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, 2006.

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 13 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	The Group RM	**The Company RM**
Profit for the year	26,162,282	8,867,129

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Notes 3 and 29 to the financial statements.

DIVIDENDS

A first and final dividend of 12 sen gross per ordinary share, less-tax and a special dividend of 6 sen, per ordinary share, tax exempt, amounting to RM5,452,099 and RM3,786,180 respectively in respect of the financial year ended December 31, 2005 were 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 RM62,046,000 to RM63,130,000 by way of issuance of 1,084,000 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 RM758,800 was credited to the share premium account.

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

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

EMPLOYEES' SHARE OPTION SCHEME

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

The principal features of the ESOS are as follows:

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

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

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

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

e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities for the five (5) market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher; and

f) the new shares to be issued pursuant to the ESOS, shall upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to participate in any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid before the allotment of such shares.

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

		No. of options over ordinary shares of RM1 each				
Exercisable from	**Exercise price per ordinary share RM**	**Balance as of 1.1.2006**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 31.12.2006**
August 13, 2003	1.70	1,998,000	-	(1,084,000)	(26,000)	888,000

OTHER FINANCIAL INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

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

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On September 8, 2006, the Company has subscribed for 50% of the equity interest of Infra-Info Telecommunications Sdn. Bhd. comprising 25,000 ordinary shares of RM1.00 each for a cash consideration of RM25,000.

DIRECTORS

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

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

DIRECTORS' INTEREST

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

	No. of ordinary shares of RM1 each			
Shares in the Company	**Balance as of 1.1.2006**	**Bought**	**Sold**	**Balance as of 31.12.2006**
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	160,000	-	330,000
Chen, Chih-Wen	130,000	40,000	-	170,000
Cheng, Shing Tsung	10,000	-	-	10,000

In addition to the above, the following directors are also deemed to have interest in the shares of the Company to the extent of the following options granted to them pursuant to the ESOS of the Company which was implemented on March 11, 2003:

	No. of options over ordinary shares of RM1 each			
	Balance as of 1.1.2006	**Granted**	**Exercised**	**Balance as of 31.12.2006**
Mui Chung Meng	240,000	-	(160,000)	80,000
Chen, Chih-Wen	80,000	-	(40,000)	40,000

None of the other directors in office as of December 31, 2006 held shares in the Company or in related companies during the financial year.

DIRECTORS' BENEFITS

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

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

HOLDING COMPANIES

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

AUDITORS

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

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

MUI CHUNG MENG

CHEN, CHIH-WEN

Penang,

February 28, 2007

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, 2006 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 for Entities Other than Private Entities 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, 2006 and of their results and cash flows for the year ended on that date; and

  (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and 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
2225/04/08(J)
Partner

Penang,

February 28, 2007

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

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

		The Group		The Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	277,564,350	203,680,379	11,829,600	10,304,600
Investment revenue		2,309,013	1,780,731	164,173	269,814
Other gains and losses		6,200,854	3,023,180	162,987	692,285
Share of loss in jointly controlled entity		(25,000)	-	-	-
Changes in inventories of finished goods and work-in-progress		1,240,832	(384,081)	-	-
Purchase of trading goods		(39,651,634)	(25,436,136)	-	-
Raw materials consumed		(173,086,908)	(129,713,483)	-	-
Directors' remuneration		(1,816,561)	(1,331,447)	(958,410)	(823,148)
Employee benefits expense	6	(23,642,980)	(15,576,281)	(450,403)	(216,878)
Depreciation of property, plant and equipment		(3,811,962)	(4,458,138)	-	-
Finance costs		(55,483)	(240,336)	-	-
Other expenses		(12,271,788)	(10,022,850)	(136,448)	(427,097)
Profit before tax	7	32,952,733	21,321,538	10,611,499	9,799,576
Income tax expense	8	(6,790,451)	(4,372,655)	(1,744,370)	(2,148,618)
Profit for the year		26,162,282	16,948,883	8,867,129	7,650,958
Earnings per share					
Basic	9	41.92 sen	27.42 sen		
Diluted	9	41.73 sen	27.23 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, 2006

		The Group		The Company	
	Note	**2006 RM**	**2005 RM**	**2006 RM**	**2005 RM**
ASSETS					
Non-current assets					
Property, plant and equipment	10	37,274,256	49,465,071	-	-
Investment properties	11	10,377,366	-	-	-
Goodwill	12	1,721,665	1,721,665	-	-
Investment in subsidiary companies	13	-	-	82,262,857	87,455,329
Investment in jointly controlled entity	14	-	-	25,000	-
Deferred tax assets	15	2,882,000	2,127,000	-	-
Total non-current assets		52,255,287	53,313,736	82,287,857	87,455,329
Current assets					
Inventories	16	30,687,727	22,903,339	-	-
Trade and other receivables	17	77,793,440	47,125,725	14,691,222	8,565,800
Other assets	18	1,609,775	1,122,283	10,681	17,524
Current tax assets		750,418	661,166	551,970	196,340
Short-term deposits	19	29,409,228	43,418,438	7,100,000	9,800,000
Cash and bank balances	19	14,885,941	19,578,360	190,883	300,454
Total current assets		155,136,529	134,809,311	22,544,756	18,880,118
Total assets		207,391,816	188,123,047	104,832,613	106,335,447

(FORWARD)

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

BALANCE SHEETS
AS OF DECEMBER 31, 2006

		The Group		The Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	63,130,000	62,046,000	63,130,000	62,046,000
Less: 1,207,000 treasury shares, at cost	20	(2,980,484)	-	(2,980,484)	-
		60,149,516	62,046,000	60,149,516	62,046,000
Reserves	21	27,449,252	29,872,657	32,656,387	31,897,587
Retained earnings	22	80,246,235	58,236,433	11,992,710	12,363,860
Total equity		167,845,003	150,155,090	104,798,613	106,307,447
Non-current liabilities					
Deferred tax liabilities	15	4,325,931	5,597,718	-	-
Current liabilities					
Trade and other payables	23	32,175,975	23,532,134	34,000	28,000
Bank borrowings	24	-	7,841,000	-	-
Current tax liabilities		3,044,907	997,105	-	-
Total current liabilities		35,220,882	32,370,239	34,000	28,000
Total liabilities		39,546,813	37,967,957	34,000	28,000
Total equity and liabilities		207,391,816	188,123,047	104,832,613	106,335,447

