

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2007
(In Ringgit Malaysia)

Company No.: 424086 X

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

FINANCIAL STATEMENTS
DECEMBER 31, 2007

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P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **P.I.E. INDUSTRIAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2007.

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 14 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 before tax	44,097,566	157,920,811
Income tax expense	<u>(8,506,216)</u>	<u>(40,364,328)</u>
Profit for the year	<u><u>35,591,350</u></u>	<u><u>117,556,483</u></u>

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

DIVIDENDS

A first and final dividend of 12 sen gross per ordinary share, less tax, a special dividend I of 8 sen per ordinary share, tax exempt and a special dividend II of 3 sen per ordinary share, less tax, amounting to RM5,481,903, RM5,006,304 and RM1,370,476 respectively in respect of the financial year ended December 31, 2006 were declared and paid by the Company during the current financial year.

A special interim dividend I of 3 sen per ordinary share, tax exempt, amounting to RM1,877,364 in respect of the financial year ended December 31, 2007 was declared and paid by the Company during the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM63,130,000 to RM64,007,000 by way of issuance of 877,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

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The resultant premium arising from the shares issued pursuant to the ESOS of RM613,900 was credited to the share premium account.

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

The Company 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 deem 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.

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

Exercisable from	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2007
		Balance as of 1.1.2007	Granted	Exercised	Lapsed	
August 13, 2003	1.70	888,000	-	(877,000)	(11,000)	-

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.

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

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

DIRECTORS

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

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

DIRECTORS' INTEREST

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

Shares in the Company	No. of ordinary shares of RM1 each			Balance as of 31.12.2007
	Balance as of 1.1.2007	Bought	Sold	
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	330,000	80,000	-	410,000
Chen, Chih-Wen	170,000	40,000	-	210,000
Cheng Shing Tsung	10,000	-	-	10,000

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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 1.1.2007	Granted	Exercised	Balance as of 31.12.2007
Mui Chung Meng	80,000	-	(80,000)	-
Chen, Chih-Wen	40,000	-	(40,000)	-

None of the other directors in office as of December 31, 2007 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.

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AUDITORS

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

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



MUI CHUNG MENG



CHEN, CHIH-WEN

Penang,

March 3, 2008



Deloitte KassimChan (AF0080)
Chartered Accountants
4th Floor, Wisma Wang
251-A Jalan Burma
10350 Penang
Malaysia

REPORT OF THE AUDITORS TO THE MEMBERS OF

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P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2007 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2007 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.

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

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



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



TAN BUN POO
1304/5/08 (J/PH)
Partner

Penang,

March 3, 2008

P.I.E. INDUSTRIAL BERHAD
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INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	5	280,948,822	277,564,350	161,464,929	11,829,600
Investment revenue		2,757,583	2,309,013	357,196	164,173
Other gains and losses	6	8,896,909	6,200,854	120,390	162,987
Share of loss in jointly controlled entity		-	(25,000)	-	-
Changes in inventories of finished goods and work- in-progress		262,661	1,240,832	-	-
Purchase of trading goods		(8,715,549)	(39,651,634)	-	-
Raw materials consumed		(195,955,680)	(173,086,908)	-	-
Employee benefits expense	7	(25,370,217)	(25,459,541)	(3,823,808)	(1,408,813)
Depreciation and amortisation		(3,563,094)	(3,811,962)	-	-
Finance costs		(568)	(55,483)	-	-
Other expenses		<u>(15,163,301)</u>	<u>(12,271,788)</u>	<u>(197,896)</u>	<u>(136,448)</u>
Profit before tax	8	44,097,566	32,952,733	157,920,811	10,611,499
Income tax expense	9	<u>(8,506,216)</u>	<u>(6,790,451)</u>	<u>(40,364,328)</u>	<u>(1,744,370)</u>
Profit for the year		<u><u>35,591,350</u></u>	<u><u>26,162,282</u></u>	<u><u>117,556,483</u></u>	<u><u>8,867,129</u></u>
Earnings per share					
Basic	10	<u>56.84 sen</u>	<u>41.92 sen</u>		
Diluted	10	<u>-</u>	<u>41.73 sen</u>		

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

P.I.E. INDUSTRIAL BERHAD
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BALANCE SHEETS
AS OF DECEMBER 31, 2007

		The Group		The Company	
	Note	2007	2006	2007	2006
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	25,906,260	26,368,269	-	-
Investment properties	12	10,379,376	10,377,366	-	-
Prepaid lease payment	13	10,676,647	10,905,987	-	-
Goodwill		1,721,665	1,721,665	-	-
Investment in subsidiary companies	14	-	-	79,918,805	82,262,857
Investment in jointly controlled entity	15	-	-	25,000	25,000
Deferred tax assets	16	1,869,000	2,882,000	-	-
Total non-current assets		<u>50,552,948</u>	<u>52,255,287</u>	<u>79,943,805</u>	<u>82,287,857</u>
Current assets					
Inventories	17	36,773,046	30,687,727	-	-
Trade and other receivables	18	69,477,151	77,793,440	111,825,800	14,691,222
Other assets	19	2,064,848	1,609,775	53,451	10,681
Current tax assets		2,367,138	750,418	1,497,642	551,970
Short-term deposits	20	66,784,781	29,409,228	23,700,000	7,100,000
Cash and bank balances	20	14,175,893	14,885,941	240,315	190,883
Total current assets		<u>191,642,857</u>	<u>155,136,529</u>	<u>137,317,208</u>	<u>22,544,756</u>
Total assets		<u><u>242,195,805</u></u>	<u><u>207,391,816</u></u>	<u><u>217,261,013</u></u>	<u><u>104,832,613</u></u>

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BALANCE SHEETS
AS OF DECEMBER 31, 2007

