



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)

ANNUAL

REPORT

2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Chien Ch'eng

*Independent Non-Executive Chairman
(Appointed as Independent
Non-Executive Director
w.e.f. 18 March 2022)
(Redesignated as Independent
Non-Executive Chairman
w.e.f. 1 April 2022)*



Mui Chung Meng
Managing Director



Lan, Kuo-Yi
Executive Director



Wong Thai Sun
Independent Non-Executive Director



Koay San San
Independent Non-Executive Director



Lee Cheow Kooi
*Non-Independent
Non-Executive Director*

AUDIT COMMITTEE

Wong Thai Sun (*Chairman*)
(Redesignated w.e.f. 1 April 2022)
Koay San San
Lee Cheow Kooi
(Appointed w.e.f. 1 April 2022)

NOMINATING COMMITTEE

Koay San San (*Chairman*)
(Redesignated w.e.f. 18 March 2022)
Wong Thai Sun
(Appointed w.e.f. 1 April 2022)
Lee Cheow Kooi

RISK MANAGEMENT COMMITTEE

Koay San San (*Chairman*)
(Redesignated w.e.f. 1 April 2022)
Wong Thai Sun
(Appointed w.e.f. 1 April 2022)
Lan, Kuo-Yi

AUDITORS

Deloitte PLT
(Chartered Accountants)

COMPANY SECRETARIES

Wong Yee Lin (MIA 15898)
SSM PC No. 201908001793
Hing Poe Pyng (MAICSA 7053526)
SSM PC No. 202008001322

WEBSITE

www.pieib.com.my

PRINCIPAL BANKERS

Public Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
RHB Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Bangkok Bank Public Company Limited
United Overseas Bank Limited Co.

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

51-8-A, Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang

Tel : +604-373 6616
Fax : +604-373 6615

SHARE REGISTRAR

Agriteum Share Registration
Services Sdn. Bhd.
Registration No. : 200201010810
(578473-T)
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Tel : +604-228 2321
Fax : +604-227 2391



GROUP CORPORATE STRUCTURE



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)

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

100%

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.

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

100%

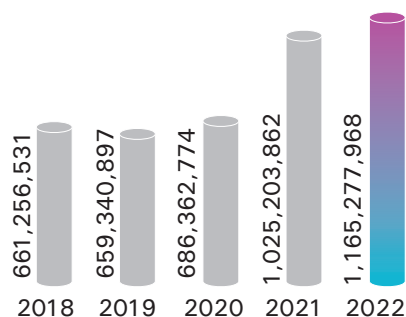
GROUP FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL SUMMARY

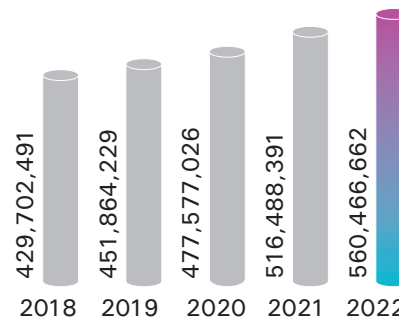
	Year ended 31 December				
	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Revenue	661,256,531	659,340,897	686,362,774	1,025,203,862	1,165,277,968
Profit before tax	55,827,397	45,801,192	56,645,146	74,345,081	82,061,638
Net profit after tax	43,142,040	36,557,352	45,595,979	60,319,934	70,030,536
Shareholders' equity	429,702,491	451,864,229	477,577,026	516,488,391	560,466,662
Net assets	429,702,491	451,864,229	477,577,026	516,488,391	560,466,662
Number of ordinary shares issued as of Dec 31	384,041,985 *	384,041,985 *	384,041,985 *	384,041,985 *	384,041,985 *
Net assets per share	1.12	1.18	1.24	1.34	1.46
Proforma weighted average number of shares	384,041,985	384,041,985	384,041,985	384,041,985	384,041,985
Basic earnings per share (Sen)	11.23	9.52	11.87	15.71	18.24
Net dividend per share (Sen)	5	5	5	-	7

* The issued share capital of RM76,808,397 is divided into 384,041,985 Ordinary Shares

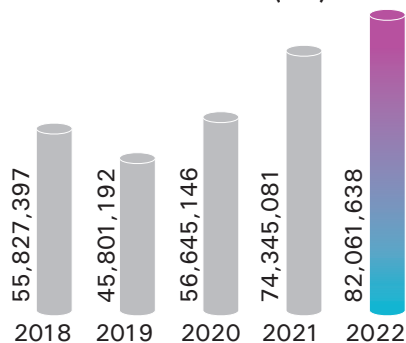
Revenue (RM)