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, 2006

The Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Revaluation/ Foreign Currency Translation/ Merger Reserve* RM**	**Retained Earnings RM**	**Total RM**
Balance as of January 1, 2005						
As previously stated		61,239,000	14,924,466	(29,482,932)	87,425,826	134,106,360
Effect of changes in accounting policies	29	-	-	38,999,998	(38,999,998)	-
As restated		61,239,000	14,924,466	9,517,066	48,425,828	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 surplus	15	-	-	(305,082)	305,082	-
Net income recognised directly in equity		-	-	4,866,225	305,082	5,171,307
Profit for the year		-	-	-	16,948,883	16,948,883
Dividend	25	-	-	-	(7,443,360)	(7,443,360)
Balance as of December 31, 2005						
As previously stated		62,046,000	15,489,366	(24,616,707)	97,236,431	150,155,090
Effect of changes in accounting policies	29	-	-	38,999,998	(38,999,998)	-
As restated		62,046,000	15,489,366	14,383,291	58,236,433	150,155,090

(FORWARD)

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006

The Group	Note	Share Capital RM	Share Premium RM	Revaluation/ Foreign Currency Translation/ Merger Reserve* RM	Retained Earnings RM	Treasury Shares RM	Total RM
Balance as of January 1, 2006		62,046,000	15,489,366	14,383,291	58,236,433	-	150,155,090
Effect of changes in accounting policies	29	-	-	(3,636,499)	4,795,322	-	1,158,823
As restated		62,046,000	15,489,366	10,746,792	63,031,755	-	151,313,913
Allotment of 1,084,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,084,000	758,800	-	-	-	1,842,800
Exchange gain on translation of net investment in foreign subsidiaries		-	-	744,771	-	-	744,771
Transfer of revaluation surplus	15	-	-	(290,477)	290,477	-	-
Net income recognised directly in equity		-	-	454,294	290,477	-	744,771
Profit for the year		-	-	-	26,162,282	-	26,162,282
Dividends	25	-	-	-	(9,238,279)	-	(9,238,279)
Repurchase of 1,207,000 treasury shares		-	-	-	-	(2,980,484)	(2,980,484)
Balance as of December 31, 2006		63,130,000	16,248,166	11,201,086	80,246,235	(2,980,484)	167,845,003

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P.I.E. INDUSTRIAL BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

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

	Note	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Merger Deficit RM	Total RM
Balance as of January 1, 2005					
As previously stated		9,486,250	30,816	(38,999,998)	(29,482,932)
Effect of changes in accounting policies	29	-	-	38,999,998	38,999,998
As restated		9,486,250	30,816	-	9,517,066
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 surplus	15	(305,082)	-	-	(305,082)
Net income recognised directly in equity		4,907,887	(41,662)	-	4,866,225
Balance as of December 31, 2005					
As previously stated		14,394,137	(10,846)	(38,999,998)	(24,616,707)
Effect of changes in accounting policies	29	-	-	38,999,998	38,999,998
As restated		14,394,137	(10,846)	-	14,383,291
Balance as of January 1, 2006		14,394,137	(10,846)	-	14,383,291
Effect of changes in accounting policies	29	(3,636,499)	-	-	(3,636,499)
As restated		10,757,638	(10,846)	-	10,746,792
Exchange gain on translation of net investment in foreign subsidiaries		-	744,771	-	744,771
Transfer of revaluation surplus	15	(290,477)	-	-	(290,477)
Net income recognised directly in equity		(290,477)	744,771	-	454,294
Balance as of December 31, 2006		10,467,161	733,925	-	11,201,086

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

The Company

	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Merger Reserve RM	Retained Earnings RM	Total RM
Balance as of January 1, 2005							
As previously stated		61,239,000	14,924,466	-	-	12,156,262	88,319,728
Effect of changes in accounting policies	29	-	-	-	16,408,221	-	16,408,221
As restated		61,239,000	14,924,466	-	16,408,221	12,156,262	104,727,949
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
Profit for the year		-	-	-	-	7,650,958	7,650,958
Dividend	25	-	-	-	-	(7,443,360)	(7,443,360)
Balance as of December 31, 2005							
As previously stated		62,046,000	15,489,366	-	-	12,363,860	89,899,226
Effect of changes in accounting policies	29	-	-	-	16,408,221	-	16,408,221
As restated		62,046,000	15,489,366	-	16,408,221	12,363,860	106,307,447
Balance as of January 1, 2006		62,046,000	15,489,366	-	16,408,221	12,363,860	106,307,447
Allotment of 1,084,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		1,084,000	758,800	-	-	-	1,842,800
Profit for the year		-	-	-	-	8,867,129	8,867,129
Dividends	25	-	-	-	-	(9,238,279)	(9,238,279)
Repurchase of 1,207,000 treasury shares		-	-	(2,980,484)	-	-	(2,980,484)
Balance as of December 31, 2006		63,130,000	16,248,166	(2,980,484)	16,408,221	11,992,710	104,798,613

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

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	26,162,282	16,948,883	8,867,129	7,650,958
Adjustments for:				
Income tax expense	6,790,451	4,372,655	1,744,370	2,148,618
Depreciation of property, plant and equipment	3,811,962	4,458,138	-	-
Unrealised loss/ (gain) on foreign exchange	957,561	(745,629)	-	-
Allowance for slow moving inventories	179,461	851,987	-	-
Interest expenses	55,483	240,336	-	-
Bad debts written off	30,028	14,537	-	-
Share of loss in jointly controlled entity	25,000	-	-	-
Property, plant and equipment written off	1	1,806	-	-
Interest income	(1,252,851)	(914,971)	(164,173)	(269,814)
Fair value adjustment of investment properties	(460,733)	-	-	-
Gain on disposal of investments	(162,987)	(692,285)	(162,987)	(692,285)
Interest on late payment by customers	(147,412)	(29,564)	-	-
Allowance for doubtful debts no longer required	(4,791)	(209,328)	-	-
Gain on disposal of property, plant and equipment	-	(69,780)	-	-
Gross dividend income from subsidiary companies	-	-	(11,700,000)	(10,175,000)
	35,983,455	24,226,785	(1,415,661)	(1,337,523)
Movement in working capital:				
(Increase)/ decrease in:				
Inventories	(7,963,849)	(126,058)	-	-
Trade and other receivables	(31,425,098)	(7,606,577)	-	-
Other assets	(494,335)	974,250	-	-
Increase/ (decrease) in trade and other payables	8,761,781	6,319,623	6,000	(3,312)