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	64,007,000	63,130,000	64,007,000	63,130,000
Less: Treasury shares, at cost	21	<u>(2,569)</u>	<u>(2,980,484)</u>	<u>(2,569)</u>	<u>(2,980,484)</u>
		64,004,431	60,149,516	64,004,431	60,149,516
Reserves	22	29,638,860	27,449,252	35,401,270	32,656,387
Retained earnings	23	<u>102,392,015</u>	<u>80,246,235</u>	<u>115,813,146</u>	<u>11,992,710</u>
Total equity		<u>196,035,306</u>	<u>167,845,003</u>	<u>215,218,847</u>	<u>104,798,613</u>
Non-current liabilities					
Deferred tax liabilities	16	<u>3,957,596</u>	<u>4,325,931</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	24	41,364,507	32,175,975	2,042,166	34,000
Current tax liabilities		<u>838,396</u>	<u>3,044,907</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>42,202,903</u>	<u>35,220,882</u>	<u>2,042,166</u>	<u>34,000</u>
Total liabilities		<u>46,160,499</u>	<u>39,546,813</u>	<u>2,042,166</u>	<u>34,000</u>
Total equity and liabilities		<u>242,195,805</u>	<u>207,391,816</u>	<u>217,261,013</u>	<u>104,832,613</u>

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

P.I.E. INDUSTRIAL BERHAD

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

The Group	Note	Share Capital RM	Share Premium RM	Revaluation/ Foreign Currency Translation Reserve* RM	Retained Earnings RM	Treasury Shares RM	Total RM
Balance as of January 1, 2006		<u>62,046,000</u>	<u>15,489,366</u>	<u>10,746,792</u>	<u>63,031,755</u>	<u>-</u>	<u>151,313,913</u>
Exchange gain on translation of net investment in foreign subsidiaries		-	-	744,771	-	-	744,771
Transfer of revaluation surplus	16	-	-	(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
Total recognised income and expense		-	-	454,294	26,452,759	-	26,907,053
Dividends	25	-	-	-	(9,238,279)	-	(9,238,279)
Issuance 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
Buy-back of ordinary shares		-	-	-	-	(2,980,484)	(2,980,484)
Balance as of December 31, 2006		<u>63,130,000</u>	<u>16,248,166</u>	<u>11,201,086</u>	<u>80,246,235</u>	<u>(2,980,484)</u>	<u>167,845,003</u>

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

The Group	Note	Share Capital RM	Share Premium RM	Revaluation/ Foreign Currency Translation Reserve* RM	Retained Earnings RM	Treasury Shares RM	Total RM
Balance as of January 1, 2007		<u>63,130,000</u>	<u>16,248,166</u>	<u>11,201,086</u>	<u>80,246,235</u>	<u>(2,980,484)</u>	<u>167,845,003</u>
Exchange loss on translation of net investment in foreign subsidiaries		-	-	(264,798)	-	-	(264,798)
Transfer of revaluation surplus	16	-	-	(290,477)	290,477	-	-
Net income recognised directly in equity		-	-	(555,275)	290,477	-	(264,798)
Profit for the year		-	-	-	35,591,350	-	35,591,350
Total recognised income and expense		-	-	(555,275)	35,881,827	-	35,326,552
Dividends	25	-	-	-	(13,736,047)	-	(13,736,047)
Issuance of 877,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		877,000	613,900	-	-	-	1,490,900
Sale of treasury shares		-	2,130,983	-	-	3,940,929	6,071,912
Buy-back of ordinary shares		-	-	-	-	(963,014)	(963,014)
Balance as of December 31, 2007		<u>64,007,000</u>	<u>18,993,049</u>	<u>10,645,811</u>	<u>102,392,015</u>	<u>(2,569)</u>	<u>196,035,306</u>

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

	Note	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Total RM
Balance as of January 1, 2006		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	16	(290,477)	-	(290,477)
Net income recognised directly in equity		(290,477)	744,771	454,294
Balance as of December 31, 2006		<u>10,467,161</u>	<u>733,925</u>	<u>11,201,086</u>
Balance as of January 1, 2007		10,467,161	733,925	11,201,086
Exchange loss on translation of net investment in foreign subsidiaries		-	(264,798)	(264,798)
Transfer of revaluation surplus	16	(290,477)	-	(290,477)
Net income recognised directly in equity		(290,477)	(264,798)	(555,275)
Balance as of December 31, 2007		<u>10,176,684</u>	<u>469,127</u>	<u>10,645,811</u>

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P.I.E. INDUSTRIAL BERHAD

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007****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, 2006		<u>62,046,000</u>	<u>15,489,366</u>	<u>-</u>	<u>16,408,221</u>	<u>12,363,860</u>	<u>106,307,447</u>
Profit for the year, representing total recognised income and expense		-	-	-	-	8,867,129	8,867,129
Dividends	25	-	-	-	-	(9,238,279)	(9,238,279)
Issuance 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
Buy-back of ordinary shares		-	-	(2,980,484)	-	-	(2,980,484)
Balance as of December 31, 2006		<u>63,130,000</u>	<u>16,248,166</u>	<u>(2,980,484)</u>	<u>16,408,221</u>	<u>11,992,710</u>	<u>104,798,613</u>
Balance as of January 1, 2007		<u>63,130,000</u>	<u>16,248,166</u>	<u>(2,980,484)</u>	<u>16,408,221</u>	<u>11,992,710</u>	<u>104,798,613</u>
Profit for the year, representing total recognised income and expense		-	-	-	-	117,556,483	117,556,483
Dividends	25	-	-	-	-	(13,736,047)	(13,736,047)
Issuance of 877,000 new ordinary shares of RM1 each at RM1.70 per share pursuant to the ESOS		877,000	613,900	-	-	-	1,490,900
Sales of treasury shares		-	2,130,983	3,940,929	-	-	6,071,912
Buy-back of ordinary shares		-	-	(963,014)	-	-	(963,014)
Balance as of December 31, 2007		<u>64,007,000</u>	<u>18,993,049</u>	<u>(2,569)</u>	<u>16,408,221</u>	<u>115,813,146</u>	<u>215,218,847</u>

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

P.I.E. INDUSTRIAL BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	35,591,350	26,162,282	117,556,483	8,867,129
Adjustments for:				
Income tax expense	8,506,216	6,790,451	40,364,328	1,744,370
Depreciation of property, plant and equipment	3,333,754	3,582,622	-	-
Allowance for doubtful debts	691,958	-	-	-
Amortisation of prepaid lease payment	229,340	229,340	-	-
Property, plant and equipment written off	30,883	1	-	-
Bad debts written off	11,787	30,028	-	-
Interest expenses	568	55,483	-	-
Allowance for slow moving inventories no longer required	(2,697,703)	-	-	-
Interest income	(1,690,225)	(1,252,851)	(357,196)	(164,173)
Gain on disposal of property, plant and equipment	(65,825)	-	-	-
Unrealised (gain)/ loss on foreign exchange	(14,186)	957,561	-	-
Gain on disposal of investments	(11,108)	(162,987)	(11,108)	(162,987)
Allowance for slow moving inventories	-	179,461	-	-
Share of loss in jointly controlled entity	-	25,000	-	-
Fair value adjustment of investment properties	-	(460,733)	-	-
Interest on late payment by customers	-	(147,412)	-	-
Allowance for doubtful debts no longer required	-	(4,791)	-	-
Gross dividend income from subsidiary companies	-	-	(161,335,329)	(11,700,000)
	<u>43,916,809</u>	<u>35,983,455</u>	<u>(3,782,822)</u>	<u>(1,415,661)</u>

