

Company No.: 424086 X

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, 2005.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Net profit after tax for the year	16,948,883	7,650,958

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

DIVIDENDS

A first and final dividend of 12 sen gross per ordinary share, tax-exempt, amounting to RM7,443,360 in respect of the financial year ended December 31, 2004 was declared and paid by the Company during the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM61,239,000 to RM62,046,000 by way of issuance of 807,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

Company No.: 424086 X

The resultant premium arising from the shares issued pursuant to the ESOS of RM564,900 was credited to the share premium account.

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

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

EMPLOYEES' SHARE OPTION SCHEME

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

The principal features of the ESOS are as follows:

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

Company No.: 424086 X

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

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

OTHER FINANCIAL INFORMATION

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

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

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

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

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

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

Company No.: 424086 X

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

DIRECTORS

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni

Almarhum Tunku Mohd Jewa

Ahmad Murad Bin Abdul Aziz

Mui Chung Meng

Chen, Chih-Wen

Cheng, Shing Tsung

Cheung Ho Leung

Yen, Chien-Kun

(appointed on March 15, 2005)

(resigned on March 15, 2005)

DIRECTORS' INTEREST

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

<u>Shares in the Company</u>	<u>No. of ordinary shares of RM1 each</u>			<u>Balance as of 31.12.2005</u>
	<u>Balance as of 1.1.2005</u>	<u>Bought</u>	<u>Sold</u>	
Y.T.M. Tunku Dato' Dr. Ismail Ibni				
Almarhum Tunku Mohd Jewa	10,001	-	-	10,001
Ahmad Murad Bin Abdul Aziz	8,001	-	-	8,001
Mui Chung Meng	170,000	-	-	170,000
Chen, Chih-Wen	10,000	120,000	-	130,000
Cheng, Shing Tsung	10,000	-	-	10,000

Company No.: 424086 X

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

	<u>No. of options over ordinary shares of RM1 each</u>			<u>Balance as of 31.12.2005</u>
	<u>Balance as of 1.1.2005</u>	<u>Granted</u>	<u>Exercised</u>	
Mui Chung Meng	240,000	-	-	240,000
Chen, Chih-Wen	200,000	-	(120,000)	80,000

DIRECTORS' BENEFITS

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

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

HOLDING COMPANIES

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

Company No.: 424086 X

AUDITORS

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

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

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 27, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF

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

We have audited the accompanying balance sheets as of December 31, 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies incorporated in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

(FORWARD)

Company No.: 424086 X

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06(J)
Partner

Penang,

February 27, 2006

Company No.: 424086 X

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

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Company No.: 424086 X

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

BALANCE SHEETS
AS OF DECEMBER 31, 2005

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

(FORWARD)

Company No.: 424086 X

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

BALANCE SHEETS
AS OF DECEMBER 31, 2005

	Note	<u>The Group</u>		<u>The Company</u>	
		2005 RM	2004 RM	2005 RM	2004 RM
SHARE CAPITAL	22	62,046,000	61,239,000	62,046,000	61,239,000
RESERVES	23	88,109,090	72,867,360	27,853,226	27,080,728
SHAREHOLDERS' EQUITY		150,155,090	134,106,360	89,899,226	88,319,728
DEFERRED TAX LIABILITIES	11	5,597,718	3,689,095	-	-
		<u>155,752,808</u>	<u>137,795,455</u>	<u>89,899,226</u>	<u>88,319,728</u>

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

Company No.: 424086 X

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>The Group</u>	<u>Note</u>	<u>Share Capital</u> RM	<u>Share Premium</u> RM	<u>Revaluation/ Exchange/ Merger Reserve*</u> RM	<u>Retained Profit</u> RM	<u>Total</u> RM
Balance as of January 1, 2004		60,057,000	14,097,066	(29,339,570)	83,397,289	128,211,785
Allotment of 1,182,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,182,000	827,400	-	-	2,009,400
Exchange gain on translation of net investment in foreign subsidiary		-	-	94,605	-	94,605
Transfer of revaluation reserve	11	-	-	(237,967)	237,967	-
Net gain not recognised in the income statements		-	-	(143,362)	237,967	94,605
Net profit after tax for the year		-	-	-	11,110,729	11,110,729
Dividend	24	-	-	-	(7,320,159)	(7,320,159)