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Company No.: 424086 X

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	The Group		The Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Cash generated from/ (used in) operations	4,861,954	23,788,023	(1,409,661)	(1,340,835)
Tax paid	(5,705,002)	(5,767,533)	-	-
Tax refunded	-	847,834	-	35,042
Net cash (used in)/ generated from operating activities	(843,048)	18,868,324	(1,409,661)	(1,305,793)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	6,162,987	19,692,285	6,162,987	19,692,285
Interest received	1,259,694	915,524	171,016	270,367
Purchase of investment in bond funds	(4,000,000)	(19,000,000)	(4,000,000)	(19,000,000)
Purchase of investment in cash funds	(2,000,000)	-	(2,000,000)	-
Purchase of property, plant and equipment	(1,342,687)	(5,827,785)	-	-
Advances to a jointly controlled entity	(80,000)	-	(80,000)	-
Investment in jointly controlled entity	(25,000)	-	(25,000)	-
Proceeds from disposal of property, plant and equipment	-	69,789	-	-
Acquisition of a subsidiary company, net of cash acquired (Note 13)	-	(7,214,711)	-	-
Dividends received	-	-	7,795,000	11,000,000
Dividend received from pre-acquisition profit of a subsidiary company	-	-	5,192,472	-
Repayment made by subsidiary companies	-	-	1,960,000	-
Advances to subsidiary companies	-	-	(6,200,422)	(760,000)
Investment in a subsidiary company	-	-	-	(14,547,110)
Net cash (used in)/ generated from investing activities	(25,006)	(11,364,898)	8,976,053	(3,344,458)

(FORWARD)

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of the Company's ESOS shares	1,842,800	1,371,900	1,842,800	1,371,900
Dividends paid	(9,238,279)	(7,443,360)	(9,238,279)	(7,443,360)
Repayment of bank borrowings	(7,841,000)	(6,740,000)	-	-
Repurchase of treasury shares	(2,980,484)	-	(2,980,484)	-
Interest paid	(55,483)	(240,336)	-	-
Net cash used in financing activities	(18,272,446)	(13,051,796)	(10,375,963)	(6,071,460)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,140,500)	(5,548,370)	(2,809,571)	(10,721,711)
Effect of foreign exchange rate changes	438,871	654,304	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	62,996,798	67,890,864	10,100,454	20,822,165
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	44,295,169	62,996,798	7,290,883	10,100,454

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 13. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

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

The Company's 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 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 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 28, 2007.

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 for Entities Other than Private Entities in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group expressed in Ringgit Malaysia ("RM") have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

During the financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRSs") and Interpretations issued by MASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2006.

The adoption of these new and revised FRSs and Interpretations has no material effect on the financial statements of the Group except that the adoption of FRS 127 Consolidated and Separate Financial Statements and FRS 140 Investment Property has resulted in changes to the Group's accounting policies that have affected the amounts reported for the current or prior years. The impact of these changes is set out in Note 29. The impact on basic and diluted earnings per share is disclosed in Note 9.

Standards that are not yet effective and have not been early adopted are as follows:

(a) FRS 117 Leases (Effective for annual periods beginning on or after October 1, 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial periods beginning on January 1, 2007.

(b) FRS 124 Related Party Disclosures (Effective for annual periods beginning on or after October 1, 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial periods beginning January 1, 2007.

(c) FRS 139 Financial Instruments: Recognition and Measurement (Effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

Standards that are not yet effective and not relevant to the Group's operations are as follows:

(a) FRS 6 Exploration for and Evaluation of Mineral Resources (Effective for annual periods beginning on or after January 1, 2007).

(b) Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures (Effective for annual periods beginning on or after January 1, 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements.

Business combination and basis of consolidation

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

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

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

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

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

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

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

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

Revenue and revenue recognition

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

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

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

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

Income tax

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

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

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 all future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are not recognised on temporary differences arising from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

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

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Foreign currency conversion

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

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

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

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

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

Employee benefits costs

(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 the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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) Employees equity compensation benefits

The Company has an Employee's Share Option Scheme whereby options to subscribe for ordinary shares in the Company were granted by the Company to eligible employees, including directors of the Group.

Prior to January 1, 2006, no compensation expense was recognised in income statements for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2 Share-based Payment, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after December 31, 2004 but had not yet vested on January 1, 2006. The adoption of FRS 2 has no material effect on the financial statements of the Group and of the Company for the current year and previous year as the Company has not granted any option after December 31, 2004.

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:

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.

Gain or loss 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 earnings 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.

Investment properties

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

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

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

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.

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

Investment in jointly controlled entity

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

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

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

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

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

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

Goodwill

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

Negative goodwill on consolidation is recognised in the income statements at the date of acquisition.

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

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 cost to completion.

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

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.

Treasury Shares

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

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 change 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 instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised deferred tax assets of the Group is RM2,882,000 (2005: RM2,127,000) and the unrecognised deferred tax assets of the Group is RM324,000 (2005: RM328,000).

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods:				
Manufacturing	238,985,376	180,343,951	-	-
Trading	38,578,974	23,336,428	-	-
Dividend income from subsidiary companies	-	-	11,700,000	10,175,000
Management fee	-	-	129,600	129,600
	277,564,350	203,680,379	11,829,600	10,304,600

6. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Employee benefits expense:				
Employees' provident fund and central provident fund contributions	793,301	672,625	46,335	20,019
Other staff costs	22,849,679	14,903,656	404,068	196,859
	23,642,980	15,576,281	450,403	216,878

Employee benefits expense include salaries, bonuses, contributions to employees' provident fund and central provident fund and all other staff related expenses.

