



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

(co.no. 424086-X)

ANNUAL REPORT 2011

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Ahmad Murad Bin Abdul Aziz  
*Chairman/Senior Independent Non-Executive Director*

Mui Chung Meng  
*Managing Director*

Chen, Chih-Wen  
*Executive Director*

Cheung Ho Leung  
*Executive Director*

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

Loo Hooi Beng  
*Independent Non-Executive Director*

Khoo Lay Tatt  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Ahmad Murad Bin Abdul Aziz  
*Chairman/Senior Independent Non-Executive Director*

Loo Hooi Beng  
*Independent Non-Executive Director*

Khoo Lay Tatt  
*Independent Non-Executive Director*

## COMPANY SECRETARIES

How Wee Ling  
(MAICSA 7033850)

Ooi Ean Hoon  
(MAICSA 7057078)

## AUDITORS

Deloitte KassimChan  
(Chartered Accountants)

## SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd.  
(Company No. 118401-V)  
Level 17 The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 03-22643883  
Fax: 03-22821886

## REGISTERED OFFICE

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

## STOCK EXCHANGE LISTING

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

## PRINCIPAL BANKERS

Public Bank Berhad  
Citibank Berhad  
RHB Bank Berhad  
CIMB Bank Berhad

## INTERNET HOMEPAGE

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

# DIRECTORS' PROFILE



## AHMAD MURAD BIN ABDUL AZIZ

*Chairman / Senior Independent Non-Executive Director  
Malaysian, aged 53*

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 eight (28) years of working experience in 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 60*

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 55*

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.

## CHEUNG HO LEUNG

*Executive Director  
American, aged 55*

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 newly formed Technology Merging Services Business Group (TMSBG) under Hon Hai Precision Co., Ltd. and is responsible for developing cloud core technology and solutions for China in Cloud Computing field.

## DIRECTORS' PROFILE (CONT'D)

### CHENG SHING TSUNG

*Non-Independent Non-Executive Director  
Singaporean, aged 74*

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 46*

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, Master Degree of Science (Management) from Universiti Utara Malaysia in 1998 and Master Degree of Advanced Business Practice from University of South Australia in 2011.

After his graduation in 1992, Mr. Loo began his career in an audit firm until year 1995 and later attached to several companies from 1996 to 2008. From November 2008 to July 2010, he joined Thong Guan Industries Berhad, a company listed on the Main Market of the Bursa Securities, as a Senior Group Finance Manager. He is currently a Country Financial Controller of a company based in India.

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.

### KHOO LAY TATT

*Independent Non-Executive Director  
Malaysian, aged 39*

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 its subsidiaries in 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and left the said firm in 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 the Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA).

Currently, he sits on the Board of two public companies listed on the Main Market of Bursa Securities, namely, Dufu Technology Corp. Berhad as Non Independent, Non-Executive Director and Sinaria Corporation Berhad as Independent, Non-Executive Director.

He is also a member of the Audit Committee.

## DIRECTORS' PROFILE (CONT'D)



### 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 82 of this Annual Report.

# GROUP CORPORATE STRUCTURE

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

PAN-INTERNATIONAL ELECTRONICS  
(MALAYSIA) SDN. BHD.  
100%

PIE ENTERPRISE (M) SDN. BHD.  
100%

PAN-INTERNATIONAL  
CORPORATION (S) PTE. LTD.  
100%

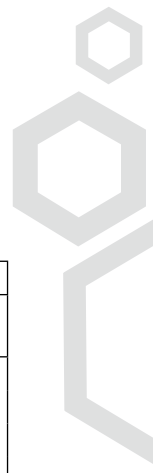
PAN-INTERNATIONAL WIRE & CABLE  
(MALAYSIA) SDN. BHD.  
100%

P.I.W. ENTERPRISE (MALAYSIA)  
SDN. BHD.  
100%

PAN INTERNATIONAL ELECTRONICS  
(THAILAND) CO., LTD  
100%



# GROUP FINANCIAL HIGHLIGHTS



## Five Years Financial Summary

	Year ended 31 December				
	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM
Revenue	280,948,822	291,784,167	225,901,862	287,203,330	349,649,703
Profit before taxation	44,097,566	43,502,781	33,204,171	31,131,831	47,026,003
Net profit after taxation	35,591,350	33,936,145	25,281,774	25,663,247	38,076,495
Basic earnings per ordinary share (Sen)	57	53	40	40	60
Shareholders' equity	196,035,306	211,781,947	222,604,350	233,485,991	253,987,378
Net Assets per share	3.06	3.31	3.48	3.65	3.97
Issued and fully paid-up share capital of RM 1.00 each	64,007,000#	64,007,000*	64,007,000^	64,007,000•	64,007,000"
Gross dividend per share (Sen)	39	35	35	35	39@

# 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.

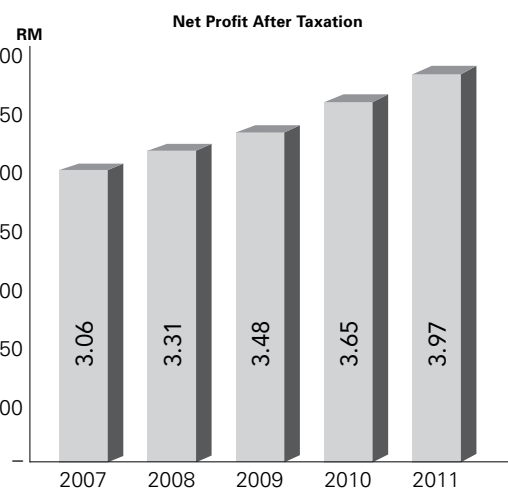
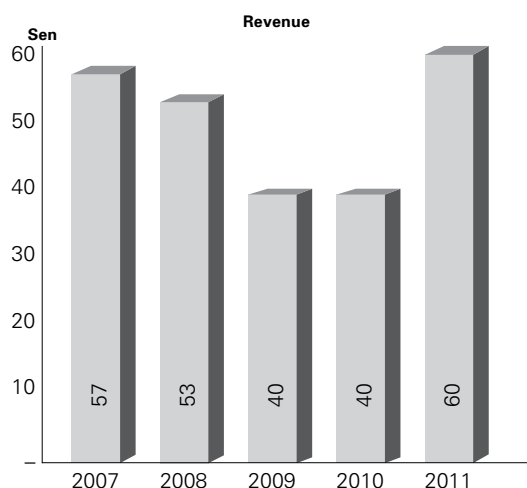
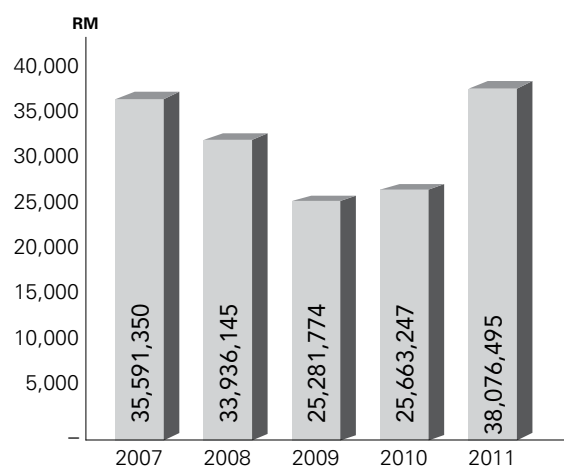
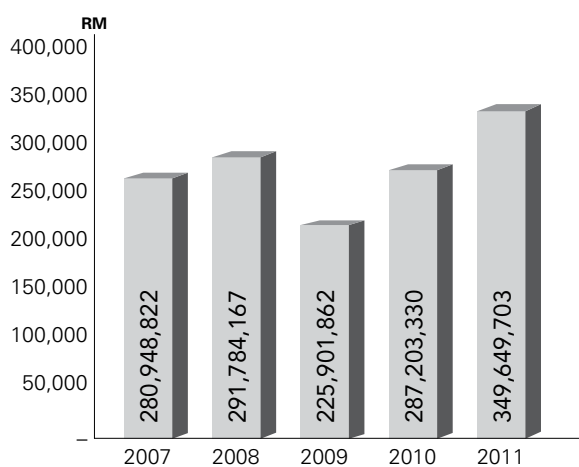
\* The issued and fully paid-up share capital of RM64,007,000.00 is divided into 64,007,000 Ordinary Shares of RM1.00 each including 11,000 shares held as treasury shares.

^ 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.

• 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 26,700 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 27,300 shares held as treasury shares.

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



Basic earnings per ordinary share

Net Assets Per 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 2011.

## FINANCIAL PERFORMANCE

2011 was a commendable year for the Group. The Group's revenue had surpassed RM300 million for the 1st time. The Group's revenue for the financial year ended 31 December 2011 increased by 21.74% to RM349.65 million from RM287.20 million in year 2010. The increase in revenue was mainly due to more outsource orders from existing and new customers via the group's electronics manufacturing services (EMS).

The Group continued to deliver its 12th year of unbroken profitability. For 2011, net profit increased by 48.40% from RM25.66 million in 2010 to RM 38.08 million. The increased profit was mainly due to higher revenue achieved and gains from foreign currency exchange transaction. The basic earnings per share were posted at 60 sen.

Total assets of the Group increased from RM282.53 million to RM343.84 million, an increase of 21.70% as compared with last year. The Group's net assets per share increased to RM3.97 as at 31 December 2011 as compared to RM3.65 posted at 31 December 2010. The Group's statements of financial position will maintain a healthy and financially sound net cash surplus of RM83.597 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 RM5,758,227 and RM11,036,602 respectively in respect of the financial year ended 31 December 2010 were declared and paid by the Company during the current financial year.

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting a Special Dividend of 27 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 2011. The entitlement and payment date of the above recommended dividends are as announced in this Annual Report.

The Company will continue to take a balanced dividend policy to reward its shareholders after taking into account of increased working capital, short and longer-term capital requirements and market conditions.

## 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 2011.

The EMS division has contributed approximately 63% of the Group's revenue which result from enhancement of integration of new capabilities in manufacturing, engineering and distribution under the concept of a fully integrated one stop turnkey electronics manufacturing service provider. The Group still foresees a good opportunity ahead to secure more potential business from new and existing customers in the selected niche market.

The contribution by the Raw Wire and Cable Manufacturing division to the Group's revenue for the financial year under review is 28%. This division will continue its effort to develop high value-added products, e.g. automotive, medical, solar and RF cables.

The Wire Harness and Cable Assembly division has contributed approximately 8% of the Group's revenue. The Group expects this division to continue its contribution to the Group's revenue in the coming years through increased orders from multinational corporations in Thailand and Malaysia.

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

## PROSPECT AND OUTLOOK

We view positively the Group's revenue growth in year 2012 even though there are potential downside risks amid the challenging external environment. We are optimistic of the coming Group's performance with better and improved manufacturing capabilities, quality and flexibility to meet customers' requirements to capitalize on the continuous trend of outsourcing from new and existing customers. Barring unforeseen circumstances, the Board expects to achieve satisfactory performance in year 2012.

## ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to extend my deep appreciation to the senior management and employees for their relentless effort and dedication. Without their commitment, loyalty and perseverance in upholding the Group's values, we would not have achieved the record revenue in year 2011. I also wish to thank all our valued customers, suppliers, business associates, shareholders, the relevant authorities, financiers and bankers for their continuing support in their interactions with the Group.

**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 2011.

## 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
- 1 Non-Independent, Non-Executive Directors
- 3 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.

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	Number of Board Meetings	Percentage of Attendance
	Attended / Held	
Ahmad Murad Bin Abdul Aziz	4 / 4	100%
Mui Chung Meng	4 / 4	100%
Chen, Chih-Wen	4 / 4	100%
Cheung Ho Leung	4 / 4	100%
Cheng Shing Tsung	3 / 4	75%
Loo Hooi Beng	4 / 4	100%
Khoo Lay Tatt	4 / 4	100%

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 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.