(FORWARD)

P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Movement in working capital: (Increase)/ Decrease in:				
Inventories	(3,387,616)	(7,963,849)	-	-
Trade and other receivables	7,652,120	(31,425,098)	-	-
Other assets	(430,172)	(494,335)	(17,869)	-
Increase in trade and other payables	9,208,142	8,761,781	2,008,166	6,000
Cash generated from/ (used in) operations	56,959,283	4,861,954	(1,792,525)	(1,409,661)
Tax refunded	598,749	-	-	-
Tax paid	(12,282,046)	(5,705,002)	-	-
Net cash generated from/ (used in) operating activities	45,275,986	(843,048)	(1,792,525)	(1,409,661)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	5,011,108	6,162,987	5,011,108	6,162,987
Interest received	1,665,324	1,259,694	332,295	171,016
Proceeds from disposal of property, plant and equipment	65,826	-	-	-
Purchase of investment in bond funds	(5,000,000)	(4,000,000)	(5,000,000)	(4,000,000)
Purchase of property, plant and equipment	(2,901,368)	(1,342,687)	-	-
Advances to a jointly controlled entity	(45,000)	(80,000)	(45,000)	(80,000)
Purchase of investment in cash funds	-	(2,000,000)	-	(2,000,000)
Investment in jointly controlled entity	-	(25,000)	-	(25,000)
Dividends received	-	-	17,935,329	7,795,000
Repayment made by subsidiary companies	-	-	5,000,422	1,960,000
Dividend received from a subsidiary company declared out of pre- acquisition profit	-	-	2,344,052	5,192,472
Advances to subsidiary companies	-	-	-	(6,200,422)
Net cash (used in)/ generated from investing activities	(1,204,110)	(25,006)	25,578,206	8,976,053

(FORWARD)

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale of treasury shares	6,071,912	-	6,071,912	-
Proceeds from issuance of the Company's ESOS shares	1,490,900	1,842,800	1,490,900	1,842,800
Dividends paid	(13,736,047)	(9,238,279)	(13,736,047)	(9,238,279)
Payment for share buy-back	(963,014)	(2,980,484)	(963,014)	(2,980,484)
Interest paid	(568)	(55,483)	-	-
Repayment of bank borrowings	-	(7,841,000)	-	-
	<u>-</u>	<u>(7,841,000)</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(7,136,817)</u>	<u>(18,272,446)</u>	<u>(7,136,249)</u>	<u>(10,375,963)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS				
	36,935,059	(19,140,500)	16,649,432	(2,809,571)
Effect of foreign exchange rate changes	(269,554)	438,871	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>44,295,169</u>	<u>62,996,798</u>	<u>7,290,883</u>	<u>10,100,454</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20)	<u><u>80,960,674</u></u>	<u><u>44,295,169</u></u>	<u><u>23,940,315</u></u>	<u><u>7,290,883</u></u>

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

P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 14. 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 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 Company's registered office and principal place of business are at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, 13700 Prai, Penang, Malaysia respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 3, 2008.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group, expressed in Ringgit Malaysia, 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 the following new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2007:

- (a) FRS 117 Leases
- (b) FRS 124 Related Party Disclosures

The adoption of these new and revised FRSs has no material effect on the financial statements of the Group except for those disclosed in Note 31.

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

- (a) Revised FRS 107 Cash Flow Statements (Effective for annual periods beginning on or after July 1, 2007).
- (b) Revised FRS 112 Income Taxes (Effective for annual periods beginning on or after July 1, 2007).
- (c) Revised FRS 118 Revenue (Effective for annual periods beginning on or after July 1, 2007).
- (d) Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation (Effective for annual periods beginning on or after July 1, 2007).
- (e) FRS 134 Interim Financial Reporting (Effective for annual periods beginning on or after July 1, 2007).
- (f) Revised FRS 137 Provisions, Contingent Liabilities and Contingent Assets (Effective for annual periods beginning on or after July 1, 2007).
- (g) FRS 139 Financial Instruments: Recognition and Measurement (Effective date yet to be determined by MASB).
- (h) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (Effective for annual periods beginning on or after July 1, 2007).

The impact of the adoption of FRS 139 on the effective date, on the financial statements of the Group is not disclosed by virtue of the exemption given by this FRS. Revised FRS 107, FRS 112, FRS 118, FRS 121, FRS 134, FRS 137 and IC Interpretation 1 are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

There are also other Standards and IC Interpretations that have been issued that are not yet effective. However, these standards and IC Interpretations are not relevant to the Group's and the Company's operations.

Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (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 122₂₀₀₄ Business Combinations, which were accounted for using the merger method.

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

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

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

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 statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's 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, using the "balance sheet liability" method, 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 recognised for all taxable temporary differences and deferred tax assets are 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 income statements 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 and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(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 and any accumulated impairment losses. 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:

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%
Road	10%

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

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in 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, the amounts in revaluation reserve account relating to such assets are transferred to retained earnings account.

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

Impairment of assets

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

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

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

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.

Leases

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

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

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

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.

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.

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. Costs 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.

Equity instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

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 income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Borrowings

All borrowings are initially recognised at the nominal value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Payables

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

Cash and cash equivalents

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

Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. 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 RM1,869,000 (2006: RM2,882,000).