7. PROFIT BEFORE TAX

Profit before tax is arrived at:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
After charging:				
Directors' remuneration:				
Fee				
Directors of the Company	48,000	48,000	48,000	48,000
Employees' provident fund and central provident fund contributions				
Directors of the Company	122,935	70,865	122,935	70,865
Directors of subsidiary companies	82,108	37,629	-	-
Other emoluments				
Directors of the Company	787,475	704,283	787,475	704,283
Directors of subsidiary companies	776,043	470,670	-	-
Unrealised loss on foreign exchange	957,561	-	-	-
Allowance for slow moving inventories	179,461	851,987	-	-
Audit fee:				
Current year	101,342	86,568	22,000	24,000
Underprovision in prior year	12,000	-	6,000	-
Rental of premises	92,238	90,969	-	-
Interest on bank borrowings	55,483	240,336	-	-
Bad debts written off	30,028	14,537	-	-
Rental of office equipment	13,739	14,335	-	-
Property, plant and equipment written off	1	1,806	-	-
Realised loss on foreign exchange	-	123,498	-	-
And crediting:				
Interest on short-term deposits	1,252,851	914,971	164,173	269,814
Realised gain on foreign exchange	1,138,801	-	-	-
Rental income	1,056,162	865,760	-	-
Fair value adjustment of investment properties	460,733	-	-	-
Gain on disposal of investments	162,987	692,285	162,987	692,285
Interest on late payment by customers	147,412	29,564	-	-
Allowance for doubtful debts no longer required	4,791	209,328	-	-
Unrealised gain on foreign exchange	-	745,629	-	-
Gain on disposal of property, plant and equipment	-	69,780	-	-

8. INCOME TAX EXPENSE

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense:				
Malaysian	8,029,928	5,125,026	1,744,328	2,183,660
Foreign	84,170	19,518	-	-
Deferred tax (Note 15):				
Relating to the origination and reversal of temporary differences in current year	(972,964)	(638,643)	-	-
Change in tax rate	105,000	-	-	-
	(867,964)	(638,643)	-	-
	7,246,134	4,505,901	1,744,328	2,183,660
(Over)/ underprovision in prior year:				
Current tax	(455,683)	(113,246)	42	(35,042)
Deferred tax	-	(20,000)	-	-
	(455,683)	(133,246)	42	(35,042)
Income tax expense	6,790,451	4,372,655	1,744,370	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.

The current corporate income tax rate for the year ended December 31, 2006 for Malaysia is 28%. In September 2006, the Malaysian government announced in the yearly budget a reduction in the corporate income tax rate to 27% for the year of assessment 2007 and 26% for the year of assessment 2008.

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

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

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Accounting profit	32,952,733	21,321,538	10,611,499	9,799,576
Tax amount at the statutory income tax rate of 28%	9,226,765	5,970,031	2,971,220	2,743,880
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	470,923	134,367	26,745	102,620
Non-taxable income	(1,915,573)	(685,826)	(1,221,637)	(662,840)
Tax saving on utilisation of reinvestment allowance	(75,000)	(892,000)	-	-
Effect of different tax rates in subsidiary companies	(101,000)	(16,000)	-	-
Net deferred tax assets not recognised	26,019	-	-	-
Utilisation of previously unrecognised deferred tax assets	(32,000)	(4,671)	(32,000)	-
Tax saving on claim of allowance for increased exports	(459,000)	-	-	-
Change in tax rate	105,000	-	-	-
	7,246,134	4,505,901	1,744,328	2,183,660
(Over)/ underprovision in prior year:				
Current tax	(455,683)	(113,246)	42	(35,042)
Deferred tax	-	(20,000)	-	-
	(455,683)	(133,246)	42	(35,042)
Income tax expense	6,790,451	4,372,655	1,744,370	2,148,618

The applicable tax rate of 28% (2005: 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, 2006, the approximate amounts of unabsorbed tax losses of the Group and of the Company, for which no deferred tax asset has been recognised in the financial statements, which are available for set-off against future taxable income are as follows:

	The Group		**The Company**	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Unabsorbed tax losses	1,325,000	1,298,000	751,000	865,000

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

9. EARNINGS PER SHARE

(a) Basic

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

	The Group	
	2006	**2005**
Profit attributable to ordinary equity holders of the Company (RM)	26,162,282	16,948,883
Weighted average number of ordinary shares in issue (units)	62,414,213	61,806,664
Basic earnings per share (sen)	41.92	27.42

(b) Diluted

The earnings used in the calculation of diluted earnings per share are the same as those for the equivalent basic earnings per share measures, as outlined above.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential share options granted to employees.

	The Group	
	2006 Units	**2005 Units**
Weighted average number of ordinary shares in issue	62,414,213	61,806,664
Adjustment for share options	274,341	447,041
Weighted average number of ordinary shares for calculating diluted earnings per share	62,688,554	62,253,705
Diluted earnings per share (sen)	41.73	27.23

(c) Impact of change in accounting policies

Changes in the Group's accounting policies during the year are described in detail in Note 29. To the extent that those changes have had an impact on results reported for current year, they have had an impact on the amounts reported for earnings per share as follows:

	Impact on basic earnings per share sen per share	**Impact on diluted earnings per share sen per share**
FRS 140 Fair value adjustment of investment properties	0.74	0.73

10. PROPERTY, PLANT AND EQUIPMENT

The Group

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

Cost unless stated otherwise	Beginning of year RM	Transfer to investment properties RM	Additions RM	Disposals RM	Exchange reserve* RM	End of year RM
2006:						
Freehold land	1,672,385	(1,115,908)	-	-	110,887	667,364
Short leasehold land - at 2005 valuation	11,720,000	(2,420,000)	-	-	-	9,300,000
Leasehold improvement	203,884	-	-	-	-	203,884
Buildings						
- at cost	1,251,691	(406,070)	-	-	82,263	927,884
- at 2005 valuation	23,900,000	(6,080,000)	-	-	-	17,820,000
Plant and machinery	43,902,353	-	916,471	(1,800)	1,948	44,818,972
Production tools and equipment	2,102,570	-	316,245	(2,300)	98	2,416,613
Furniture, fixtures and office equipment	2,050,605	-	109,971	-	1,458	2,162,034
Mechanical and electrical installation	1,608,537	-	-	-	-	1,608,537
Motor vehicles	1,483,283	-	-	-	-	1,483,283
Leasehold flats - at 2005 valuation	1,950,000	-	-	-	-	1,950,000
Road	8,077	-	-	-	535	8,612
	91,853,385	(10,021,978)	1,342,687	(4,100)	197,189	83,367,183

