

ANNUAL REPORT

2009



**P. I. E. INDUSTRIAL BERHAD**

(co.no. 424086-X)

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## Corporate Information

### BOARD OF DIRECTORS

Ahmad Murad Bin Abdul Aziz  
*Chairman/Senior Independent Non-Executive Director  
(Redesignated as Chairman w.e.f. 2 November 2009)*

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum  
Tunku Mohammad Jawa  
*Chairman/Senior Independent Non-Executive Director  
(Deceased on 19 August 2009)*

Mui Chung Meng  
*Managing Director*

Chen, Chih-Wen  
*Executive Director*

Cheung Ho Leung  
*Executive Director*

Cheng Shing Tsung  
*Non-Independent Non-Executive Director*

Khoo Lay Tatt  
*Non-Independent Non-Executive Director  
(Appointed w.e.f. 2 November 2009)*

Loo Hooi Beng  
*Independent Non-Executive Director  
(Appointed w.e.f. 1 July 2009)*

### AUDIT COMMITTEE

Ahmad Murad Bin Abdul Aziz  
*Chairman/Senior Independent Non-Executive Director  
(Redesignated as Chairman w.e.f. 2 November 2009)*

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum  
Tunku Mohammad Jawa  
*Chairman/Senior Independent Non-Executive Director  
(Deceased on 19 August 2009)*

Loo Hooi Beng  
*Member/Independent Non-Executive Director  
(Appointed w.e.f. 1 July 2009)*

Khoo Lay Tatt  
*Member/Non-Independent Non-Executive Director  
(Appointed w.e.f. 2 November 2009)*

### COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)  
Ooi Ean Hoon (MAICSA 7057078)  
*(Appointed w.e.f. 2 November 2009)*

Khoo Lay Tatt (MAICSA 7029262)  
*(Resigned w.e.f. 2 November 2009)*

### AUDITORS

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

### REGISTERED OFFICE

57-G, Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang  
Tel : 04-6408933  
Fax : 04-6438911

### REGISTRAR

Tricor Investor Services Sdn. Bhd.  
*(Formerly known as Tenaga Koperat Sdn. Bhd.)*  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 03-22643883  
Fax: 03-22821886

### PRINCIPAL BANKERS

Public Bank Berhad  
2684 & 2685, Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai Penang

Citibank Berhad  
42, Jalan Sultan Ahmad Shah  
10050 Penang

RHB Bank Berhad  
2784 & 2785, Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai Penang

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Sector: Industrial Products  
Stock Name: PIE  
Stock Code: 7095  
*(Listed since 7 July 2000)*

### INTERNET HOMEPAGE

[www.pieib.com.my](http://www.pieib.com.my)



## Board of Directors' Profile

### **AHMAD MURAD BIN ABDUL AZIZ**

*Chairman / Senior Independent Non-Executive Director  
Malaysian, aged 51*

Ahmad Murad Bin Abdul Aziz, appointed to the Board on 2 June 1997, was re-designated as Senior Independent Non-Executive Chairman on 2 November 2009. He graduated with a law degree from University of Malaya in 1982. He is a lawyer by profession and has more than twenty six (26) years of working experience in the legal practice. He was a Senior Partner of Murad & Foo from 1990 to 1999. Prior to that, he worked as a legal assistant with Kadir, Tan & Ramlee from 1983 to 1985 and a partner of Murad and Leong from 1985 to 1989. He is currently a partner of Murad Yee Partnership.

He is also the Chairman of the Audit Committee.

### **MUI CHUNG MENG**

*Managing Director  
Malaysian, aged 58*

Mui Chung Meng, was appointed to the Board on 10 May 2000. He graduated from the University of Singapore majoring in Electronics in 1974 and was an Associate Member of the Institute of Electrical Engineers in 1977. He also obtained a Diploma in Plastic and Rubber Technology (UK) in 1988 under the guidance of Universiti Sains Malaysia and the Rubber Research Institute of Malaysia. Mr. Mui joined Pan-International Electronics (Thailand) Co. Ltd. in 1993 and was subsequently promoted to General Manager of the South East Asian Division of Pan-International Industrial Corporation. From 1974 to 1980, he was attached to Siemens and Intel, which are involved in semiconductor electronic manufacturing, as Production Engineer in-charge of transistors and optoelectronic products manufacturing and QA Engineer in-charge of quality control activities of the entire assembly plant respectively. From 1981 to 1992, he was the operation manager of Kayel Rubber Products and Polynic Industry who handled the overall operations of rubber and plastic products manufacturing. Through these experiences, Mr. Mui gained extensive knowledge in the fields of electronics, plastics and rubber.

### **CHEN, CHIH-WEN**

*Executive Director  
Taiwanese, aged 53*

Chen Chih-Wen, was appointed to the Board on 10 May 2000. He graduated with a Bachelor of Science Degree in Accounting from Feng-Chia University, Taiwan in 1980. Prior to joining PIE Group in 1991, he was involved in the electronic industry for five (5) years with listed companies in Taiwan and four (4) years in the cement-related industry. He is responsible for the corporate finance affairs, treasury and accounting functions of the Group.



## Board of Directors' Profile (cont'd)

### **CHEUNG HO LEUNG**

*Executive Director  
American, aged 53*

Cheung Ho Leung, was appointed to the Board on 15 March 2005. He graduated with a Bachelor of Science Degree with Honors Class II in Electrical Engineering from University of Birmingham, UK in 1979. Upon graduation, Mr. Cheung began his career in 1979 as an Engineer in Lucas CAV Ltd. in London, England. In 1981, he joined Apple Computer International Ltd. in Singapore as a Test Engineer and was subsequently promoted to Test Engineering & Apple II GS Project Manager in 1985. Two years later, he was transferred to Apple Computer Ltd. in Cupertino, CA, as a Manager of Apple II Design Center and was promoted to Senior Vice President & General Manager in the middle of 1996. He left in 1997 to join Cidco Inc. in Morgan Hill, CA as a Vice President & General Manager of Internet Solution Division. Subsequently in 1998, he joined Nasteel Electronics Ltd. in Morgan Hill, CA (NEL) as a Senior Vice President of Worldwide Marketing and Advance Engineering. He is currently the Corp Vice President and General Manager of the "Integrated Digital Products Business Group" in Hon Hai Precision Industry Co. Ltd. and is responsible for developing a fully integrated supply chain for its key customers in three regions, USA, Asia and Europe.

### **CHENG SHING TSUNG**

*Non-Independent Non-Executive Director  
Singaporean, aged 72*

Cheng Shing Tsung, was appointed to the Board on 10 May 2000. He obtained a Diploma from Radio Communication College, Hong Kong in 1960. Mr. Cheng started his career in Sony Corporation Hong Kong Ltd. at the end of 1960 as an Assistant Engineer. In 1965, he joined Atlas Electronic Corp. as Material Chief. Two years later, he was transferred to Electronic Industrial Ltd., a subsidiary of General Electric USA (Audio Division), in Hong Kong as Purchasing Leader. In early 1974, he was promoted as Procurement Manager who controlled all purchasing activities of General Electric Television & Appliance Pte. Ltd. in Singapore. He is currently the Consultant of Foxconn Singapore Pte. Ltd., the subsidiary company of Hon Hai Precision Industry Co. Ltd.

### **LOO HOOI BENG**

*Independent Non-Executive Director  
Malaysian, aged 44*

Loo Hooi Beng, was appointed to the Board on 1 July 2009. He obtained the Bachelor Degree of Accounting from Universiti Kebangsaan Malaysia in 1992 and the Master of Science (Management) from Universiti Utara Malaysia in 1998.

After his graduation, Mr. Loo began his career in an audit firm until year 1995 and later attached to several companies from 1996 to 2008. He is currently a Group Senior Finance Manager of Thong Guan Industries Berhad, a company listed on the Main Market of the Bursa Malaysia Securities Berhad.

He is a Chartered Accountant of Malaysian Institute of Accountants, Associate Member of Malaysian Institute of Taxation, Certified Member of Financial Planning Association of Malaysia and Certified Practising Accountant of CPA Australia.

He is also a member of the Audit Committee.



## Board of Directors' Profile (cont'd)

### **KHOO LAY TATT**

*Non-Independent Non-Executive Director  
Malaysian, aged 37*

Khoo Lay Tatt, was appointed to the Board on 2 November 2009. He graduated from Tunku Abdul Rahman College with an Institute of Chartered Secretaries and Administrators (ICSA) professional degree and a Diploma in Commerce – Business Management in 1996. Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of a commercial bank. He left the bank as an Executive cum Company Secretary of subsidiaries of the bank in year 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous initial public offerings and corporate exercises undertaken by listed companies.

He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA).

He also sits on the Board of Dufu Technology Corp. Berhad and ETI Tech Corporation Berhad as an Independent Director, these companies are listed on the Main Market and ACE Market of Bursa Securities respectively.

He is also a member of the Audit Committee.

### **ADDITIONAL INFORMATION ON THE DIRECTORS**

#### *Family relationship with any director and/or major shareholder*

The above Directors have no family relationship with any other Directors and/or major shareholders of P.I.E. Industrial Berhad.

#### *Convictions for offences (within the past 10 years other than traffic offences, if any)*

None of the Directors have any convictions for offences other than traffic offences within the past 10 years.

#### *Conflict of Interest*

The Directors have not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.

#### *Securities held in the Company*

The details are disclosed on page 87 of this Annual Report.

## Group Corporate Structure

### **PIE Enterprise (M) Sdn. Bhd.**

*Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products*  
**100%**

### **Pan-International Electronics (Malaysia) Sdn. Bhd.**

*Contract electronic manufacturing and cable and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly*  
**100%**

### **Pan-International Corporation (S) Pte. Ltd.**

*Marketing and trading of electronic and telecommunication components and equipment*  
**100%**

### **Pan-International Electronics (Thailand) Co., Ltd**

*Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry*  
**100%**

### **P. I. E. INDUSTRIAL BERHAD** (co.no. 424086-X)

### **Pan-International Wire & Cable (Malaysia) Sdn. Bhd.**

*Manufacture of cables and wires for electronic devices and cable moulding compounds*  
**100%**

### **P.I.W. Enterprise (Malaysia) Sdn. Bhd.**

*Trading of raw cable and wire and cable assembly products*  
**100%**

## Group Financial Highlights

### Five Years Financial Summary

	Year ended 31 December				
	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Revenue	203,680,379	277,564,350	280,948,822	291,784,167	225,901,862
Profit before taxation	21,321,538	32,952,733	44,097,566	43,502,781	33,204,171
Net profit after taxation	16,948,883	26,162,282	35,591,350	33,936,145	25,281,774
Basic earnings per ordinary share (Sen)	27	42	57	53	40
Shareholders' equity	150,155,090	167,845,003	196,035,306	211,781,947	222,604,350
Net Assets per share	2.42	2.71	3.06	3.31	3.48
Issued and fully paid-up share capital of RM1.00 each	62,046,000	63,130,000 #	64,007,000 *	64,007,000 ^	64,007,000 σ
Gross dividend per share (Sen)	18	23	39	35	35 @

# The issued and fully paid-up share capital of RM63,130,000.00 is divided into 63,130,000 Ordinary Shares of RM1.00 each including 1,207,000 shares held as treasury shares.

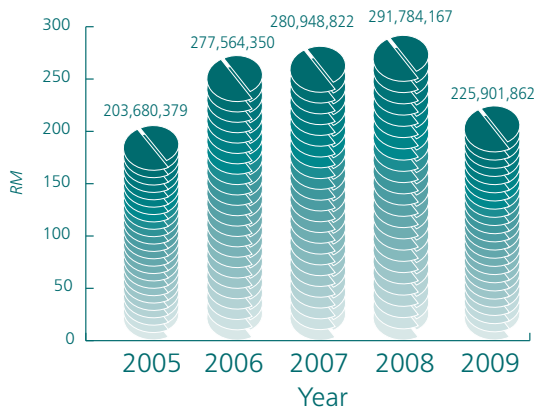
\* The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 500 shares held as treasury shares.

^ The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 11,000 shares held as treasury shares.

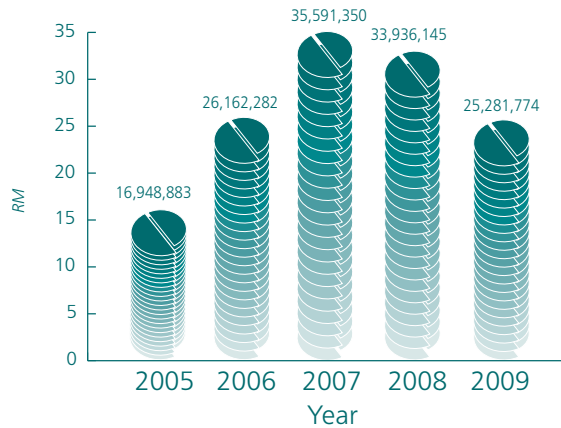
σ The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 12,100 shares held as treasury shares.

@ Subject to shareholders' approval at the forthcoming Annual General Meeting

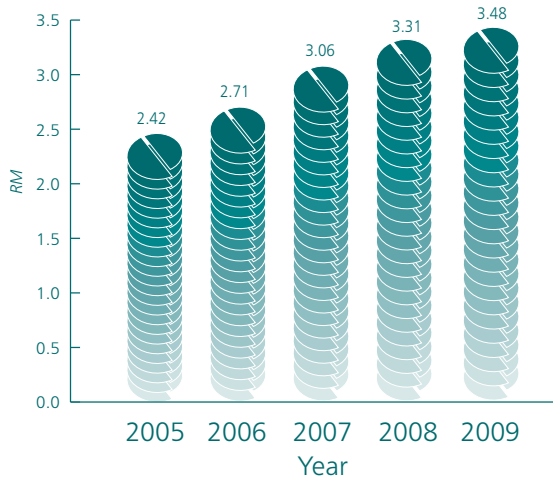
#### REVENUE



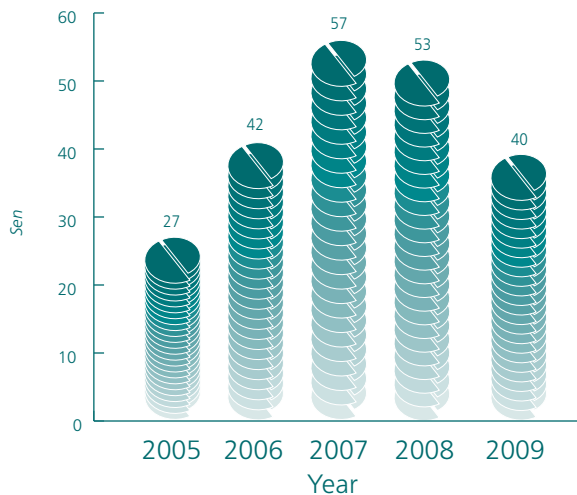
#### NET PROFIT AFTER TAXATION



#### NET ASSETS PER SHARE



#### BASIC EARNINGS PER ORDINARY SHARE





## Chairman's Statement

On behalf of the Board of Directors of P.I.E. INDUSTRIAL BERHAD, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2009.