(FORWARD)

Company No.: 424086 X

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

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

(FORWARD)

Company No.: 424086 X

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

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

	Note	Revaluation Reserve RM	Exchange Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 2004		9,724,217	(63,789)	(38,999,998)	(29,339,570)
Exchange gain on translation of net investment in foreign subsidiary		-	94,605	-	94,605
Transfer of revaluation reserve	11	(237,967)	-	-	(237,967)
Net gain not recognised in the income statements		(237,967)	94,605	-	(143,362)
Balance as of December 31, 2004		9,486,250	30,816	(38,999,998)	(29,482,932)
Exchange loss on translation of net investment in foreign subsidiaries		-	(41,662)	-	(41,662)
Surplus on revaluation of short leasehold land and buildings		7,240,235	-	-	7,240,235
Deferred tax liabilities arising on revaluation of short leasehold land and buildings		(2,027,266)	-	-	(2,027,266)
Transfer of revaluation reserve	11	(305,082)	-	-	(305,082)
Net gain not recognised in the income statements		4,907,887	(41,662)	-	4,866,225
Balance as of December 31, 2005		14,394,137	(10,846)	(38,999,998)	(24,616,707)

(FORWARD)

Company No.: 424086 X

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2004		60,057,000	14,097,066	8,107,473	82,261,539
Allotment of 1,182,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,182,000	827,400	-	2,009,400
Net profit after tax for the year		-	-	11,368,948	11,368,948
Dividend	24	-	-	(7,320,159)	(7,320,159)
Balance as of December 31, 2004		61,239,000	14,924,466	12,156,262	88,319,728
Allotment of 807,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		807,000	564,900	-	1,371,900
Net profit after tax for the year		-	-	7,650,958	7,650,958
Dividend	24	-	-	(7,443,360)	(7,443,360)
Balance as of December 31, 2005		<u>62,046,000</u>	<u>15,489,366</u>	<u>12,363,860</u>	<u>89,899,226</u>

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

Company No.: 424086 X

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

(FORWARD)

Company No.: 424086 X

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>The Group</u>		<u>The Company</u>	
	2005 RM	2004 RM	2005 RM	2004 RM
Increase/ (decrease) in:				
Trade payables	3,500,663	(1,346,402)	-	-
Other payables and accrued expenses	2,879,796	(445,153)	(3,312)	3,312
Amount owing to ultimate holding company	(60,452)	39,610	-	-
Amount owing to a related company	(384)	(56,615)	-	-
Amount owing to directors	-	6,000	-	6,000
Cash generated from/ (used in) operations	23,788,023	3,622,123	(1,340,835)	(767,087)
Tax refunded	847,834	-	35,042	-
Tax paid	(5,767,533)	(3,999,708)	-	-
Net cash generated from/ (used in) operating activities	18,868,324	(377,585)	(1,305,793)	(767,087)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	19,692,285	17,803,164	19,692,285	17,803,164
Interest received	915,524	729,407	270,367	215,629
Proceeds from disposal of property, plant and equipment	69,789	102,400	-	-
Purchase of investment in bond funds	(19,000,000)	-	(19,000,000)	-
Acquisition of a subsidiary company, net of cash acquired (Note 10)	(7,214,711)	-	-	-
Purchase of property, plant and equipment	(5,827,785)	(1,607,553)	-	-
Dividend received	-	-	11,000,000	-
Investment in a subsidiary company	-	-	(14,547,110)	-
Increase in amount owing by subsidiary companies	-	-	(760,000)	-
Net cash (used in)/ generated from investing activities	(11,364,898)	17,027,418	(3,344,458)	18,018,793

(FORWARD)

Company No.: 424086 X

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Company No.: 424086 X

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. GENERAL INFORMATION

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

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

The Company's registered office and principal place of business are at 57-2 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, 13700 Prai, Penang, Malaysia respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on February 27, 2006.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All significant intercompany balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. The Group adopts both the acquisition and merger methods of consolidation.