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

Accumulated Depreciation	Beginning of year RM	Transfer to investment properties RM	Charge for the year RM	Disposals RM	Exchange Reserve* RM	End of year RM
2006:						
Short leasehold land						
- at 2005 valuation	130,222	(26,888)	206,666	-	-	310,000
Leasehold improvement	203,862	-	-	-	-	203,862
Buildings						
- at cost	24,378	(10,901)	89,209	-	1,604	104,290
- at 2005 valuation	322,197	(67,556)	565,520	-	-	820,161
Plant and machinery	35,277,841	-	2,399,640	(1,799)	105	37,675,787
Production tools and equipment	1,859,918	-	338,306	(2,300)	3	2,195,927
Furniture, fixtures and office equipment	1,857,571	-	82,215	-	332	1,940,118
Mechanical and electrical installation	1,583,265	-	15,926	-	-	1,599,191
Motor vehicles	1,116,949	-	86,879	-	-	1,203,828
Leasehold flats						
- at 2005 valuation	11,339	-	22,674	-	-	34,013
Road	772	-	4,927	-	51	5,750
	42,388,314	(105,345)	3,811,962	(4,099)	2,095	46,092,927

* Exchange reserve arising from translation of foreign subsidiary companies.

	The Group	
	2006	**2005**
	RM	**RM**
Net Book Value:		
Freehold land	667,364	1,672,385
Short leasehold land		
- at 2005 valuation	8,990,000	11,589,778
Leasehold improvement	22	22
Buildings		
- at cost	823,594	1,227,313
- at 2005 valuation	16,999,839	23,577,803
Plant and machinery	7,143,185	8,624,512
Production tools and equipment	220,686	242,652
Furniture, fixtures and office equipment	221,916	193,034
Mechanical and electrical installation	9,346	25,272
Motor vehicles	279,455	366,334
Leasehold flats		
- at 2005 valuation	1,915,987	1,938,661
Road	2,862	7,305
	37,274,256	49,465,071

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

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

	The Group	
	2006	**2005**
	RM	**RM**
At cost:		
Short leasehold land	3,530,739	5,544,534
Buildings	14,109,458	16,995,663
Leasehold flats	1,472,000	1,472,000
	19,112,197	24,012,197
Accumulated depreciation:		
Short leasehold land	949,294	1,095,184
Buildings	5,458,292	6,520,526
Leasehold flats	194,534	179,665
	6,602,120	7,795,375
Carrying amounts	12,510,077	16,216,822

As of December 31, 2006, the strata titles for the leasehold flats with a total carrying value of RM1,915,987 (2005: RM1,938,661) have not yet been issued by the relevant authorities.

As of December 31, 2006, certain of the Group's freehold land and buildings with a total carrying value of RM1,480,385 (2005: RM2,888,881) are pledged to a commercial bank as securities for banking facilities granted to the Group as mentioned in Note 24.

11. INVESTMENT PROPERTIES

	The Group	
	2006	**2005**
	RM	**RM**
At fair value		
At beginning of year	-	-
Transfer from property, plant and equipment	9,916,633	-
Fair value adjustment	460,733	-
At end of year	10,377,366	-

The fair value of certain of the Group's investment properties as of December 31, 2006 amounting to RM8,405,556 has been arrived at on the basis of a valuation carried out by KGV-Lambert Smith Hampton (Pg) Sdn. Bhd., an independent valuer that is not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The fair value of the balance of the Group's investment properties as of December 31, 2006 amounting to RM1,971,810 was determined by the directors by reference to market evidence of transaction prices for similar properties of which no valuation was carried out by an independent valuer.

The following investment properties are held under lease terms:

	The Group	
	2006	**2005**
	RM	**RM**
Leasehold land	2,393,111	-
Building	6,012,445	-
	8,405,556	-

The rental income earned by the Group from its investment properties is RM1,056,162. Direct operating expense arising on the investment properties during the year amounted to RM88,356.

As of December 31, 2006, certain of the Group's investment properties with a total carrying value of RM1,971,810 are pledged to a commercial bank as securities for banking facilities granted to the Group as mentioned in Note 24.

12. GOODWILL

	The Group	
	2006	**2005**
	RM	**RM**
At beginning of year	1,721,665	-
Goodwill arising from acquisition of a subsidiary company	-	1,721,665
At end of year	1,721,665	1,721,665

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2006 RM	2005 RM
Unquoted shares, at cost	82,262,857	87,455,329

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership 2006	2005
Direct holdings				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies	100%	100%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding compounds	100%	100%
Pan International Electronics (Thailand) Co., Ltd#	Thailand	Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry	100%	100%
Indirect holdings				
PIE Enterprise (M) Sdn. Bhd.*	Malaysia	Trading of cables and computers	100%	100%
Pan-International Corporation (S) Pte. Ltd.*#	Singapore	Marketing and trading of electronic and telecommunication components and equipment	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd.+	Malaysia	Trading of electrical products	100%	100%

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

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

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

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

The effect of this acquisition on the financial results of the Group for the financial year ended December 31, 2005 was as follows:

	The Group 2005 RM
Post-acquisition results of subsidiary company acquired:	
Revenue	3,593,619
Investment revenue	42,156
Other gains and losses	262,742
Changes in inventories of finished goods and work-in-progress	(79,302)
Raw materials consumed	(1,965,588)
Employee benefits expense	(682,540)
Depreciation of property, plant and equipment	(27,414)
Other expenses	(158,555)
Profit before tax	985,118
Income tax expense	(19,518)
Increase in Group's profit attributable to shareholders	965,600

The assets and liabilities arising from the acquisition are as follows:

	Unaudited November 8, 2005 RM
Net assets acquired as of date of acquisition	
Property, plant and equipment	2,966,588
Inventories	1,612,673
Trade and other receivables	3,290,140
Other assets	263,366
Cash and bank balances	7,332,399
Trade and other payables	(2,544,775)
Current tax liabilities	(94,946)
Share of net assets acquired	12,825,445
Add: Goodwill on consolidation	1,721,665
Total purchase consideration	14,547,110
Less: Cash and cash equivalents acquired	(7,332,399)
Acquisition of subsidiary company, net of cash and cash equivalents acquired	7,214,711

14. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	25,000	-	25,000	-
Share of post-acquisition results	(25,000)	-	-	-
	-	-	25,000	-

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

The Group's share of loss in jointly controlled entity has been recognised to the extent of the carrying amount of the investment. The cumulative and current year unrecognised share of loss in excess of carrying amount amounted to RM1,121.