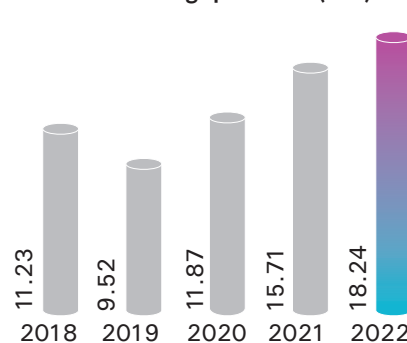
Shareholders' equity (RM)



Profit before tax (RM)



Basic earnings per share (Sen)



DIRECTORS' PROFILE

LIM CHIEN CH'ENG

Chairman / Independent, Non-Executive Director



Male



Malaysian



69

Lim Chien Ch'eng, was appointed to the Board on 18 March 2022. He graduated from Universiti Sains Malaysia in 1976 with a Bachelor of Social Science (Hons.) Degree majoring in Politics. Subsequently, he pursued a law degree and graduated from Kings College, University of London in 1979 with a Bachelor of Law (LLB. Hons.). He was called to the English Bar in 1980 and the Malaysian Bar in 1981. He is a member of the Lincoln's Inn. He has been practicing as an Advocate & Solicitor in Malaysia since 1981 and is a Partner in a legal firm with offices in Penang, Seberang Jaya, Kuala Lumpur and Johore Baru.

He is also Non-Independent Non-Executive Chairman of Chin Well Holdings Berhad, a company listed on the Main Board of Bursa.

He is also the Chairman of the Board.

MUI CHUNG MENG

Managing Director



Male



Malaysian



71

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.

LAN, KUO-YI

Executive Director



Male



Taiwanese



50

Lan, Kuo-Yi, was appointed to the Board on 19 March 2021. He is an accountant by profession. He obtained Bachelor Degree of Accounting and Master Degree of Business Administration from Soochow University. Prior to joining the Group in March 2020, he has gained local and international experience in the field of auditing and accounting.

He is also a member of the Risk Management Committee.

WONG THAI SUN

Independent, Non-Executive Director



Male



Malaysian



68

Wong Thai Sun, was appointed to the Board on 14 February 2020. He holds a Bachelor of Economics and Accountancy from Australia National University. He is a member of the Malaysian Institute of Accountants and the Certified Practicing Accountants, Australia.

He has public practice experience in accountancy for over 36 years in Malaysia and overseas. He is currently having his own public practice firm known as Wong Thai Sun & Associates and partner in Ecovis Malaysia PLT.

He is also an Independent Non-Executive Director of Emico Holding Berhad.

He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Risk Management Committee.

DIRECTORS' PROFILE (CONT'D)

KOAY SAN SAN

Independent, Non-Executive Director



Female



Malaysian



40

Koay San San, was appointed to the Board on 1 March 2018. She graduated from University of Hertfordshire with Bachelor of Accounting and subsequently obtained her Master Degree in International Business from University of Sunderland in December 2008. Ms. Koay is Chartered Accountant of Malaysian Institute of Accountants and member of Association of Chartered Certified Accountants. Upon graduation, she started her career in June 2005 as Company Auditor in an Audit firm and she left the audit firm as Senior Associate. She joined a public listed company as an Accountant. During her tenure, she was involved in numerous corporate exercises undertaken by the said listed company. She left the said listed company and worked in a multi-national company for a short stint.

She is also the Chairman of the Nominating Committee and Risk Management Committee and a member of the Audit Committee.

LEE CHEOW KOOI

Non-Independent, Non-Executive Director



Male



Malaysian



56

Lee Cheow Kooi, was appointed to the Board on 7 November 2016. He graduated from Tunku Abdul Rahman College with advanced Diploma in Mechanical and Manufacturing Engineering. He is a professional expert in implementing comprehensive business plans to facilitate achievement by planning cost effective operations.

He started his career with Supernet Sdn. Bhd. in 1991 and as an operation head in 1998. He joined Foxconn Malaysia Sdn. Bhd. in 1998 as a Sales/Engineer Manager. With demonstrable experience in developing strategic/business plan and adequate knowledge of organizational effectiveness and operation management, he is promoted as Regional Director since 2009.

He is also a member of the Audit Committee and Nominating Committee.

ADDITIONAL INFORMATION ON THE DIRECTORS

Family relationship with any director and/or major shareholder

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

Convictions for offences (within the past 5 years other than traffic offences, if any)

None of the Directors have any convictions for offences other than traffic offences within the past 5 years.

Particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None of the Directors were penalized or sanctioned by any regulatory bodies during the financial year.

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 108 of this Annual Report.