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 2011 due to their respective tight schedule and travel commitments:-

Directors	Courses
Mui Chung Meng	A CIMB Executive Partners Series - The Economic Transformation Programme (ETP) and its Impact to the Penang Business Community by CIMB Bank ASEAN - China Free Trade Agreement and Its Implications by investPenang
Chen, Chih-Wen	Corporate Finance Deals Moving Forward, Corporate Loan and Debt Capital Market by OSK Investment Bank Economic & Market Update - The Crisis Continues : What Happens After The EU Meltdown by CIMB Bank
Loo Hooi Beng	Master of Advanced Business Practice by University of South Australia 2011 Tax Updates by Malaysia Institute of Accountants Positive Mental Attitude Building (PMAB) Training by PT Japfa Comfeed Indonesia Tbk SAP FICO Training by YASH Technologies Pvt. Ltd.
Khoo Lay Tatt	Are corporate leaders save from litigation? by Chartis Malaysia Insurance Berhad 2012 Budget & Tax Planning by Crowe Horwath Advocacy Session on Disclosure for CEOs & CFOs by Bursa Malaysia Berhad

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## 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.

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 (AGM) 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.
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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Details of Directors' remuneration for the year ended 31 December 2011 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	234,588	1,991,248	3,200	2,229,036
Non-Executive Directors	72,000	0	0	5,200	77,200
<b>Total</b>	<b>72,000</b>	<b>234,588</b>	<b>1,991,248</b>	<b>8,400</b>	<b>2,306,236</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	4
RM450,001 to RM500,000	1	0
RM1,750,001 to RM1,800,000	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 (Independent, Non-Executive Director)

The terms of reference and the report of Audit Committee are as set out on pages 14 to 16.

### 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.

### 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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)



### 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 accessed through Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com)

In addition to the above, time will be allocated during AGM 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 2012.

# AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

## 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 (*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:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Ahmad Murad Bin Abdul Aziz	4	4
Loo Hooi Beng	4	4
Khoo Lay Tatt	4	4

## 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.

### 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 1<sup>st</sup> 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.

# AUDIT COMMITTEE REPORT (CONT'D)

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.

## 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.



# AUDIT COMMITTEE REPORT (CONT'D)

## 4. ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2011 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 Malaysia Securities Berhad Main Market Listing Requirements (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.

## 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 2011 was RM17,168. During the financial year, the internal auditors have assisted the Audit Committee to:

- conduct the internal audit for financial year ended 2011
- 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 Malaysia Securities Berhad Main Market Listing Requirements (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

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 2011 was RM17,168.

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 2012.

# 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 Malaysia Securities Berhad Main Market Listing Requirements (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 statements of 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 2011 had been approved by the Board on 6 March 2012.

This statement was made in accordance with a resolution of Board dated 13 April 2012.

# 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 2011	300	3.85	3.85	3.99	1,197
November 2011	300	3.81	3.81	3.95	1,185
<b>Total</b>	<b>600</b>	<b>3.85</b>	<b>3.81</b>	<b>3.97</b>	<b>2,382</b>

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

All the shares so purchased during the financial year were retained as treasury shares. As at 31 December 2011, the total number of shares bought back and held as treasury shares is 27,300 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 2011.

## EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented by the Company during the financial year.

## 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 RM19,800.

## 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.

## PROFIT ESTIMATE, FORECAST OR PROJECTION

There was 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.



# DISCLOSURE REQUIREMENTS PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT'D)

## 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 minimizing 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 2011 are disclosed on page 71 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, 2011.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
<b>Profit for the year</b>	<u>38,076,495</u>	<u>13,565,988</u>

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

## DIVIDENDS

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 RM11,036,602 and RM5,758,227 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.

## OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position 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 there are no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.



# DIRECTORS' REPORT (CONT'D)

## OTHER STATUTORY INFORMATION (CONT'D)

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

- (a) which would require the writing off of bad debts or render 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.

## 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  
Khoo Lay Tatt

## 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 31.12.2011
	Balance as of 1.1.2011	Bought	Sold	
<b>Direct interest:</b>				
Ahmad Murad Bin Abdul Aziz	1	–	–	1
Cheng Shing Tsung	10,000	–	–	10,000
<b>Indirect interest:</b>				
Khoo Lay Tatt	–	3,000	–	3,000

# DIRECTORS' REPORT (CONT'D)



## 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.

## 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 Corp., 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,

**MUI CHUNG MENG**

**CHEN, CHIH-WEN**

Penang,

March 6, 2012





# 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 statements of financial position of the Group and of the Company as of December 31, 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 76.

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

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 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, 2011 and their financial performance and cash flows for the year then ended.

## 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 accounts and auditors' reports of the subsidiaries, of which we have not acted as auditors as mentioned in Note 18 to the financial statements, being accounts that have been included in the financial statements of the Group;
- (c) we are satisfied that the accounts 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 accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD

(Incorporated in Malaysia) (CONT'D)



## Other Reporting Responsibilities

The supplementary information set out in Note 41 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

**DELOITTE KASSIMCHAN**  
AF 0080  
Chartered Accountants

**LEE CHENG HEOH**  
Partner - 2225/04/12(J)  
Chartered Accountant

March 6, 2012

Penang



# STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	5	349,649,703	287,203,330	21,078,716	15,960,000
Investment revenue	6	4,000,872	3,473,695	60,541	288,578
Other gains and losses	7	5,724,215	(3,140,358)	568	–
Other income	8	6,988,811	6,369,458	–	–
Changes in inventories of finished goods and work-in-progress		8,846,011	2,968,888	–	–
Purchase of trading goods		(3,567,074)	(2,713,889)	–	–
Raw materials consumed		(263,974,717)	(211,704,267)	–	–
Employee benefits expense	9	(33,591,763)	(28,386,094)	(3,075,312)	(2,088,519)
Depreciation and amortisation expenses		(5,490,180)	(3,739,356)	–	–
Finance cost	10	(51,513)	–	–	–
Other expenses		(21,261,263)	(19,571,558)	(1,050,049)	(1,491,310)
Share of (loss)/ profits of jointly controlled entity		(247,099)	371,982	–	–
<b>Profit before tax</b>		<b>47,026,003</b>	<b>31,131,831</b>	<b>17,014,464</b>	<b>12,668,749</b>
Income tax expense	11	(8,949,508)	(5,468,584)	(3,448,476)	(3,001,000)
<b>Profit for the year</b>	12	<b>38,076,495</b>	<b>25,663,247</b>	<b>13,565,988</b>	<b>9,667,749</b>
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		(777,897)	(130,413)	–	–
Gain on revaluation of properties		–	2,206,681	–	–
<b>Other comprehensive income for the year, net of tax</b>		<b>(777,897)</b>	<b>2,076,268</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>37,298,598</b>	<b>27,739,515</b>	<b>13,565,988</b>	<b>9,667,749</b>
<b>Earnings per share:</b>					
Basic (sen per share)	13	60	40		

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

# STATEMENTS OF FINANCIAL POSITION

## AS OF DECEMBER 31, 2011



	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	46,049,399	32,624,919	-	-
Investment properties	15	27,335,559	27,442,310	-	-
Prepaid lease payments on leasehold land	16	12,413,217	12,743,872	-	-
Goodwill	17	1,721,665	1,721,665	-	-
Investments in subsidiaries	18	-	-	79,918,805	79,918,805
Investment in jointly controlled entity	19	124,883	371,982	25,000	25,000
Deferred tax assets	20	2,859,000	2,598,000	450,000	-
<b>Total non-current assets</b>		<b>90,503,723</b>	<b>77,502,748</b>	<b>80,393,805</b>	<b>79,943,805</b>
<b>Current assets</b>					
Inventories	21	42,482,100	27,073,422	-	-
Trade and other receivables	22	103,930,029	71,545,565	81,049,722	90,585,516
Other financial assets	23	509,302	200,300	509,302	-
Current tax assets		1,163,610	937,429	1,128,024	374,000
Other assets	24	1,181,483	2,100,850	15,844	18,076
Short-term deposits with licensed banks	25	85,781,133	75,194,984	6,721,028	1,451,000
Cash and bank balances	26	18,293,253	27,978,114	78,526	25,548
<b>Total current assets</b>		<b>253,340,910</b>	<b>205,030,664</b>	<b>89,502,446</b>	<b>92,454,140</b>
<b>Total assets</b>		<b>343,844,633</b>	<b>282,533,412</b>	<b>169,896,251</b>	<b>172,397,945</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	27	64,007,000	64,007,000	64,007,000	64,007,000
Treasury shares	27	(101,433)	(99,051)	(101,433)	(99,051)
Reserves	28	32,210,539	33,381,921	35,401,270	35,401,270
Retained earnings	29	157,871,272	136,196,121	67,399,726	70,628,567
<b>Total equity attributable to owners of the Company</b>		<b>253,987,378</b>	<b>233,485,991</b>	<b>166,706,563</b>	<b>169,937,786</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	20	4,201,518	4,331,952	-	-
<b>Current liabilities</b>					
Trade and other payables	30	61,897,044	43,587,613	3,189,688	2,460,159
Borrowing	31	20,477,306	-	-	-
Current tax liabilities		3,281,387	1,127,856	-	-
<b>Total current liabilities</b>		<b>85,655,737</b>	<b>44,715,469</b>	<b>3,189,688</b>	<b>2,460,159</b>
<b>Total liabilities</b>		<b>89,857,255</b>	<b>49,047,421</b>	<b>3,189,688</b>	<b>2,460,159</b>
<b>Total equity and liabilities</b>		<b>343,844,633</b>	<b>282,533,412</b>	<b>169,896,251</b>	<b>172,397,945</b>

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



# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

The Group

Note	Share capital RM	Treasury shares RM	Share premium RM	Properties revaluation reserve RM	Translation reserve RM	Retained earnings RM	Total RM
Balance as of January 1, 2010	64,007,000	(39,837)	18,993,049	11,093,502	1,529,259	127,021,377	222,604,350
Profit for the year	-	-	-	-	-	25,663,247	25,663,247
Other comprehensive income for the year	-	-	-	2,206,681	(130,413)	-	2,076,268
Total comprehensive income for the year	-	-	-	2,206,681	(130,413)	25,663,247	27,739,515
Buy-back of ordinary shares	-	(59,214)	-	-	-	-	(59,214)
Transfer to retained earnings	-	-	-	(310,157)	-	310,157	-
Payment of dividends	32	-	-	-	-	(16,798,660)	(16,798,660)
<b>Balance as of December 31, 2010</b>	<b>64,007,000</b>	<b>(99,051)</b>	<b>18,993,049</b>	<b>12,990,026</b>	<b>1,398,846</b>	<b>136,196,121</b>	<b>233,485,991</b>
Balance as of January 1, 2011	64,007,000	(99,051)	18,993,049	12,990,026	1,398,846	136,196,121	233,485,991
Profit for the year	-	-	-	-	-	38,076,495	38,076,495
Other comprehensive income for the year	-	-	-	-	(777,897)	-	(777,897)
Total comprehensive income for the year	-	-	-	-	(777,897)	38,076,495	37,298,598
Buy-back of ordinary shares	-	(2,382)	-	-	-	-	(2,382)
Transfer to retained earnings	-	-	-	(393,485)	-	393,485	-
Payment of dividends	32	-	-	-	-	(16,794,829)	(16,794,829)
<b>Balance as of December 31, 2011</b>	<b>64,007,000</b>	<b>(101,433)</b>	<b>18,993,049</b>	<b>12,596,541</b>	<b>620,949</b>	<b>157,871,272</b>	<b>253,987,378</b>

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011 (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, 2010		64,007,000	(39,837)	18,993,049	16,408,221	77,759,478	177,127,911
Profit for the year		-	-	-	-	9,667,749	9,667,749
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	9,667,749	9,667,749
Buy-back of ordinary shares		-	(59,214)	-	-	-	(59,214)
Payment of dividends	32	-	-	-	-	(16,798,660)	(16,798,660)
<b>Balance as of December 31, 2010</b>		<b>64,007,000</b>	<b>(99,051)</b>	<b>18,993,049</b>	<b>16,408,221</b>	<b>70,628,567</b>	<b>169,937,786</b>
Balance as of January 1, 2011		64,007,000	(99,051)	18,993,049	16,408,221	70,628,567	169,937,786
Profit for the year		-	-	-	-	13,565,988	13,565,988
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	13,565,988	13,565,988
Buy-back of ordinary shares		-	(2,382)	-	-	-	(2,382)
Payment of dividends	32	-	-	-	-	(16,794,829)	(16,794,829)
<b>Balance as of December 31, 2011</b>		<b>64,007,000</b>	<b>(101,433)</b>	<b>18,993,049</b>	<b>16,408,221</b>	<b>67,399,726</b>	<b>166,706,563</b>