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of goods:				
Manufacturing	274,444,499	238,985,376	-	-
Trading	6,504,323	38,578,974	-	-
Dividend income from subsidiary companies	-	-	161,335,329	11,700,000
Management fee	-	-	129,600	129,600
	<u>280,948,822</u>	<u>277,564,350</u>	<u>161,464,929</u>	<u>11,829,600</u>

6. OTHER GAINS AND LOSSES

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Scrap sales	5,790,650	4,910,772	-	-
Allowance for slow moving inventories no longer required	2,697,703	-	-	-
Realised gain on foreign exchange	1,769,739	1,138,801	109,282	-
Gain on disposal of property, plant and equipment	65,825	-	-	-
Unrealised gain/ (loss) in foreign exchange	14,186	(957,561)	-	-
Gain on disposal of investments	11,108	162,987	11,108	162,987
Accrued compensation	(753,994)	-	-	-
Allowance for doubtful debts	(691,958)	-	-	-
Property, plant and equipment written off	(30,883)	(1)	-	-
Bad debts written off	(11,787)	(30,028)	-	-
Fair value adjustment of investment properties	-	460,733	-	-
Interest on late payment by customers	-	147,412	-	-
Allowance for doubtful debts no longer required	-	4,791	-	-
Allowance for slowing moving inventories	-	(179,461)	-	-
Miscellaneous income	36,320	542,409	-	-
	<u>8,896,909</u>	<u>6,200,854</u>	<u>120,390</u>	<u>162,987</u>

7. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Contributions to Employees' Provident Fund and Central Provident Fund	1,146,044	998,344	238,637	169,270
Other employee benefit expense	24,224,173	24,461,197	3,585,171	1,239,543
	<u>25,370,217</u>	<u>25,459,541</u>	<u>3,823,808</u>	<u>1,408,813</u>

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

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

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors of the Company:				
Contribution to Employees' Provident Funds	170,046	122,935	170,046	122,935
Other emoluments	2,459,998	781,075	2,459,998	781,075
Directors of subsidiaries:				
Contribution to Employees' Provident Funds	52,154	63,088	-	-
Other emoluments	427,746	617,457	-	-
Officers of subsidiary:				
Other employee benefit expense	182,400	182,374	-	-
	<u>3,292,344</u>	<u>1,766,929</u>	<u>2,630,044</u>	<u>904,010</u>

8. PROFIT BEFORE TAX

Profit before tax is arrived at:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
After charging:				
Depreciation of property, plant and equipment	3,333,754	3,582,622	-	-
Directors' remuneration:				
Fee:				
Directors of the Company	48,000	48,000	48,000	48,000
Contributions to Employees' Provident Fund and Central Provident Fund:				
Directors of the Company	170,046	122,935	170,046	122,935
Directors of subsidiary companies	67,699	82,108	-	-
Other emoluments:				
Directors of the Company	2,465,198	787,475	2,465,198	787,475
Directors of subsidiary companies	561,231	776,043	-	-
Amortisation of prepaid lease payments	229,340	229,340	-	-
Rental of premises	112,725	92,238	-	-
Audit fee:				
Current year	99,289	101,342	22,000	22,000
(Over)/ underprovision in prior year	(7,400)	12,000	-	6,000
Rental of office equipment	13,001	13,739	-	-
Interest on bank borrowings	568	55,483	-	-
	<u>568</u>	<u>55,483</u>	<u>-</u>	<u>-</u>

(FORWARD)

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
And crediting:				
Interest on short-term deposits	1,690,225	1,252,851	357,196	164,173
Rental income	1,067,358	1,056,162	-	-
9. INCOME TAX EXPENSE				
	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current tax expense:				
Malaysian	7,221,583	8,029,928	40,433,583	1,744,328
Foreign	478,230	84,170	-	-
	<u>7,699,813</u>	<u>8,114,098</u>	<u>40,433,583</u>	<u>1,744,328</u>
Deferred tax (Note 16):				
Relating to the origination and reversal of temporary differences in current year	943,036	(972,964)	-	-
Reversal of deferred tax liabilities arising from the exemption of capital gains tax	(255,371)	-	-	-
Reduction in opening deferred tax resulting from the change in tax rates	69,000	105,000	-	-
	<u>756,665</u>	<u>(867,964)</u>	<u>-</u>	<u>-</u>
	<u>8,456,478</u>	<u>7,246,134</u>	<u>40,433,583</u>	<u>1,744,328</u>
Under/ (Over) provision in prior year:				
Current tax	161,738	(455,683)	(69,255)	42
Deferred tax	(112,000)	-	-	-
	<u>49,738</u>	<u>(455,683)</u>	<u>(69,255)</u>	<u>42</u>
Income tax expense	<u>8,506,216</u>	<u>6,790,451</u>	<u>40,364,328</u>	<u>1,744,370</u>

The Group is operating in the jurisdictions of Malaysia, Thailand and Singapore. The applicable domestic statutory income tax rates are 20% and 27% for Malaysia, 15% and 30% for Thailand and 18% for Singapore.

The current corporate income tax rate for the year ended December 31, 2007 for Malaysia is 27%. In September 2007, the Malaysian government proposed in the yearly budget a reduction in the corporate income tax rate to 26% for the year of assessment 2008 and 25% for the year of assessment 2009.

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 and tax reduction (at 15%) for certain income, as well as other rights and privileges as prescribed by the Board of Investment. As for income which is derived from Non-Board of Investment operations, it is still liable for corporate income tax at 30% of the net profit.

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

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Accounting profit	<u>44,097,566</u>	<u>32,952,733</u>	<u>157,920,811</u>	<u>10,611,499</u>
Tax amount at the statutory income tax rate of 27% (2006: 28%)	11,906,343	9,226,765	42,638,619	2,971,220
Tax effect of:				
Non-deductible expenses	691,850	470,923	24,167	26,745
Non-taxable income	(3,431,828)	(1,915,573)	(2,229,203)	(1,221,637)
Tax saving on utilisation of reinvestment allowance	(156,000)	(75,000)	-	-
Effect of different tax rates applicable to foreign and certain local subsidiary companies	468,558	(101,000)	-	-
Net deferred tax assets not recognised	3,273	26,019	-	-
Utilisation of previously unrecognised deferred tax assets	-	(32,000)	-	(32,000)
Double deduction	(164,347)	-	-	-
Tax saving on claim of allowance for increased exports	(675,000)	(459,000)	-	-
Reversal of deferred tax liabilities arising from the exemption of capital gains tax	(255,371)	-	-	-
Reduction in opening deferred tax resulting from the change in tax rates	<u>69,000</u>	<u>105,000</u>	<u>-</u>	<u>-</u>
	<u>8,456,478</u>	<u>7,246,134</u>	<u>40,433,583</u>	<u>1,744,328</u>
Under/ (Over)provision in prior year:				
Current tax	161,738	(455,683)	(69,255)	42
Deferred tax	<u>(112,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>49,738</u>	<u>(455,683)</u>	<u>(69,255)</u>	<u>42</u>
Income tax expense	<u><u>8,506,216</u></u>	<u><u>6,790,451</u></u>	<u><u>40,364,328</u></u>	<u><u>1,744,370</u></u>