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

	2006 RM	2005 RM
Assets and liabilities		
Current assets	9,748	-
Non-current assets	101,630	-
Total assets	111,378	-
Current liabilities	(112,498)	-
Results		
Revenue	8,986	-
Expenses	(35,107)	-

15. DEFERRED TAX

	The Group	
	2006 RM	2005 RM
Deferred tax liabilities	4,325,931	5,597,718
Deferred tax assets	(2,882,000)	(2,127,000)
Net position	1,443,931	3,470,718

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

	2006 RM	2005 RM
Balance at beginning of year	5,597,718	3,689,095
Effect of adopting FRS 140 (Note 29)	(1,158,823)	-
Transfer to income statements (Note 8)	(112,964)	(118,643)
Amount charged to equity:		
Deferred tax liabilities arising on revaluation of short leasehold land and buildings	-	2,027,266
Balance at end of year	4,325,931	5,597,718

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

A deferred tax income of RM112,964 (2005: RM118,643) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM290,477 (2005: RM305,082) net of the related deferred tax was transferred from revaluation reserve to retained earnings. 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:

	2006 RM	2005 RM
Balance at beginning of year	2,127,000	1,587,000
Transfer to income statements (Note 8)	755,000	540,000
Balance at end of year	2,882,000	2,127,000

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

	Deferred Tax Assets/(Liabilities)	
	2006 RM	2005 RM
Tax effect of temporary differences arising from property, plant and equipment	(1,269,000)	(1,216,000)
Tax effect of:		
Allowance for slow moving inventories	2,184,000	2,146,000
Provision of bonus	1,712,000	1,082,000
Other temporary differences	255,000	115,000
	2,882,000	2,127,000

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2006, the amounts of estimated net deferred tax assets of the Group and of the Company which are not recognised in the financial statements, are as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effect of unabsorbed tax losses	324,000	328,000	210,000	242,000

16. INVENTORIES

	The Group	
	2006	2005
	RM	RM
Raw materials	20,477,205	14,497,332
Work-in-progress	6,619,802	5,007,925
Finished goods	3,128,866	3,302,808
Goods-in-transit	461,854	95,274
	30,687,727	22,903,339

The cost of inventories recognised as an expense during the year was RM239,100,305 (2005: RM176,964,151).

The cost of inventories recognised as an expense includes RM640,000 (2005: RM864,094) in respect of write-downs of inventory to net realisable value. The Group reversed RM460,539 (2005: RM12,107) in respect of part of an inventory write-down made in prior years that was subsequently not required as the Group has sold these inventories at above their carrying amount.

17. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade receivables	78,292,356	47,729,911	-	-
Less: Allowance for doubtful debts	(716,984)	(682,541)	-	-
	77,575,372	47,047,370	-	-
Amount owing by subsidiary companies	-	-	14,611,222	8,565,800
Amount owing by jointly controlled entity	80,000	-	80,000	-
Other receivables	138,068	78,355	-	-
	77,793,440	47,125,725	14,691,222	8,565,800

Analysis of trade and other receivables by currencies:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
United States Dollar	45,060,178	26,853,080	-	-
Ringgit Malaysia	25,627,401	11,913,131	14,691,222	8,565,800
Thai Baht	3,013,562	2,803,992	-	-
Singapore Dollar	2,541,862	5,555,522	-	-
Euro	1,550,437	-	-	-
	77,793,440	47,125,725	14,691,222	8,565,800

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 90 days (2005: 30 to 90 days). An allowance has been made for estimated irrecoverable amount from the sale of goods of RM716,984 (2005: RM682,541). This allowance has been determined by reference to past default experience.

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 subsidiary companies are as follows:

	The Company	
	2006	2005
	RM	RM
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	6,245,400	5,300,400
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	3,365,400	2,505,400
PIE Enterprise (M) Sdn. Bhd.	5,000,422	760,000
	14,611,222	8,565,800

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

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

	The Group	
	2006	**2005**
	RM	**RM**
With Ultimate Holding Company		
Purchase of raw materials	910,026	1,150,850
Miscellaneous purchases	19,416	90,841
Purchase of trading goods	13,845	-
Sales of finished goods	-	4,498

	The Company	
	2006	**2005**
	RM	**RM**
With Subsidiary Companies		
Dividend receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	7,500,000	6,975,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	4,200,000	3,200,000
Management fee received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	64,800	64,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	64,800	64,800

	The Group	
	2006	**2005**
	RM	**RM**
With Related Companies		
Sales of finished goods		
Pan International Electronics (Thailand) Co. Ltd.	-	3,165,148
Sales of moulds		
Pan International Electronics (Thailand) Co. Ltd.	-	27,715

The directors of the Company are of the opinion that the above trading 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.

18. OTHER ASSETS

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Prepaid expenses	1,473,519	980,248	-	-
Deposits	128,075	127,011	2,500	2,500
Interest receivable	8,181	15,024	8,181	15,024
	1,609,775	1,122,283	10,681	17,524

19. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Short-term deposits with licenced bank	29,409,228	43,418,438	7,100,000	9,800,000
Cash and bank balances	14,885,941	19,578,360	190,883	300,454
	44,295,169	62,996,798	7,290,883	10,100,454

The short-term deposits bear interests at rates ranging from 2.70% to 5.15% (2005: 2.00% to 3.85%) per annum and are maturing in January 2007.