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

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2011

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash flows from operating activities</b>				
Profit for the year	38,076,495	25,663,247	13,565,988	9,667,749
Income tax expense recognised in profit or loss	8,949,508	5,468,584	3,448,476	3,001,000
Depreciation and amortisation of non-current assets	5,490,180	3,739,356	-	-
Impairment loss recognised on trade receivables	1,090,774	86,567	-	-
Share of loss/ (profits) of jointly controlled entity	247,099	(371,982)	-	-
Loss/ (gain) on fair value adjustments of investment properties	63,106	(208,071)	-	-
Finance cost recognised in profit or loss	51,513	-	-	-
Property, plant and equipment written off	377	9,019	-	-
Unrealised gain on foreign exchange	(2,029,572)	(469,815)	-	-
Interest revenue recognised in profit or loss	(1,502,799)	(1,234,421)	(60,541)	(288,578)
Reversal of inventories written down	(518,148)	(803,471)	-	-
Reversal of impairment loss on trade receivables	(138,817)	(140,478)	-	-
Gain on disposal of property, plant and equipment	(118,754)	(24,521)	-	-
Investment income earned on financial asset at fair value through profit or loss	(8,716)	-	(8,716)	-
Fair value gain on financial assets at fair value through profit or loss	(568)	(200,300)	(568)	-
Inventories written down	-	600,000	-	-
Bad debts written off	-	28,182	-	-
Gross dividend income from investments in subsidiaries	-	-	(18,610,000)	(13,500,000)
	<b>49,651,678</b>	<b>32,141,896</b>	<b>(1,665,361)</b>	<b>(1,119,829)</b>
Movements in working capital:				
Increase in inventories	(14,945,942)	(77,475)	-	-
Increase in trade and other receivables	(31,509,616)	(6,053,544)	-	-
Decrease/ (increase) in other financial assets	200,300	(200,300)	-	-
Decrease/ (increase) in other assets	916,763	(786,467)	2,232	1,787
Increase/ (decrease) in trade and other payables	18,316,867	1,397,570	729,529	(888,620)
Cash generated from/ (used in) operations	<b>22,630,050</b>	<b>26,421,680</b>	<b>(933,600)</b>	<b>(2,006,662)</b>
Income taxes refunded	699,351	1,637,206	-	930,099
Income taxes paid	(8,104,474)	(6,886,626)	-	-
Net cash generated by/ (used in) operating activities	<b>15,224,927</b>	<b>21,172,260</b>	<b>(933,600)</b>	<b>(1,076,563)</b>

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011 (CONT'D)



	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash flows from investing activities</b>				
Interest received	1,502,133	1,239,607	58,335	313,343
Proceeds from disposal of property, plant and equipment	126,768	20,050	-	-
Repayment by jointly controlled entity	125,000	-	125,000	-
Payments for property, plant and equipment	(18,625,406)	(8,733,544)	-	-
Payment to acquire financial asset at fair value through profit or loss	(500,018)	-	(500,018)	-
Payments for investment properties	-	(8,953,325)	-	-
Payment for prepaid lease payments on leasehold land	-	(4,599,468)	-	-
Dividends received	-	-	13,957,500	10,125,000
Repayment by/ (advances to) subsidiaries	-	-	9,413,000	(17,085,000)
Net cash (used in)/ generated by investing activities	<u>(17,371,523)</u>	<u>(21,026,680)</u>	<u>23,053,817</u>	<u>(6,646,657)</u>
<b>Cash flows from financing activities</b>				
Increase in short-term borrowing	20,477,306	-	-	-
Short-term deposit pledged as security	19,960	-	-	-
Dividends paid to owners of the Company	(16,794,829)	(16,798,660)	(16,794,829)	(16,798,660)
Interest paid	(51,513)	-	-	-
Payments for buy-back of shares	(2,382)	(59,214)	(2,382)	(59,214)
Net cash generated by/ (used in) financing activities	<u>3,648,542</u>	<u>(16,857,874)</u>	<u>(16,797,211)</u>	<u>(16,857,874)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,501,946</b>	<b>(16,712,294)</b>	<b>5,323,006</b>	<b>(24,581,094)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>103,115,810</b>	<b>119,896,598</b>	<b>1,476,548</b>	<b>26,057,642</b>
Effects of exchange rates changes on the balances of cash held in foreign currencies	(579,406)	(68,494)	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>33 104,038,350</b>	<b>103,115,810</b>	<b>6,799,554</b>	<b>1,476,548</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011

### 1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 18. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia.

The principal place of business of the Company is located at Plot 4, Jalan Jelawat Satu, Kawasan Perusahaan Seberang Jaya, 13700 Seberang Jaya, Seberang Perai, Penang, Malaysia.

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 Corp., a corporation incorporated in Taiwan respectively.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on March 6, 2012.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

#### Adoption of new and revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee ("IC") Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for the Group's financial period beginning on January 1, 2011 as follows:

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combinations (revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)
Improvements to FRSs 2010	
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

The adoption of these new and revised Standards and IC Interpretations have not materially affected the amounts reported on the financial statements of the Group and of the Company.

On November 19, 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework) in conjunction with its planned convergence of FRSs with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board on January 1, 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after January 1, 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/ or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after January 1, 2012.

Accordingly, the Group and the Company which are not Transitioning Entities will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) in their financial statements for the financial year ending December 31, 2012, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared on the historical cost basis, unless otherwise indicated in the accounting policies stated below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### Subsidiaries and 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Subsidiaries and basis of consolidation (cont'd)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### Subsidiaries

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant FRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Business combinations (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 Income Taxes and FRS 119 Employee Benefits respectively;
- (b) liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 Share-based Payment; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

#### Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/ from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entity using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, the investment in the jointly controlled entity is carried in the statement of financial position 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 statement of comprehensive income.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

#### Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Goodwill (cont'd)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. 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 an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 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.

#### (a) Sale of goods

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

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

#### (b) Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### (c) Rental revenue

Rental revenue 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.

#### (d) Other income

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

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Short-term employee benefits

Wages, salaries, paid annual leave, 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group and the Company have no further payment obligations once these contributions have been paid.

#### Taxation

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

##### (a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

##### (b) Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

##### (c) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 ("RM"), 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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income; and
- (b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### (a) The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

##### (b) The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to archive a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Leasing (cont'd)

##### (b) The Group as lessee (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued properties is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

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%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Investment properties

Investment properties, which are properties held to earn rentals and/ or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.



# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Investment properties (cont'd)

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

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

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, includes an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial assets

Financial assets of the Group and the Company are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### (a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

#### (b) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statements of comprehensive income.

#### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### (d) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial assets (cont'd)

##### (d) Impairment of financial assets (cont'd)

For all other financial assets, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### (e) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

#### Financial liabilities and equity instruments issued by the Group and the Company

##### (a) Classification as debt or equity

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

##### (b) 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 Group and the Company are recognised at the proceeds received, net of direct issue costs.

##### (c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial assets (cont'd)

#### (d) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (i) it has been acquired principally for the purpose of repurchasing it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income.

#### (e) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (f) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

#### Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 34.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges).

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial assets (cont'd)

#### Derivative financial instruments (cont'd)

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

#### Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

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 amounts of cash and which are subject to an insignificant risk of changes in value.

### 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, the directors are 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.

#### (a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

#### (b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### (i) Impairment of property, plant and equipment and investment properties

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

If there are indicators of impairment in property, plant and equipment and investment properties, the Group carries out the impairment test based on a variety of estimation including the value in use of the cash-generating units to which the property, plant and equipment and investment properties are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

During the current financial year, the Group assessed and determined that there was no indicator of impairment for property, plant and equipment and investment properties.

##### (ii) Impairment of goodwill

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 directors 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.

##### (iii) 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 those deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profit together with future tax planning strategies.

Assumptions about generation of future taxable profit depend on management's estimates of future cash flows. This depends on estimates of future revenue, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of the deferred tax assets recognised in the statements of financial position.

##### (iv) Inventories

The Group makes an allowance for slow moving/ obsolete inventories based on an assessment of the net realisable value of the inventories. When estimating the net realisable value of inventories, management consider all of the facts relating to the inventories and the operating environment at the time the estimates are made. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the period in which such estimate has been changed.

##### (v) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables in the period in which such estimate has been changed.



## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)

### 5. REVENUE

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sale of goods	349,640,987	287,203,330	-	-
Investment income earned on financial asset at fair value through profit or loss	8,716	-	8,716	-
Dividend income from non-current equity investments in subsidiaries in Malaysia	-	-	18,610,000	13,500,000
Management fee	-	-	2,460,000	2,460,000
	<u>349,649,703</u>	<u>287,203,330</u>	<u>21,078,716</u>	<u>15,960,000</u>

### 6. INVESTMENT REVENUE

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Rental revenue from:				
Investment properties	2,498,073	2,237,024	-	-
Others	-	2,250	-	-
Interest revenue on short-term deposits	1,502,799	1,234,421	60,541	288,578
	<u>4,000,872</u>	<u>3,473,695</u>	<u>60,541</u>	<u>288,578</u>

The following is an analysis of investment revenue earned on financial assets by category of asset:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Investment income earned on:				
Investment properties	2,498,073	2,237,024	-	-
Other non-financial assets	-	2,250	-	-
Interest revenue for financial assets not designated as at fair value through profit or loss:				
Loan and receivables (including cash and bank balances)	1,502,799	1,234,421	60,541	288,578
	<u>4,000,872</u>	<u>3,473,695</u>	<u>60,541</u>	<u>288,578</u>

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Net foreign exchange gain/ (loss)	5,974,697	(4,116,883)	-	-
Reversal of inventories written down	518,148	803,471	-	-
Reversal of impairment loss on trade receivables	138,817	140,478	-	-
Gain on disposal of property, plant and equipment	118,754	24,521	-	-
Fair value gain on financial assets at fair value through profit or loss	568	200,300	568	-
Impairment loss recognised on trade receivables	(1,090,774)	(86,567)	-	-
(Loss)/ gain on fair value adjustments of investment properties	(63,106)	208,071	-	-
Property, plant and equipment written off	(377)	(9,019)	-	-
Inventories written off	-	(600,000)	-	-
Bad debts written off	-	(28,182)	-	-
Others	127,488	323,452	-	-
	<u>5,724,215</u>	<u>(3,140,358)</u>	<u>568</u>	<u>-</u>

## 8. OTHER INCOME

	The Group	
	2011 RM	2010 RM
Scrap sales	6,896,972	6,114,183
Labour charges received	72,282	-
Others	19,557	255,275
	<u>6,988,811</u>	<u>6,369,458</u>

## 9. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense recognised as an expense during the financial year is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Contribution to employees provident fund and central provident fund	1,374,232	905,599	91,020	70,218
Other employee benefits expense	32,217,531	27,480,495	2,984,292	2,018,301
	<u>33,591,763</u>	<u>28,386,094</u>	<u>3,075,312</u>	<u>2,088,519</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 employee related expenses.



# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)

## 9. EMPLOYEE BENEFITS EXPENSE (CONT'D)

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Contribution to employees provident fund and central provident fund	109,303	87,423	44,766	41,292
Other emoluments	2,750,304	2,163,600	2,306,236	1,749,128
	<u>2,859,607</u>	<u>2,251,023</u>	<u>2,351,002</u>	<u>1,790,420</u>

## 10. FINANCE COST

Interest expense for financial liabilities not classified as fair value through profit or loss is as follows:

	The Group	
	2011 RM	2010 RM
Interest on short-term borrowing	<u>51,513</u>	–

## 11. INCOME TAX EXPENSE

### Income tax recognised in profit or loss

Income tax expense comprises:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current year:				
Current tax expense:				
Malaysian	7,959,000	4,842,000	4,010,500	3,001,000
Foreign	1,290,273	1,100,639	–	–
Deferred tax income relating to the origination and reversal of temporary differences	(19,434)	(95,495)	(450,000)	–
	<u>9,229,839</u>	<u>5,847,144</u>	<u>3,560,500</u>	<u>3,001,000</u>
Adjustments recognised in the current year in relation to tax expense of prior years:				
Current tax:				
Malaysian	91,669	139,390	(112,024)	–
Deferred tax	(372,000)	(517,950)	–	–
Total tax expense	<u>8,949,508</u>	<u>5,468,584</u>	<u>3,448,476</u>	<u>3,001,000</u>

Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The estimated tax saving arising from utilisation of previously unused tax losses that is used to reduce current tax expense of the Group and of the Company is RM370,000 (2010: RM135,000).