The applicable tax rate of 27% (2006: 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, 2007, 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	
	2007	2006	2007	2006
	RM	RM	RM	RM
Unabsorbed tax losses	<u>598,000</u>	<u>1,325,000</u>	<u>-</u>	<u>751,000</u>

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

10. 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	
	2007	2006
Profit attributable to ordinary equity holders of the Company (RM)	35,591,350	26,162,282
Weighted average number of ordinary shares in issue (units)	62,614,799	62,414,213
Basic earnings per share (sen)	<u>56.84</u>	<u>41.92</u>

(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 for the year 2006 have been adjusted for the dilutive effects of all potential share options granted to employees.

	The Group
	2006
	Units
Weighted average number of ordinary shares in issue	62,414,213
Adjustment for share options	<u>274,341</u>
Weighted average number of ordinary shares for calculating diluted earnings per share	<u>62,688,554</u>
Diluted earnings per share (sen)	<u>41.73</u>

The diluted earnings per ordinary share in 2007 has not been presented as there are no outstanding share options at the end of the financial year.

11. PROPERTY, PLANT AND EQUIPMENT**The Group**

Cost unless stated otherwise	Beginning of year RM	Additions RM	Disposals RM	Exchange reserve* RM	End of year RM	
2007:						
Freehold land	667,364	-	-	680	668,044	
Leasehold improvement	203,884	-	-	-	203,884	
Buildings						
- at cost	927,884	-	-	935	928,819	
- at 2005 valuation	17,820,000	-	-	-	17,820,000	
Plant and machinery	44,818,972	2,233,800	(441,536)	32	46,611,268	
Production tools and equipment	2,416,613	230,626	-	7	2,647,246	
Furniture, fixtures and office equipment	2,162,034	88,705	(28,047)	(37)	2,222,655	
Mechanical and electrical installation	1,608,537	-	-	-	1,608,537	
Motor vehicles	1,483,283	348,237	-	(2,639)	1,828,881	
Road	8,612	-	-	9	8,621	
	<u>72,117,183</u>	<u>2,901,368</u>	<u>(469,583)</u>	<u>(1,013)</u>	<u>74,547,955</u>	
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
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
Road	8,077	-	-	-	535	8,612
	<u>78,183,385</u>	<u>(7,601,978)</u>	<u>1,342,687</u>	<u>(4,100)</u>	<u>197,189</u>	<u>72,117,183</u>

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	Exchange reserve* RM	End of year RM
2007:					
Leasehold improvement Buildings	203,862	-	-	-	203,862
- at cost	104,290	91,031	-	(1,625)	193,696
- at 2005 valuation	820,161	562,559	-	-	1,382,720
Plant and machinery	37,675,787	2,308,753	(415,247)	(86)	39,569,207
Production tools and equipment	2,195,927	162,464	-	(39)	2,358,352
Furniture, fixtures and office equipment	1,940,118	74,765	(23,452)	(266)	1,991,165
Mechanical and electrical installation	1,599,191	8,922	-	-	1,608,113
Motor vehicles	1,203,828	122,363	-	(232)	1,325,959
Road	5,750	2,897	-	(26)	8,621
	<u>45,748,914</u>	<u>3,333,754</u>	<u>(438,699)</u>	<u>(2,274)</u>	<u>48,641,695</u>

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:						
Leasehold improvement Buildings	203,862	-	-	-	-	203,862
- 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
Road	772	-	4,927	-	51	5,750
	<u>42,246,753</u>	<u>(78,457)</u>	<u>3,582,622</u>	<u>(4,099)</u>	<u>2,095</u>	<u>45,748,914</u>

* Exchange reserve arising from translation of foreign subsidiary companies.

	The Group	
	2007	2006
	RM	RM
Net book value:		
Freehold land	668,044	667,364
Leasehold improvement	22	22
Buildings		
- at cost	735,123	823,594
- at 2005 valuation	16,437,280	16,999,839
Plant and machinery	7,042,061	7,143,185
Production tools and equipment	288,894	220,686
Furniture, fixtures and office equipment	231,490	221,916
Mechanical and electrical installation	424	9,346
Motor vehicles	502,922	279,455
Road	-	2,862
	<u>25,906,260</u>	<u>26,368,269</u>

The buildings were revalued in 2005 based on the reports of an independent firm of professional valuers using open market values on existing use basis. The resulting revaluation surplus net of related deferred tax liabilities has been credited to revaluation reserve.

Had the buildings been carried at historical costs, the carrying amounts of the revalued buildings will be as follows:

	The Group	
	2007	2006
	RM	RM
Buildings:		
Costs	14,109,458	14,109,458
Accumulated depreciation	<u>(5,863,214)</u>	<u>(5,458,292)</u>
Carrying amounts	<u>8,246,244</u>	<u>8,651,166</u>

As of December 31, 2007, certain of the Group's freehold land and buildings with a total carrying value of RM1,392,838 (2006: RM1,480,385) are charged to a commercial bank as securities for banking facilities granted to the Group as mentioned in Note 26.

12. INVESTMENT PROPERTIES

	The Group	
	2007	2006
	RM	RM
At fair value		
At beginning of year	10,377,366	-
Transfer from property, plant and equipment	-	9,916,633
Fair value adjustment	-	460,733
Effect of exchange difference	2,010	-
At end of year	<u>10,379,376</u>	<u>10,377,366</u>

The fair value of certain of the Group's investment properties as of December 31, 2007 amounting to RM8,405,556 (2006: RM8,405,556) has been arrived at on the basis of a valuation carried out by 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, 2007 amounting to RM1,973,820 (2006: 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	
	2007	2006
	RM	RM
Leasehold land	2,393,111	2,393,111
Building	<u>6,012,445</u>	<u>6,012,445</u>
	<u>8,405,556</u>	<u>8,405,556</u>

The rental income earned by the Group from its investment properties is RM1,067,358 (2006: RM1,056,162). Direct operating expense arising on the investment properties during the year amounted to RM102,543 (2006: RM88,536).

