owing to a related company	(196,920)	(401,220)	-	-
Cash generated from/ (used in) operations	16,032,339	14,819,684	(686,659)	9,180,585
Tax paid	(3,253,576)	(4,085,051)	(5,681)	-
Net cash generated from/ (used in) operating activities	12,778,763	10,734,633	(692,340)	9,180,585
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	25,158,980	-	25,158,980	-
Interest received	950,553	1,135,933	310,908	420,999
Proceeds from disposal of plant and equipment	800	16,720	-	-
Purchase of investment in bond funds	(23,400,000)	(15,000,000)	(23,400,000)	(15,000,000)
Purchase of property, plant and equipment	(3,292,716)	(1,588,937)	-	-
Prepayment on acquisition of investment	-	(3,201,000)	-	(3,201,000)
Dividend received	-	-	-	21,000,000
Net cash (used in)/ generated from investing activities	(582,383)	(18,637,284)	2,069,888	3,219,999

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P.I.E. INDUSTRIAL BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from issuance of Company's ESOS shares	96,900	-	96,900	-
(Decrease)/ increase in bank borrowings	(7,378,769)	11,204,769	-	-
Dividend paid	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Interest paid	(147,477)	(313,535)	-	-
Net cash (used in)/ generated from financing activities	(13,429,346)	4,891,234	(5,903,100)	(6,000,000)
Exchange translation differences	52,547	158,225	-	-
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(1,180,419)	(2,853,192)	(4,525,552)	6,400,584
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	48,643,432	51,496,624	13,406,770	7,006,186
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	47,463,013	48,643,432	8,881,218	13,406,770

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 10. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on February 27, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

Basis of Consolidation

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

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

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Companies Act, 1965 and MASB 21, Business Combinations, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued, cash and cash equivalents and fair values of other considerations. The difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserves/ deficits in the consolidated financial statements in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

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

Revenue and Revenue Recognition

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

Sales revenue are recognised upon delivery of products when the risks and rewards of ownership have passed. Dividend income is recognised when the shareholder's right to receive payments is established. Other revenues are recognised on an accrual basis.

Foreign Currency Conversion

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

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

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

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

Income Tax

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

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

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

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

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

Property, Plant and Equipment

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

	<u>Rates</u>
Long leasehold land	2%
Leasehold improvement	20%
Buildings	2% - 10%
Plant and machinery	10% - 33.3%
Production tools and equipment	10% & 16.67%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% & 20%
Motor vehicles	20%
Leasehold flats	1.01%

The Group carried its leasehold land, buildings and leasehold flats at revalued amounts. These assets shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

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

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

Investments in Subsidiary Companies

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

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

Where there is an indication of impairment in the value of the assets, the carrying amount of the investment are assessed and written down immediately to its recoverable amount.

Investment in Bond Funds

Investment in bond funds is stated at cost less allowance for diminution in value of investment to recognise any decline, other than a temporary decline, in the value of the investment.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Cost of work-in-progress and finished goods consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads while the cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location.

Allowance is made for obsolete, slow moving or defective items where applicable.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

Leases

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

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

Borrowing Costs

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

Borrowings and Payables

Borrowings and payables are stated at costs.

Share Capital

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. REVENUE

An analysis of revenue is as follows:

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

5. GENERAL INFORMATION

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Staff costs:				
Contributions to state pension schemes	712,984	726,750	60,267	30,085
Other staff costs	9,960,018	11,182,391	651,800	611,233
	<u>10,673,002</u>	<u>11,909,141</u>	<u>712,067</u>	<u>641,318</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Number of directors and employees at end of year:				
Directors	16	15	7	7
Employees	752	666	3	3

Staff costs include directors' remuneration, salaries, bonuses, contributions to state pension schemes and all other staff related expenses.