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 11. INCOME TAX EXPENSE (CONT'D)

The total tax expense for the year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before tax	<b>47,026,003</b>	31,131,831	<b>17,014,464</b>	12,668,749
Tax expense calculated using the Malaysian income tax rate of 25% (2010: 25%)	<b>11,757,000</b>	7,783,000	<b>4,254,000</b>	3,167,000
Effect of expenses that are not deductible in determining taxable profit	<b>236,839</b>	93,344	<b>37,500</b>	33,000
Effect of revenue that is exempt from taxation	<b>(2,000)</b>	(200)	-	-
Effect of tax exempt income on:				
Pioneer business	<b>(1,355,000)</b>	(1,164,000)	-	-
Promoted business	<b>(1,092,000)</b>	-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>391,000</b>	(662,000)	-	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	<b>25,000</b>	2,000	-	-
Recognition of deferred tax assets not recognised previously:				
Unused tax losses	<b>(370,000)</b>	-	<b>(370,000)</b>	-
Other temporary differences	<b>(361,000)</b>	-	<b>(361,000)</b>	-
Effect of deferred tax assets not recognised previously:				
Unused tax losses	-	(135,000)	-	(135,000)
Other temporary differences	-	(70,000)	-	(64,000)
	<b>9,229,839</b>	5,847,144	<b>3,560,500</b>	3,001,000
Adjustments recognised in the current year in relation to tax expense of prior years	<b>(280,331)</b>	(378,560)	<b>(112,024)</b>	-
Income tax expense recognised in profit or loss	<b>8,949,508</b>	5,468,584	<b>3,448,476</b>	3,001,000

A subsidiary in Malaysia has been granted pioneer status under the Promotion of Investment Act, 1986 for the manufacturing of fixed and handheld barcode readers and its related sub-assembly. Under this incentive, 70% of the subsidiary's statutory income from the manufacturing of fixed and handheld barcode readers is exempted from income tax for a period of five years commencing February 2, 2009.

Another 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 full corporate tax exemption on certain income, tax reduction at 15% on certain income, and full corporate tax exemption on certain income not exceeding the capital investment (excluding land), as well as other rights and privileges as prescribed by the Board of Investment. For income which is derived from Non-Board of Investment operations, it is liable for corporate tax at 30%.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 11. INCOME TAX EXPENSE (CONT'D)

Income tax recognised in other comprehensive income:

	The Group	
	2011 RM	2010 RM
<b>Deferred tax</b>		
Arising on income and expense recognised in other comprehensive income:		
Properties revaluation	—	735,561

As of December 31, 2011, the Group and the Company have unused tax losses of approximately RM869,000 (2010: RM2,294,000) and RM199,000 (2010: RM1,706,000) respectively, which are available for set off against future taxable income. The unused tax losses are subject to agreement by the relevant tax authorities.

### 12. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>After charging:</b>				
Depreciation of property, plant and equipment	5,159,525	3,513,761	—	—
Directors' remuneration:				
Directors of the Company:				
Fee	72,000	72,000	72,000	72,000
Contribution to employees provident fund	44,766	41,292	44,766	41,292
Other emoluments	2,234,236	1,677,128	2,234,236	1,677,128
Directors of subsidiaries:				
Fee	—	—	—	—
Contribution to employees provident fund and central provident fund	64,537	46,131	—	—
Other emoluments	444,068	414,472	—	—
Impairment loss recognised on trade receivables	1,090,774	86,567	—	—
Amortisation of prepaid lease payments on leasehold land	330,655	225,595	—	—
Rental of:				
Premises	168,564	119,192	—	—
Office equipment	14,567	15,144	—	—
Audit fee:				
Current year	115,532	112,501	30,000	30,000
Under/ (over) provision in prior year	8,500	(400)	5,000	3,600
Loss on fair value adjustments of investment properties	63,106	—	—	—
Interest on short-term borrowing	51,513	—	—	—
Property, plant and equipment written off	377	9,019	—	—
Realised loss on foreign exchange	—	4,586,698	—	—
Inventories written down	—	600,000	—	—
Bad debts written off	—	28,182	—	—

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 12. PROFIT FOR THE YEAR (CONT'D)

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>And crediting:</b>				
Gain on foreign exchange:				
Realised	3,945,126	-	-	-
Unrealised	2,029,572	469,815	-	-
Rental revenue	2,798,073	2,239,274	-	-
Interest revenue on short-term deposits	1,502,799	1,234,421	60,541	288,578
Reversal of inventories written down	518,148	803,471	-	-
Reversal of impairment loss on trade receivables	138,817	140,478	-	-
Gain on disposal of property, plant and equipment	118,754	24,521	-	-
Investment income earned on financial asset at fair value through profit or loss	8,716	-	8,716	-
Fair value gain on financial assets at fair value through profit or loss	568	200,300	568	-
Gain on fair value adjustments of investment properties	-	208,071	-	-
	-	208,071	-	-

## 13. EARNINGS PER SHARE

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

	The Group	
	2011	2010
Profit for the year attributable to owners of the Company (RM)	38,076,495	25,663,247
Weighted average number of ordinary shares in issue (units)	63,980,076	63,990,558
Basic earnings per share (sen)	60	40

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 14. PROPERTY, PLANT AND EQUIPMENT

#### The Group

Cost unless stated otherwise	Beginning of year RM	Additions RM	Disposals/ write-off RM	Revaluation RM	Currency translation differences RM	End of year RM
<b>2011:</b>						
Freehold land						
- at 2010 valuation	690,248	-	-	-	(39,992)	650,256
Buildings						
- at cost	11,000	632,314	-	-	-	643,314
- at 2010 valuation	22,432,924	-	-	-	(29,668)	22,403,256
Leasehold flats						
- at 2010 valuation	1,900,000	-	-	-	-	1,900,000
Plant and machinery	52,963,216	16,740,953	(638,668)	-	(7,049)	69,058,452
Production tools and equipment	2,817,150	632,642	(14,250)	-	(1,021)	3,434,521
Furniture, fixtures and office equipment	2,572,563	222,544	(6,420)	-	(3,783)	2,784,904
Mechanical and electrical installation	1,583,747	-	-	-	-	1,583,747
Motor vehicles	1,672,120	396,953	-	-	(3,946)	2,065,127
Road	8,981	-	-	-	(193)	8,788
	<u>86,651,949</u>	<u>18,625,406</u>	<u>(659,338)</u>	<u>-</u>	<u>(85,652)</u>	<u>104,532,365</u>

Cost unless stated otherwise	Beginning of year RM	Additions RM	Disposals/ write-off RM	Revaluations RM	Currency translation differences RM	End of year RM
<b>2010:</b>						
Freehold land						
- at cost	699,337	-	-	(699,337)	-	-
- at 2010 valuation	-	-	-	699,337	(9,089)	690,248
Leasehold improvement	203,884	-	(203,884)	-	-	-
Buildings						
- at cost	971,813	3,849,554	-	(4,810,367)	-	11,000
- at 2005 valuation	17,820,000	-	-	(17,820,000)	-	-
- at 2010 valuation	-	-	-	22,439,667	(6,743)	22,432,924
Leasehold flats						
- at 2005 valuation	1,950,000	-	-	(1,950,000)	-	-
- at 2010 valuation	-	-	-	1,900,000	-	1,900,000
Plant and machinery	48,440,788	4,706,988	(183,442)	-	(1,118)	52,963,216
Production tools and equipment	2,715,453	103,112	(1,366)	-	(49)	2,817,150
Furniture, fixtures and office equipment	2,568,846	73,890	(70,107)	-	(66)	2,572,563
Mechanical and electrical installation	1,608,537	-	(24,790)	-	-	1,583,747
Motor vehicles	1,834,133	-	(160,347)	-	(1,666)	1,672,120
Road	9,025	-	-	-	(44)	8,981
	<u>78,821,816</u>	<u>8,733,544</u>	<u>(643,936)</u>	<u>(240,700)</u>	<u>(18,775)</u>	<u>86,651,949</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals/ write-off RM	Revaluation RM	Currency translation differences RM	End of year RM
<b>2011:</b>						
Buildings						
- at cost	1,160	-	-	-	-	1,160
- at 2010 valuation	553,233	920,114	-	-	(44,170)	1,429,177
Leasehold flats						
- at 2010 valuation	1,954	23,457	-	-	-	25,411
Plant and machinery	45,428,052	3,814,070	(638,668)	-	(3,543)	48,599,911
Production tools and equipment	2,585,390	110,428	(6,236)	-	(664)	2,688,918
Furniture, fixtures and office equipment	2,297,829	202,719	(6,043)	-	(1,982)	2,492,523
Mechanical and electrical installation	1,583,744	-	-	-	-	1,583,744
Motor vehicles	1,566,687	88,737	-	-	(2,090)	1,653,334
Road	8,981	-	-	-	(193)	8,788
	<u>54,027,030</u>	<u>5,159,525</u>	<u>(650,947)</u>	<u>-</u>	<u>(52,642)</u>	<u>58,482,966</u>

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals/ write-off RM	Revaluation RM	Currency translation differences RM	End of year RM
<b>2010:</b>						
Leasehold improvement	203,862	-	(203,862)	-	-	-
Buildings						
- at cost	389,682	104,790	-	(493,312)	-	1,160
- at 2005 valuation	2,513,327	533,963	-	(3,047,290)	-	-
- at 2010 valuation	-	81,584	-	480,480	(8,831)	553,233
Leasehold flats						
- at 2005 valuation	102,034	20,786	-	(122,820)	-	-
- at 2010 valuation	-	1,954	-	-	-	1,954
Plant and machinery	43,197,418	2,409,561	(178,926)	-	(1)	45,428,052
Production tools and equipment	2,485,269	101,519	(1,366)	-	(32)	2,585,390
Furniture, fixtures and office equipment	2,230,226	137,815	(70,106)	-	(106)	2,297,829
Mechanical and electrical installation	1,608,113	413	(24,782)	-	-	1,583,744
Motor vehicles	1,606,275	121,376	(160,346)	-	(618)	1,566,687
Road	9,024	-	-	-	(43)	8,981
	<u>54,345,230</u>	<u>3,513,761</u>	<u>(639,388)</u>	<u>(3,182,942)</u>	<u>(9,631)</u>	<u>54,027,030</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	The Group	
	2011 RM	2010 RM
<b>Net book value:</b>		
Freehold land		
- at cost	-	-
- at 2010 valuation	650,256	690,248
Leasehold improvement	-	-
Buildings		
- at cost	642,154	9,840
- at 2005 valuation	-	-
- at 2010 valuation	20,974,079	21,879,691
Leasehold flats		
- at 2005 valuation	-	-
- at 2010 valuation	1,874,589	1,898,046
Plant and machinery	20,458,541	7,535,164
Production tools and equipment	745,603	231,760
Furniture, fixtures and office equipment	292,381	274,734
Mechanical and electrical installation	3	3
Motor vehicles	411,793	105,433
Road	-	-
	<b>46,049,399</b>	<b>32,624,919</b>

The freehold land and a building of the Group with a total carrying value of RM1,056,672 (2010: RM1,172,669) were revalued by the directors on November 30, 2010. The valuations were based on directors' valuation by reference to market evidence of transaction prices for similar properties.

The other buildings and leasehold flats of the Group with a total carrying value of RM22,442,252 (2010: RM23,295,316) were revalued by the directors on November 30, 2010 based on valuations carried out by an independent firm of professional valuer. The valuations were based on market value using comparison method of valuation.