As of December 31, 2007, certain of the Group's investment properties with a total carrying value of RM1,973,820 (2006: RM1,971,810) are charged to a commercial bank as securities for banking facilities granted to the Group as mentioned in Note 26.

13. PREPAID LEASE PAYMENTS

	The Group	
	2007	2006
	RM	RM
Short leasehold land		
At beginning of year	8,990,000	9,196,666
Amortisation during the year	<u>(206,667)</u>	<u>(206,666)</u>
At end of year	<u>8,783,333</u>	<u>8,990,000</u>
Leasehold flats		
At beginning of year	1,915,987	1,938,661
Amortisation during the year	<u>(22,673)</u>	<u>(22,674)</u>
At end of year	<u>1,893,314</u>	<u>1,915,987</u>
	<u>10,676,647</u>	<u>10,905,987</u>

As of December 31, 2007, the unexpired lease period of short leasehold land and leasehold flats are 43 years and 84 years respectively.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2007	2006
	RM	RM
Unquoted shares:		
At beginning of year	82,262,857	87,455,329
Dividend received from a subsidiary company declared out of pre-acquisition profit	<u>(2,344,052)</u>	<u>(5,192,472)</u>
At end of year	<u>79,918,805</u>	<u>82,262,857</u>

The subsidiary companies are as follows:

	Country of incorporation	Principal activity	Percentage of ownership	
			2007	2006
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.

15. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Unquoted shares, at cost	-	25,000	25,000	25,000
Share of post-acquisition results	-	(25,000)	-	-
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>

In year 2006, 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 RM38,825 (2006: RM1,121) and RM37,704 (2006: RM1,121) respectively.

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

	2007	2006
	RM	RM
Assets and liabilities		
Current assets	3,595	9,748
Non-current assets	<u>84,429</u>	<u>101,630</u>
Total assets	<u>88,024</u>	<u>111,378</u>
Current liabilities	<u>(126,849)</u>	<u>(112,498)</u>
Results		
Revenue	14,297	8,986
Expenses	(53,251)	(35,107)
Other income	<u>1,250</u>	<u>-</u>

16. DEFERRED TAX

	The Group	
	2007	2006
	RM	RM
Deferred tax liabilities	3,957,596	4,325,931
Deferred tax assets	<u>(1,869,000)</u>	<u>(2,882,000)</u>
Net position	<u>2,088,596</u>	<u>1,443,931</u>

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

	2007 RM	2006 RM
Balance at beginning of year	4,325,931	4,438,895
Transfer to income statements (Note 9)	<u>(368,335)</u>	<u>(112,964)</u>
Balance at end of year	<u><u>3,957,596</u></u>	<u><u>4,325,931</u></u>

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

A deferred tax income of RM112,964 (2006: RM112,964) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM290,477 (2006: RM290,477) 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:

	2007 RM	2006 RM
Balance at beginning of year	2,882,000	2,127,000
Transfer (from)/ to income statements (Note 9)	<u>(1,013,000)</u>	<u>755,000</u>
Balance at end of year	<u><u>1,869,000</u></u>	<u><u>2,882,000</u></u>

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

	Deferred Tax Assets/(Liabilities)	
	2007 RM	2006 RM
Tax effect of temporary differences arising from:		
Property, plant and equipment	(1,278,000)	(1,269,000)
Inventories	2,424,000	2,184,000
Payables	-	1,712,000
Others	<u>723,000</u>	<u>255,000</u>
	<u><u>1,869,000</u></u>	<u><u>2,882,000</u></u>

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2007, 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	
	2007	2006	2007	2006
	RM	RM	RM	RM
Tax effect of unabsorbed tax losses	<u>116,833</u>	<u>324,000</u>	<u>-</u>	<u>210,000</u>

17. INVENTORIES

	The Group	
	2007	2006
	RM	RM
Raw materials	26,430,476	20,477,205
Work-in-progress	6,424,046	6,619,802
Finished goods	3,511,359	3,128,866
Goods-in-transit	<u>407,165</u>	<u>461,854</u>
	<u>36,773,046</u>	<u>30,687,727</u>

The cost of inventories recognised as an expense during the year was RM234,754,266 (2006: RM239,100,305).

The cost of inventories recognised as an expense includes RM1,602,509 (2006: RM640,000) in respect of write-downs of inventory to net realisable value. The Group reversed RM4,300,212 (2006: RM460,539) 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.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables	70,626,631	78,292,356	-	-
Less: Allowance for doubtful debts	<u>(1,404,900)</u>	<u>(716,984)</u>	<u>-</u>	<u>-</u>
	69,221,731	77,575,372	-	-
Amount owing by subsidiary companies	-	-	111,700,800	14,611,222
Amount owing by jointly controlled entity	125,000	80,000	125,000	80,000
Other receivables	<u>130,420</u>	<u>138,068</u>	<u>-</u>	<u>-</u>
	<u>69,477,151</u>	<u>77,793,440</u>	<u>111,825,800</u>	<u>14,691,222</u>

Analysis of trade and other receivables by currencies:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
United States Dollar	45,274,763	45,060,178	-	-
Ringgit Malaysia	13,911,027	25,627,401	111,825,800	14,691,222
Thai Baht	3,107,420	3,013,562	-	-
Singapore Dollar	2,937,099	2,541,862	-	-
Euro	4,246,842	1,550,437	-	-
	<u>69,477,151</u>	<u>77,793,440</u>	<u>111,825,800</u>	<u>14,691,222</u>

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 90 days (2006: 30 to 90 days). An allowance has been made for estimated irrecoverable amount from the sale of goods of RM1,404,900 (2006: RM716,984). 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	
	2007	2006
	RM	RM
Amount owing by subsidiary companies:		
Pan-International Electronics (Malaysia) Sdn. Bhd.	76,655,400	6,245,400
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	35,045,400	3,365,400
PIE Enterprise (M) Sdn. Bhd.	-	5,000,422
	<u>111,700,800</u>	<u>14,611,222</u>