### Financial Performance

The year 2009 was a difficult year for the Group. The Group's revenue for the financial year ended 31 December 2009 was RM225.90 million, reflecting a decrease of RM65.88 million or 22.58% compared against the previous year's figures of RM291.78 million. The decline in revenue was mainly due to lower demand for manufacturing and trading activities caused by the global economic crisis.

The Group's net profit declined by 25.50% or RM8.65 million from RM33.94 million compared with preceding financial year. The reduction was mainly due to lower revenue achieved, while the basic earnings per share was reduced to 40 sen from 53 sen recorded in the previous year.

Total assets of the Group increased from RM260.73 million to RM269.53 million, an increase of 3.38% as compared with last year. The Group's net assets per share increased to RM3.48 as at 31 December 2009 as compared to RM3.31 posted at 31 December 2008. The Group will maintain a healthy and financially sound balance sheet with surplus cash of RM119.90 million to cater for future expansion and diversification.

### Dividend

A First and Final Dividend of 12 sen per share, less income tax at 25% and a Special Dividend of 23 sen per share, less income tax at 25%, amounting to RM5,759,640 and RM11,039,310 respectively in respect of the financial year ended 31 December 2008 were declared and paid by the Company during the current financial year.

The Board of Directors is recommending a Special Dividend of 23 sen per share, less income tax at 25% and a First and Final Dividend of 12 sen per share, less income tax at 25%, in respect of the financial year ended 31 December 2009, subject to the shareholders' approval at the forthcoming Thirteenth Annual General Meeting. This represents a payout of approximately 88% of the Group's net profit. The entitlement and payment date of the above recommended dividends are as disclosed in this Annual Report.

### Operation Review

EMS and Raw Wire and Cable Manufacturing remain as the core businesses and main revenue contributor to the Group for the financial year ended 31 December 2009.

The EMS division has contributed approximately 64% of the Group's revenue and the Group still foresees a good opportunity ahead to secure more potential business from new and existing customers.

The contribution by the Raw Wire and Cable Manufacturing division to the Group's revenue for the financial year under review is 24%. This division will continue with its effort to develop high value-added products, e.g. high quality cross-linked cable and carbon fiber cable for automotive, medical and solar-energy industries.

The Wire Harness and Cable Assembly division has contributed approximately 11% of the Group's revenue. The Group expects this division to continue earning contribution in the coming years through increased orders from multinational corporations in Thailand and Malaysia.

The contribution of Trading Activity remains at 1% of the Group's revenue due to the lack of attractive products.



## Chairman's Statement (cont'd)

### Prospect and Outlook

We are optimistic for year 2010 with improved business sentiment. The Group foresees the trend for customers to outsource their manufacturing operations to continue. Barring unforeseen circumstances, the Board is cautiously optimistic that the revenue and profit will return on an uptrend path.

### Acknowledgment

On behalf of the Board of Directors, I would like to record my sincere appreciation and gratitude to the management and staff of the Group for their invaluable dedication, loyalty and commitment in instituting the strict strategic and operational measures needed to be resilient during these challenging times. Further, I would like to thank all our valued customers, suppliers, business associates, investors, the relevant authorities, financiers and bankers for their continuous support and valuable contribution to our Group. Last but not least, I would also like to thank all our fellow Directors for their valuable advice, guidance and support rendered during the year just ended.

The Board of Directors and management regret the untimely demise of Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jawa, our Senior Independent Non-Executive Chairman on 19 August 2009. We wish to place on record our appreciation for his unstinted and dedicated services to the Group and express our deepest condolence to his family.

We would like to welcome new Board members, Mr. Loo Hooi Beng and Mr. Khoo Lay Tatt who were appointed to Board on 1 July 2009 and 2 November 2009 respectively.

### **AHMAD MURAD BIN ABDUL AZIZ**

Chairman

## Statement on Corporate Governance

### Board's Commitments

The Board of P.I.E. Industrial Berhad is committed to comply with the Malaysian Code of Corporate Governance ("the Code") which was revised on 1 October 2007 and which sets out the principles and recommended best practices for all public listed companies. This Statement on the Company's corporate governance practices is made in compliance with Paragraph 15.25 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR").

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the financial year ended 31 December 2009.

### A) The Board

The Board recognised its stewardship responsibility to lead the Group towards the highest level of corporate governance, strategic decisions and standard of conducts.

#### i) Board Balance

The present Board of Directors, headed by the chairman is comprised of:

- 3 Executive Directors;
- 2 Non-Independent, Non-Executive Directors; and
- 2 Independent, Non-Executive Directors.

The composition of the Board is in compliance with the LR and the Code. It also balanced to reflect the interests of the major shareholders, management and minority shareholders. Collectively, the Directors bring a wide range of business and financial experience relevant to the direction of the Group.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for running the Board and ensuring that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the Managing Director has overall responsibilities over the operating units, organisation effectiveness and implementation of Board's policies and decisions.

The Board is well balanced with the presence of Independent Non-Executive Directors who are of caliber and collectively provide independent assessments and judgments in the decision making process of the Board.

#### ii) Board Meetings

The Board governs the operations of the Group. The Board meets regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

Agenda and documents relevant to the Board meetings are circulated in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.



## Statement on Corporate Governance (cont'd)

### A) The Board (cont'd)

#### ii) Board Meetings (cont'd)

During the financial year, the Board met four (4) times and the attendance of each director during the financial year is as follows:

Name of director	Designation	Number of Board Meetings Attended / Held	Percentage of Attendance
Ahmad Murad Bin Abdul Aziz <sup>(1)</sup>	Senior Independent, Non-Executive Chairman	4 / 4	100%
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jawa <sup>(2)</sup>	Senior Independent, Non-Executive Chairman	2 / 3	67%
Mui Chung Meng	Managing Director	4 / 4	100%
Chen, Chih-Wen	Executive Director	4 / 4	100%
Cheung Ho Leung	Executive Director	3 / 4	75%
Cheng Shing Tsung	Non-Independent, Non-Executive Director	4 / 4	100%
Loo Hooi Beng <sup>(3)</sup>	Independent, Non-Executive Director	2 / 2	100%
Khoo Lay Tatt <sup>(4)</sup>	Non-Independent, Non-Executive Director	1 / 1	100%

#### Notes:

- (1) En. Ahmad Murad Bin Abdul Aziz was re-designated to Senior Independent, Non-Executive Chairman on 2 November 2009
- (2) Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jawa was deceased on 19 August 2009
- (3) Mr. Loo Hooi Beng was appointed on 1 July 2009
- (4) Mr. Khoo Lay Tatt was appointed on 2 November 2009

#### iii) Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations during the meeting, where necessary.

The Directors meet to review and approve all corporate announcements, including the announcement of the quarterly interim financial reports, before releasing them to the Bursa Securities.

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries, whose appointment and removal is the responsibility of the Board collectively, are qualified professionals with the necessary experience to advise the Board.



## Statement on Corporate Governance (cont'd)

### A) The Board (cont'd)

#### iii) Supply of information (cont'd)

When necessary, the Directors could request for the service of independent professional advisors at the cost of the Company.

In leading and controlling the operations of the Group, the Board is assisted by the Board of Directors of each individual subsidiary that is primarily responsible to carry out decisions made by the Board. The Executive Directors of the Company also participate in management meeting of certain subsidiaries to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

#### iv) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance. In compliance with Paragraph 15.08 of the LR, the Directors will continue to attend various external professional programmes deemed necessary in order to keep abreast with the latest developments in the market place, advances in corporate governance and to further enhance their skill and knowledge to enable them to discharge their duties as Directors in an effective manner.

Save for undermentioned directors, none of the Directors have attended any training during the year of 2009 due to their respective tight schedule and travel commitments:-

Directors	Courses
Ahmad Murad Bin Abdul Aziz	Strategic Cash Flow Management by Mr. Hari Ramulu Munusamy
Chen, Chih-Wen	Forensic Seminar – Uncovering the Past, Protecting the Future by Deloitte KassimChan
Loo Hooi Beng	KPMG Financial Instruments Seminar by KPMG Understanding the Effect of Changes in Foreign Exchange Rate & Financial Risk Management by FMM Institute Microsoft Excel 2003 Int-Adv by Aspire Corporate Training Services
Khoo Lay Tatt	Economics Downturn and Risk Oversight: Reassessing Risk in the Wake of Market Turmoil – KPMG's Audit Committee Roundtable Discussion

#### v) Appointment and Re-election of Director

##### a) Appointment of Directors

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a nomination committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess directors on an on-going basis.



## Statement on Corporate Governance (cont'd)

### A) The Board (cont'd)

#### v) Appointment and Re-election of Director (cont'd)

##### a) Appointment of Directors (cont'd)

Given the present size of the Board and strong professionalism of the major shareholder, the Board has decided not to set up a nomination committee as recommended by the Code. As an alternative, the Board resolved that the nomination of candidates for directorship shall remain a collective decision by all Board members and has laid down the following procedures for appointment of new Directors:

1. The Board will review from time to time its composition to identify the need to further strengthen the Board.
2. The Board, with the assistance and recommendation of the Board members, will evaluate the caliber, credibility and experience of the candidates.
3. A Board Meeting or Resolution, under the professional service of a company secretary, will be convened or circulated to all Board members as to decide the appointment of the candidate(s) as director(s).
4. Newly appointed directors are required to undergo director's training programme as described in (iv) above and retire in the Annual General Meeting following his/her appointment and whether or not he/she shall remain in the Board shall be decided by shareholders.

##### b) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are subject to election at the AGM following their appointment.

The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM.

The current terms of all directors are less than three years. This is in compliance with the provision of the requirement of the Code that all directors are required to submit themselves for re-election at regular intervals and at least every three years.

The Board of Directors will also review the effectiveness of the Board as a whole and further assess the contribution of each individual director who is seeking for re-election by rotation at each AGM.

#### vi) Directors' Remuneration

It is vital for the Group to attract and retain Directors of the necessary caliber to run the Group successfully. In line with requirements of the Code, the Group has established a remuneration policy for the Directors.

Given the present size of the Board, the Board has decided not to set up a remuneration committee as recommended by the Code. As an alternative, the Board formulated the following policy for fixing remuneration packages of each Director:

1. Determination of remuneration of Directors remained a collective decision of the Board.
2. The remuneration package of Executive Directors shall be determined based on the performance of the Group, the responsibilities, the experience required and the contribution by each individual Director in comparison to the industry norm.

## Statement on Corporate Governance (cont'd)

### A) The Board (cont'd)

#### vi) Directors' Remuneration (cont'd)

3. The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and the contribution by each individual Director.
4. All Directors are entitled to directors' fee that is subject to shareholders' approval.
5. Other than directors' fee, Executive Directors shall be entitled to salary and bonus, statutory contribution and other allowances incidental to the performance of their duties.
6. The Board shall meet at least once in a financial year to deliberate on the remuneration packages for the Directors.
7. In determining the remuneration package of each Director, the Director concerned will abstain from the discussion.

Details of Directors' remuneration for the year ended 31 December 2009 are as follows:

1. Aggregate remuneration of the Directors categorised into appropriate components:

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors	0	230,688	1,695,490	5,600	1,931,778
Non-Executive Directors	56,000	0	0	5,200	61,200
<b>Total</b>	<b>56,000</b>	<b>230,688</b>	<b>1,695,490</b>	<b>10,800</b>	<b>1,992,978</b>

2. The number of Directors whose total remuneration fall within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	1	5
RM400,001 to RM450,000	1	0
RM1,500,001 to RM1,550,000	1	0

### B) Accountability and Audit

#### Audit Committee

The Audit Committee of P.I.E. Industrial Berhad is comprised of:

Chairman: Ahmad Murad Bin Abdul Aziz (*Senior Independent, Non-Executive Chairman*)  
 Members: Loo Hooi Beng (*Independent, Non-Executive Director*)  
 Khoo Lay Tatt (*Non-Independent, Non-Executive Director*)

The terms of reference and the report of Audit Committee are as set out on pages 16 to 19.

#### i) Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. At the same time, the Audit Committee is assisting the Board in ensuring the accuracy, adequacy and completeness of the financial information that to be disclosed. The financial reports will be reviewed and approved by the Audit Committee prior to tabling them to the Board for approval.



## Statement on Corporate Governance (cont'd)

### B) **Accountability and Audit** (cont'd)

#### **Audit Committee** (cont'd)

##### ii) **Internal Control**

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

In this regard, major internal control systems are documented and followed by the management of the Group. To enhance the effectiveness of internal control systems, the Board had in March 2002, established an internal audit function with the assistance of an external professional firm. The internal auditors will be able to provide additional independent review on the state of internal control of the Group.

##### iii) **Relationship with the Auditors**

The Board maintains a transparent relationship with external auditors. Members of the Audit Committee meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.

### C) **Relationship with Shareholders and Investors**

In line with the requirement of the LR and the Code, material information is disseminated to shareholders and investors on a timely basis. The Group maintains a corporate website at [www.pieib.com.my](http://www.pieib.com.my) which provides information, include:

1. Quarterly results;
2. Annual reports;
3. Announcements;
4. Circular to shareholders;
5. Other important announcements.

The above information also could be assessed through Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com)

In addition to the above, time will be allocated during Annual General Meeting for dialogue with shareholders to address issues concerning the Group.

In compliance with the recommended best practice by the Code, the Board has appointed En. Ahmad Murad Bin Abdul Aziz as a Senior Independent Non-Executive Director to whom minority shareholders could convey their concern over the operations of the Group. His contact information is as follows:

P.I.E. Industrial Berhad  
Plot 4, Jalan Jelawat 1  
Seberang Jaya Industrial Estate  
13700 Prai, Penang, Malaysia  
Tel: 04-399 0401 Fax: 04-399 0403

This statement was made in accordance with a resolution of the Board dated 13 April 2010.