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

	The Group	
	2011 RM	2010 RM
<b>Cost:</b>		
Buildings	19,431,450	19,431,450
Leasehold flats	1,472,000	1,472,000
	<b>20,903,450</b>	<b>20,903,450</b>
<b>Accumulated depreciation:</b>		
Buildings	8,168,307	7,597,711
Leasehold flats	268,878	254,009
	<b>(8,437,185)</b>	<b>(7,851,720)</b>
<b>Carrying amount</b>	<b>12,466,265</b>	<b>13,051,730</b>

As of December 31, 2011, certain of the Group's freehold land and building with a total carrying value of RM1,056,672 (2010: RM1,172,669) are charged to a bank as securities for credit facilities granted to the Group as mentioned in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 15. INVESTMENT PROPERTIES

	The Group	
	2011 RM	2010 RM
<b>At fair value:</b>		
Balance at beginning of year	27,442,310	18,291,280
Acquisitions during the year	–	8,397,087
Additions through subsequent expenditure	–	556,238
(Loss)/ gain on fair value adjustments at end of year	(63,106)	208,071
Effect on foreign currency exchange differences	(43,645)	(10,366)
Balance at end of year	27,335,559	27,442,310

The investment properties as of December 31, 2011 are as follows:

	The Group	
	2011 RM	2010 RM
Freehold land and buildings	1,910,559	2,020,223
Short leasehold land and buildings	25,425,000	25,422,087
	27,335,559	27,442,310

The fair value of the Group's investment properties of freehold land and buildings of RM1,910,559 (2010: RM2,020,223) as of December 31, 2011 was determined by the directors by reference to market evidence of transaction prices for similar properties.

The fair value of certain of the Group's investment properties of short leasehold land and buildings with a total carrying value of RM25,425,000 (2010: RM17,025,000) as of December 31, 2011 has been arrived at on the basis of a valuation carried out at that date by an independent valuer which have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

No valuation was carried out by independent valuer at end of the previous financial year on the Group's investment properties of a short leasehold land and building acquired during the last quarter of the previous financial year of RM8,397,087 as the directors were of the opinion that the carrying amount of such investment properties approximates their fair value as of December 31, 2010.

The rental income earned by the Group from its investment properties is RM2,498,073 (2010: RM2,237,024). Direct operating expenses incurred on the investment properties during the financial year amounted to RM656,570 (2010: RM270,146).

As of December 31, 2011, the unexpired lease periods of the short leasehold land of the Group which are included under investment properties are 38 and 39 years.

As of December 31, 2011, certain of the Group's investment properties with a total carrying value of RM1,910,559 (2010: RM2,020,223) are charged to a bank as securities for credit facilities granted to the Group as mentioned in Note 31.



# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 16. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2011 RM	2010 RM
At beginning of year	12,743,872	8,369,999
Acquisition during the year	–	4,599,468
Amortisation during the year	<u>(330,655)</u>	<u>(225,595)</u>
At end of year	<u>12,413,217</u>	<u>12,743,872</u>

The prepaid lease payments on leasehold land as of December 31, 2011 are as follows:

	The Group	
	2011 RM	2010 RM
Short leasehold land	<u>12,413,217</u>	<u>12,743,872</u>

As of December 31, 2011, the unexpired lease period of the short leasehold land of the Group which are included under prepaid lease payments on leasehold land is 38 years.

### 17. GOODWILL

	The Group	
	2011 RM	2010 RM
At cost	<u>1,721,665</u>	<u>1,721,665</u>

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that there was no impairment on goodwill need to be recognised.

Goodwill has been allocated for impairment testing purposes to manufacturing activities of a foreign subsidiary.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a period of 3 years with an estimated growth rate of 2% (2010: 2%), and a discount rate of 9% (2010: 9%) per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011 RM	2010 RM
Unquoted shares, at cost	<b>79,918,805</b>	<b>79,918,805</b>

The subsidiaries are as follows:

	Place of incorporation	Principal activities	Percentage of ownership	
			2011	2010
<b>Direct holdings</b>				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	Contract electronic manufacturing, cable assemblies and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly	100%	100%
Pan International Electronics (Thailand) Co., Ltd <sup>(a)</sup>	Thailand	Manufacturing and providing of cable and wireharness to 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%
<b>Indirect holdings</b>				
Pan-International Corporation (S) Pte. Ltd. <sup>(a)(b)</sup>	Singapore	Marketing and trading of electronic and telecommunication components and equipment	100%	100%
PIE Enterprise (M) Sdn. Bhd. <sup>(b)</sup>	Malaysia	Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products	100%	100%
P.I.W. Enterprise (Malaysia) Sdn. Bhd. <sup>(c)</sup>	Malaysia	Trading of raw cable and wire and cable assembly products. However, in 2004, the company ceased its trading activities and is presently inactive	100%	100%

<sup>(a)</sup> The financial statements of these subsidiaries were audited by other auditors.

<sup>(b)</sup> These companies are wholly owned by Pan-International Electronics (Malaysia) Sdn. Bhd..

<sup>(c)</sup> This company is wholly owned by Pan-International Wire & Cable (Malaysia) Sdn. Bhd..

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 19. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Group's share of post-acquisition reserve	99,883	346,982	-	-
	<u>124,883</u>	<u>371,982</u>	<u>25,000</u>	<u>25,000</u>

The Company holds 50% (2010: 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 aggregate share of non-current assets, current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

	The Group	
	2011 RM	2010 RM
<b>Assets and liabilities</b>		
Non-current assets	73,273	125,557
Current assets	59,236	373,841
Total assets	<u>132,509</u>	<u>499,398</u>
Current liabilities	<u>7,626</u>	<u>127,416</u>
<b>Results</b>		
Revenue	4,674	5,226
Other income	1,343	604,974
Expenses	253,116	167,739
Tax income	-	76

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 20. DEFERRED TAX ASSETS/(LIABILITIES)

	Opening balance RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	Closing balance RM
<b>The Group</b>				
<b>2011:</b>				
<b>Deferred tax assets</b>				
Inventories	3,120,000	(97,000)	–	3,023,000
Property, plant and equipment	(1,236,000)	(902,000)	–	(2,138,000)
Unused tax losses	–	50,000	–	50,000
Others	714,000	1,210,000	–	1,924,000
	<u>2,598,000</u>	<u>261,000</u>	<u>–</u>	<u>2,859,000</u>
<b>Deferred tax liabilities</b>				
Gain on revaluation of properties	(3,964,021)	131,162	–	(3,832,859)
Gain on fair value adjustments of investment properties	(367,931)	(728)	–	(368,659)
	<u>(4,331,952)</u>	<u>130,434</u>	<u>–</u>	<u>(4,201,518)</u>
	<u>(1,733,952)</u>	<u>391,434</u>	<u>–</u>	<u>(1,342,518)</u>
<b>2010:</b>				
<b>Deferred tax assets</b>				
Inventories	2,597,000	523,000	–	3,120,000
Property, plant and equipment	(991,000)	(245,000)	–	(1,236,000)
Others	421,000	293,000	–	714,000
	<u>2,027,000</u>	<u>571,000</u>	<u>–</u>	<u>2,598,000</u>
<b>Deferred tax liabilities</b>				
Gain on revaluation of properties	(3,331,846)	103,386	(735,561)	(3,964,021)
Gain on fair value adjustments of investment properties	(306,990)	(60,941)	–	(367,931)
	<u>(3,638,836)</u>	<u>42,445</u>	<u>(735,561)</u>	<u>(4,331,952)</u>
	<u>(1,611,836)</u>	<u>613,445</u>	<u>(735,561)</u>	<u>(1,733,952)</u>

	Opening balance RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	Closing balance RM
<b>The Company</b>				
<b>2011:</b>				
<b>Deferred tax assets</b>				
Unused tax losses	–	50,000	–	50,000
Others	–	400,000	–	400,000
	<u>–</u>	<u>450,000</u>	<u>–</u>	<u>450,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2011, deferred tax assets have not been recognised in respect of the following temporary differences:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unused tax losses	670,279	2,294,000	-	1,706,000
Temporary differences arising from:				
Receivables	213,000	213,000	-	-
Inventories	60,000	66,000	-	-
Others	324	676,070	-	672,000
	<u>943,603</u>	<u>3,249,070</u>	<u>-</u>	<u>2,378,000</u>

### 21. INVENTORIES

	The Group	
	2011 RM	2010 RM
Raw materials	19,505,798	12,409,085
Work-in-progress	11,069,550	9,704,905
Finished goods	11,758,192	4,261,159
Goods-in-transit	148,560	698,273
	<u>42,482,100</u>	<u>27,073,422</u>

The cost of inventories recognised as an expense by the Group during the financial year was RM301,122,426 (2010: RM246,126,138).

### 22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables	105,743,047	72,596,377	-	-
Less: Allowance for doubtful debts	(2,215,422)	(1,276,279)	-	-
	<u>103,527,625</u>	<u>71,320,098</u>	<u>-</u>	<u>-</u>
Amount owing by ultimate holding company	1,738	879	-	-
Amount owing by subsidiaries	-	-	81,047,000	90,460,000
Amount owing by jointly controlled entity	-	125,000	-	125,000
Other receivables	400,666	99,588	2,722	516
	<u>103,930,029</u>	<u>71,545,565</u>	<u>81,049,722</u>	<u>90,585,516</u>

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 22. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
United States Dollar	84,726,864	56,129,572	-	-
Ringgit Malaysia	9,331,657	7,958,649	81,049,722	90,585,516
Euro	8,703,078	4,498,364	-	-
Thai Baht	1,034,797	985,784	-	-
Singapore Dollar	133,633	1,973,196	-	-
	<u>103,930,029</u>	<u>71,545,565</u>	<u>81,049,722</u>	<u>90,585,516</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit periods granted to trade receivables on sale of goods range from 30 to 90 days (2010: 30 to 90 days). No interest is charged on trade receivables outstanding balance. Allowance for doubtful debts are recognised against trade receivables over credit period based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired trade receivables:

	The Group	
	2011 RM	2010 RM
1 to 30 days	5,657,597	-
31 to 60 days	4,757,999	16,581,921
61 to 90 days	1,111,401	813,259
More than 120 days	-	16,751
Total	<u>11,526,997</u>	<u>17,411,931</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Movement in the allowance for doubtful debts is as follows:

	The Group	
	2011 RM	2010 RM
Balance at beginning of the year	1,276,279	1,331,818
Impairment losses recognised on trade receivables	1,090,774	86,567
Impairment losses reversed	(138,817)	(140,478)
Foreign exchange translation on gains and losses	(12,814)	(1,628)
Balance at end of the year	<u>2,215,422</u>	<u>1,276,279</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 22. TRADE AND OTHER RECEIVABLES (CONT'D)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The allowance for doubtful debts on trade receivables are made for individually impaired receivables, relating to entities that are in significant financial difficulties and have defaulted on payments. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables:

	The Group	
	2011	2010
	RM	RM
1 to 30 days	12,895	–
31 to 60 days	–	245,432
61 to 90 days	288,576	261,780
91 to 120 days	180,575	37,644
More than 120 days	1,733,376	731,423
<b>Total</b>	<b>2,215,422</b>	<b>1,276,279</b>

The amount owing by ultimate holding company arose mainly from trade transactions. The average credit period granted to ultimate holding company is 90 days (2010: 90 days). No interest is charged on amount owing by ultimate holding company.

The amount owing by subsidiaries are as follows:

	The Company	
	2011	2010
	RM	RM
Pan-International Electronics (Malaysia) Sdn. Bhd.	71,795,000	73,028,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	9,252,000	17,432,000
	<b>81,047,000</b>	<b>90,460,000</b>

The amount owing by subsidiaries arose mainly from 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.

### 23. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
<b>Financial assets carried at fair value through profit or loss:</b>				
Investment in Islamic cash fund	509,302	–	509,302	–
Derivative financial instrument:				
Foreign currency forward contracts	–	200,300	–	–
	<b>509,302</b>	<b>200,300</b>	<b>509,302</b>	<b>–</b>

The Group used foreign currency forward contracts to manage some of the transaction exposure. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives did not qualify for hedge accounting.

Foreign currency forward contracts were used to hedge the Group's exposure to foreign exchange risk. Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from swap points matching maturities of the contracts.