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

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Financial Reporting Standards FRS 122²⁰⁰⁴ (formerly known as MASB 21), Business Combinations, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the aggregate of the nominal value of equity shares issued and cash consideration. The difference between the cost of the merger and the nominal value of shares acquired is treated as merger reserves/deficits in the consolidated financial statements. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

The financial statements of all subsidiary companies are consolidated under the acquisition method except for the financial statements of Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. which are consolidated under the merger method.

Revenue and Revenue Recognition

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

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

Foreign Currency Conversion

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

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

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

Exchange differences due to such currency translations are dealt with through exchange reserve under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operation is disposed of.

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

	<u>2005</u>	<u>2004</u>
	RM	RM
1 United States Dollar	3.751	3.800
1 Singapore Dollar	2.243	2.448
1 New Taiwan Dollar	0.114	0.109
1 Japanese Yen	0.031	0.031
1 Thai Baht	0.092	Not Applicable

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

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

Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

Borrowing Costs

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Freehold land is not depreciated. Depreciation of property, plant and equipment is computed on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

	<u>Rates</u>
Short leasehold land	2.22%
Leasehold improvement	20%
Buildings	2.22% - 5%
Plant and machinery	10% - 33.3%
Production tools and equipment	10% - 20%
Furniture, fixtures and office equipment	10% - 33.3%
Mechanical and electrical installation	10% - 20%
Motor vehicles	20%
Leasehold flats	1.16%
Road	10%

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

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

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

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

Investments in Subsidiary Companies

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

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

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

Inventories

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

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

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

Receivables

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

Borrowings and Payables

Borrowings and payables are stated at cost.

Share Capital

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

Cash and Cash Equivalents

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

Leased Assets

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

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

Financial Instruments

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

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

Contingent Liabilities

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

4. REVENUE

An analysis of revenue is as follows:

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

5. STAFF COSTS

	<u>The Group</u>		<u>The Company</u>	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff costs:				
Employees' provident fund and central provident fund contributions	781,119	698,335	90,884	64,904
Other staff costs	16,126,609	12,311,974	949,142	714,357
	<u>16,907,728</u>	<u>13,010,309</u>	<u>1,040,026</u>	<u>779,261</u>
Number of directors and employees at end of year:				
Directors	15	14	6	6
Employees	1,118	817	3	3

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

6. PROFIT BEFORE TAX

Profit before tax is arrived at:

	<u>The Group</u>		<u>The Company</u>	
	2005	2004	2005	2004
	RM	RM	RM	RM
After charging:				
Directors' remuneration:				
Fee				
Directors of the Company	48,000	39,500	48,000	39,500
Employees' provident fund and central provident fund contributions				
Directors of the Company	70,865	54,301	70,865	54,301
Directors of subsidiary companies	37,629	30,838	-	-
Other emoluments				
Directors of the Company	704,283	556,523	704,283	556,523
Directors of subsidiary companies	470,670	411,482	-	-
Allowance for slow moving inventories	851,987	1,683,186	-	-
Interest on bank borrowings	240,336	170,828	-	-
Realised loss on foreign exchange	123,498	-	-	-
Rental of premises	90,969	77,059	-	-
Audit fee	86,568	59,501	24,000	16,000
Bad debts written off	14,537	-	-	-
Office equipment rental	14,335	10,552	-	-
Property, plant and equipment written off	1,806	17,823	-	-
Allowance for doubtful debts	-	206,339	-	-
And crediting:				
Interest on short-term deposits	914,971	739,368	269,814	225,590
Rental income	865,760	680,000	-	-
Unrealised gain on foreign exchange	745,629	-	-	-
Gain on disposal of investments	692,285	303,164	692,285	303,164
Allowance for doubtful debts no longer required	209,328	206,494	-	-
Gain on disposal of property, plant and equipment	69,780	96,731	-	-
Interest on late payment by customers	29,564	-	-	-
Allowance for diminution in value of investment in bond funds no longer required	-	616,593	-	616,593
Realised gain on foreign exchange	-	559,520	-	-