DIRECTORS' PROFILE (CONT'D)

BOARD MEETINGS

The number of Board meetings attended by the respective Directors during the financial year ended 31 December 2022 (FY2022) are as follows:

Name of Directors	Number of Board Meetings Attended / Held	Percentage of Attendance
Lim Chien Ch'eng (Appointed w.e.f. 18 March 2022)	3 / 3	100%
Mui Chung Meng	5 / 5	100%
Lan, Kuo-Yi	5 / 5	100%
Wong Thai Sun	5 / 5	100%
Koay San San	5 / 5	100%
Lee Cheow Kooi	5 / 5	100%

TRAINING PROGRAMMES

During the FY2022, the training programmes or seminars attended by the Directors (save for Mr. Mui Chung Meng and Mr. Lee Cheow Kooi) are as follows:

Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent
Lim Chien Ch'eng	<ul style="list-style-type: none"> Mandatory Accreditation Programme for Director of Public Listed Companies (6 – 8 April 2022) 	Webinar	3 Days
Lan, Kuo-Yi	<ul style="list-style-type: none"> Communication Strategies in PR Crisis by Syireen Rose (29 September 2022) 	Seminar	1.5 Hours
Wong Thai Sun	<ul style="list-style-type: none"> Audit Completion Stage and Audit Disclosures – with Emphasis on Covid 19 Audit Procedures and Disclosures (12 January 2022) Employers' Tax Statutory Obligations – Tax Implications on Employee Related Expenses (24 February 2022) Tax Appeals and Director's Duty and Responsibilities (21 March 2022) 	Seminar Seminar Seminar	7 Hours 7 Hours 7 Hours
Koay San San	<ul style="list-style-type: none"> Essentials of Corporate Taxation – A legal and practical approach with Budget 2023 updates (08 October 2022) Key Income Tax Updates in 2022 (07 December 2022) 	Webinar Webinar	1 Day 1 Day

Mr. Mui Chung Meng and Mr. Lee Cheow Kooi were unable to attend any training in 2022 due to their tight schedule and travel commitments. Nevertheless, they continue to keep themselves abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.

DIRECTORS' PROFILE (CONT'D)

REMUNERATION

During the FY2022, the detailed disclosure of remuneration breakdown of each Director is as follows:

	No	Name	Directorate	Company (RM'000)						Group (RM'000)						
				Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments
1		Lim Chien Ch'eng (Appointed w.e.f. 18 March 2022)	Independent Non-Executive Chairman	22.50	0	0	0	0	5.50	28.00	0	0	0	0	0	28.00
2		Mui Chung Meng	Executive Director	0	0	338.47	1,345.02	0	5.90	1,689.39	0	0	0	15.50	0	1,704.89
3		Lan, Kuo-Yi	Executive Director	0	0	144.14	233.25	0	5.90	383.29	0	0	0	6.60	0	389.89
4		Wong Thai Sun	Independent Non-Executive Director	30.00	0	0	0	0	6.70	36.70	0	0	0	0	0	36.70
5		Koay San San	Independent Non-Executive Director	30.00	0	0	0	0	7.30	37.30	0	0	0	0	0	37.30
6		Lee Cheow Kooi	Non-Independent Non Executive Director	0	0	0	0	0	6.90	6.90	0	0	0	0	0	6.90
7		Loo Hooi Beng (Resigned w.e.f. 31 March 2022)	Independent Non-Executive Director	7.50	0	0	0	0	2.60	10.10	0	0	0	0	0	10.10



KEY SENIOR MANAGEMENT INFORMATION

LAW TONG HAN

Assistant General Manager, Contract Electronic Manufacturing (CEM) - Electronic Division



Male



Malaysian



51

Mr. Law holds a Master of Science (MSc) in Manufacturing Systems Engineering degree from University of Warwick. He joined Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) as Engineering Manager in 2007. He experienced in both process engineering and Research and Development section before joining PIESB. He was appointed as Division Manager mainly responsible for operation in CEM - Electronic on 1 July 2011. He was appointed as a director of PIESB on 12 March 2018 and then promoted to as Assistant General Manager of PIESB with effect from 1 July 2019.

ONG TIEW LING

Head of Supply Chain Support, CEM – Electronic Division



Male



Malaysian



55

Mr. Ong holds a Bachelor of Business Administration degree from Chung Yuan Christian University. He joined PIESB on 27 June 2018. He has thirty-one (31) years of working experience in supply chain management, program management, plant operation and Business Unit Head.