## Audit Committee Report

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2009.

### 1. AUDIT COMMITTEE

The Audit Committee was established by a resolution of the Board on 20 May 2000.

#### Chairman

Ahmad Murad Bin Abdul Aziz (*Senior Independent, Non-Executive Chairman*)

#### Member

Loo Hooi Beng (*Independent, Non-Executive Director*)

Khoo Lay Tatt (*Non-Independent, Non-Executive Director*)

### 2. ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee meetings held during the financial year under review are as follows:

<u>Name of director</u>	<u>No. of Meetings Held</u>	<u>No. of Meetings Attended</u>
Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jawa <sup>(1)</sup>	3	2
Ahmad Murad Bin Abdul Aziz	4	4
Loo Hooi Beng <sup>(2)</sup>	2	2
Khoo Lay Tatt <sup>(3)</sup>	1	1

#### Notes:

<sup>(1)</sup> Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohammad Jawa was deceased on 19 August 2009

<sup>(2)</sup> Mr. Loo Hooi Beng was appointed on 1 July 2009

<sup>(3)</sup> Mr. Khoo Lay Tatt was appointed on 2 November 2009

### 3. TERMS OF REFERENCE

#### Objectives

The primary objectives of the Audit Committee are:

- (a) To assist the Board in discharging its duties and responsibilities relating to the Group and the Company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements.
- (b) To maintain effective communication between the Board of Directors, senior management, internal auditors and external auditors in order to provide assurance that the information presented by management is relevant, reliable and timely.



## Audit Committee Report (cont'd)

### 3. TERMS OF REFERENCE (cont'd)

#### Composition of Audit Committee

The Committee shall be appointed by Board from amongst its members and shall at all times consist of not less than three (3) directors, exclusively Non-Executive Directors of whom majority shall be the Independent Directors and at least one of them must be:

1. a member of the Malaysian Institute of Accountants; or
2. a member of one of the associations of accountants specified in PART II of the 1st Schedule of the Accountants Act 1967 with at least 3 years' working experience; or
3. a degree/masters/doctorate holder in accounting or finance with at least 3 years' post qualification experience in accounting or finance; or
4. fulfills such other requirements as prescribed or approval by the Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee. The Chairman shall be selected by the members of the Audit Committee and should be an Independent Director. The Company Secretary shall act as the Secretary of the Audit Committee.

In the event that the number of Audit Committee members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

#### Duties and Responsibilities

- Consider and recommend the appointment and remuneration of external auditor and to deal with matters relating to the resignation or dismissal.
- Review with the external auditors the scope of audit plan, system of internal accounting controls and their reports thereon.
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the effectiveness of internal audit procedures, consider the major findings of internal audit investigations and ensure co-ordination between the internal and external auditors.
- Review with management the audit reports issued by the internal and external auditors and the implementation of audit recommendations.
- Review any related party transactions that may arise within the Group.
- Review the quarterly results and year-end financial statements prior to submission to the Board of Directors for approval.
- Review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- Review arrangements established by management for compliance with any regulation or other external reporting requirements.
- Perform such other functions as may be agreed by the Committee and the Board of Directors.

## Audit Committee Report (cont'd)

### 3. TERMS OF REFERENCE (cont'd)

#### Authority

The Committee shall, in accordance with a procedure determined by the Board of Directors and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group and the Company;
- (d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity;
- (e) be able to obtain professional or other advice; and
- (f) be able to convene meetings with the internal and external auditors, excluding the attendance of the other Directors and employees of the Company, whenever deemed necessary.

#### Meetings

Meetings shall be held once every quarter. The Chairman shall call a meeting of the Committee if requested to do so by any Committee member, the management or the internal or external auditors. The Committee may invite the members of the Board, the management, the internal auditors and the representative of the external auditors to attend any of its meetings, as it deems necessary.

The quorum for a meeting of the Committee shall be two (2) members who shall be Independent Directors.

A meeting with external auditors shall be held at least twice a year without the presence of executive Board members.

The Company Secretary is also responsible for keeping the minutes of the meeting of the Committee, circulating them to the Committee members and to the other members of the Board and following up on outstanding matters.

### 4. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2009 on discharging of its duties and responsibilities:

- Reviewed the draft quarterly results and year-end financial statements prior to submission to the Board for approval;
- Reviewed the audit reports and related party transaction reports issued by the internal and external auditors and the implementation of audit recommendations;
- Reviewed the compliance on the Bursa Securities LR, Malaysian Code on Corporate Governance and other statutory requirements;
- Established internal audit function and determine the terms of reference with the assistance of external professional.



## Audit Committee Report (cont'd)

### 5. INTERNAL AUDIT FUNCTION

During the financial year, the Board on the recommendations by the Audit Committee has engaged an external professional firm to carry out internal audit function for the Group. The internal auditors report directly to the Audit Committee.

The primary role of the internal auditors is to inter-alia, assist the Audit Committee on an ongoing basis to:

- review the risk management framework;
- evaluate the state of compliance with the LR, Malaysian Code on Corporate Governance and other statutory requirements;
- provide independent, systematic and objective evaluation on the state of internal control within the Group;
- review recurrent related party transactions;
- perform such other functions as requested by the Audit Committee.

The costs incurred for the internal audit function for financial year 2009 was RM24,425. During the financial year, the internal auditors have assisted the Audit Committee to:

- conduct the internal audit for financial year ended 2009;
- review the state of corporate governance of the Group;
- review and document the risk management framework of the Group;
- review the state of internal control of various operating cycles within the Group;
- review related party transactions and recurrent related party transactions.



## Statement on Internal Control

### Introduction

This statement is made pursuant to Paragraph 15.26(b) of the Bursa Securities LR, which requires public listed companies to include a statement in their annual reports on the state of internal control within the Group.

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

This Statement of Internal Control has been prepared in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" (the "Guidance") issued by the Task Force on Internal Control.

### Responsibility

The Board recognises the importance of maintaining a sound system of internal control covering controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- a) Safeguard the shareholders' interest and assets of the Group;
- b) Identify and manage risks affecting the Group;
- c) Ensure compliance with regulatory requirements;
- d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group;
- e) Ensure the integrity and reliability of financial information.

The system of internal control is designed to cater for the Group's needs and manage the risks to which the Group exposed. It should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve objective and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of internal control.

### System of Internal Control

The Groups' system of internal control is comprised of the following key elements:

- a) Organisation structure of each business unit clearly defines operational and financial responsibilities;
- b) Key responsibilities are properly segregated;
- c) Authority level is properly defined;
- d) Executive Directors meet regularly to address key business risks and operational issues;
- e) Operational procedures are governed by standard operating manuals which are reviewed and updated regularly;
- f) Effective financial reporting system is in place to ensure timely generation of financial information for management's review.



## Statement on Internal Control (cont'd)

### System of Internal Control (cont'd)

With the help of the internal auditors from the professional service firm engaged by the Board, the system of internal control is reviewed regularly. This is to ensure that it functions as planned and remains effective and applicable given the passage in time and change in business scenarios. The cost incurred for the internal audit function for financial year 2009 was RM24,425.

The Board confirms that the above is in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of internal control accords with the "Guidance" and that it is adequate to achieve the Group's objectives stated above.

### Conclusion

The Board remains committed towards operating a sound system of internal control and therefore recognise that the system must continuously evolve to support the Group's businesses and the size of the Group's operations. As such, the Board, in striving for continuous improvement will put in place an appropriate actions and plans, when necessary, to further enhance the Group's system of internal control.

This statement was made in accordance with a resolution of the Board dated 13 April 2010.

## Statement on Directors' Responsibilities in respect of the Audited Financial Statements

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with the Financial Reporting Standards in Malaysia, the provisions of the Companies Act, 1965 and the relevant provisions of the Bursa Securities LR so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended.

In this regard, the Directors will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Financial Reporting Standards and Issues Committee Interpretations issued by Malaysian Accounting Standards Board that are relevant to the Group's operations and effective for accounting are fully adopted
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company
- Made appropriate enquiries to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2009 had been approved by the Board on 5 March 2010.

This statement was made in accordance with a resolution of Board dated 13 April 2010.



## Disclosure Requirements Pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements

### UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

### SHARE BUY-BACK

The details of the shares purchased from the open market using the internally generated funds and held as treasury shares during the financial year are as follows:

Month	Number of Shares	Unit Cost			Total Cost* (RM)
		Lowest (RM)	Highest (RM)	Average (RM)	
May 2009	1,000	4.02	4.02	4.02	4,066
November 2009	100	4.24	4.24	4.24	465
Total	1,100	4.02	4.24	4.12	4,531

\* Including brokerage, commission, clearing house fee and stamp duty.

All the shares so purchased during the financial year were retained as treasury shares. As at 31 December 2009, the total number of shares bought back and held as treasury shares is 12,100 shares. There was no resale of treasury share during the year.

There has been no cancellation of treasury shares by the Company during the financial year ended 31 December 2009.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities exercised during the financial year.

### AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any such programme.

### IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

### NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or corporation affiliated to the auditors' firm is RM28,700.

### REVALUATION POLICY

The policy on revaluation of properties is as disclosed in the financial statements.

### MATERIAL CONTRACT

There were no material contract entered into by the Company and its subsidiary companies involving directors' and substantial shareholders' interest other than those entered into in the ordinary course of business as disclosed in the financial statements.

Disclosure Requirements Pursuant  
to the Bursa Malaysia Securities Berhad  
Main Market Listing Requirements (cont'd)

**PROFIT ESTIMATE, FORECAST OR PROJECTION**

There were no profit estimate, forecast or projection announced for the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Company.

**PROFIT GUARANTEES**

There were no profit guarantees given by the Company for the financial year.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day to day business operations i.e. constantly reviewing the staff benefits to enhance the quality of life of its employees and adopting eco-friendly practices such as minimising the use of hazardous compound in its manufacturing process to protect the environment.

**RECURRENT RELATED PARTY TRANSACTIONS**

The details of Recurrent Related Party Transactions and their actual amount entered into during the financial year ended 31 December 2009 are disclosed on page 77 of the Annual Report.





## 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, 2009.

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

### RESULTS OF OPERATIONS

	The Group RM	The Company RM
Net profit/(loss) after tax for the year	25,281,774	(1,963,010)

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

During the current financial year, a special dividend of 23 sen gross per ordinary share, less tax, and a first and final dividend of 12 sen gross per ordinary share, less tax, amounting to RM11,039,310 and RM5,759,640 respectively, were declared and paid in respect of the previous 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

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

### SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

## Directors' Report (cont'd)

### 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 has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than those disclosed in Note 3 to the financial statements.



## Directors' Report (cont'd)

### DIRECTORS

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

Ahmad Murad Bin Abdul Aziz	
Mui Chung Meng	
Chen, Chih-Wen	
Cheng Shing Tsung	
Cheung Ho Leung	
Loo Hooi Beng	(appointed on July 1, 2009)
Khoo Lay Tatt	(appointed on November 2, 2009)
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa	(demised on August 19, 2009)

### DIRECTORS' INTERESTS

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

Shares in the Company	No. of ordinary shares of RM1 each			Balance as of 31.12.2009
	Balance as of 1.1.2009	Bought	Sold	
<b>Direct interest:</b>				
Ahmad Murad Bin Abdul Aziz	8,001	-	(8,000)	1
Mui Chung Meng	410,000	-	(410,000)	-
Chen, Chih-Wen	210,000	-	(210,000)	-
Cheng Shing Tsung	10,000	-	-	10,000

### DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Report (cont'd)

### **HOLDING COMPANIES**

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

### **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,

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**MUI CHUNG MENG**

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**CHEN, CHIH-WEN**

Penang,

March 5, 2010



## Independent Auditors' Report

to the Members of P.I.E. Industrial Berhad (Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of P.I.E. Industrial Berhad, which comprise the balance sheets as of December 31, 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 81.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit 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 contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2009 and their financial performance and cash flows for the year then ended.

(Forward)



Independent Auditors' Report  
to the Members of P.I.E. Industrial Berhad (Incorporated in Malaysia) (cont'd)

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors as mentioned under Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements;
- (c) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

**DELOITTE KASSIMCHAN**

AF 0080  
Chartered Accountants

**LEE CHENG HEOH**

Partner – 2225/04/10 (J)  
Chartered Accountant

March 5, 2010

Penang



## Income Statements

for the year ended December 31, 2009

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Revenue	5	225,901,862	291,784,167	2,460,000	4,071,600
Investment revenue		2,622,990	3,137,291	328,333	441,811
Other gains and losses		176,720	1,138,355	-	-
Other income		4,676,105	5,862,043	-	-
Changes in inventories of finished goods and work-in-progress		(668,362)	1,379,324	-	-
Purchase of trading goods		(1,868,808)	(3,204,219)	-	-
Raw materials consumed		(152,293,017)	(201,540,731)	-	-
Employee benefits expense	6	(26,156,963)	(33,223,362)	(3,107,319)	(4,571,190)
Depreciation and amortisation		(4,233,215)	(3,915,690)	-	-
Other expenses		(14,953,141)	(17,914,397)	(1,170,607)	(858,361)
Profit/(loss) before tax		33,204,171	43,502,781	(1,489,593)	(916,140)
Tax (expense)/income	7	(7,922,397)	(9,566,636)	(473,417)	7,099
<b>Profit/(loss) for the year</b>	8	<b>25,281,774</b>	<b>33,936,145</b>	<b>(1,963,010)</b>	<b>(909,041)</b>
<b>Earnings per share:</b>					
Basic	9	40 sen	53 sen		