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	20,973,973	35,897,450	7,290,883	10,100,454
United States Dollar	18,955,819	18,106,512	-	-
Thai Baht	4,108,125	8,495,299	-	-
Singapore Dollar	257,252	497,537	-	-
	44,295,169	62,996,798	7,290,883	10,100,454

Included in cash and bank balances is an amount of RM94,176 (2005: 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.

20. SHARE CAPITAL

	The Group and the Company			
	2006		2005	
	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	62,046,000	62,046,000	61,239,000	61,239,000
Exercise of employees' share options	1,084,000	1,084,000	807,000	807,000
At end of year	63,130,000	63,130,000	62,046,000	62,046,000

At an Extraordinary General Meeting held on May 19, 2006, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital. The share buy-back exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,207,000 of its issued and fully paid ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM2.47 per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold as of December 31, 2006.

As of December 31, 2006, out of the total 63,130,000 issued and paid-up share capital, 1,207,000 are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 61,923,000 ordinary shares of RM1 each.

During the financial year, the issued and paid-up share capital of the Company was increased from RM62,046,000 to RM63,130,000 by way of issuance of 1,084,000 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 RM758,800 was credited to the share premium account.

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

The Company implemented an Employee Share Option Scheme ("ESOS") which came into effect on March 11, 2003 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the Company's shareholders on December 2, 2002.

Movement in the number of share options outstanding and their related weighted average exercise price are as follows:

	2006	
	Average exercise price RM/share	**Options**
At start of year	1.70	1,998,000
Granted	-	-
Forfeited	1.70	(26,000)
Exercised	1.70	(1,084,000)
Expired	-	-
At end of year	1.70	888,000

All the outstanding options of 888,000 units of options were exercisable at the end of year.

The options outstanding at year end had an exercise price of RM1.70 and remaining contractual life of about 1 year.

The options granted will expire on March 10, 2008.

Details of share options exercised during the financial year and the fair values at exercise dates, of shares issued are as follows:

Exercise date	**Exercise price per ordinary share RM**	**Fair value of shares issued RM**	**No. of options exercised**	**Considerations received RM**
2006:				
February 2006	1.70	1.99 - 2.03	20,000	34,000
March 2006	1.70	2.46 - 2.57	428,000	727,600
April 2006	1.70	2.45 - 2.82	392,000	666,400
May 2006	1.70	2.58 - 2.76	219,000	372,300
September 2006	1.70	2.46	2,000	3,400
November 2006	1.70	2.60	8,000	13,600
December 2006	1.70	2.85 -3.00	15,000	25,500
			1,084,000	1,842,800

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

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.

21. RESERVES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Share premium	16,248,166	15,489,366	16,248,166	15,489,366
Revaluation reserve	10,467,161	14,394,137	-	-
Foreign currency translation reserve	733,925	(10,846)	-	-
Merger reserve	-	-	16,408,221	16,408,221
	27,449,252	29,872,657	32,656,387	31,897,587

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

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. The revaluation reserve represents surplus arising from the revaluation of the Group's short leasehold land, buildings and leasehold flats as disclosed in Note 10, net of the related deferred tax liabilities.

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

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

22. RETAINED EARNINGS

Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the retained earnings of the Company is available to frank dividends of about RM11,900,000 out of the Company's retained earnings. Any distribution of dividends in excess of this amount will be subject to additional income tax liability.

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	19,684,321	14,557,569	-	-
Amount owing to ultimate holding company	157,442	112,046	-	-
Amount owing to a related company	-	101,084	-	-
Amount owing to directors	12,000	12,000	12,000	12,000
Other payables and accrued expenses	12,322,212	8,749,435	22,000	16,000
	32,175,975	23,532,134	34,000	28,000

Analysis of trade and other payables by currencies:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	18,217,710	11,728,405	34,000	28,000
United States Dollar	11,524,202	9,456,465	-	-
Thai Baht	2,123,250	2,054,988	-	-
Singapore Dollar	135,021	172,706	-	-
New Taiwan Dollar	84,947	94,802	-	-
Japanese Yen	50,781	16,735	-	-
Other currencies	40,064	8,033	-	-
	32,175,975	23,532,134	34,000	28,000

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 60 days (2005: 30 to 60 days).

The amount owing to ultimate holding company arose mainly from trade transactions and have no fixed term of repayment.

The amount owing to a related company, PT. Pan Super Bintang Surya Manufacturing in 2005 arose mainly from trade transactions and have no fixed term of repayment.

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

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

24. BANK BORROWINGS

	The Group	
	2006	2005
	RM	RM
Unsecured:		
Bankers' acceptances	-	7,841,000

The bankers' acceptances in 2005 bore effective interest rates at 2.95% to 3.30% per annum and were 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 rates, 0.5% to 0.75% per annum above the lending bank's cost of funds and 1% to 1.5% per annum above Bank Negara Malaysia's funding rate.

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

a) a mortgage over a subsidiary company's freehold land, buildings and investment properties; and
b) corporate guarantees from the Company.

25. DIVIDENDS

	The Group and the Company	
	2006	2005
	RM	RM
Dividends declared and payable:		
First and final dividend of 12 sen gross per ordinary share, less tax, for 2005	5,452,099	-
Special dividend of 6 sen per ordinary share, tax exempt, for 2005	3,786,180	-
First and final dividend of 12 sen per ordinary share, tax exempt, for 2004	-	7,443,360
	9,238,279	7,443,360

26. LEASE COMMITMENTS

As of December 31, 2006, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	The Group	
	2006	2005
	RM	RM
Not later than 1 year	74,580	69,770
Later than 1 year but not later than 5 years	24,140	27,340
	98,720	97,110

27. SEGMENT REPORTING

Business Segments

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

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

2006	**Manufacturing of industrial products RM**	**Trading of electrical products RM**	**Investment holdings RM**	**Elimination RM**	**Total RM**
Revenue					
External sales	238,985,376	38,578,974	-	-	277,564,350
Inter-segment revenue	14,191,102	347,016	11,829,600	(26,367,718)	-
Total revenue	253,176,478	38,925,990	11,829,600	(26,367,718)	277,564,350
Results					
Segment results	30,836,862	510,857	10,284,339	(11,678,987)	29,953,071
Investment revenue					2,309,013
Fair value adjustment of investment properties					460,733
Gain on disposal of investments					162,987
Interest on late payment by customers					147,412
Finance costs					(55,483)
Share of loss of jointly controlled entity					(25,000)
Profit before tax					32,952,733
Income tax expense					(6,790,451)
Profit for the year					26,162,282