7. INCOME TAX EXPENSE

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

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

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

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM	RM	RM	RM
Accounting profit	21,321,538	14,198,430	9,799,576	11,368,948
Tax amount at the statutory income tax rate of 28%	5,970,031	3,976,000	2,743,880	3,183,000
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	134,367	119,457	102,620	19,000
Non-taxable income	(685,826)	(129,000)	(662,840)	(3,202,000)
Tax saving on utilisation of reinvestment allowance	(892,000)	(113,000)	-	-
Effect of different tax rates in subsidiary companies	(16,000)	(29,300)	-	-
Net deferred tax assets not recognised	(4,671)	29,300	-	-
Effect of different tax rates used in computing deferred tax	-	13,000	-	-
Reduction on opening deferred tax resulting from reduction in tax rate	-	12,000	-	-
Recognition of previously unrecognised deferred tax assets	-	(798,000)	-	-
	4,505,901	3,080,457	2,183,660	-
(Over)/ underprovision in prior year:				
Current tax	(113,246)	7,244	(35,042)	-
Deferred tax	(20,000)	-	-	-
	(133,246)	7,244	(35,042)	-
Income tax expense	4,372,655	3,087,701	2,148,618	-

The applicable tax rate of 28% (2004: 28%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

As of December 31, 2005, the approximate amount of unabsorbed tax losses of the Group and of the Company, for which no deferred tax asset has been recognised in the financial statements, which are available for set-off against future taxable income are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM	RM	RM	RM
Unabsorbed tax losses	1,298,000	1,321,000	865,000	865,000

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

8. EARNINGS PER ORDINARY SHARE

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

9. PROPERTY, PLANT AND EQUIPMENTThe Group

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

Company No.: 424086 X

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

* Exchange reserve arising from translation of foreign subsidiary companies.

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

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

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

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

Company No.: 424086 X

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

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

10. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>The Company</u>	
	<u>2005</u>	<u>2004</u>
	RM	RM
Unquoted shares, at cost	71,047,108	56,499,998

The subsidiary companies are as follows:

	<u>Country of incorporation</u>	<u>Principal Activity</u>	<u>Percentage of Ownership</u>	
			<u>2005</u>	<u>2004</u>
<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%
Pan International Electronics (Thailand) Co., Ltd#	Thailand	Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry	100%	-
<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 electronic and telecommunication components and equipment	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd.+	Malaysia	Trading of electrical products	100%	100%

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

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

The financial statements of these subsidiary companies were audited by other firms of auditors.

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

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

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

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

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

11. DEFERRED TAX

	<u>The Group</u>	
	<u>2005</u>	<u>2004</u>
	RM	RM
Deferred tax liabilities	5,597,718	3,689,095
Deferred tax assets	(2,127,000)	(1,587,000)
	<hr/>	<hr/>
Net position	<u>3,470,718</u>	<u>2,102,095</u>

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

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

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

A deferred tax income of RM118,643 (2004: RM92,543) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM305,082 (2004: RM237,967) net of the related deferred tax was transferred from revaluation reserve to retained profit. These relate to the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of the assets.