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

## Balance Sheets

as of December 31, 2009

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	24,476,586	29,594,178	-	-
Investment properties	11	18,291,280	10,422,940	-	-
Prepaid lease payments on leasehold land	12	8,369,999	11,836,422	-	-
Goodwill		1,721,665	1,721,665	-	-
Investments in subsidiaries	13	-	-	79,918,805	79,918,805
Investment in jointly controlled entity	14	-	-	25,000	25,000
Deferred tax assets	15	2,027,000	3,033,000	-	-
<b>Total non-current assets</b>		<b>54,886,530</b>	<b>56,608,205</b>	<b>79,943,805</b>	<b>79,943,805</b>
<b>Current assets</b>					
Inventories	16	26,826,218	35,497,410	-	-
Trade and other receivables	17	65,129,409	67,008,441	73,525,281	93,548,386
Current tax assets		1,417,613	1,519,965	930,099	1,403,516
Other assets	18	1,315,702	1,663,856	19,863	20,304
Short-term deposits with licensed banks	19	107,469,173	71,887,133	26,008,712	24,400,000
Cash and bank balances	20	12,484,993	26,546,619	48,930	63,261
<b>Total current assets</b>		<b>214,643,108</b>	<b>204,123,424</b>	<b>100,532,885</b>	<b>119,435,467</b>
<b>Total assets</b>		<b>269,529,638</b>	<b>260,731,629</b>	<b>180,476,690</b>	<b>199,379,272</b>

(Forward)

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



Balance Sheets  
as of December 31, 2009 (cont'd)

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>EQUITY AND LIABILITIES</b>					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	64,007,000	64,007,000	64,007,000	64,007,000
Less: Treasury shares, at cost	21	(39,837)	(35,306)	(39,837)	(35,306)
		63,967,163	63,971,694	63,967,163	63,971,694
Reserves	22	158,637,187	147,810,253	113,160,748	131,922,708
<b>Total equity</b>		<b>222,604,350</b>	<b>211,781,947</b>	<b>177,127,911</b>	<b>195,894,402</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	15	3,638,836	3,844,633	-	-
<b>Current liabilities</b>					
Trade and other payables	23	42,504,545	41,966,058	3,348,779	3,484,870
Current tax liabilities		781,907	3,138,991	-	-
<b>Total current liabilities</b>		<b>43,286,452</b>	<b>45,105,049</b>	<b>3,348,779</b>	<b>3,484,870</b>
<b>Total liabilities</b>		<b>46,925,288</b>	<b>48,949,682</b>	<b>3,348,779</b>	<b>3,484,870</b>
<b>Total equity and liabilities</b>		<b>269,529,638</b>	<b>260,731,629</b>	<b>180,476,690</b>	<b>199,379,272</b>

## Statements of Changes in Equity

for the year ended December 31, 2009

The Group	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserve/ Translation Reserve* RM	Retained Earnings RM	Total RM
Balance as of January 1, 2008		64,007,000	(2,569)	18,993,049	10,645,811	102,392,015	196,035,306
Transfer of revaluation surplus	15	-	-	-	(290,479)	290,479	-
Exchange differences arising on translation of foreign subsidiaries		-	-	-	225,900	-	225,900
<b>Net income and expenses recognised directly in equity</b>		-	-	-	(64,579)	290,479	225,900
Profit for the year		-	-	-	-	33,936,145	33,936,145
<b>Total recognised income and expenses</b>		-	-	-	(64,579)	34,226,624	34,162,045
Buy-back of ordinary shares		-	(32,737)	-	-	-	(32,737)
Dividends	24	-	-	-	-	(18,382,667)	(18,382,667)
<b>Balance as of December 31, 2008</b>		64,007,000	(35,306)	18,993,049	10,581,232	118,235,972	211,781,947
Balance as of January 1, 2009		64,007,000	(35,306)	18,993,049	10,581,232	118,235,972	211,781,947
Fair value adjustment upon transfer from property, plant and equipment to investment properties		-	-	-	1,423,693	-	1,423,693
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment		-	-	-	(325,740)	-	(325,740)
Reversal of deferred tax liabilities arising from the change in tax rates		-	-	-	411,925	-	411,925

(Forward)





Statements of Changes in Equity  
for the year ended December 31, 2009 (cont'd)

The Group	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserve/ Translation Reserve* RM	Retained Earnings RM	Total RM
Transfer of revaluation surplus	15	-	-	-	(302,581)	302,581	-
Exchange differences arising on translation of foreign subsidiaries		-	-	-	834,232	-	834,232
<b>Net income and expenses recognised directly in equity</b>		-	-	-	2,041,529	302,581	2,344,110
Profit for the year		-	-	-	-	25,281,774	25,281,774
<b>Total recognised income and expenses</b>		-	-	-	2,041,529	25,584,355	27,625,884
Buy-back of ordinary shares		-	(4,531)	-	-	-	(4,531)
Dividends	24	-	-	-	-	(16,798,950)	(16,798,950)
<b>Balance as of December 31, 2009</b>		<u>64,007,000</u>	<u>(39,837)</u>	<u>18,993,049</u>	<u>12,622,761</u>	<u>127,021,377</u>	<u>222,604,350</u>

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

	Note	Revaluation Reserve RM	Translation Reserve RM	Total RM
Balance as of January 1, 2008		10,176,684	469,127	10,645,811
Transfer of revaluation surplus	15	(290,479)	-	(290,479)
Exchange differences arising on translation of foreign subsidiaries		-	225,900	225,900
<b>Net income and expenses recognised directly in equity</b>		(290,479)	225,900	(64,579)
<b>Balance as of December 31, 2008</b>		<u>9,886,205</u>	<u>695,027</u>	<u>10,581,232</u>
Balance as of January 1, 2009		9,886,205	695,027	10,581,232
Fair value adjustment upon transfer from property, plant and equipment to investment properties		1,423,693	-	1,423,693
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment		(325,740)	-	(325,740)
Reversal of deferred tax liabilities arising from the change in tax rates		411,925	-	411,925
Transfer of revaluation surplus	15	(302,581)	-	(302,581)
Exchange differences arising on translation of foreign subsidiaries		-	834,232	834,232
<b>Net income and expenses recognised directly in equity</b>		1,207,297	834,232	2,041,529
<b>Balance as of December 31, 2009</b>		<u>11,093,502</u>	<u>1,529,259</u>	<u>12,622,761</u>

(Forward)

Statements of Changes in Equity  
for the year ended December 31, 2009 (cont'd)

The Company	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Merger Reserve RM	Retained Earnings RM	Total RM
Balance as of January 1, 2008		64,007,000	(2,569)	18,993,049	16,408,221	115,813,146	215,218,847
Buy-back of ordinary shares		-	(32,737)	-	-	-	(32,737)
Loss for the year, representing total recognised income and expenses		-	-	-	-	(909,041)	(909,041)
Dividends	24	-	-	-	-	(18,382,667)	(18,382,667)
<b>Balance as of December 31, 2008</b>		<b>64,007,000</b>	<b>(35,306)</b>	<b>18,993,049</b>	<b>16,408,221</b>	<b>96,521,438</b>	<b>195,894,402</b>
Balance as of January 1, 2009		64,007,000	(35,306)	18,993,049	16,408,221	96,521,438	195,894,402
Buy-back of ordinary shares		-	(4,531)	-	-	-	(4,531)
Loss for the year, representing total recognised income and expenses		-	-	-	-	(1,963,010)	(1,963,010)
Dividends	24	-	-	-	-	(16,798,950)	(16,798,950)
<b>Balance as of December 31, 2009</b>		<b>64,007,000</b>	<b>(39, 837)</b>	<b>18,993,049</b>	<b>16,408,221</b>	<b>77,759,478</b>	<b>177,127,911</b>

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



## Cash Flow Statements

for the year ended December 31, 2009

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year	25,281,774	33,936,145	(1,963,010)	(909,041)
Adjustments for:				
Tax expense/(income) recognised in profit or loss	7,922,397	9,566,636	473,417	(7,099)
Depreciation of property, plant and equipment	3,946,060	3,668,779	-	-
Allowance for slow moving inventories	1,024,694	1,638,591	-	-
Amortisation of prepaid lease payments on leasehold land	287,155	246,911	-	-
Bad debts written off	41,497	-	-	-
Allowance for doubtful debts	66	416,857	-	-
Loss/(gain) on disposal of property, plant and equipment	62	(22,572)	-	-
Interest income	(1,479,098)	(2,041,789)	(328,333)	(441,811)
Unrealised (gain)/loss on foreign exchange	(1,192,224)	124,887	-	-
Allowance for doubtful debts no longer required	(437,302)	-	-	-
Allowance for slow moving inventories no longer required	(354,540)	-	-	-
Fair value adjustment on investment properties	-	238,556	-	-
Property, plant and equipment written off	-	2	-	-
Gross dividend income from subsidiaries	-	-	-	(2,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	35,040,541	47,773,003	(1,817,926)	(3,357,951)
Movements in working capital:				
(Increase)/decrease in:				
Inventories	8,001,038	(362,955)	-	-
Trade and other receivables	3,486,814	2,051,080	-	-
Other assets	348,154	367,910	441	65
Increase/(decrease) in:				
Trade and other payables	464,874	528,273	(136,091)	1,442,704
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	47,341,421	50,357,311	(1,953,576)	(1,915,182)

(Forward)

Cash Flow Statements  
for the year ended December 31, 2009 (cont'd)

Note	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Tax refunded	110,364	829,559	-	621,225
Tax paid	(9,434,661)	(8,523,886)	-	-
Net cash from/(used in) operating activities	38,017,124	42,662,984	(1,953,576)	(1,293,957)
<b>Cash flows from investing activities</b>				
Interest received	1,477,242	2,024,035	351,438	426,507
Purchase of property, plant and equipment	(1,965,067)	(5,442,816)	-	-
Proceeds from disposal of property, plant and equipment	-	22,572	-	-
Purchase of leasehold land	-	(3,300,000)	-	-
Additions to investment properties	-	(258,000)	-	-
Repayment of advances by/ (advances to) subsidiaries	-	-	20,000,000	(93,364,200)
Dividends received	-	-	-	113,170,000
Net cash (used in)/from investing activities	(487,825)	(6,954,209)	20,351,438	20,232,307
<b>Cash flows from financing activities</b>				
Dividends paid	(16,798,950)	(18,382,667)	(16,798,950)	(18,382,667)
Payment for shares buy-back	(4,531)	(32,737)	(4,531)	(32,737)
Bank balances held as security	(1,904)	(55,664)	-	-
Net cash used in financing activities	(16,805,385)	(18,471,068)	(16,803,481)	(18,415,404)
<b>Net increase in cash and cash equivalents</b>	20,723,914	17,237,707	1,594,381	522,946
<b>Cash and cash equivalents at beginning of year</b>	98,378,088	80,960,674	24,463,261	23,940,315
Effect of foreign exchange rates changes	794,596	179,707	-	-
<b>Cash and cash equivalents at end of year</b>	25 119,896,598	98,378,088	26,057,642	24,463,261

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



## Notes to the Financial Statements

December 31, 2009

### 1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are as stated in Note 13. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

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

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

The registered office of the Company is at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia. The principal place of business of the Company is at Plot 6, Jalan Jelawat Satu, Kawasan Perusahaan Seberang Jaya, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

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 5, 2010.

### 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 Financial Reporting Standards in Malaysia.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

During the financial year, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and Issues Committee ("IC") Interpretations issued by Malaysian Accounting Standards Board that are relevant to their operations and effective for the Group's and the Company's financial period beginning on January 1, 2009. The adoption of these new and revised FRSs and IC Interpretations has no material effect on the financial statements of the Group and of the Company.

At the date of authorisation of issue of these financial statements, the FRSs, IC Interpretations and amendments to FRSs and IC Interpretations which were in issue but not yet effective are as listed below.

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) <sup>(a)</sup>
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) <sup>(b)</sup>
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations) <sup>(a)</sup>
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3) <sup>(b)</sup>



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Basis of accounting** (cont'd)

FRS 3	Business Combinations (Revised in 2010) <sup>(b)</sup>
FRS 4	Insurance Contracts <sup>(a)</sup>
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary) <sup>(b)</sup>
FRS 7	Financial Instruments: Disclosures <sup>(a)</sup>
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition) <sup>(a)</sup>
FRS 8	Operating Segments <sup>(c)</sup>
FRS 101	Presentation of Financial Statements (Revised in 2009) <sup>(a)</sup>
FRS 123	Borrowing Costs (Revised) <sup>(a)</sup>
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) <sup>(a)</sup>
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010) <sup>(b)</sup>
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation) <sup>(a)</sup>
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3) <sup>(b)</sup>
FRS 139	Financial Instruments: Recognition and Measurement <sup>(a)</sup>
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition and embedded derivatives and revised FRS 3 and revised FRS 127) <sup>(a)</sup>
Improvements to FRSs (2009) <sup>(a)</sup>	
IC Interpretation 9	Reassessment of Embedded Derivatives <sup>(a)</sup>
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives) <sup>(a)</sup>
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3) <sup>(b)</sup>
IC Interpretation 10	Interim Financial Reporting and Impairment <sup>(a)</sup>
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions <sup>(a)</sup>
IC Interpretation 12	Service Concession Arrangements <sup>(b)</sup>
IC Interpretation 13	Customer Loyalty Programmes <sup>(a)</sup>
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction <sup>(a)</sup>
IC Interpretation 15	Agreements for the Construction of Real Estate <sup>(b)</sup>
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>(b)</sup>
IC Interpretation 17	Distributions of Non-cash Assets to Owners <sup>(b)</sup>

<sup>(a)</sup> Effective for annual periods beginning on or after January 1, 2010.

<sup>(b)</sup> Effective for annual periods beginning on or after July 1, 2010.

<sup>(c)</sup> Effective for annual periods beginning on or after July 1, 2009.

Consequential amendments were also made to various FRSs as a result of these new/revised FRSs.



## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Basis of accounting (cont'd)

FRSs 4 and 123, amendments to FRSs 2, 5, 132 and 139, and IC Interpretations 9, 11, 12, 13, 14, 15, 16 and 17 are not expected to be relevant to the operations of the Group and of the Company. The directors anticipate that abovementioned Standards and Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

#### (a) FRS 3 Business Combinations (Revised in 2010)

The revised FRS 3:

- (i) allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- (ii) changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as net asset or a liability are recognised in profit or loss;
- (iii) requires the recognition of a settlement gain and loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- (iv) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

#### (b) FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of accounting (cont'd)**

**(c) FRS 8 Operating Segments**

FRS 8, which replaces FRS 114<sub>2004</sub> Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments (business and geographical) using a risks-and-rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments may change.

**(d) FRS 101 Presentation of Financial Statements (Revised in 2009)**

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change affects only the presentation of the Group's and the Company's financial statements.

**(e) FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)**

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSS, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interest in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised in 2010) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of the transactions prior to the date of adoption.



## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Basis of accounting (cont'd)

#### (f) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain amendments to 21 FRSs. Some of the improvements involve accounting changes to presentation, recognition or measurement whilst some are changes to terminology with little effect on accounting. Only the following two of the improvements are expected to have an impact on the Group's financial statements.

- (i) FRS 117 Leases generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either "finance" or "operating" using the general principles of FRS 117. These amendments are effective for annual periods beginning on or after January 1, 2010, and they are to be applied retrospectively to unexpired leases as of January 1, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised standard will be applied based on the facts and circumstances existing on January 1, 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings. It is likely that the changes will affect the classification of some of the Group's leases of land.
- (ii) FRS 140 Investment Property has been amended to include within its scope investment property in the course of construction and in accordance with the Group's accounting policy for investment property, such property are to be measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The Group has previously accounted for such assets at cost less accumulated impairment losses under FRS 116 Property, Plant and Equipment. The change will be applied prospectively and therefore will not impact the current reported results.

By virtue of the exemption provided in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the Group's and the Company's financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). 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.

Subsidiaries are consolidated using the purchase method of accounting, except for certain business combinations with agreement dated before January 1, 2006 that meet the conditions of a merger as set out in FRS 122<sub>2004</sub> 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, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured 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.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Basis of consolidation** (cont'd)

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 subsidiaries being merged are presented as if the merger had been effected throughout the current and previous financial years.

The financial statements of all subsidiaries 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 recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

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

Interest revenue 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 is accrued on a time basis, by reference to the agreements entered.

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





## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Employee benefits

##### (a) 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 of 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.

##### (b) Defined contribution plans

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

#### 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 and the Company'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 recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the "balance sheet liability" method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Income tax** (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**Foreign currencies**

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 for 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.



## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 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 or finance 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, with the following exceptions:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

#### (a) The Group as lessee under 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.

#### (b) The Group as lessor under operating leases

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

#### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

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

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Property, plant and equipment** (cont'd)

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 revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that 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 disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained earnings account.

Freehold land is not depreciated. All other property, plant and equipment are depreciated on a 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%
Leasehold flats	2.22%
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%

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.

**Investment properties**

Investment properties, comprising principally freehold land, short leasehold land and buildings are 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.



## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 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.

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 subsidiaries

Subsidiaries 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 subsidiaries, 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 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.



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Investment in jointly controlled entity** (cont'd)

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.

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group and the Company review the carrying amounts of their tangible and intangible 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.

**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.

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

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

**Receivables**

Receivables are stated at nominal value as reduced by the appropriate allowances 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.



## Notes to the Financial Statements December 31, 2009 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Treasury shares

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where such treasury shares are subsequently sold or reissued, the net consideration received is included in shareholders' equity.

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.

#### 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

The Group and the Company adopted the indirect method in the preparation of the cash flow statements.

Cash and cash equivalents comprise cash and bank balances, demand deposits which are not pledged, bank overdrafts and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### Financial instruments

Financial instruments carried on the balance sheets include 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.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**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.

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The recoverable amount of the CGU is determined based on the value in use. The value in use calculations are based on the discounted net cash projections based on financial budgets approved by management covering a period of 3 years with an estimated growth rate of 2% and a discount rate of 7% (2008: 7%), reflecting the effective interest rate on borrowings.

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

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised deferred tax assets of the Group is RM2,027,000 (2008: RM3,033,000).

**5. REVENUE**

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Sale of goods	225,901,862	291,784,167	-	-
Management fee	-	-	2,460,000	2,071,600
Dividend income from subsidiaries	-	-	-	2,000,000
	<u>225,901,862</u>	<u>291,784,167</u>	<u>2,460,000</u>	<u>4,071,600</u>



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**6. EMPLOYEE BENEFITS EXPENSE**

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Contribution to employees provident fund and central provident fund	916,086	1,639,568	88,404	759,394
Other employee benefits expense	25,240,877	31,583,794	3,018,915	3,811,796
	<u>26,156,963</u>	<u>33,223,362</u>	<u>3,107,319</u>	<u>4,571,190</u>

Employee benefits expense of the Group and of the Company includes directors' remuneration, salaries, bonuses, contribution 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	
	2009 RM	2008 RM	2009 RM	2008 RM
Contribution to employees provident fund and central provident fund	85,495	640,022	41,292	593,612
Other employee benefits expense	2,388,095	3,117,176	1,992,978	2,722,216
	<u>2,473,590</u>	<u>3,757,198</u>	<u>2,034,270</u>	<u>3,315,828</u>

Notes to the Financial Statements  
 December 31, 2009 (cont'd)

**7. TAX EXPENSE/(INCOME)**

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax expense:				
Malaysian	4,861,126	8,136,583	-	46,583
Foreign	1,302,318	1,556,263	-	-
Deferred tax expense/(income):				
Relating to the origination and reversal of temporary differences in current year	886,388	(464,963)	-	-
Reduction in opening deferred tax resulting from the change in tax rates	-	104,000	-	-
	<u>7,049,832</u>	<u>9,331,883</u>	<u>-</u>	<u>46,583</u>
Under/(over)provision in prior years:				
Current tax	872,565	1,150,753	473,417	(53,682)
Deferred tax	-	(916,000)	-	-
	<u>7,922,397</u>	<u>9,566,636</u>	<u>473,417</u>	<u>(7,099)</u>





Notes to the Financial Statements  
December 31, 2009 (cont'd)

**7. TAX EXPENSE/(INCOME)** (cont'd)

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

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Accounting profit/(loss)	33,204,171	43,502,781	(1,489,593)	(916,140)
Tax amount at the statutory tax rate of 25% (2008: 26%)	8,301,000	11,311,000	(372,000)	(238,000)
Tax effects of:				
Expenses that are not deductible in determining taxable profit	843,832	89,883	31,000	25,583
Income that are not taxable in determining taxable profit	(136,000)	(574,000)	-	-
Tax exempt income on pioneer business	(1,348,000)	-	-	-
Tax savings from the claim of:				
Double deduction on expenses	(43,000)	(111,000)	-	-
Allowance for increased exports	-	(559,000)	-	-
Effect of different tax rates	(864,000)	(1,285,000)	-	10,000
Reduction in opening deferred tax resulting from the change in tax rates	-	104,000	-	-
Net deferred tax assets not recognised in current year	296,000	356,000	341,000	249,000
	7,049,832	9,331,883	-	46,583
Under/(over)provision in prior years:				
Current tax	872,565	1,150,753	473,417	(53,682)
Deferred tax	-	(916,000)	-	-
Tax expense/(income)	7,922,397	9,566,636	473,417	(7,099)

The Group is operating in the jurisdictions of Malaysia, Republic of Singapore and Thailand. The applicable domestic statutory tax rates are 25% (2008: 20% and 26%) for Malaysia, 17% (2008: 18%) for Republic of Singapore and 15% and 30% (2008: 15% and 30%) for Thailand.

The applicable tax rate of 25% (2008: 26%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory tax rate prevailing for the Company.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**7. TAX EXPENSE/(INCOME)** (cont'd)

Small and medium enterprises ("SME") in Malaysia with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the corporate income tax rate for the year of assessment 2009 was 25% (2008: 26%). With effect from year of assessment 2009, SME is defined as a company resident in Malaysia with paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company does not control or is controlled directly or indirectly by another company which has a paid-up capital of more than RM2.5 million in respect of ordinary shares.

A subsidiary in Thailand is enjoying investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. Under this incentive, the subsidiary is entitled to corporate 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 tax at 30% of the net profit.

As of December 31, 2009, the Group and the Company has unused tax losses of approximately RM3,943,000 (2008: RM2,306,000) and RM3,396,000 (2008: RM1,811,000) respectively, which are available for set off against future taxable income. The unused tax losses are subject to agreement by the relevant tax authorities.

**8. PROFIT/(LOSS) FOR THE YEAR**

Profit/(loss) for the year has been arrived at:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>After charging:</b>				
Depreciation of property, plant and equipment	3,946,060	3,668,779	-	-
Directors' remuneration:				
Directors of the Company:				
Fee	56,000	48,000	56,000	48,000
Contribution to employees provident fund	41,292	593,612	41,292	593,612
Other emoluments	1,936,978	2,674,216	1,936,978	2,674,216
Directors of subsidiaries:				
Fee	-	-	-	-
Contribution to employees provident fund and central provident fund	44,203	46,410	-	-
Other emoluments	395,117	394,960	-	-
Loss on foreign exchange:				
Realised	1,137,200	-	-	-
Unrealised	-	124,887	-	-
Allowance for slow moving inventories	1,024,694	1,638,591	-	-

(Forward)



Notes to the Financial Statements  
December 31, 2009 (cont'd)

8. PROFIT/(LOSS) FOR THE YEAR (cont'd)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Amortisation of prepaid lease payments on leasehold land	287,155	246,911	-	-
Rental of:				
Premises	113,293	126,390	-	-
Office equipment	13,449	14,458	-	-
Audit fee:				
Current year	104,019	97,704	24,000	22,000
Under/(over) provision in prior year	1,400	(2,300)	2,000	-
Bad debts written off	41,497	-	-	-
Allowance for doubtful debts	66	416,857	-	-
Loss on disposal of property, plant and equipment	62	-	-	-
Fair value adjustment on investment properties	-	238,556	-	-
Property, plant and equipment written off	-	2	-	-
<b>And crediting:</b>				
Gain on foreign exchange:				
Unrealised	1,192,224	-	-	-
Realised	423,403	3,481,898	-	-
Interest income on short-term deposits	1,479,098	2,041,789	328,333	441,811
Rental income	1,143,892	1,095,502	-	-
Allowance for doubtful debts no longer required	437,302	-	-	-
Allowance for slow moving inventories no longer required	354,540	-	-	-
Gain on disposal of property, plant and equipment	-	22,572	-	-

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**9. EARNINGS PER SHARE**

Basic earnings per share is 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.

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Profit attributable to ordinary equity holders of the Company (RM)	25,281,774	33,936,145
Weighted average number of ordinary shares in issue (units)	63,995,391	64,005,058
Basic earnings per share (sen)	40	53

**10. PROPERTY, PLANT AND EQUIPMENT**

**The Group**

<b>Cost unless stated otherwise</b>	<b>Beginning of year RM</b>	<b>Additions RM</b>	<b>Disposals RM</b>	<b>Reclassification RM</b>	<b>Transfer to investment properties RM</b>	<b>Currency translation differences RM</b>	<b>End of year RM</b>
<b>2009:</b>							
Freehold land	676,207	-	-	-	-	23,130	699,337
Leasehold improvement	203,884	-	-	-	-	-	203,884
Buildings							
- at cost	940,035	-	-	3,556,508	(3,556,508)	31,778	971,813
- at 2005 valuation	19,235,839	-	-	(1,415,839)	-	-	17,820,000
Leasehold flats							
- at 2005 valuation	1,950,000	-	-	-	-	-	1,950,000
Plant and machinery	48,690,674	1,882,254	-	(2,140,669)	-	8,529	48,440,788
Production tools and equipment	2,743,987	26,895	(56,864)	-	-	1,435	2,715,453
Furniture, fixtures and office equipment	2,513,637	55,918	(4,575)	-	-	3,866	2,568,846
Mechanical and electrical installation	1,608,537	-	-	-	-	-	1,608,537
Motor vehicles	1,826,168	-	-	-	-	7,965	1,834,133
Road	8,726	-	-	-	-	299	9,025
	80,397,694	1,965,067	(61,439)	-	(3,556,508)	77,002	78,821,816



Notes to the Financial Statements  
December 31, 2009 (cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost unless stated otherwise	Beginning of year RM	Transfer from prepaid lease payments RM	Additions RM	Disposals/write-off RM	Currency translation differences RM	End of year RM
<b>2008:</b>						
Freehold land	668,044	-	-	-	8,163	676,207
Leasehold improvement Buildings	203,884	-	-	-	-	203,884
- at cost	928,819	-	-	-	11,216	940,035
- at 2005 valuation	17,820,000	-	1,415,839	-	-	19,235,839
Leasehold flats	-	1,950,000	-	-	-	1,950,000
- at 2005 valuation	-	1,950,000	-	-	-	1,950,000
Plant and machinery	46,611,268	-	3,625,183	(1,545,289)	(488)	48,690,674
Production tools and equipment	2,647,246	-	103,500	(6,870)	111	2,743,987
Furniture, fixtures and office equipment	2,222,655	-	298,294	(8,190)	878	2,513,637
Mechanical and electrical installation	1,608,537	-	-	-	-	1,608,537
Motor vehicles	1,828,881	-	-	(5,615)	2,902	1,826,168
Road	8,621	-	-	-	105	8,726
	74,547,955	1,950,000	5,442,816	(1,565,964)	22,887	80,397,694

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	Reclassification RM	Transfer to investment properties RM	Currency translation differences RM	End of year RM
<b>2009:</b>							
Leasehold improvement Buildings	203,862	-	-	-	-	-	203,862
- at cost	286,445	93,314	-	359,469	(359,469)	9,923	389,682
- at 2005 valuation	1,965,171	599,955	-	(51,799)	-	-	2,513,327
Leasehold flats	-	22,674	-	-	-	-	22,674
- at 2005 valuation	79,360	22,674	-	-	-	-	102,034
Plant and machinery	40,658,713	2,844,319	-	(307,670)	-	2,056	43,197,418
Production tools and equipment	2,445,036	96,618	(56,864)	-	-	479	2,485,269
Furniture, fixtures and office equipment	2,086,502	146,660	(4,513)	-	-	1,577	2,230,226
Mechanical and electrical installation	1,608,113	-	-	-	-	-	1,608,113
Motor vehicles	1,461,588	142,520	-	-	-	2,167	1,606,275
Road	8,726	-	-	-	-	298	9,024
	50,803,516	3,946,060	(61,377)	-	(359,469)	16,500	54,345,230



Notes to the Financial Statements  
December 31, 2009 (cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Accumulated depreciation	Beginning of year RM	Transfer from prepaid lease payments RM	Charge for the year RM	Disposals/write-off RM	Currency translation differences RM	End of year RM
<b>2008:</b>						
Leasehold improvement	203,862	-	-	-	-	203,862
Buildings						
- at cost	193,696	-	91,019	-	1,730	286,445
- at 2005 valuation	1,382,720	-	582,451	-	-	1,965,171
Leasehold flats						
- at 2005 valuation	-	56,686	22,674	-	-	79,360
Plant and machinery	39,569,207	-	2,634,715	(1,545,287)	78	40,658,713
Production tools and equipment	2,358,352	-	93,499	(6,870)	55	2,445,036
Furniture, fixtures and office equipment	1,991,165	-	103,264	(8,190)	263	2,086,502
Mechanical and electrical installation	1,608,113	-	-	-	-	1,608,113
Motor vehicles	1,325,959	-	141,157	(5,615)	87	1,461,588
Road	8,621	-	-	-	105	8,726
	<u>48,641,695</u>	<u>56,686</u>	<u>3,668,779</u>	<u>(1,565,962)</u>	<u>2,318</u>	<u>50,803,516</u>

	The Group	
	2009 RM	2008 RM
<b>Net book value:</b>		
Freehold land	699,337	676,207
Leasehold improvement	22	22
Buildings		
- at cost	582,131	653,590
- at 2005 valuation	15,306,673	17,270,668
Leasehold flats		
- at 2005 valuation	1,847,966	1,870,640
Plant and machinery	5,243,370	8,031,961
Production tools and equipment	230,184	298,951
Furniture, fixtures and office equipment	338,620	427,135
Mechanical and electrical installation	424	424
Motor vehicles	227,858	364,580
Road	1	-
	<u>24,476,586</u>	<u>29,594,178</u>

The buildings and leasehold flats were revalued by the directors in 2005 based on the valuations carried out by an independent firm of professional valuers. The valuations were based on open market values on existing use basis.