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	
	2007	2006
	RM	RM
With Ultimate Holding Company		
Purchase of raw materials	576,143	910,026
Miscellaneous purchases	7,163	19,416
Purchase of trading goods	<u>4,760</u>	<u>13,845</u>

	The Company	
	2007	2006
	RM	RM
With Subsidiary Companies		
Dividends received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	105,000,000	7,500,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	48,000,000	4,200,000
Pan-International Electronics (Thailand) Co., Ltd.	8,335,329	-
Management fee received/ receivable		
Pan-International Electronics (Malaysia) Sdn. Bhd.	64,800	64,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	<u>64,800</u>	<u>64,800</u>

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

19. OTHER ASSETS

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Prepaid expenses	1,899,676	1,473,519	17,869	-
Deposits	132,090	128,075	2,500	2,500
Interest receivable	<u>33,082</u>	<u>8,181</u>	<u>33,082</u>	<u>8,181</u>
	<u>2,064,848</u>	<u>1,609,775</u>	<u>53,451</u>	<u>10,681</u>

Included in prepaid expense for year 2007 is prepayment for purchase of leasehold land and building amounted to RM540,000.

20. 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	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short-term deposits with licenced bank	66,784,781	29,409,228	23,700,000	7,100,000
Cash and bank balances	<u>14,175,893</u>	<u>14,885,941</u>	<u>240,315</u>	<u>190,883</u>
	<u>80,960,674</u>	<u>44,295,169</u>	<u>23,940,315</u>	<u>7,290,883</u>

The short-term deposits bear interests at rates ranging from 2.25% to 4.30% (2006: 2.70% to 5.15%) per annum and will mature in January 2008.

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Ringgit Malaysia	47,521,394	20,973,973	23,940,315	7,290,883
United States Dollar	26,632,203	18,955,819	-	-
Thai Baht	6,695,385	4,108,125	-	-
Singapore Dollar	111,692	257,252	-	-
	<u>80,960,674</u>	<u>44,295,169</u>	<u>23,940,315</u>	<u>7,290,883</u>

Included in cash and bank balances is an amount of RM54,992 (2006: RM94,176) pledged as guarantee for the issuance of letter of guarantee by a commercial bank for a foreign subsidiary company's installation of electrical transformer and guarantee for the performance.

21. SHARE CAPITAL

	The Group and the Company			
	2007		2006	
	No. of shares	RM	No. of shares	RM
Authorised:				
Shares of RM1 each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
Ordinary shares of RM1 each:				
At beginning of year	63,130,000	63,130,000	62,046,000	62,046,000
Exercise of employees' share options	<u>877,000</u>	<u>877,000</u>	<u>1,084,000</u>	<u>1,084,000</u>
At end of year	<u>64,007,000</u>	<u>64,007,000</u>	<u>63,130,000</u>	<u>63,130,000</u>

At an Extraordinary General Meeting held on May 18, 2007, 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 294,300 (2006: 1,207,000) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM3.27 (2006: 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.

During the financial year, the Company sold 1,500,800 (2006: Nil) treasury shares in the open market at an average re-sale price of RM4.06 (2006: Nil) per ordinary share for a total consideration of RM6,071,912.

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As of December 31, 2007, out of the total 64,007,000 (2006: 63,130,000) issued and paid-up share capital, 500 (2006: RM1,207,000) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 64,006,500 (2006: 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 RM63,130,000 to RM64,007,000 by way of issuance of 877,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.70 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM613,900 was credited to the share premium account.

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

The Company implemented the ESOS which came into effect on March 11, 2003 for a period of 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:

	2007	
	Average exercise price RM/share	Options
At start of year	1.70	888,000
Granted	-	-
Forfeited	1.70	(11,000)
Exercised	1.70	(877,000)
Expired	-	-
At end of year	1.70	-

There are no outstanding options at the end of the year.

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
2007:				
January 2007	1.70	2.92 - 2.94	5,000	8,500
February 2007	1.70	3.16	1,000	1,700
March 2007	1.70	3.10 - 3.42	391,000	664,700
April 2007	1.70	3.30 - 3.66	287,000	487,900
May 2007	1.70	3.44 - 3.90	180,000	306,000
June 2007	1.70	3.46	3,000	5,100
August 2007	1.70	4.02	2,000	3,400
September 2007	1.70	3.88 - 3.90	4,000	6,800
November 2007	1.70	5.05	4,000	6,800
			<u>877,000</u>	<u>1,490,900</u>

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
			<u>1,084,000</u>	<u>1,842,800</u>

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 By-Laws save for any revisions and/ or changes to the statutes and/ or regulations currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities;
- e) the price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by the Bursa Malaysia Securities 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.

22. RESERVES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Share premium	18,993,049	16,248,166	18,993,049	16,248,166
Revaluation reserve	10,176,684	10,467,161	-	-
Foreign currency translation reserve	469,127	733,925	-	-
Merger reserve	-	-	16,408,221	16,408,221
	<u>29,638,860</u>	<u>27,449,252</u>	<u>35,401,270</u>	<u>32,656,387</u>

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

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. The revaluation reserve represents surplus arising from the revaluation of the Group’s short leasehold land, buildings and leasehold flats as disclosed in Note 11 and 13, 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.

23. RETAINED EARNINGS

Retained earnings is distributable reserve that is available for distribution by way of dividends. The entire retained earnings of the Company as of December 31, 2007 is available for distribution by way of cash dividends without additional tax liabilities being incurred.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade payables	26,556,957	19,684,321	-	-
Amount owing to ultimate holding company	107,317	157,442	-	-
Amount owing to directors	13,200	12,000	13,200	12,000
Other payables and accrued expenses	14,687,033	12,322,212	2,028,966	22,000
	<u>41,364,507</u>	<u>32,175,975</u>	<u>2,042,166</u>	<u>34,000</u>

Analysis of trade and other payables by currencies:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Ringgit Malaysia	22,655,491	18,217,710	2,042,166	34,000
United States Dollar	15,206,949	11,524,202	-	-
Thai Baht	2,510,345	2,123,250	-	-
Japanese Yen	681,044	50,781	-	-
Singapore Dollar	218,572	135,021	-	-
New Taiwan Dollar	17,235	84,947	-	-
Other currencies	74,871	40,064	-	-
	<u>41,364,507</u>	<u>32,175,975</u>	<u>2,042,166</u>	<u>34,000</u>

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 10 to 60 days (2006: 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 directors represents directors' remuneration payable to them.