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

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

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

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

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

	<u>Deferred Tax Assets/(Liabilities)</u>			
	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM	RM	RM	RM
Tax effect of unabsorbed tax Losses	328,624	333,295	242,000	242,000

12. GOODWILL ON CONSOLIDATION

	<u>The Group</u>	
	<u>2005</u>	<u>2004</u>
	RM	RM
At beginning of year	-	-
Goodwill arising from acquisition of a subsidiary company	1,721,665	-
	<u>1,721,665</u>	<u>-</u>

13. INVENTORIES

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

14. TRADE RECEIVABLES

	<u>The Group</u>	
	2005	2004
	RM	RM
Amount outstanding	47,729,911	35,645,382
Less: Allowance for doubtful debts	(682,541)	(380,566)
	<hr/>	<hr/>
	47,047,370	35,264,816
	<hr/> <hr/>	<hr/> <hr/>

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

Analysis of trade receivables by currencies:

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

15. OTHER RECEIVABLES AND PREPAID EXPENSES

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

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

16. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

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

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

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

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

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

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

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

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

* A substantial shareholder of Pan-International Industrial Corporation.

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

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

	<u>The Company</u>	
	2005	2004
	RM	RM
<u>With Subsidiary Companies</u>		
Dividend receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	6,975,000	9,600,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	3,200,000	1,400,000
Management fee received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	64,800	64,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	64,800	64,800
	<u> </u>	<u> </u>
	<u>The Group</u>	
	2005	2004
	RM	RM
<u>With Related Companies</u>		
Sales of finished goods		
Pan International Electronics (Thailand) Co. Ltd.	3,165,148	2,962,307
PT. Pan Super Bintang Surya Manufacturing	-	39,263
Sales of moulds		
Pan International Electronics (Thailand) Co. Ltd.	27,715	-
Purchase of raw materials		
PT. Pan Super Bintang Surya Manufacturing	-	54,830
	<u> </u>	<u> </u>
<u>With Other Related Parties</u>		
Purchase of raw materials		
Hon Hai Precision Industry Co. Ltd.	67,181	85,485
	<u> </u>	<u> </u>

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

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

17. CASH AND CASH EQUIVALENTS

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

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

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

Analysis of cash and cash equivalents by currencies:

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

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

18. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 60 days (2004: 30 to 60 days).

Analysis of trade payables by currencies:

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

19. OTHER PAYABLES AND ACCRUED EXPENSES

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

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

Analysis of other payables and accrued expenses by currencies:

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

20. AMOUNT OWING TO DIRECTORS

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

21. BANK BORROWINGS

	<u>The Group</u>	
	<u>2005</u>	<u>2004</u>
	RM	RM
Unsecured:		
Bankers' acceptances	<u>7,841,000</u>	<u>14,581,000</u>

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

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

The banking facilities of the Group are generally secured as follows:

- a mortgage over a subsidiary company's freehold land and buildings; and
- corporate guarantees from the Company.

22. SHARE CAPITAL

	<u>The Group and the Company</u>			
	<u>2005</u>		<u>2004</u>	
	No. of shares	RM	No. of shares	RM
Authorised:				
100,000,000 shares of RM1 each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
At beginning of year	61,239,000	61,239,000	60,057,000	60,057,000
Exercise of employees' share options	807,000	807,000	1,182,000	1,182,000
At end of year	<u>62,046,000</u>	<u>62,046,000</u>	<u>61,239,000</u>	<u>61,239,000</u>

During the financial year, the issued and paid-up share capital of the Company was increased from RM61,239,000 to RM62,046,000 by way of issuance of 807,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM564,900 was credited to the share premium account.

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

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

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

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

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

<u>Exercise Date</u>	<u>Exercise price per ordinary share</u> RM	<u>Fair value of shares issued</u> RM	<u>No. of options exercised</u>	<u>Considerations received</u> RM
2005:				
January 2005	1.70	2.34 - 2.39	33,000	56,100
February 2005	1.70	2.40 - 2.43	22,000	37,400
March 2005	1.70	2.47 - 2.48	145,000	246,500
April 2005	1.70	2.42 - 2.46	284,000	482,800
May 2005	1.70	2.41 - 2.45	307,000	521,900
June 2005	1.70	2.20	5,000	8,500
July 2005	1.70	2.13	1,000	1,700
September 2005	1.70	2.18	5,000	8,500
December 2005	1.70	1.96	5,000	8,500
			807,000	1,371,900

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

The principal features of the ESOS are as follows:

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

23. RESERVES

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

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

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. The revaluation reserve represents surplus arising from the revaluation of the Group's short leasehold land, buildings and leasehold flats as disclosed in Note 9, net of the related deferred tax liabilities.