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**10. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Had the buildings and leasehold flats been carried at historical cost, the carrying amount of the revalued assets would be as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Cost:</b>		
Buildings	15,581,896	15,581,896
Leasehold flats	1,472,000	1,472,000
	17,053,896	17,053,896
<b>Accumulated depreciation:</b>		
Buildings	7,142,568	6,713,105
Leasehold flats	239,140	224,272
	(7,381,708)	(6,937,377)
<b>Carrying amount</b>	9,672,188	10,116,519

As of December 31, 2009, certain of the Group's freehold land and buildings with a total carrying value of RM1,271,627 (2008: RM1,319,714) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

**11. INVESTMENT PROPERTIES**

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
At fair value:		
At beginning of year	10,422,940	10,379,376
Additions during the year	-	258,000
Transfer from:		
Property, plant and equipment	3,197,039	-
Prepaid lease payments on leasehold land	3,179,268	-
Fair value adjustment	1,423,693	(238,556)
Effect of exchange differences	68,340	24,120
	18,291,280	10,422,940

Notes to the Financial Statements  
 December 31, 2009 (cont'd)

**11. INVESTMENT PROPERTIES** (cont'd)

The investment properties as of December 31, 2009 are as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Freehold land and buildings	2,066,280	1,997,940
Short leasehold land and buildings	16,225,000	8,425,000
	18,291,280	10,422,940

The fair value of the Group's investment properties of freehold land and buildings of RM2,066,280 (2008: RM1,997,940) as of December 31, 2009 was determined by the directors by reference to market evidence of transaction prices for similar properties.

The fair value of the Group's investment properties of short leasehold land and buildings of RM16,225,000 (2008: RM8,425,000) as of December 31, 2009 has been arrived at on the basis of valuations carried out by an independent firm of professional valuer that is not related to the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

The rental income earned by the Group from its investment properties is RM1,143,892 (2008: RM1,095,502). Direct operating expenses incurred on the investment properties during the financial year amounted to RM109,818 (2008: RM109,818).

As of December 31, 2009, the unexpired lease period of the short leasehold land of the Group which are included under investment properties is 40 years.

As of December 31, 2009, certain of the Group's investment properties with a total carrying value of RM2,066,280 (2008: RM1,997,940) are charged to a bank as securities for banking facilities granted to the Group as mentioned in Note 26.

**12. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND**

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	11,836,422	10,676,647
Addition during the year	-	3,300,000
Transfer to:		
Investment properties	(3,179,268)	-
Property, plant and equipment	-	(1,893,314)
Amortisation during the year	(287,155)	(246,911)
At end of year	8,369,999	11,836,422



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**12. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND** (cont'd)

The prepaid lease payments on leasehold land as of December 31, 2009 are as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Short leasehold land	8,369,999	11,836,422

As of December 31, 2009, the unexpired lease period of the short leasehold land of the Group which are included under prepaid lease payments on leasehold land is 40 years.

**13. INVESTMENTS IN SUBSIDIARIES**

	<b>The Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	79,918,805	79,918,805

The subsidiaries are as follows:

	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Percentage of ownership</b>	
			<b>2009</b>	<b>2008</b>
<b>Direct holdings</b>				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing and cable and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly	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%
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	Manufacture of cables and wires for electronic devices and cable moulding compounds	100%	100%

Notes to the Financial Statements  
December 31, 2009 (cont'd)

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

	Country of incorporation	Principal activities	Percentage of ownership	
			2009	2008
<b>Indirect holdings</b>				
Pan-International Corporation (S) Pte. Ltd.*#	Republic of Singapore	Marketing and trading of electronic and telecommunication components and equipment	100%	100%
PIE Enterprise (M) Sdn. Bhd.*	Malaysia	Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd.+	Malaysia	Trading of raw cable and wire and cable assembly products. However, in 2004, the Company ceased its trading activity and is presently inactive.	100%	100%

# The financial statements of these subsidiaries were audited by other firms of auditors.

\* 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..

14. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post acquisition results	(25,000)	(25,000)	-	-
	-	-	25,000	25,000

The Company holds 50% (2008: 50%) equity interest in a jointly controlled entity, 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 RM70,555 (2008: RM55,159) and RM15,396 (2008: RM16,334) respectively.





Notes to the Financial Statements  
December 31, 2009 (cont'd)

**14. INVESTMENT IN JOINTLY CONTROLLED ENTITY** (cont'd)

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

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Assets and liabilities</b>		
Non-current assets	51,444	67,558
Current assets	13,075	6,410
	<hr/>	<hr/>
Total assets	64,519	73,968
	<hr/>	<hr/>
Current liabilities	135,074	129,127
	<hr/>	<hr/>
<b>Results</b>		
Revenue	7,334	16,472
Expenses	565,328	32,806
Other income	542,998	-
Tax expense	400	-
	<hr/>	<hr/>

**15. DEFERRED TAX ASSETS/(LIABILITIES)**

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Deferred tax assets	2,027,000	3,033,000
Deferred tax liabilities	(3,638,836)	(3,844,633)
	<hr/>	<hr/>
	(1,611,836)	(811,633)
	<hr/>	<hr/>

The movement in the deferred tax assets is as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Balance at beginning of year	3,033,000	1,869,000
Transfer (to)/from income statements:		
Relating to the origination and reversal of temporary differences	(1,006,000)	1,268,000
Reduction in opening deferred tax resulting from the change in tax rates	-	(104,000)
	<hr/>	<hr/>
Balance at end of year	2,027,000	3,033,000
	<hr/>	<hr/>

Notes to the Financial Statements  
December 31, 2009 (cont'd)

15. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The deferred tax assets are in respect of the following:

	The Group	
	2009 RM	2008 RM
<b>Tax effects of:</b>		
Temporary differences arising from:		
Inventories	296,000	-
Receivables	74,000	-
Property, plant and equipment	(991,000)	(1,371,000)
Others	2,648,000	4,404,000
Net	2,027,000	3,033,000

As mentioned in Note 3, deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2009, deferred tax assets have not been recognised in respect of the following:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Tax effects of:</b>				
Unused tax losses	949,290	546,263	849,000	453,000
Temporary differences arising from:				
Receivables	63,000	99,000	-	-
Inventories	17,000	15,000	-	-
Others	199,012	268,684	193,000	248,000
	1,228,302	928,947	1,042,000	701,000



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**15. DEFERRED TAX ASSETS/(LIABILITIES)** (cont'd)

The movement in the deferred tax liabilities is as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Balance at beginning of year	3,844,633	3,957,596
Recognised in equity:		
Deferred tax liabilities on fair value adjustment on investment properties upon transfer from property, plant and equipment	325,740	-
Reversal of deferred tax liabilities resulting from the change in tax rates	(411,925)	-
Transfer to income statements:		
Relating to the origination and reversal of temporary differences:		
Crystallisation of deferred tax liabilities on revaluation surplus	(100,862)	(112,963)
Other temporary differences	(18,750)	-
Balance at end of year	<u>3,638,836</u>	<u>3,844,633</u>

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

A deferred tax income of RM100,862 (2008: RM112,963) was recognised by a transfer from the deferred tax liabilities to the income statements. In addition, an amount of RM302,581 (2008: RM290,479) was transferred from revaluation reserve to retained earnings. This relates to the difference between the actual depreciation on the revalued assets and equivalent depreciation based on the cost of the assets.

**16. INVENTORIES**

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Raw materials	13,498,984	24,256,509
Work-in-progress	7,206,354	5,568,421
Finished goods	3,762,265	5,502,641
Goods-in-transit	2,358,615	169,839
	<u>26,826,218</u>	<u>35,497,410</u>

The cost of inventories recognised as an expense by the Group during the financial year was RM182,972,101 (2008: RM238,757,636).

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**17. TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables	66,258,240	68,608,026	-	-
Less: Allowance for doubtful debts	(1,331,818)	(1,830,486)	-	-
	<u>64,926,422</u>	<u>66,777,540</u>	-	-
Amount owing by ultimate holding company	2,677	-	-	-
Amount owing by subsidiaries	-	-	73,375,000	93,375,000
Amount owing by jointly controlled entity	125,000	125,000	125,000	125,000
Other receivables	75,310	105,901	25,281	48,386
	<u>65,129,409</u>	<u>67,008,441</u>	<u>73,525,281</u>	<u>93,548,386</u>

The currency exposure profile of trade receivables is as follows:

	The Group	
	2009 RM	2008 RM
United States Dollar	51,602,459	51,467,862
Ringgit Malaysia	7,197,013	7,844,243
Euro	3,483,736	4,839,394
Singapore Dollar	1,901,502	1,202,727
Thai Baht	741,712	1,423,314
	<u>64,926,422</u>	<u>66,777,540</u>

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit periods granted by the Group for sale of goods range from 30 to 90 days (2008: 30 to 90 days).

An allowance has been made by the Group for estimated irrecoverable amount from the sale of goods of RM1,331,818 (2008: RM1,830,486) based on the past default experience of the Group.

The amount owing by ultimate holding company arose mainly from unsecured advances which are interest free and repayable on demand.



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**17. TRADE AND OTHER RECEIVABLES** (cont'd)

The amount owing by subsidiaries are as follows:

	<b>The Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Pan-International Electronics (Malaysia) Sdn. Bhd.	56,795,000	66,795,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	16,580,000	26,580,000
	73,375,000	93,375,000

The amount owing by subsidiaries arose mainly from dividend receivable, management fee receivable and unsecured advances which are interest free and repayable on demand.

The amount owing by jointly controlled entity, Infra-Info Telecommunications Sdn. Bhd. arose mainly from unsecured advances which are interest free and repayable on demand.

The currency exposure profile of other receivables is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	45,448	101,043	25,281	48,386
Thai Baht	29,862	4,858	-	-
	75,310	105,901	25,281	48,386

**18. OTHER ASSETS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Refundable deposits	139,279	958,536	2,000	2,441
Prepaid expenses	1,176,423	705,320	17,863	17,863
	1,315,702	1,663,856	19,863	20,304



Notes to the Financial Statements  
 December 31, 2009 (cont'd)

**19. SHORT-TERM DEPOSITS WITH LICENSED BANKS**

The currency exposure profile of short-term deposits with licensed banks is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	72,229,202	61,452,437	26,008,712	24,400,000
Thai Baht	19,838,971	3,137,196	-	-
United States Dollar	15,401,000	7,297,500	-	-
	<u>107,469,173</u>	<u>71,887,133</u>	<u>26,008,712</u>	<u>24,400,000</u>

The short-term deposits of the Group carry interests at rates ranging from 0.16% to 2.45% (2008: 0.2% to 3.55%) per annum and will mature within January 2010 to March 2010. The short-term deposits of the Company carry interests at rates ranging from 2.1% to 2.45% (2008: 3.2% to 3.55%) per annum and will mature in January 2010.

**20. CASH AND BANK BALANCES**

The currency exposure profile of cash and bank balances is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	4,829,468	2,942,919	48,930	63,261
United States Dollar	3,945,162	14,726,620	-	-
Thai Baht	3,373,498	8,478,638	-	-
Singapore Dollar	300,658	392,260	-	-
Euro	23,343	6,182	-	-
Japanese Yen	10,265	-	-	-
Pound Sterling	2,599	-	-	-
	<u>12,484,993</u>	<u>26,546,619</u>	<u>48,930</u>	<u>63,261</u>

As of December 31, 2009, certain bank balances of the Group with a total carrying amount of RM57,568 (2008: RM55,664) are pledged as guarantee for the issuance of letter of guarantee by a bank for a foreign subsidiary's installation of electrical transformer and guarantee for the performance.



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**21. SHARE CAPITAL**

	<b>The Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>		
100,000,000 shares of RM1 each	100,000,000	100,000,000
<b>Issued and fully paid:</b>		
64,007,000 ordinary shares of RM1 each	64,007,000	64,007,000

At an Annual General Meeting held on May 22, 2009, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital. The share buy-back exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,100 (2008: 10,500) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM4.12 (2008: RM3.12) 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.

As of December 31, 2009, out of the total 64,007,000 (2008: 64,007,000) issued and paid-up share capital, 12,100 (2008: 11,000) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,994,900 (2008: 63,996,000) ordinary shares of RM1 each.

**22. RESERVES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Distributable as cash dividends:</b>				
Retained earnings	127,021,377	118,235,972	77,759,478	96,521,438
<b>Non-distributable as cash dividends:</b>				
Share premium	18,993,049	18,993,049	18,993,049	18,993,049
Revaluation reserve	11,093,502	9,886,205	-	-
Translation reserve	1,529,259	695,027	-	-
Merger reserve	-	-	16,408,221	16,408,221
	158,637,187	147,810,253	113,160,748	131,922,708

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**22. RESERVES** (cont'd)

Effective January 1, 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by December 31, 2013.

The Company has tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings as of December 31, 2009.