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

25. DIVIDENDS

	The Group and the Company	
	2007	2006
	RM	RM
Dividends declared and payable:		
First and final dividend of 12 sen (2006: 12 sen) gross per ordinary share, less tax, for 2006 and 2005	5,481,903	5,452,099
Special dividend I of 8 sen gross per ordinary share, tax exempt, for 2006	5,006,304	-
Special dividend II of 3 sen gross per ordinary share, less tax, for 2006	1,370,476	-
Special interim dividend I of 3 sen gross per ordinary share, tax exempt, for 2007	1,877,364	-
Special dividend of 6 sen gross per ordinary share, tax exempt, for 2005	-	3,786,180
	<u>13,736,047</u>	<u>9,238,279</u>

26. BANKING FACILITIES

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.

27. LEASE COMMITMENTS

As of December 31, 2007, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:

	The Group	
	2007	2006
	RM	RM
Not later than 1 year	84,440	74,580
Later than 1 year but not later than 5 years	24,270	24,140
	<u>108,710</u>	<u>98,720</u>

28. CAPITAL COMMITMENTS

As of December 31, 2007, capital expenditure contracted but not provided for in the financial statements of the Group in respect of purchase of leasehold land and building is approximately RM3,960,000.

29. 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.

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
2007					
Revenue					
External sales	274,444,499	6,504,323	-	-	280,948,822
Inter-segment revenue	<u>16,603,966</u>	<u>1,743,441</u>	<u>161,464,929</u>	<u>(179,812,336)</u>	<u>-</u>
Total revenue	<u>291,048,465</u>	<u>8,247,764</u>	<u>161,464,929</u>	<u>(179,812,336)</u>	<u>280,948,822</u>
Results					
Segment results	<u>45,334,719</u>	<u>(94,666)</u>	<u>157,552,507</u>	<u>(161,463,117)</u>	41,329,443
Investment revenue					2,757,583
Gain on disposal of investments					11,108
Finance costs					<u>(568)</u>
Profit before tax					44,097,566
Income tax expense					<u>(8,506,216)</u>
Profit for the year					<u>35,591,350</u>
Assets					
Segment assets	153,041,879	5,613,200	2,140,431	-	160,795,510
Other income producing assets	53,464,157	-	23,700,000	-	77,164,157
Income tax assets	<u>2,594,043</u>	<u>144,453</u>	<u>1,497,642</u>	<u>-</u>	<u>4,236,138</u>
Total assets	<u>209,100,079</u>	<u>5,757,653</u>	<u>27,338,073</u>	<u>-</u>	<u>242,195,805</u>
Liabilities					
Segment liabilities	38,569,980	752,361	2,042,166	-	41,364,507
Income tax liabilities	<u>4,795,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,795,992</u>
Total liabilities	<u>43,365,972</u>	<u>752,361</u>	<u>2,042,166</u>	<u>-</u>	<u>46,160,499</u>
Other information					
Capital additions	2,901,368	-	-	-	2,901,368
Depreciation and amortisation	3,563,094	-	-	-	3,563,094
Non-cash expenses other than depreciation and amortisation	<u>601,017</u>	<u>133,611</u>	<u>-</u>	<u>-</u>	<u>734,628</u>

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
2006					
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	<u>253,176,478</u>	<u>38,925,990</u>	<u>11,829,600</u>	<u>(26,367,718)</u>	<u>277,564,350</u>
Results					
Segment results	<u>30,836,862</u>	<u>510,857</u>	<u>10,284,339</u>	<u>(11,678,987)</u>	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					<u>(25,000)</u>
Profit before tax					32,952,733
Income tax expense					<u>(6,790,451)</u>
Profit for the year					<u>26,162,282</u>
Assets					
Segment assets	144,879,229	17,090,346	2,003,229	-	163,972,804
Other 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	<u>180,405,823</u>	<u>17,330,794</u>	<u>9,655,199</u>	<u>-</u>	<u>207,391,816</u>
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	<u>37,796,992</u>	<u>1,715,821</u>	<u>34,000</u>	<u>-</u>	<u>39,546,813</u>
(Forward)					

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Elimination RM	Total RM
2006					
Other information					
Capital additions	1,342,687	-	-	-	1,342,687
Depreciation and amortisation	3,811,962	-	-	-	3,811,962
Non-cash expenses other than depreciation and amortisation	1,142,637	24,414	25,000	-	1,192,051

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	
	2007 RM	2006 RM
United States of America	113,270,183	104,334,988
Malaysia	61,002,055	85,619,705
Other Asia Pacific Countries	69,449,765	71,470,566
Europe	37,226,819	16,139,091
	<u>280,948,822</u>	<u>277,564,350</u>

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:

	2007		2006	
	Carrying amount of segment assets RM	Capital additions RM	Carrying amount of segment assets RM	Capital additions RM
Malaysia	143,090,173	2,658,936	142,545,003	1,268,550
Thailand	16,640,055	242,432	19,212,323	74,137
Singapore	1,065,282	-	2,215,478	-
	<u>160,795,510</u>	<u>2,901,368</u>	<u>163,972,804</u>	<u>1,342,687</u>

30. 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 large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

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.

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

STATEMENT BY DIRECTORS

The directors of **P.I.E. INDUSTRIAL BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2007 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,



MUI CHUNG MENG



CHEN, CHIH-WEN

Penang,

March 3, 2008

**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 sheet 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 March 3, 2008

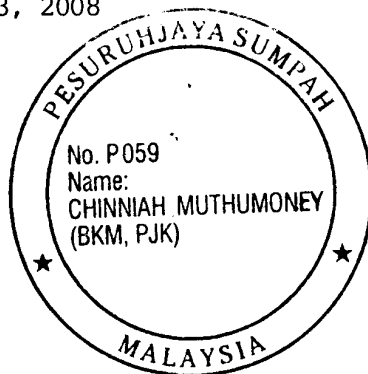


Before me,



COMMISSIONER FOR OATHS

CHINNIAH MUTHUMONEY BKM. PJK
COMMISSIONER FOR OATH
PESURUHJAYA SUMPAH
36 PENANG STREET
10200 PENANG



**36, LEBUH PENANG
10200 PULAU PINANG**