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

6. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

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

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

7. INCOME TAX EXPENSE/ (INCOME)

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

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

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

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

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

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

Company No.: 424086 X

As of December 31, 2003, the approximate amount of carryforward tax losses of the Group and of the Company which are subject to agreement by the tax authorities are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Carryforward tax losses	667,000	175,000	385,000	74,000

8. EARNINGS PER ORDINARY SHARE

	<u>The Group</u>	
	<u>2003</u>	<u>2002</u>
	RM	RM
Net profit attributable to ordinary shareholders	7,344,739	7,415,815
	<u>2003</u>	<u>2002</u>
	Units	Units
Number of shares in issue as of January 1	60,000,000	60,000,000
Effect of the exercise of ESOS	10,520	-
Weighted average number of ordinary shares in issue	60,010,520	60,000,000
Basic earnings per ordinary share (sen)	12.24	12.35
	<u>2003</u>	
	Units	
Weighted average number of ordinary shares in issue	60,010,520	
ESOS:		
No. of unissued shares	4,319,000	
No. of shares that would have been issued at fair value	(1,411,115)	
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	62,918,405	
Fully diluted earnings per ordinary share (sen)	11.67	

9. PROPERTY, PLANT AND EQUIPMENTThe Group

<u>Cost Unless Stated Otherwise</u>	<u>Beginning of year</u>	<u>Additions</u>	<u>Disposals/ Written-off</u>	<u>Exchange Reserve*</u>	<u>End of year</u>
	RM	RM	RM	RM	RM
2003:					
Long leasehold land					
- at cost	2,013,795	-	-	-	2,013,795
- at 2000 valuation	10,149,047	-	-	-	10,149,047
Leasehold improvement	203,884	-	-	-	203,884
Buildings					
- at cost	2,886,205	-	-	-	2,886,205
- at 2000 valuation	18,990,083	-	-	-	18,990,083
Plant and machinery	34,557,020	3,162,100	-	-	37,719,120
Production tools and equipment	1,763,482	70,360	-	-	1,833,842
Furniture, fixtures and office equipment	2,172,173	60,256	(3,859)	427	2,228,997
Mechanical and electrical installation	1,608,537	-	-	-	1,608,537
Motor vehicles	1,344,421	-	-	-	1,344,421
Leasehold flats - at 2000 valuation	2,170,000	-	-	-	2,170,000
	<u>77,858,647</u>	<u>3,292,716</u>	<u>(3,859)</u>	<u>427</u>	<u>81,147,931</u>
2002	<u>76,588,001</u>	<u>1,588,937</u>	<u>(324,213)</u>	<u>5,922</u>	<u>77,858,647</u>

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

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

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

Company No.: 424086 X

The short leasehold land, buildings and leasehold flats of the Group were revalued in 2000 based on the reports of an independent firm of professional valuers using open market values on existing use basis. The surplus arising from the revaluation was credited to revaluation reserve.

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

	<u>The Group</u>	
	<u>2003</u> RM	<u>2002</u> RM
At cost:		
Long leasehold land	3,530,739	3,530,739
Buildings	14,109,458	14,109,458
Leasehold flats	1,472,000	1,472,000
	19,112,197	19,112,197
Accumulated depreciation:		
Long leasehold land	772,756	713,910
Buildings	4,243,527	3,838,606
Leasehold flats	149,927	135,058
	5,166,210	4,687,574
Net book value	<u>13,945,987</u>	<u>14,424,623</u>

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

10. INVESTMENT IN SUBSIDIARY COMPANIES

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

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
<u>Direct holdings</u>				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies	100%	100%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding compounds	100%	100%
<u>Indirect holdings</u>				
*PIE Enterprise (M) Sdn. Bhd.	Malaysia	Trading of cables and computers	100%	100%
*Pan-International Corporation (S) Pte. Ltd.	Singapore	Marketing and trading of mechanical, electrical, computer, capacitors, resistors and telecommunication components and equipment	100%	100%
+P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	Trading of electrical products	100%	100%

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

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

11. INVESTMENT IN BOND FUNDS

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

12. INVENTORIES

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

13. TRADE RECEIVABLES

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

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

Analysis of trade receivables by currencies:

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

14. OTHER RECEIVABLES AND PREPAID EXPENSES

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

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

15. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

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

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

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

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

	<u>The Company</u>	
	<u>2003</u>	<u>2002</u>
	RM	RM
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	5,400	10,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	5,400	5,400
	<u>10,800</u>	<u>16,200</u>

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

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

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

* A substantial shareholder of Pan-International Industrial Corporation.