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

The revaluation reserve is used to record increase and decrease in revaluation and fair value adjustment of non-current assets, as described in the accounting policies. This amount arose from the revaluation and fair value adjustment of the Group's short leasehold land, buildings and leasehold flats, net of the related deferred tax liabilities.

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

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

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Notes to the Financial Statements  
December 31, 2009 (cont'd)

**23. TRADE AND OTHER PAYABLES**

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Trade payables:</b>				
United States Dollar	15,983,429	17,019,030	-	-
Ringgit Malaysia	7,406,389	6,046,350	-	-
Thai Baht	888,750	264,603	-	-
Japanese Yen	700,554	122,174	-	-
Euro	156,296	307,352	-	-
Singapore Dollar	22,879	83,236	-	-
Pound Sterling	15,062	31,097	-	-
	<u>25,173,359</u>	<u>23,873,842</u>	<u>-</u>	<u>-</u>
<b>Amount owing to ultimate holding company:</b>				
United States Dollar	66,207	2,055	-	-
	<u>66,207</u>	<u>2,055</u>	<u>-</u>	<u>-</u>
<b>Amount owing to a director:</b>				
Ringgit Malaysia	800	800	800	800
	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
<b>Other payables:</b>				
Ringgit Malaysia	2,075,472	1,222,075	-	-
United States Dollar	34,122	102,899	-	-
Singapore Dollar	756	4,369	-	-
Thai Baht	-	123,970	-	-
	<u>2,110,350</u>	<u>1,453,313</u>	<u>-</u>	<u>-</u>
<b>Accrued expenses:</b>				
Ringgit Malaysia	13,179,059	14,525,920	3,347,979	3,484,070
Thai Baht	1,960,101	2,092,232	-	-
Singapore Dollar	14,669	17,896	-	-
	<u>15,153,829</u>	<u>16,636,048</u>	<u>3,347,979</u>	<u>3,484,070</u>
	<u>42,504,545</u>	<u>41,966,058</u>	<u>3,348,779</u>	<u>3,484,870</u>

Included in trade payables as of December 31, 2008 was an amount of RM11,874 owing to Hon Hai Precision Industries Co. Ltd., a shareholder of the Company's ultimate holding company.

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 10 to 60 days (2008: 10 to 60 days).

The amount owing to ultimate holding company arose mainly from trade transactions. The credit period granted to the Group for trade transactions with ultimate holding company is 30 days (2008: 30 days).

The amount owing to a director, Mr. Cheung Ho Leung represents director's remuneration payable.

Other payables comprise mainly amounts outstanding for ongoing costs.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

24. DIVIDENDS

	<b>The Group and the Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Declared in respect of financial year ended December 31, 2008:</b>		
Special dividend of 23 sen gross per ordinary share, less tax	11,039,310	-
First and final dividend of 12 sen gross per ordinary share, less tax	5,759,640	-
<b>Declared in respect of financial year ended December 31, 2007:</b>		
Special dividend of 8 sen per ordinary share, tax exempt	-	5,120,520
Special dividend of 16 sen gross per ordinary share, less tax	-	7,578,370
First and final dividend of 12 sen gross per ordinary share, less tax	-	5,683,777
	<b>16,798,950</b>	<b>18,382,667</b>

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of year comprise the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short-term deposits with licensed banks	107,469,173	71,887,133	26,008,712	24,400,000
Cash and bank balances	12,484,993	26,546,619	48,930	63,261
	119,954,166	98,433,752	26,057,642	24,463,261
Less: Bank balances pledged as security	(57,568)	(55,664)	-	-
	<b>119,896,598</b>	<b>98,378,088</b>	<b>26,057,642</b>	<b>24,463,261</b>

26. BANKING FACILITIES

The Group has unutilised banking facilities which are generally secured as follows:

- a. a charge over a subsidiary's freehold land, buildings and investment properties; and
- b. corporate guarantees by the Company for RM6,600,000.





Notes to the Financial Statements  
December 31, 2009 (cont'd)

**27. 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 and the Company's exposure to changes in interest rates risk relates primarily to the Group's and the Company'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 and the Company do not use derivative financial instruments to hedge its risk.

**iii. Market risk**

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

**iv. Credit risk**

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheets. There is concentration of credit risk with respect to trade receivables from certain customers with a total amount receivable of RM31,492,765 (2008: RM38,858,070). However, these trade receivables were consistently settling its debts within the credit period granted by the Group.

**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.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**27. FINANCIAL INSTRUMENTS** (cont'd)

**a. Financial risk management objectives and policies** (cont'd)

**vi. Cash flow risk**

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

**b. Off balance sheet derivative financial instruments**

The Group entered into various financial derivative transactions to control and manage financial risks arising from its operations. The use of derivative instruments was to manage its exposures to fluctuations in foreign exchange rates. These instruments were not recognised in the financial statements on inception.

**c. Foreign currency forward contracts**

In order to hedge its exposure to foreign exchange risks, the Group entered into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instrument was used to hedge against anticipated future transactions, gains and losses were not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to sell the following amount under forward contracts:

	<b>The Group</b>			
	<b>2009 RM</b>	<b>2008 RM</b>	<b>Average exchange rate 2009 RM</b>	<b>2008 RM</b>
United States Dollar	-	14,380,000	-	3.1956



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**27. FINANCIAL INSTRUMENTS** (cont'd)

**d. Fair values**

The estimated fair values of the Group's financial instruments as of December 31, 2009 are as follows:

**i. Cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables and amount owing to a director**

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

**ii. Off balance sheet item**

	The Group			
	2009	2009	2008	2008
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Foreign currency forward contracts	-	-	-	15,603,750

The fair value of foreign currency forward contracts was calculated by reference to the current rate for contracts with similar maturity profiles.

**28. RELATED PARTY TRANSACTIONS**

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

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>With ultimate holding company:</b>				
Purchase of sundry items	140,183	7,508	-	-
Purchase of raw materials	21,301	247,744	-	-
<b>With subsidiaries:</b>				
Pan-International Electronics (Malaysia) Sdn. Bhd.				
Management fee received	-	-	1,740,000	1,460,800
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.				
Management fee received	-	-	720,000	610,800
<b>With another related company:</b>				
Pan-International USA				
Purchase of sundry items	14,438	-	-	-
Sale of finished goods	-	15,235	-	-
<b>With another related party:</b>				
Hon Hai Precision Industries Co. Ltd.*				
Purchase of raw materials	-	11,874	-	-

\* A shareholder of the Company's ultimate holding company.

Notes to the Financial Statements  
December 31, 2009 (cont'd)

**29. OPERATING LEASE ARRANGEMENTS**

The Group has entered into operating lease agreements to lease out its investment properties. The future minimum lease payments receivable under operating lease of the Group's short leasehold land and building contracted for as of the balance sheet date but not recognised as receivables, are as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Not later than one year	2,282,748	1,068,610
Later than one year and not later than five years	3,363,180	1,972,872
	5,645,928	3,041,482

The Group has entered into operating lease agreements for the use of premises. The future aggregate minimum lease payments under operating leases contracted for as of the balance sheet date but not recognised as liabilities are as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Not later than one year	56,740	101,210
Later than one year and not later than five years	30,660	31,820
	87,400	133,030

**30. SEGMENT REPORTING**

**Business segments**

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

- a. 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);
- b. trading of electrical products (includes cables, computers, capacitors, resistors and telecommunication components and equipment); and
- c. 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.



Notes to the Financial Statements  
December 31, 2009 (cont'd)

30. SEGMENT REPORTING (cont'd)

Business segments (cont'd)

The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
<b>2009:</b>					
<b>Revenue</b>					
External sales	222,941,434	2,960,428	-	-	225,901,862
Inter-segment revenue	12,247,225	710,416	2,460,000	(15,417,641)	-
<b>Total revenue</b>	<b>235,188,659</b>	<b>3,670,844</b>	<b>2,460,000</b>	<b>(15,417,641)</b>	<b>225,901,862</b>
<b>Results</b>					
Segment results	32,433,909	97,523	(1,817,926)	(132,325)	30,581,181
Investment revenue					2,622,990
Profit before tax					33,204,171
Tax expense					(7,922,397)
<b>Profit for the year</b>					<b>25,281,774</b>
<b>Assets</b>					
Segment assets	132,591,265	3,789,422	1,965,739	1,978,146	140,324,572
Income producing assets					125,760,453
Income tax assets					3,444,613
<b>Consolidated total assets</b>					<b>269,529,638</b>
<b>Liabilities</b>					
Segment liabilities	39,056,541	99,225	3,348,779	-	42,504,545
Income tax liabilities					4,420,743
<b>Consolidated total liabilities</b>					<b>46,925,288</b>
<b>Other information</b>					
Capital additions	2,115,519	-	-	(150,452)	1,965,067
Depreciation and amortisation	4,219,985	-	-	13,230	4,233,215
Other non-cash expenses	1,057,748	8,571	-	-	1,066,319



Notes to the Financial Statements  
December 31, 2009 (cont'd)

30. SEGMENT REPORTING (cont'd)

Business segments (cont'd)

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
<b>2008:</b>					
<b>Revenue</b>					
External sales	288,242,162	3,542,005	-	-	291,784,167
Inter-segment revenue	2,875,916	1,776,412	4,071,600	(8,723,928)	-
<b>Total revenue</b>	<b>291,118,078</b>	<b>5,318,417</b>	<b>4,071,600</b>	<b>(8,723,928)</b>	<b>291,784,167</b>
<b>Results</b>					
Segment results	43,542,398	(79,730)	(1,357,951)	(1,739,227)	40,365,490
Investment revenue					3,137,291
Profit before tax					43,502,781
Tax expense					(9,566,636)
<b>Profit for the year</b>					<b>33,936,145</b>
<b>Assets</b>					
Segment assets	166,032,977	3,781,722	1,979,111	2,074,781	173,868,591
Income producing assets					82,310,073
Income tax assets					4,552,965
<b>Consolidated total assets</b>					<b>260,731,629</b>
<b>Liabilities</b>					
Segment liabilities	38,447,004	34,184	3,484,870	-	41,966,058
Income tax liabilities					6,983,624
<b>Consolidated total liabilities</b>					<b>48,949,682</b>
<b>Other information</b>					
Capital additions	9,082,816	-	-	(82,000)	9,000,816
Depreciation and amortisation	3,896,329	-	-	19,361	3,915,690
Other non-cash expenses	2,081,514	194,045	-	143,334	2,418,893



Notes to the Financial Statements  
December 31, 2009 (cont'd)

**30. SEGMENT REPORTING** (cont'd)

**Geographical segments**

The Group's operations are located in Malaysia, Republic of Singapore and Thailand. The Group's trading of electrical products division is located in Malaysia and Republic of 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:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
United States of America	85,098,885	118,532,469
Malaysia	43,056,734	55,250,030
Europe	38,573,885	44,038,282
Other Asia Pacific countries	59,172,358	73,963,386
	225,901,862	291,784,167

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:

	<b>The Group</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying amount of segment assets RM</b>	<b>Capital additions RM</b>	<b>Carrying amount of segment assets RM</b>	<b>Capital additions RM</b>
Malaysia	122,326,497	1,931,751	148,643,826	8,728,224
Thailand	15,605,300	33,316	22,720,878	272,592
Republic of Singapore	2,392,775	-	2,503,887	-
	140,324,572	1,965,067	173,868,591	9,000,816

## 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 Financial Reporting 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, 2009 and of their results and cash flows for the year ended on that date.

Signed in accordance with  
a resolution of the Directors,

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**MUI CHUNG MENG**

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**CHEN, CHIH-WEN**

Penang,

March 5, 2010

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### Declaration by the Director primarily responsible for the Financial Management of the Company

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

Subscribed and solemnly declared by )  
the abovenamed **CHEN, CHIH-WEN** at )  
**GEORGETOWN** in the State of **PENANG** )  
on March 5, 2010 )

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Before me,

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**KARUPAYEE KAMALAM A/P R. MOTTAI**  
**COMMISSIONER FOR OATHS**



## List of Properties

### OWNER-OCCUPIED PROPERTIES

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2009 (RM)	Date of last revaluation	Date of acquisition
H.S.(D) HBM2 P.T. No. 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	99 years leasehold expiring 13.4.2091	# Staff housing - 24 units of medium-cost apartments (15 years)	1,801 sq. meters	1,847,966	30 June 2005	-
H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 11.11.2050	# Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre (17 years)	7.0 acres/ 10,448 sq. meters	12,334,027	30 June 2005	-
H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 3.12.2050	* Industrial complex - 2 storey office - 1 storey factory (15 years)	5.0 acres/ 12,257 sq. meters	11,352,485	30 June 2005	-
T/D No. 30175 and 1018 and 1047 No. 12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand	Freehold	@ Industrial Complex - 1 storey office - 1 storey factory - 1 storey store (15 years)	5.84 acres/ 6,514 sq. meters	1,271,628	-	6 September 1995
<b>TOTAL</b>				<b>26,806,106</b>		

Note :

\* The land is owned by Pan-International Electronics (Malaysia) Sdn. Bhd. whilst the industrial building on the land is owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd.

# All the land and buildings are owned by Pan-International Electronics (Malaysia) Sdn. Bhd.

@ All the land and buildings are owned by Pan-International Electronics (Thailand) Co., Ltd.

List of Properties (cont'd)

**INVESTMENT PROPERTIES**

<b>Title/ Location</b>	<b>Tenure/ Date of expiry of lease</b>	<b>Description/ Existing use (approximate age of building)</b>	<b>Land area/ Built-up area</b>	<b>Fair value as at 31.12.2009 (RM)</b>	<b>Date of last revaluation</b>
H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 3.12.2050	# Rented - 1 storey office - 2 storey factory - 1 storey store (17 years)	3.08 acres/ 8,527 sq. meters	8,425,000	7 December 2009
H.S.(D) 37959, Lot No. 3188, MK 1, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring 6.6.2050	# Rented - 1-½ storey office cum factory - 2 storey factory complex - guard house and other out buildings (19 years)	4.44 acres/ 17,970 sq. meters	7,800,000	8 December 2009
T/D No. 10832 No. 101/47/15 Moo 20 Navanakorn I.E. Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand	Freehold	@ Rented - 2 storey office - 1 storey factory - 1 storey store (20 years)	0.64 acres/ 2,251 sq. meters	1,130,800	31 December 2009
T/D No. 10051, No. 101/4/1 Moo 20 Navanakorn I.E. Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand	Freehold	@ Rented - 1 storey office - 1 storey factory - 1 storey store (19 years)	0.44 acres/ 1,183 sq. meters	935,480	31 December 2009
			<b>TOTAL</b>	<b>18,291,280</b>	

Note :

- # All the land and buildings are owned by Pan-International Electronics (Malaysia) Sdn. Bhd.
- @ All the land and buildings are owned by Pan-International Electronics (Thailand) Co., Ltd.