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



### 24. OTHER ASSETS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits	154,452	1,036,353	2,000	2,000
Prepayments	1,027,031	1,064,497	13,844	16,076
	<u>1,181,483</u>	<u>2,100,850</u>	<u>15,844</u>	<u>18,076</u>

### 25. SHORT-TERM DEPOSITS WITH LICENSED BANKS

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	55,410,345	23,119,531	6,721,028	1,451,000
Thai Baht	28,638,288	23,039,603	-	-
United States Dollar	1,732,500	29,035,850	-	-
	<u>85,781,133</u>	<u>75,194,984</u>	<u>6,721,028</u>	<u>1,451,000</u>

The short-term deposits of the Group carry interests at rates ranging from 0.18% to 3.5% (2010: 0.2% to 2.85%) per annum and will mature within January 2012 to July 2012. The short-term deposits of the Company carry interests at rates ranging from 2.5% to 3.1% (2010: 2.45% to 2.85%) per annum and will mature in January 2012 and July 2012.

### 26. CASH AND BANK BALANCES

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
United States Dollar	10,145,412	15,309,263	-	-
Thai Baht	4,060,768	7,527,589	-	-
Ringgit Malaysia	3,434,807	4,742,775	78,526	25,548
Euro	408,621	163,861	-	-
Japanese Yen	155,446	10,200	-	-
Singapore Dollar	86,502	222,398	-	-
Pound Sterling	1,697	2,028	-	-
	<u>18,293,253</u>	<u>27,978,114</u>	<u>78,526</u>	<u>25,548</u>

As of December 31, 2011, certain bank balances of the Group with a total carrying value of RM36,036 (2010: RM57,288) 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, 2011 (CONT'D)

### 27. SHARE CAPITAL

	The Company	
	2011	2010
	RM	RM
<b>Authorised:</b>		
100,000,000 shares of RM1 each	<b>100,000,000</b>	100,000,000
<b>Issued and fully paid:</b>		
64,007,000 ordinary shares of RM1 each	<b>64,007,000</b>	64,007,000

At an Annual General Meeting held on May 20, 2011, 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 600 (2010: 14,600) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM3.97 (2010: RM4.06) 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, 2011, out of the total 64,007,000 (2010: 64,007,000) issued and paid-up share capital, 27,300 (2010: 26,700) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,979,700 (2010: 63,980,300) ordinary shares of RM1 each.

### 28. RESERVES

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
<b>Non-distributable:</b>				
Share premium	18,993,049	18,993,049	18,993,049	18,993,049
Properties revaluation reserve	12,596,541	12,990,026	-	-
Foreign currency translation reserve	620,949	1,398,846	-	-
Merger reserve	-	-	16,408,221	16,408,221
	<b>32,210,539</b>	33,381,921	<b>35,401,270</b>	35,401,270

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

The movement in properties revaluation reserve is as follows:

	The Group	
	2011	2010
	RM	RM
Balance at beginning of year	12,990,026	11,093,502
Increase arising on revaluation of properties	-	2,942,242
Deferred tax liabilities arising on revaluation	-	(735,561)
Transferred to retained earnings	(393,485)	(310,157)
Balance at end of year	<b>12,596,541</b>	12,990,026

The properties revaluation reserve arises on the revaluation of land and buildings.

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 28. RESERVES (CONT'D)

The movement in foreign currency translation reserve is as follows:

	The Group	
	2011 RM	2010 RM
Balance at beginning of year	1,398,846	1,529,259
Exchange differences arising on translating the net assets of foreign operations	<u>(777,897)</u>	<u>(130,413)</u>
Balance at end of year	<u>620,949</u>	<u>1,398,846</u>

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

## 29. RETAINED EARNINGS

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous full imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies with Section 108 tax credit are given an irrevocable option to disregard the tax credit or to continue to utilise such tax credits until the tax credits are fully utilised or upon the expiry of the 6 years transitional period on December 31, 2013, whichever is earlier. During the transitional period, the Section 108 tax credit will be reduced by any tax credits utilised and any tax paid will not be added to this account.

As of the reporting date, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board, the Company has Section 108 tax credit and the balance in the tax exempt account to frank dividends of approximately RM58,007,000 out of its retained earnings, a distributable reserve.

## 30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables	36,874,277	27,881,025	-	-
Amount owing to ultimate holding company	5,280	11,501	-	-
Amount owing to a director	-	152	-	152
Other payables	7,924,838	2,112,050	-	-
Accrued expenses	<u>17,092,649</u>	<u>13,582,885</u>	<u>3,189,688</u>	<u>2,460,007</u>
	<u>61,897,044</u>	<u>43,587,613</u>	<u>3,189,688</u>	<u>2,460,159</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 30. TRADE AND OTHER PAYABLES (CONT'D)

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
United States Dollar	34,085,894	17,129,834	-	-
Ringgit Malaysia	24,552,730	20,599,838	3,189,688	2,460,159
Thai Baht	2,476,822	3,153,577	-	-
Euro	526,365	2,348,826	-	-
Singapore Dollar	129,135	121,491	-	-
Japanese Yen	125,142	230,903	-	-
Pound Sterling	956	3,144	-	-
	<b>61,897,044</b>	<b>43,587,613</b>	<b>3,189,688</b>	<b>2,460,159</b>

Included in trade payables as of December 31, 2011 is an amount of RM809,952 (2010: RM14,962) 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 periods granted to the Group for trade purchases range from 10 to 90 days (2010: 10 to 90 days). No interest is charged on trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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 (2010: 30 days). No interest is charged on amount owing to ultimate holding company.

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

Other payables comprise mainly amounts outstanding for ongoing costs.

### 31. BORROWING

	The Group	
	2011 RM	2010 RM
<b>Unsecured:</b>		
Foreign currency trade loans	<b>20,477,306</b>	-

The foreign currency trade loans are denominated in United States Dollar and bear interests at rates of 0.4% and 0.5% (2010: Nil) per annum above the lending banks' cost of funds. The effective interest rates per annum of foreign currency trade loans as of December 31, 2011 range from 1.47% to 1.9% (2010: Nil).

The foreign currency trade loans as of December 31, 2011 are repayable within January 2012 to March 2012.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 31. BORROWING (CONT'D)

As of December 31, 2011, the Group has unused bank overdrafts and other credit facilities as follows:

	The Group	
	2011 RM	2010 RM
Secured	1,001,000	1,023,000
Unsecured	16,193,970	18,650,000
	17,194,970	19,673,000

The unused bank overdrafts and other credit facilities bear interests at rates ranging from 0.5% to 1% (2010: 0.4% to 1.5%) per annum above the lending banks' base lending rates and a fixed rate of 7.5% (2010: 6.63%) per annum.

The secured unused credit facilities are secured by a charge over a subsidiary's freehold land, buildings and investment properties. The unsecured unused credit facilities are guaranteed by the Company for RM47,308,000 (2010: RM40,950,000).

### 32. DIVIDENDS

	The Group and the Company	
	2011 RM	2010 RM
<b>Declared in respect of financial year ended December 31, 2010:</b>		
Special dividend of 23 sen gross per ordinary share, less tax	11,036,602	-
First and final dividend of 12 sen gross per ordinary share, less tax	5,758,227	-
<b>Declared in respect of financial year ended December 31, 2009:</b>		
Special dividend of 23 sen gross per ordinary share, less tax	-	11,039,120
First and final dividend of 12 sen gross per ordinary share, less tax	-	5,759,540
	16,794,829	16,798,660

### 33. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term deposits with licensed banks	85,781,133	75,194,984	6,721,028	1,451,000
Cash and bank balances	18,293,253	27,978,114	78,526	25,548
	104,074,386	103,173,098	6,799,554	1,476,548
Less: Bank balances pledged as security	(36,036)	(57,288)	-	-
	104,038,350	103,115,810	6,799,554	1,476,548

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 34. FINANCIAL INSTRUMENTS

#### a. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment and buy back issued shares. Management monitors capital based on ability of the Group to generate sustainable profits and availability of retained earnings for dividend payments to shareholders. The Group's overall strategy remains unchanged from 2010.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

#### b. Financial risk management objectives

The operations of the Group are subject to a variety of financial risks, including market risk, foreign currency risk, credit risk, interest rate 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.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

##### i. Market risk management

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

##### ii. Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 34. FINANCIAL INSTRUMENTS (CONT'D)

#### b. Financial risk management objectives (cont'd)

##### ii. Foreign currency risk management (cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2011 RM	2010 RM
<b>Assets</b>		
United States Dollar	96,604,776	100,474,685
Thai Baht	33,733,853	31,552,976
Euro	9,111,699	4,662,225
Singapore Dollar	220,135	2,195,594
Japanese Yen	155,446	10,200
Pound Sterling	1,697	2,028
<b>Liabilities</b>		
United States Dollar	54,563,200	17,129,834
Thai Baht	2,476,822	3,153,577
Euro	526,365	2,348,826
Singapore Dollar	129,135	121,491
Japanese Yen	125,142	230,903
Pound Sterling	956	3,144

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	The Group	
	2011 RM	2010 RM
<b>Impact on profit or loss:</b>		
United States Dollar	4,204,158	8,334,486
Thai Baht	3,125,703	2,839,939
Euro	858,533	231,340
Singapore Dollar	9,100	207,415
Japanese Yen	3,030	(22,070)
Pound Sterling	74	(112)

##### iii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 34. FINANCIAL INSTRUMENTS (CONT'D)

#### b. Financial risk management objectives (cont'd)

##### iii. Credit risk management (cont'd)

At the reporting date, approximately 62% (2010: 51%) of the Group's trade receivables were due from a major customer and its related companies, and approximately 9% (2010: 8%) of the Group's trade receivables were due from another major customer and its related companies. Apart from these two major customers and its related companies, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 9% (2010: 8%) of gross trade receivables at the end of reporting date.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are reputable banks.

The carrying amounts of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

##### iv. Interest rate risk management

The Group's exposure to changes in interest rates relates primarily to the Group's short-term deposits with licensed banks. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits.

No sensitivity analysis prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of reporting period.

##### v. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 31 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

##### vi. Cash flow risk management

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

#### c. Forward foreign currency contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the foreign currency forward contracts outstanding as at the end of the reporting date:

#### The Group

Outstanding contract	Average exchange rate	Foreign currency USD	Contract value RM	Fair value RM
<b>2010:</b>				
<b>Sell USD</b>				
Less than 3 months	3.17 - 3.22	1,700,000	5,411,500	200,300

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 34. FINANCIAL INSTRUMENTS (CONT'D)

### d. Fair value of financial assets and liabilities

The fair value of financial assets carried at fair value through profit or loss is set out in Note 23.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair value of contingent liability in respect of corporate guarantee given by the Company to local banks is RM20,477,306 (2010: Nil). This fair value is determined based on the amount that would be payable to the banks for credit facilities granted to and utilised by the subsidiary at the reporting date.

## 35. 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	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>With ultimate holding company:</b>				
Purchase of raw materials	22,119	22,927	-	-
Inspection fee paid	4,809	5,250	-	-
Sale of finished goods	3,040	879	-	-
Purchase of sundry items	-	306	-	-
<b>With subsidiaries:</b>				
Pan-International Electronics (Malaysia) Sdn. Bhd.				
Management fee received	-	-	1,740,000	1,740,000
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.				
Management fee received	-	-	720,000	720,000
<b>With jointly controlled entity:</b>				
Infra-Info Telecommunications Sdn. Bhd.				
Telecommunication fee paid	8,796	-	-	-
<b>With another related party:</b>				
Hon Hai Precision Industries Co. Ltd.*				
Purchase of raw materials	1,726,812	14,962	-	-

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



# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 36. 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 buildings contracted for as of the end of the reporting period but not recognised as receivables, are as follows:

	The Group	
	2011	2010
	RM	RM
Not later than one year	1,339,164	1,599,468
Later than one year and not later than five years	<u>668,378</u>	<u>1,759,662</u>
	<u>2,007,542</u>	<u>3,359,130</u>

The Group has entered into operating lease agreements for the use of premises and office equipment. The future aggregate minimum lease payments under operating leases contracted for as of the end of the reporting period but not recognised as liabilities are as follows:

	The Group	
	2011	2010
	RM	RM
Not later than one year	97,720	112,290
Later than one year and not later than five years	<u>29,930</u>	<u>44,150</u>
	<u>127,650</u>	<u>156,440</u>

### 37. CAPITAL COMMITMENTS

As of December 31, 2011, the Group has the following commitments in respect of capital expenditure on property, plant and equipment:

	The Group	
	2011	2010
	RM	RM
Approved but not contracted for	<u>–</u>	<u>5,372,240</u>

### 38. CONTINGENT LIABILITIES

	The Company	
	2011	2010
	RM	RM
<b>Unsecured:</b>		
Corporate guarantees given by the Company to local banks for credit facilities granted to a subsidiary	<u>20,477,306</u>	<u>–</u>

### 39. SUBSEQUENT EVENT

Subsequent to December 31, 2011, a subsidiary entered into a contract with a third party for the construction of factory building for a contract sum of RM4,640,597.