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

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

	<u>The Company</u>	
	<u>2003</u>	<u>2002</u>
	RM	RM
<u>With Subsidiary Companies</u>		
Management fee received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	64,800	64,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	64,800	64,800
Dividend received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	-	12,000,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	-	9,972,222
Interest charges received		
Pan-International Electronics (Malaysia) Sdn. Bhd.	-	66,200

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

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

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

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

16. TRADE PAYABLES

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

Analysis of trade payables by currencies:

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

17. OTHER PAYABLES AND ACCRUED EXPENSES

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

Other payables comprise amount outstanding for ongoing cost.

Analysis of other payables and accrued expenses by currencies:

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

18. AMOUNT OWING TO DIRECTORS

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

19. BANK BORROWINGS – Unsecured

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

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

	<u>Ringgit Malaysia</u>	<u>United States Dollar</u>	<u>Total</u>
	RM	RM	RM
2003:			
Bankers acceptance	<u>5,416,000</u>	<u>-</u>	<u>5,416,000</u>
2002:			
Bankers acceptance	<u>5,931,000</u>	<u>-</u>	<u>5,931,000</u>
Foreign currency trade loan	<u>-</u>	<u>6,863,769</u>	<u>6,863,769</u>
	<u>5,931,000</u>	<u>6,863,769</u>	<u>12,794,769</u>

The average effective interest rates are as follows:

	<u>2003</u>	<u>2002</u>
	%	%
Bankers acceptance	3.20	3.01
Foreign currency trade loan	-	2.02

The Group has banking facilities totalling RM57.25million obtained from three local banks. The banking facilities bear interests at rates ranging from 0.1% to 1.5% per annum above the lending banks' base lending rates or cost of funds and are covered by corporate guarantees from the Company.

20. SHARE CAPITAL

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

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

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

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

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

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

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

The principal features of the ESOS are as follows:

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

- b) the ESOS will be available to executive directors and eligible employees of the Group and the Company;
- c) to be eligible to participate in the ESOS, an employee must be at least eighteen (18) years of age, have been employed in the Group for at least six (6) months and have been confirmed in service;
- d) the ESOS shall be in force for a period of five (5) years from the date of the confirmation letter submitted to the Securities Commission (“SC”). However, the company may, if the Board of Directors and ESOS committee deems fit, extend the scheme for another five (5) years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws save for any revisions and/ or changes to the statutes and/ or regulations currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities;
- e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by the Malaysia Securities Exchange Berhad for the five (5) market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher; and
- f) the new shares to be issued pursuant to the ESOS, shall upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to participate in any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid before the allotment of such shares.

21. RESERVES

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

The share premium arose from the issue of shares at premium, net of listing expenses written off.

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets. This amount arose from the revaluation of leasehold land, buildings and leasehold flats as disclosed in Note 9.

The translation reserve is used to record exchange differences arising on translation of foreign subsidiary company, as described in the accounting policies.

The merger deficit represents the difference between the nominal value of shares issued as consideration plus the cash consideration and the nominal value of the shares of those subsidiary companies transferred to the Company.

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

22. DEFERRED TAX LIABILITIES

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

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

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

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

23. PRIOR YEAR ADJUSTMENT

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

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

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

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

24. DIVIDEND

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

A first and final dividend of 10 sen gross per ordinary share, tax-exempt, amounting to RM6,000,000 in respect of the financial year ended December 31, 2002 was declared and paid by the Company during the current financial year.

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

25. CASH AND CASH EQUIVALENTS

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

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

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

Analysis of cash and cash equivalents by currencies:

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

26. CONTINGENT LIABILITY - Unsecured

As of December 31, 2003, the Company is contingently liable to the extent of RM54.85 million in respect of guarantees given for credit facilities granted by certain banks and other financial institutions to subsidiary companies.