## Analysis of Shareholdings

### SHARE CAPITAL AS AT 31 MARCH 2010

Authorised	:	RM100,000,000.00
Issued and Fully paid-up	:	RM63,994,900.00*
Class of Share	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	2,203

\* Excluding 12,100 Ordinary Shares held as Treasury Shares

### DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2010

Holdings	No. of Holders	Total Holdings	%
1 - 99	6	101	0.00
100 - 1,000	984	932,000	1.45
1,001 - 10,000	961	4,069,000	6.36
10,001 – 100,000	211	6,078,301	9.50
100,001 – 3,199,744	39	16,598,300	25.94
3,199,745 and above	2	36,317,198	56.75
<b>Total</b>	<b>2,203</b>	<b>63,994,900</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2010

Name	Shareholdings	%
1. Pan Global Holding Co. Ltd	32,909,998	51.43
2. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Qualifier: icapital.biz Berhad</i>	3,407,200	5.32
3. Amanahraya Trustees Berhad <i>Qualifier: Public Smallcap Fund</i>	2,450,500	3.83
4. Outstanding Growth Technology Limited	1,180,000	1.84
5. Goh Thong Beng	1,089,000	1.70
6. Lembaga Tabung Haji	1,050,700	1.64
7. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Opportunities Fund</i>	1,040,200	1.63
8. Public Invest Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)</i>	638,000	1.00
9. Best Skill Technology Limited	630,000	0.98
10. Kao,Te-Pei @ Edward Kao	510,900	0.80
11. Cartaban Nominees (Tempatan) Sdn Bhd <i>Qualifier: Corston-Smith Asset Management Sdn Bhd for Corston-Smith Asean Corporate Governance Fund</i>	501,600	0.78
12. Public Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)</i>	500,000	0.78
13. Ace Synergy Insurance Berhad	420,000	0.66
14. Chung Lean Hwa	410,000	0.64
15. Cimsec Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank for Mak Tian Meng (MY0343)</i>	400,000	0.63



## Analysis of Shareholdings (cont'd)

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2010 (cont'd)

Name	Shareholdings	%
16. Operate Technology Limited	377,000	0.59
17. Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY for Dimensional Emerging Markets Value Fund</i>	323,600	0.51
18. Wong Kin Cheong	303,400	0.47
19. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	301,500	0.47
20. Mayban Nominees (Tempatan) Sdn Bhd <i>Qualifier: Capital Dynamics Asset Management Sdn Bhd for Choong Lye Hock Estates Sdn Berhad (CDAM36-200748)</i>	300,000	0.47
21. UOBM Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (6110553745-T232)</i>	300,000	0.47
22. Wong Yoon Tet	265,000	0.41
23. Khor Bee Kiow	255,600	0.40
24. Chen Ming-Lung	253,800	0.40
25. Capital Dynamics Sdn Bhd	250,000	0.39
26. Neoh Choo Ee & Company, Sdn. Berhad	246,500	0.39
27. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Select Treasures Fund</i>	235,800	0.37
28. HLB Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Lim Aik Hoe</i>	221,500	0.35
29. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Growth And Income Focus Trust (4892)</i>	200,000	0.31
30. Wong Yoke Fong @ Wong Nyok Fing	199,500	0.31

### SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2010

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Pan Global Holding Co. Ltd	32,909,998	51.43	-	-
2. icapital.biz Berhad	3,407,200	5.32	-	-
3. Pan-International Industrial Corporation	-	-	32,909,998*	51.43

**Note:**

\* By virtue of its substantial interest in Pan Global Holding Co. Ltd.



## Analysis of Shareholdings (cont'd)

### DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2010

Name	No. of Shares held	%
1. Ahmad Murad bin Abdul Aziz	1	negligible
2. Mui Chung Meng	-	-
3. Cheng Shing Tsung	10,000	0.02
4. Chen, Chih-Wen	-	-
5. Cheung Ho Leung	-	-
6. Loo Hooi Beng	-	-
7. Khoo Lay Tatt	-	-

**Note:** No indirect shareholdings

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting of the Company will be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuhraya Duta, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 21 May 2010 at 9.00 a.m.

### AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2009 together with the Reports of the Directors and of the Auditors thereon. (Please refer to Note A)
2. To declare the following Dividends for the year ended 31 December 2009:-
  - a) A Special Dividend of 23 sen per share less income tax at 25%; (Resolution 1)
  - b) A First and Final Dividend of 12 sen per share less income tax at 25%. (Resolution 2)
3. To approve an increase of the Directors' Fee from RM48,000 to RM56,000 for the financial year ended 31 December 2009 and payment of such fees to the Directors. (Resolution 3)
4. To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:-
  - a. Cheung Ho Leung Article 98(1) (Resolution 4)
  - b. Loo Hooi Beng Article 105 (Resolution 5)
  - c. Khoo Lay Tatt Article 105 (Resolution 6)
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

"That Cheng Shing Tsung, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."

(Resolution 7)
6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 8)



## Notice of Annual General Meeting (cont'd)

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution:-

#### ORDINARY RESOLUTION

##### a) Authority to Issue Shares

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

(Resolution 9)

##### b) Renewal of Authority to Purchase its own Shares

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

(Resolution 10)

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and share premium account of the Company. As at the latest financial year ended 31 December 2009, the audited retained profits and share premium account of the Company stood at RM77,759,478 and RM18,993,049 respectively;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

Notice of Annual General Meeting (cont'd)

**b) Renewal of Authority to Purchase its own Shares** (cont'd)

- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
- to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

**HOW WEE LING** (MAICSA 7033850)  
**OUI EAN HOON** (MAICSA 7057078)  
Secretaries

Penang  
Date: 29 April 2010



## Notice of Annual General Meeting (cont'd)

### Notes:-

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

### Proxy

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.

### Explanatory Note On Special Business:

#### **1. Resolution pursuant to the Authority to issue Shares**

The proposed Resolution No. 9 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2010) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2010 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Twelfth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

#### **2. Resolution pursuant to the Authority to Purchase its own Shares**

The proposed Resolution No. 10 [Item 7(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.



## Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2009, if approved, will be paid on 8 June 2010 to depositors registered in the Records of Depositors on 27 May 2010:-

- a) A Special Dividend of 23 sen per share less income tax at 25%; and
- b) A First and Final Dividend of 12 sen per share less income tax at 25%.

A Depositor shall qualify for entitlement to the Dividends in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 27 May 2010 in respect of ordinary transfers;
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

**HOW WEE LING** (MAICSA 7033850)  
**OUI EAN HOON** (MAICSA 7057078)  
Secretaries

Penang  
Date: 29 April 2010



## Share Buy-Back Statement

### 1. DISCLAIMER STATEMENT

Bursa Securities has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

### 2. RATIONALE FOR THE PROPOSED PURCHASED BY P.I.E. INDUSTRIAL BERHAD ("PIE" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES OF RM1.00 EACH ("SHARES") REPRESENTING UP TO 10% OF THE EXISTING ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

- i) The Proposed Share Buy-Back would enable the Company to utilise its surplus financial resources to purchase Shares when appropriate, and at prices which the Board of Directors of the Company ("the Board") view as favourable to the Company;
- ii) The Proposed Share Buy-Back would effectively reduce the number of Shares carrying voting and participation rights (unless the Purchased Shares are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share ("EPS") of the PIE Group ("the Group") may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and
- iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realising a potential gain in reserves without affecting the total issued and paid-up share capital of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

### 3. RETAINED EARNINGS AND SHARE PREMIUM

Based on the audited financial statements of PIE as at 31 December 2009, the retained earnings and share premium of the Company stood at RM77,759,478 and RM18,993,049 respectively.

### 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM26.058 million based on the audited financial statements of PIE as at 31 December 2009. Any funds utilised by PIE for the Proposed Share Buy-Back will consequentially reduce the resources available to PIE for its operations by a corresponding amount for shares bought back.

### 5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of PIE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Share Buy-Back Statement (cont'd)

**5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM**  
(cont'd)

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 31 March 2010 and assuming that PIE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of PIE are as follows:-

**Directors**

Name	Existing as at 31 March 2010				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Ahmad Murad Bin Abdul Aziz	1	negligible	-	-	1	negligible	-	-
Mui Chung Meng <sup>2</sup>	-	-	-	-	-	-	-	-
Chen, Chih-Wen <sup>3</sup>	-	-	-	-	-	-	-	-
Cheng Shing Tsung	10,000	0.02	-	-	10,000	0.02	-	-
Cheung Ho Leung	-	-	-	-	-	-	-	-
Loo Hooi Beng	-	-	-	-	-	-	-	-
Khoo Lay Tatt	-	-	-	-	-	-	-	-

**Substantial Shareholders**

Name	Existing as at 31 March 2010				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Pan Global Holding Co. Ltd.	32,909,998	51.43	-	-	32,909,998	57.13	-	-
icapital.biz Berhad	3,407,200	5.32	-	-	3,407,200	5.91	-	-
Pan-International Industrial Corporation	-	-	32,909,998 <sup>1</sup>	51.43	-	-	32,909,998 <sup>1</sup>	57.13

**Person Connected To Director**

Name	Existing as at 31 March 2010				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Chung Lean Hwa <sup>2</sup>	410,000	0.64	-	-	410,000	0.71	-	-
Khor Bee Kiow <sup>3</sup>	255,600	0.40	-	-	255,600	0.44	-	-

**Note:**

\* Percentage shareholding computed based on 63,994,900 PIE Shares excluding 12,100 shares held as treasury shares from the total issued and paid-up share capital of 64,007,000 Ordinary Shares of RM1.00 each.

^ Percentage shareholding computed based on 57,606,300 PIE Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares.

<sup>1</sup> By virtue of its substantial interest in Pan Global Holding Co. Ltd.

<sup>2,3</sup> Being spouse of the Director.



## Share Buy-Back Statement (cont'd)

### 6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

#### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

#### 6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

- i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and
- ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of PIE in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of PIE in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

### 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in PIE are set out below:

#### 7.1 Share Capital

As at 31 March 2010, the issued and paid-up capital of PIE was RM64,007,000 comprising 64,007,000 Shares including 12,100 shares held as treasury shares. In the event that the 6,400,700 Shares representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	<b>No. of Shares</b>
Issued and fully paid-up share capital as at 31 March 2010	64,007,000
Assumed the Shares purchased and cancelled	(6,400,700) *
Resultant issued and paid-up capital	<u>57,606,300</u>

\* Inclusive of the 12,100 Shares already purchased and retained as Treasury Shares as at 31 March 2010.

## Share Buy-Back Statement (cont'd)

### 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

#### 7.1 Share Capital (cont'd)

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the Purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

#### 7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realises a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

#### 7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

#### 7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to PIE to finance the Purchased Shares or any loss in interest income to PIE.

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2010.

Should the Purchased Shares be resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.





## Share Buy-Back Statement (cont'd)

### 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

#### 7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of PIE (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2010 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by PIE in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

#### 7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

### 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998 (THE "CODE")

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected Substantial Shareholder and/or persons acting in concert with him/her will be obligated to make a mandatory offer for the remaining Shares not held by him/her.

However, the affected Substantial Shareholder and/or persons acting in concert with him/her may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Practice Note 2.9.10 of the Code.

### 9. PURCHASES MADE BY THE COMPANY OF ITS OWN SHARES IN THE LAST FINANCIAL YEAR

The information on the purchases made by the Company of its own shares during the financial year ended 31 December 2009 is as set out on the page 23 of this Annual Report.

### 10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 31 March 2010, approximately 29,914,501 Shares representing 46.75% of the issued and paid-up share capital of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of PIE shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities LR.



## Share Buy-Back Statement (cont'd)

### **11. DIRECTORS' STATEMENT**

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

### **12. DIRECTORS' RECOMMENDATION**

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Thirteenth Annual General Meeting to give effect to the Proposed Share Buy-Back.

### **13. FURTHER INFORMATION**

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.



# Proxy Form

I/We, \_\_\_\_\_  
of \_\_\_\_\_ being a Member of the above  
Company hereby appoint (Proxy 1) \_\_\_\_\_ of  
\_\_\_\_\_  
\_\_\_\_\_ and\*/or failing him\*(Proxy 2),  
\_\_\_\_\_ of \_\_\_\_\_

and\*/or failing him\*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the THIRTEENTH ANNUAL GENERAL MEETING of the Company to be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 21 May 2010 at 9.00 a.m. and at any adjournment thereof.

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1	-	_____ %	In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.
Proxy 2	-	_____ %	
		<u>100%</u>	

\* Strike out whichever is inapplicable

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

No.	Resolutions	For	Against
1.	To declare a Special Dividend of 23 sen per share less income tax at 25% for the year ended 31 December 2009.		
2.	To declare a First and Final Dividend of 12 sen per share less income tax at 25% for the year ended 31 December 2009.		
3.	To approve an increase of the Directors' Fee from RM48,000 to RM56,000 for the financial year ended 31 December 2009 and payment of such fees to the Directors.		
4.	To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:		
	Cheung Ho Leung Article 98(1)		
5.	Loo Hooi Beng Article 105		
6.	Khoo Lay Tatt Article 105		
7.	To re-elect Cheng Shing Tsung, a Director retiring under Section 129(2) of the Companies Act, 1965.		
8.	To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
	<b>Special Business Ordinary Resolutions</b>		
9.	To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		
10.	To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Number of shares held:

\_\_\_\_\_  
Signature of Member

**Notes: -**

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.



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STAMP

The Secretary  
**P.I.E. INDUSTRIAL BERHAD** (424086-X)  
(Incorporated in Malaysia)

Registered Office  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang  
Malaysia.

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## **P.I.E. Industrial Berhad**

(co.no. 424086-X)  
(Incorporated In Malaysia)

Plot 4, Jalan Jelawat 1, Seberang Jaya Industrial Estate,  
13700 Prai, Penang, Malaysia.

Tel : 604-399 0401 Fax : 604-399 0403