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 40. SEGMENT INFORMATION

### Products and services from which reportable segments derive their revenue

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under FRS 8 Operating Segments are therefore as follows:

- a. manufacturing of industrial products (includes cables and wires for electronic devices, cable moulding compounds and PCB assemblies, cable and wireharness to computer, communication, consumer electronic industry and cable assemblies);
- b. trading of electrical products (includes peripheral products of computers, telecommunication, consumer electronics and cable assembly products); and
- c. investment holdings.

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

#### The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
<b>2011:</b>					
<b>Revenue</b>					
External revenue	347,308,757	2,332,230	8,716	-	349,649,703
Inter-segment revenue	2,223,385	1,318,569	21,070,000	(24,611,954)	-
<b>Total revenue</b>	<b>349,532,142</b>	<b>3,650,799</b>	<b>21,078,716</b>	<b>(24,611,954)</b>	<b>349,649,703</b>
<b>Results</b>					
Segment profit/ (loss)	39,105,855	(6,997)	16,953,355	(18,452,685)	37,599,528
Investment revenue					4,000,872
Other gains and losses					5,724,215
Finance cost					(51,513)
Share of loss of jointly controlled entity					(247,099)
Profit before tax					47,026,003
Income tax expense					(8,949,508)
<b>Profit for the year</b>					<b>38,076,495</b>
<b>2010:</b>					
<b>Revenue</b>					
External sales	282,890,658	4,312,672	-	-	287,203,330
Inter-segment revenue	3,964,022	1,528,185	15,960,000	(21,452,207)	-
<b>Total revenue</b>	<b>286,854,680</b>	<b>5,840,857</b>	<b>15,960,000</b>	<b>(21,452,207)</b>	<b>287,203,330</b>
<b>Results</b>					
Segment profit	31,311,546	44,799	12,380,171	(13,310,004)	30,426,512
Investment revenue					3,473,695
Other gains and losses					(3,140,358)
Share of profits of jointly controlled entity					371,982
Profit before tax					31,131,831
Income tax expense					(5,468,584)
<b>Profit for the year</b>					<b>25,663,247</b>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 40. SEGMENT INFORMATION (CONT'D)

#### Segment revenue and results (cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit/ loss represents the profit earned/ loss suffered by each segment without investment revenue, other gains and losses, finance cost and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### Segment assets and liabilities

##### The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
<b>2011:</b>					
<b>Assets</b>					
Segment assets	220,436,200	1,777,292	97,092	3,760,562	226,071,146
Income producing assets					113,116,692
Investment in jointly controlled entity					124,883
Income tax assets					4,022,610
Other financial assets					509,302
<b>Consolidated total assets</b>					<u>343,844,633</u>
<b>Liabilities</b>					
Segment liabilities	58,562,007	145,349	3,189,688	-	61,897,044
Borrowing					20,477,306
Income tax liabilities					7,482,905
<b>Consolidated total liabilities</b>					<u>89,857,255</u>
<b>2010:</b>					
<b>Assets</b>					
Segment assets	167,845,371	4,008,483	169,140	3,765,413	175,788,407
Income producing assets					102,637,294
Investment in jointly controlled entity					371,982
Income tax assets					3,535,429
Other financial assets					200,300
<b>Consolidated total assets</b>					<u>282,533,412</u>
<b>Liabilities</b>					
Segment liabilities	41,095,432	32,022	2,460,159	-	43,587,613
Income tax liabilities					5,459,808
<b>Consolidated total liabilities</b>					<u>49,047,421</u>

# NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 (CONT'D)



## 40. SEGMENT INFORMATION (CONT'D)

### Segment assets and liabilities (cont'd)

For the purposes of monitoring segment performance and allocating resources between segments:

- a. all assets are allocated to reportable segments other than investment properties, investment in jointly controlled entity, short-term deposits, current and deferred tax assets, and other financial assets. Goodwill is allocated to reportable segments.
- b. all liabilities are allocated to reportable segments other than borrowing and current and deferred tax liabilities.

### Other segment information

#### The Group

	Manufacturing of industrial products RM	Trading of electrical products RM	Investment holdings RM	Eliminations RM	Consolidated RM
<b>2011:</b>					
<b>Other information</b>					
Additions to non-current assets	18,625,406	-	-	-	18,625,406
Depreciation and amortisation expenses	5,450,279	-	-	39,901	5,490,180
Non-cash expenses other than depreciation and amortisation	1,091,151	-	-	63,106	1,154,257
	<u>1,091,151</u>	<u>-</u>	<u>-</u>	<u>63,106</u>	<u>1,154,257</u>
<b>2010:</b>					
<b>Other information</b>					
Additions to non-current assets	22,309,525	-	-	(23,188)	22,286,337
Depreciation and amortisation expenses	3,727,302	-	-	12,054	3,739,356
Non-cash expenses other than depreciation and amortisation	715,009	3,959	-	4,800	723,768
	<u>715,009</u>	<u>3,959</u>	<u>-</u>	<u>4,800</u>	<u>723,768</u>

### Revenue from major products and services

Analysis of revenue from major products and services was not disclosed due to it is not practical to analyse these information without incurring excessive cost.

### Geographical information

The Group operates in three principal geographical areas, Malaysia, Thailand and Singapore.

The Group's revenue from external customers attributed to countries of domicile of the Company and its subsidiaries are detailed below:

	The Group	
	2011 RM	2010 RM
Malaysia	321,071,423	255,028,576
Thailand	26,246,050	27,864,316
Singapore	2,332,230	4,310,438
	<u>349,649,703</u>	<u>287,203,330</u>

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)

### 40. SEGMENT INFORMATION (CONT'D)

#### Geographical information (cont'd)

The Group's revenue from external customers attributed to countries from which the Company and its subsidiaries derive revenue are detailed below:

	The Group	
	2011	2010
	RM	RM
Europe	139,376,988	72,111,837
United States of America	85,975,695	91,662,273
Malaysia	59,420,512	56,542,392
Other Asia Pacific Countries	64,876,508	66,886,828
	<b>349,649,703</b>	<b>287,203,330</b>

Information about the Group's non-current assets by locations are detailed below:

	The Group	
	2011	2010
	RM	RM
Malaysia	82,578,706	69,200,864
Thailand	3,219,469	3,610,237
	<b>85,798,175</b>	<b>72,811,101</b>

Non-current assets exclude goodwill, deferred tax assets and financial instruments.

#### Information about major customers

Included in revenue of the Group are revenue of RM164,348,604 (2010: RM115,585,815) and RM44,217,095 (2010: RM32,607,033) which arose from sales to the Group's first and second largest customers respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## DECEMBER 31, 2011 (CONT'D)



### 41. SUPPLEMENTARY INFORMATION – DISCLOSURE ON REALISED AND UNREALISED PROFITS/ LOSSES

On March 25, 2010, Bursa Malaysia Securities Berhad issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia Securities Berhad further issued guidance on the disclosure and the prescribed format required.

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2011 into realised and unrealised amounts, pursuant to the directive, is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Total retained earnings of the Company and its subsidiaries</b>				
Realised	193,238,371	172,758,717	66,949,158	70,628,567
Unrealised	6,224,343	4,171,422	450,568	–
	<u>199,462,714</u>	<u>176,930,139</u>	<u>67,399,726</u>	<u>70,628,567</u>
<b>Total share of retained earnings of jointly controlled entity</b>				
Realised	99,883	346,982	–	–
Unrealised	–	–	–	–
	<u>99,883</u>	<u>346,982</u>	<u>–</u>	<u>–</u>
Less: Consolidation adjustments	(41,691,325)	(41,081,000)	–	–
	<u>(41,691,325)</u>	<u>(41,081,000)</u>	<u>–</u>	<u>–</u>
<b>Total retained earnings as per statements of financial position</b>	<u>157,871,272</u>	<u>136,196,121</u>	<u>67,399,726</u>	<u>70,628,567</u>

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The supplementary information have been made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

## STATEMENT BY DIRECTORS

The directors of **P.I.E. INDUSTRIAL BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of 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, 2011 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 41, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with  
a resolution of the Directors,

**MUI CHUNG MENG**

**CHEN, CHIH-WEN**

Penang,

March 6, 2012

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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 financial statements 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 6, 2012

Before me,

GOH SUAN BEE  
NO: P125  
COMMISSIONER FOR OATHS

## LIST OF PROPERTIES

Location/ Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2011 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) HBM2 P.T. No. 3410, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 99 years (expire on 13.4.2091)	Built up : 1,801 sq. meters	Staff housing - 24 units of medium-cost apartments	1,874,589	17	2010 (R)
H.S.(D) 4628 P.T. No. 3205, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land : 7.0 acres Built up : 10,448 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey warehouse - 2 storey training centre	12,613,086	19	2005 (R) & 2010 (R)
H.S.(D) 31801, PT 3245 Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang ^	Leasehold – 60 years (expire on 3.6.2051)	Land : 5.54 acres Built up : 5,626 sq. meters	Industrial complex - 1 storey detached factory building	8,782,450	21	2010 (A) & 2010 (R)
H.S.(D) 4633 P.T. No. 3210, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang *	Leasehold – 60 years (expire on 3.12.2050)	Land : 5.0 acres Built up : 12,257 sq. meters	Industrial complex - 2 storey office - 1 storey factory	12,227,499	17	2005 (R) & 2010 (R)
T/D no. 30175 and 1018 and 1047, No.12/1 Moo 9 Suwannasorn Road, Dongkeelek Subdistrict, Muang Distric, Prachinburi, Thailand @	Freehold	Land : 5.84 acres Built up : 6,514 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	1,056,671	17	2010 (R)
H.S.(D) 4634 P.T. No. 3211, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 3.12.2050)	Land : 3.08 acres Built up : 8,527 sq. meters	Industrial complex - 1 storey office - 2 storey factory - 1 storey store	8,425,000	19	2011 (R)
H.S.(D) 37959, Lot no. 3188, MK 1, Daerah Seberang Perai Tengah, Pulau Pinang. #	Leasehold – 60 years (expire on 6.6.2050)	Land : 4.44 acres Built up : 17,970 sq. meters	Industrial complex - 1 1/2 storey office cum factory - 2-storey factory complex - guard house and other out buildings	8,600,000	21	2011 (R)



## LIST OF PROPERTIES (CONT'D)

Location/ Title	Tenure	Approximate Area	Description	Net book value as at 31.12.2011 (RM)	Age of building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S (D) No. 38146, P.T. No. 3227, Mukim 1, Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 5.2.2051)	Land : 4 acres Built up : 15,076 sq. meters	Industrial complex - 3 storey office - 2 storey factory complex - guard house	8,400,000	16	2011 (R)
T/D no. 10832 No.101/47/15 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.64 acres Built up : 2,251 sq. meters	Industrial complex - 2 storey office - 1 storey factory - 1 storey store	1,068,828	22	2011 (R)
T/D no. 10051 No.101/4/1 Moo 20 Navanakorn I.E.Zone 1, Phaholyothin Road, Klongnueng Subdistrict, Klongluang Distric, Pathumtani, Thailand @	Freehold	Land : 0.44 acres Built up : 1,183 sq. meters	Industrial complex - 1 storey office - 1 storey factory - 1 storey store	841,731	21	2011 (R)

**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 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.

# ANALYSIS OF SHAREHOLDINGS



## SHARE CAPITAL AS AT MARCH 30, 2012

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM63,979,700.00*
Class of Share	:	Ordinary Shares of RM1.00 each with equal voting rights
Number of Shareholders	:	2,657