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

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

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

24. DIVIDEND

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

25. CONTINGENT LIABILITY - Unsecured

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

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

26. LEASE COMMITMENTS

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

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

27. SEGMENTAL REPORTING

Business Segments

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

- manufacturing of industrial products (includes cables and wires for electrical devices, cable moulding components and PCB assemblies, cable and wireharness to the computer, communication, consumer electronic industry and cable assembly)
- trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment)
- investment holdings

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

The Group

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

	Manufacturing of industrial products	Trading of electrical products	Investment holdings	Elimination	Total
	RM	RM	RM	RM	RM
<u>2004</u>					
<u>Revenue</u>					
External sales	140,544,956	13,578,640	-	-	154,123,596
Inter-segment sales	4,667,438	3,400	11,129,600	(15,800,438)	-
Total revenue	<u>145,212,394</u>	<u>13,582,040</u>	<u>11,129,600</u>	<u>(15,800,438)</u>	<u>154,123,596</u>
<u>Results</u>					
Profit from operations	12,279,075	332,927	11,143,358	(10,805,470)	12,949,890
Income from other investments	1,335,996	7,782	225,590	(150,000)	1,419,368
Finance costs	(170,828)	-	-	-	(170,828)
Profit before tax	13,444,243	340,709	11,368,948	(10,955,470)	14,198,430
Tax expense	(3,003,701)	(84,000)	-	-	(3,087,701)
Profit after tax	<u>10,440,542</u>	<u>256,709</u>	<u>11,368,948</u>	<u>(10,955,470)</u>	<u>11,110,729</u>
<u>Other information</u>					
Capital additions	1,607,553	-	-	-	1,607,553
Depreciation of property, plant and equipment	5,426,189	1,167	-	(5,187)	5,422,169
Non-cash expenses other than depreciation	1,692,507	214,841	-	-	1,907,348
<u>Consolidated Balance Sheet</u>					
<u>Assets</u>					
Segment assets	139,411,344	7,042,709	31,851,042	(12,718,614)	165,586,481
Income tax assets	1,583,595	79,000	-	-	1,662,595
Consolidated total assets	<u>140,994,939</u>	<u>7,121,709</u>	<u>31,851,042</u>	<u>(12,718,614)</u>	<u>167,249,076</u>
<u>Liabilities</u>					
Segment liabilities	40,773,053	1,067,324	31,312	(12,622,953)	29,248,736
Income tax liabilities	3,893,980	-	-	-	3,893,980
Consolidated total liabilities	<u>44,667,033</u>	<u>1,067,324</u>	<u>31,312</u>	<u>(12,622,953)</u>	<u>33,142,716</u>

Geographical segments

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

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

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

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

28. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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

i. Foreign currency risk

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

ii. Interest rate risk

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

iii. Market risk

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

iv. Credit risk

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

v. Liquidity risk

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

vi. Cash flow risk

The Group and the Company review their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

b. Credit Risk

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

c. Fair Values

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

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

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 MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 27, 2006

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

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

Subscribed and solemnly declared by

the abovenamed CHEN, CHIH-WEN at

GEORGETOWN in the State of PENANG

on February 27, 2006

Before me,

COMMISSIONER FOR OATHS

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2005
(In Ringgit Malaysia)

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2005

CONTENTS

	PAGE(S)
Directors' report	1-6
Report of the auditors	7-8
Income statements	9
Balance sheets	10-11
Statements of changes in equity	12-15
Cash flow statements	16-18
Notes to the financial statements	19-49
Statement by directors	50
Declaration by the director primarily responsible for the financial management of the Company	50