(FORWARD)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
Assets					
Segment assets	144,879,229	17,090,346	2,003,229	-	163,972,804
Income producing assets	32,686,594	-	7,100,000	-	39,786,594
Income tax assets	2,840,000	240,448	551,970	-	3,632,418
Total assets	180,405,823	17,330,794	9,655,199	-	207,391,816
Liabilities					
Segment liabilities	30,426,154	1,715,821	34,000	-	32,175,975
Income tax liabilities	7,370,838	-	-	-	7,370,838
Total liabilities	37,796,992	1,715,821	34,000	-	39,546,813
Other information					
Capital additions	1,342,687	-	-	-	1,342,687
Depreciation of property, plant and equipment	3,811,962	-	-	-	3,811,962
Non-cash expenses other than depreciation	1,142,637	24,414	25,000	-	1,192,051
2005					
Revenue					
External sales	180,343,951	23,336,428	-	-	203,680,379
Inter-segment revenue	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

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
Results					
Segment results	19,830,057	381,477	8,837,477	(9,989,717)	19,059,294
Investment revenue					1,780,731
Gain on disposal of investments					692,285
Interest on late payment by customers					29,564
Finance costs					(240,336)
Profit before tax					21,321,538
Income tax expense					(4,372,655)
Profit for the year					16,948,883
Assets					
Segment assets	131,771,658	8,105,142	2,039,643	-	141,916,443
Income producing assets	33,618,438	-	9,800,000	-	43,418,438
Income tax assets	2,303,597	288,229	196,340	-	2,788,166
Total assets	167,693,693	8,393,371	12,035,983	-	188,123,047
Liabilities					
Segment liabilities	22,794,842	709,292	28,000	-	23,532,134
Borrowings	7,000,000	841,000	-	-	7,841,000
Income tax liabilities	6,594,823	-	-	-	6,594,823
Total liabilities	36,389,665	1,550,292	28,000	-	37,967,957
Other information					
Capital additions	5,827,785	-	-	-	5,827,785
Depreciation of property, plant and equipment	4,457,361	777	-	-	4,458,138
Non-cash expenses other than depreciation	868,330	-	-	-	868,330

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 revenue by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market	
	2006	**2005**
	RM	**RM**
United States of America	104,334,988	103,695,445
Malaysia	85,619,705	47,655,647
Other Asia Pacific Countries	71,470,566	52,329,287
Europe	16,139,091	-
	277,564,350	203,680,379

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

	2006		**2005**	
	Carrying amount of segment assets RM	**Capital additions RM**	**Carrying amount of segment assets RM**	**Capital additions RM**
Malaysia	142,545,003	1,268,550	123,019,411	5,827,785
Thailand	19,212,323	74,137	16,742,698	-
Singapore	2,215,478	-	2,154,334	-
	163,972,804	1,342,687	141,916,443	5,827,785

28. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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

i. Foreign currency risk

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

ii. Interest rate risk

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

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 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. 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.

c. Fair Values

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

29. CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised FRSs and Interpretations as set out in Note 3 did not have material impact on the financial statements of the Group and of the Company except for the following:

a) the adoption of FRS 127 Consolidated and Separate Financial Statements has resulted in a change in accounting policy for investment in subsidiary companies.

Previously, when merger accounting was applied, FRS 122_{2004} Business Combination required that the investment in the relevant subsidiary companies be recorded in the Company's books at the aggregate of the nominal value of equity shares issued and cash consideration. FRS 127 now requires the Company to record investment in subsidiary companies at cost whereby the equity shares issued are to be recorded at cost and not nominal values. This change in accounting policy is applied retrospectively. Accordingly, the following accounts in prior years have been restated to reflect the effect of the accounting changes:

The Company

	As previously reported RM	Change in accounting policies RM	As restated RM
As of December 31, 2005			
Investment in subsidiary companies	71,047,108	16,408,221	87,455,329
Merger reserve	-	16,408,221	16,408,221
As of January 1, 2005			
Merger reserve	-	16,408,221	16,408,221

On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit balance was treated as merger deficit and was previously disclosed separately in the consolidated financial statements. The merger deficit is now adjusted against the Group's retained earnings for better presentation. Accordingly, the following accounts in prior years have been restated:

The Group

	As previously reported RM	Adjustments RM	As restated RM
As of December 31, 2005			
Retained earnings	97,236,431	(38,999,998)	58,236,433
Merger deficit	(38,999,998)	38,999,998	-
As of January 1, 2005			
Retained earnings	87,425,826	(38,999,998)	48,425,828
Merger deficit	(38,999,998)	38,999,998	-

There were no effects on the income statements for the current or prior years.

b) the adoption of FRS 140 Investment Property has resulted in a change in accounting policy for investment properties.

The definition of investment properties under FRS 140 has resulted in identification of additional assets of the Group that meet the definition of investment properties. These properties are now classified into a separate asset category on the balance sheets. Previously, investment properties were included in property, plant and equipment.

Investment properties are now stated at fair value, representing open-market value determined by external valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in income statements in the period in which they arise. Previously, investment properties were included within property, plant and equipment and stated at valuation less accumulated depreciation and impairment losses. Revaluation were carried out at least once every five years and any revaluation increase is taken to equity as a revaluation surplus. Certain properties were last revalued in 2005.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as of December 31, 2005 are not restated. Instead, the changes have been accounted for by restating the following opening balances as of January 1, 2006:

	As of January 1, 2006 RM
Decrease in deferred tax liabilities	(1,158,823)
Decrease in revaluation reserve	(3,636,499)
Increase in retained earnings	4,795,322

Gain arising from change in the fair value of investment properties recognised in the Group's income statements for the year ended December 31, 2006 is RM460,733.

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 for Entities Other than Private Entities 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, 2006 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 28, 2007

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 28, 2007

Before me,

COMMISSIONER FOR OATHS

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

FINANCIAL STATEMENTS
DECEMBER 31, 2006
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Company No.: 424086 X

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

FINANCIAL STATEMENTS
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