\* Excluding 27,300 Ordinary Shares held as Treasury Shares

## DISTRIBUTION OF SHAREHOLDERS AS AT MARCH 30, 2012

Holdings	No. of Holders	Total Holdings	%
1 - 99	7	201	0.00
100 - 1,000	1,046	981,900	1.53
1,001 - 10,000	1,285	5,201,600	8.13
10,001 - 100,000	281	7,923,701	12.39
100,001 - 3,198,984	36	13,555,100	21.19
3,198,985 and above	2	36,317,198	56.76
<b>Total</b>	<b>2,657</b>	<b>63,979,700</b>	<b>100.00</b>

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 30, 2012

Name	Shareholdings	%
1. Pan Global Holding Co. Ltd	32,909,998	51.44
2. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Qualifier: icapital.biz Berhad</i>	3,407,200	5.33
3. Outstanding Growth Technology Limited	1,180,000	1.84
4. Goh Thong Beng	1,099,000	1.72
5. Amanahraya Trustees Berhad <i>Qualifier: Public Smallcap Fund</i>	1,006,700	1.57
6. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Opportunities Fund</i>	894,500	1.40
7. Public Invest Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)</i>	638,000	1.00
8. Best Skill Technology Limited	630,000	0.98
9. Kao, Te-Pei @ Edward Kao	510,900	0.80
10. Public Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (JRC)</i>	500,000	0.78
11. Cimsec Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank for Mak Tian Meng (MY0343)</i>	467,100	0.73
12. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	442,800	0.69
13. Chung Lean Hwa	410,000	0.64
14. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Growth And Income Focus Trust (4892)</i>	386,800	0.60
15. Operate Technology Limited	377,000	0.59
16. Neoh Choo Ee & Company, Sdn. Berhad	346,500	0.54
17. Lim Soon Huat	338,000	0.53
18. HLB Nominees (Tempatan) Sdn Bhd <i>Qualifier: Pledged Securities Account for Lim Aik Hoe</i>	330,000	0.52



## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT MARCH 30, 2012 (Cont'd)

Name	Shareholdings	%
19. Citigroup Nominees (Asing) Sdn Bhd <i>Qualifier: CBNY for Dimensional Emerging Markets Value Fund</i>	323,600	0.51
20. Wong Kin Cheong	303,400	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. Denver Corporation Sdn Bhd	297,700	0.47
23. Ace Synergy Insurance Berhad	296,900	0.46
24. Amanahraya Trustees Berhad <i>Qualifier: Public Islamic Select Treasures Fund</i>	266,800	0.42
25. Wong Yoon Tet	265,000	0.41
26. Khor Bee Kiow	242,600	0.38
27. Wong Yoke Fong @ Wong Nyok Fing	229,500	0.36
28. Wong Yoon Chyuan	194,000	0.30
29. Koperasi Permodalan Melayu Negeri Johor Berhad	185,600	0.29
30. Cimsec Nominees (Tempatan) Sdn Bhd <i>Qualifier: CIMB Bank for Wong Toh Kwong (MK0106)</i>	150,000	0.23

### SUBSTANTIAL SHAREHOLDERS AS AT MARCH 30, 2012

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Pan Global Holding Co., Ltd	32,909,998	51.44	–	–
2. icapital.biz Berhad	3,407,200	5.33	–	–
3. Pan-International Industrial Corporation	–	–	32,909,998*	51.44

Note:

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

### DIRECTORS' SHAREHOLDINGS AS AT MARCH 30, 2012

Name	Direct Shareholding		Indirect Shareholding	
		%		%
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	2,000	negligible	–	–
7. Khoo Lay Tatt	–	–	3,000 <sup>1</sup>	negligible

Note:

<sup>1</sup> Deemed interested by virtue of his substantial shareholdings in Peoplesoft Ventures Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifteenth Annual General Meeting of the Company will be held at the Sri Cengal II, Level 1, Sunway Hotel Seberang Jaya, No. 11 Lebu Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 18 May 2012 at 9.00 a.m.

## AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2011 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 2011:-
  - a) A Special Dividend of 27 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 the payment of Directors' Fee of up to RM72,000 for the financial year ended 31 December 2011. (Resolution 3)
4. To re-elect the following directors retiring under the Article 98 (1) of the Articles of Association of the Company, and who being eligible, offered themselves for re-election.
  - a. Ahmad Murad Bin Abdul Aziz (Resolution 4)
  - b. Cheung Ho Leung (Resolution 5)
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 6)
6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 7)

## SPECIAL BUSINESS

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

### ORDINARY RESOLUTIONS

#### 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 8)

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 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 9)

- 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 2011, the audited retained profits and share premium account of the Company stood at RM67,399,726 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;
- 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."

### SPECIAL RESOLUTION

### c) Proposed Alteration to the Articles of Association

"That the Proposed Alteration to the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2011 be and are hereby approved." (Resolution 10)

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)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries

Penang  
Date: 26 April 2012

# 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

1. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 14 May 2012. Only a depositor whose name appears on the Record of Depositors as at 14 May 2012 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.
2. 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. 8 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2012) 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 2012 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 Fourteenth 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 Purchase its own Shares**

The proposed Resolution No. 9 [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.

### **3. Resolution pursuant to the Alteration to the Articles of Association**

The proposed Resolution 10 [Item 7(c)] are made to comply with the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Further information on the Proposed Alteration to the Articles of Association of the Company is set out in the Appendix A attached to the Annual Report 2011.

# NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the following Dividends for the year ended 31 December 2011, if approved, will be paid on 15 June 2012 to depositors registered in the Records of Depositors on 25 May 2012:-

- a) A Special Dividend of 27 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 25 May 2012 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)  
**OOI EAN HOON** (MAICSA 7057078)  
Secretaries

Penang  
Date: 26 April 2012

# SHARE BUY-BACK STATEMENT



## 1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("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 utilize 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 realizing 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 PROFITS AND SHARE PREMIUM

Based on the audited financial statements of PIE as at 31 December 2011, the retained profits and share premium of the Company stood at RM67,399,726 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 RM6.800 million based on the audited financial statements of PIE as at 31 December 2011. Any funds utilized 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. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

### 5.1 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.

### 5.2 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.





## SHARE BUY-BACK STATEMENT (CONT'D)

### 6. 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.

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 30 March 2012 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 30 March 2012				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>3</sup>	–	–	–	–	–	–	–	–
Chen, Chih-Wen <sup>4</sup>	–	–	–	–	–	–	–	–
Cheng Shing Tsung	10,000	0.02	–	–	10,000	0.02	–	–
Cheung Ho Leung	–	–	–	–	–	–	–	–
Loo Hooi Beng	2,000	negligible	–	–	2,000	negligible	–	–
Khoo Lay Tatt	–	–	3,000 <sup>1</sup>	negligible	–	–	3,000 <sup>1</sup>	0.01

#### Substantial Shareholders

Name	Existing as at 30 March 2012				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	51.44	–	–	32,909,998	57.13	–	–
icapital.biz Berhad	3,407,200	5.33	–	–	3,407,200	5.91	–	–
Pan-International Industrial Corporation	–	–	32,909,998 <sup>2</sup>	51.44	–	–	32,909,998 <sup>2</sup>	57.13

#### Person Connected To Director

Name	Existing as at 30 March 2012				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>3</sup>	410,000	0.64	–	–	410,000	0.71	–	–
Khor Bee Kiow <sup>4</sup>	242,600	0.38	–	–	242,600	0.42	–	–

#### Note :

\* Percentage shareholding computed based on 63,979,700 PIE Shares excluding 27,300 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 his substantial interest in Peoplesoft Ventures Sdn Bhd

<sup>2</sup> By virtue of its substantial interest in Pan Global Holding Co., Ltd.

<sup>3,4</sup> Being spouse of the Director

# SHARE BUY-BACK STATEMENT (CONT'D)



## 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 30 March 2012, the issued and paid-up capital of PIE was RM64,007,000 comprising 64,007,000 Shares including 27,300 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 30 March 2012	64,007,000
Assumed the Shares purchased and cancelled	<u>(6,400,700)*</u>
Resultant issued and paid-up capital	<u>57,606,300</u>

\* Inclusive of the 27,300 Shares already purchased and retained as Treasury Shares as at 30 March 2012.

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 realizes 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 2012.

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.

### 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 2012 as it would

# SHARE BUY-BACK STATEMENT (CONT'D)

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

### 7.5 Dividends (cont'd)

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 6 of this Statement for further details.

## 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (THE "CODE")

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person\* obtains controls in a company as a result of a buy back scheme by the company;
- (b) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

*"a person" includes persons acting in concert.*

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of PIE Shares pursuant to the Proposed Share Buy-Back.

## 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 2011 is as set out on the page 19 of this Annual Report.

## 10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 30 March 2012, approximately 30,316,101 Shares representing 47.38% 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 Main Market Listing Requirements (LR).

## 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 Fifteenth 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.

## APPENDIX A



### Proposed Alteration to the Articles of Association of the Company

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definition and substituted in lieu thereof with the new Definition (where applicable) as set out below:-

Existing Definitions	New Definition
"Approved Market Place" means a stock Exchange which is specified to be an approved market place in the Securities Industries (Central Depositories) Exemption (No.2) Order, 1998.	Deleted
"Securities" means the same meaning given in Section 2 of the Securities Commission Act 1993.	"Securities" has the meaning given in section 2(1) of the Capital Markets and Services Act 2007."

2. THAT the existing Article 3 of the Articles of Association as follows:-

"The authorised share capital of the Company at the date of adoption of these Articles, is Ringgit Malaysia One Hundred Million (RM100,000,000.00) divided into One Hundred Million (100,000,000) shares of Ringgit Malaysia One (RM1.00) each."

to be deleted in its entirety.

3. THAT the existing Article 6 of the Articles of Association to be amended from:-

"Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Exchange, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees of the Company or its subsidiaries by establishing an employees' share option scheme to be referred to as ESOS. The terms and conditions of the ESOS shall be determined by the Board of Directors."

to:

"Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Exchange, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees of the Company or its subsidiaries by establishing an employees' share scheme. The terms and conditions of the employees' share scheme shall be determined by the Board of Directors."

4. THAT the word "audited accounts" as appeared in Articles 5(a)(i) and 162 of the Company's Articles of Association respectively, to be amended as "audited financial statements" accordingly.

5. THAT the existing Article 18 of the Articles of Association to be amended from:-

"The Company shall allot securities and despatch notices of allotment to the allottees, within fifteen (15) Market Days of the final applications date for an issue of securities or such other period as may be prescribed by the Exchange."

to:

"The Company shall allot securities, despatch notices of allotment to the allottees and apply for the quotation of such securities (where applicable), within eight (8) Market Days of the final applications date for an issue of securities or such other period as may be prescribed by the Exchange."

## APPENDIX A (CONT'D)

### Proposed Alteration to the Articles of Association of the Company (cont'd)

6. THAT the existing Article 42 of the Articles of Association to be amended from:-

"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of deposited security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and, notwithstanding Section 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from the compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."

to:

"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of deposited security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from the compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."

7. THAT the existing Article 67 of the Articles of Association to be amended from:-

"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him, and that a proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company and that where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy."

to:

"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him, and that a proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company and that where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy appointed to attend and vote instead of a member shall also have the same right as the member to speak at the meeting."

8. THAT the following be inserted as Article 67B of the Articles of Association:-

"(1) Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

(2) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act."



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 FIFTEENTH ANNUAL GENERAL MEETING of the Company to be held at Sri Cengal II, Level 1, Sunway Hotel Seberang Jaya, No. 11 Lebu Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on Friday, 18 May 2012 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 - \_\_\_\_\_ %
100%

\* 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)

Table with 4 columns: No., Resolutions, For, Against. Rows include resolutions for dividends, directors' fees, re-election of directors (Ahmad Murad Bin Abdul Aziz, Cheung Ho Leung, Cheng Shing Tsung), Messrs. Deloitte KassimChan, and special resolutions.

Signed this: \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Number of shares held: [ ]

Signature of Member [ ]

Proxy: -

- 1. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 14 May 2012. Only a depositor whose name appears on the Record of Depositors as at 14 May 2012 shall be entitled to attend, speak and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.
2. 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 appointer. 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 authorized.

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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The Company Secretaries  
**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)

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

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