27. LEASE COMMITMENTS

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

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

28. SEGMENTAL REPORTING

Business Segments

For management purposes, the Group is organised into the following operating divisions:

- manufacturing of industrial products (includes cables and wires for electrical devices, cable moulding components and PCB assemblies)
- trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment)
- others (includes investment holdings)

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

The Group

	<u>Manufacturing of industrial products</u>	<u>Trading of electrical products</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	RM	RM	RM	RM	RM
<u>2003</u>					
<u>Revenue</u>					
External sales	98,888,875	22,763,813	-	-	121,652,688
Inter-segment sales	2,697,055	24,040	129,600	(2,850,695)	-
	<u>101,585,930</u>	<u>22,787,853</u>	<u>129,600</u>	<u>(2,850,695)</u>	<u>121,652,688</u>

	Manufacturing of industrial products	Trading of electrical products	Others	Elimination	Total
	RM	RM	RM	RM	RM
Results					
Profit from operations	10,540,015	614,487	(183,066)	(106,739)	10,864,697
Finance costs	(146,260)	(10,571)	-	9,354	(147,477)
Profit before tax	10,393,755	603,916	(183,066)	(97,385)	10,717,220
Income tax (expense)/ income	(3,151,000)	(222,000)	519	-	(3,372,481)
Profit after tax	7,242,755	381,916	(182,547)	(97,385)	7,344,739
Other information					
Capital additions	3,292,716	-	-	-	3,292,716
Depreciation of property, plant and equipment	5,381,432	1,165	-	(5,980)	5,376,617
Consolidated Balance Sheet Assets					
Segment assets	121,982,154	6,664,627	25,783,541	(1,188,849)	153,241,473
Income tax assets	661,606	-	-	-	661,606
Consolidated total assets	122,643,760	6,664,627	25,783,541	(1,188,849)	153,903,079
Liabilities					
Segment liabilities	21,974,758	938,195	22,000	(1,048,657)	21,886,296
Income tax liabilities	4,151,811	23,360	-	-	4,175,171
Consolidated total liabilities	26,126,569	961,555	22,000	(1,048,657)	26,061,467
2002					
Revenue					
External sales	97,463,299	20,993,547	692,002	-	119,148,848
Inter-segment sales	2,522,958	219,644	22,101,822	(24,844,424)	-
Total revenue	99,986,257	21,213,191	22,793,824	(24,844,424)	119,148,848

	Manufacturing of industrial products	Trading of electrical products	Others	Elimination	Total
	RM	RM	RM	RM	RM
Results					
Profit from operations	10,711,112	586,019	21,850,820	(22,034,325)	11,113,626
Finance costs	(342,231)	(37,504)	-	66,200	(313,535)
Profit before tax	10,368,881	548,515	21,850,820	(21,968,125)	10,800,091
Income tax expense	(3,204,572)	(179,704)	(972,222)	972,222	(3,384,276)
Profit after tax	7,164,309	368,811	20,878,598	(20,995,903)	7,415,815
Other information					
Depreciation of property, plant and equipment	5,409,997	1,488	-	(7,038)	5,404,447
Capital additions	1,588,937	-	-	-	1,588,937
Consolidated Balance Sheet Assets					
Segment assets	115,747,850	6,390,525	31,875,388	(1,326,652)	152,687,111
Income tax assets	763,900	-	-	-	763,900
Consolidated total assets	116,511,750	6,390,525	31,875,388	(1,326,652)	153,451,011
Liabilities					
Segment liabilities	23,085,503	1,121,367	22,000	(1,283,845)	22,945,025
Income tax liabilities	4,151,811	549	6,200	-	4,158,560
Consolidated total assets	27,237,314	1,121,916	28,200	(1,283,845)	27,103,585

Geographical segments

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

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

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

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

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

29. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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

i. Foreign currency risk

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

ii. Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's short-term deposits and bank borrowings. The short term deposits are placed with reputable licenced bank and finance companies. The Group does not use derivative financial instruments to hedge its risk.

iii. Market risk

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

iv. Credit risk

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

v. Liquidity risk

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

vi. Cash flow risk

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

b. Financial Assets

The Group's principal financial assets are cash and bank balances, trade and other receivables, amount owing by related companies and investment in bond funds.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

c. Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

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

d. Credit Risk

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

e. Fair Values

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

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

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

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

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

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 27, 2004

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

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

Subscribed and solemnly declared by
the abovenamed CHEN, CHIH-WEN at
GEORGETOWN in the State of PENANG
on February 27, 2004

Before me,

COMMISSIONER FOR OATHS