CHEAH HENG LYE

MIS Manager, CEM – Electronic Division



Male



Malaysian



59

Mr. Cheah holds a Bachelor of Economics degree from Chung Hsing University. He started his working career as System Analyst in Pan-International Industrial Corporation (PIIC) in 1990 and joined PIESB in 1994. He has thirty-two (32) years of experience in Manufacturing Industries Computerization. He was appointed as MIS Manager on 1 January 1997 to set up IT integration system in the group. He is also a director of PIE Enterprise (M) Sdn. Bhd. (PIEE).

KEY SENIOR MANAGEMENT INFORMATION (CONT'D)

CHEN, MING-LUNG

Assistant General Manager, Raw Wire & Cable Division



Male



Taiwanese



67

Mr. Chen completed his high school education and started his working career in PIIC in 1980 and then transferred to a subsidiary of the Group, Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) as the Factory Manager in 1989. He has forty-two (42) years of working experience in the manufacturing of wire and cable. He was appointed as Assistant General Manager in the division of raw wire and cable on 1 June 1997. He is also a director of PIW and P.I.W. Enterprise (Malaysia) Sdn. Bhd. (PIWE).

HONG YONG PENG

Assistant General Manager, Converter Division



Male



Malaysian



67

Mr. Hong holds a Master's degree in Business Administration. He joined the Group in 2011. He has forty-three (43) years of working experience in Semi-Conductor and Electronics companies. He was appointed as Assistant General Manager in the division of converter on 1 February 2011.

LIAO, YUEH-CHEN

Factory Manager, Raw Wire & Cable Division



Female



Taiwanese



60

After completing her high school education, Ms. Liao started her working career in PIIC in 1979 and then transferred to PIW as the Production Manager in 1989. She has forty-two (42) years of working experience in the manufacturing of wire and cable. She was appointed as Factory Manager in division of raw wire and cable on 1 June 1997. She is also a director of PIW and PIWE.

ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

None of the Key Senior Management has:

- any family relationship with any Director and/or major shareholder of P.I.E. Industrial Berhad
- any conflict interest with P.I.E. Industrial Berhad
- any conviction for offences within the past five (5) years other than traffic offences
- any directorship in public company and listed issuer
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

P.I.E. Industrial Berhad (“PIE” or the “Company”) was established in Malaysia. PIE and its subsidiaries (the Group) continued to provide value to stakeholders by offering fully integrated “one-stop” Electronics Manufacturing Services (EMS) and manufacturing of wires and cables for various industrial applications, just as it has done so for the past 30 years. In 2022, the Group achieved a new all-time high record revenue of RM1.17 billion, despite the challenging business environment and uncertainty in the global economy and the ongoing COVID-19 pandemic.

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2022 (FY2022), the Group achieved a revenue of RM1.17 billion, representing a 13.59% increase from RM1.03 billion in FY2021. The increase was mainly due to higher orders received from new and existing customers in the EMS segment. Malaysia remained the primary contributor to the Group’s revenue, generating 98.41% of the Group’s turnover, followed by Thailand (1.58%) and Singapore (0.01%). Local operations revenue increased by 13.65% in FY2022 to RM1.15 billion, while turnover from operations in Thailand increased by 14.13% to RM18.45 million.

The Group recorded a profit before tax (PBT) of RM82.06 million in FY2022, a 10.37% (RM7.71 million) increase from RM74.35 million in FY2021. The higher PBT in FY2022 was mainly due to an increase in revenue (RM140.07 million), and higher scrap sales (RM3.20 million), partially offset by higher cost of goods sold (RM124.25 million), higher operating expenses (RM7.95 million), lower interest income (RM0.15 million), higher interest expenses (RM1.28 million), lower rental income (RM0.68 million) and higher allowance of slow-moving inventory (RM1.25 million).

In terms of PBT by segment in the manufacturing of industrial products, the profitability of the EMS division and manufacturing of wires and cables division in Malaysia increased by RM6.19 million or 8.4% in FY2022 to RM79.78 million. However, the cable assembly and wire harness division in Thailand registered a PBT of RM0.97 million in FY2022.

As a result, the Group achieved a profit after tax (PAT) of RM70.03 million in FY2022, an increase of RM9.71 million or 16.10% from RM60.32 million in FY2021, which was mainly due to the aforementioned reasons.

CAPITAL STRUCTURE AND RESOURCES

The Group’s total assets have increased by 9.74%, or RM80.49 million, from RM826.34 million in FY2021 to RM906.83 million. The increase was mainly due to higher trade receivables (RM80.63 million) in line with the revenue increase, increased short-term investments (RM0.08 million), and higher current tax assets (RM5.61 million). However, there was a decrease in inventories (RM13.13 million) due to higher sales order from new and existing customers, as well as a decrease in cash holdings (RM15.10 million).

In the financial year under review, the Group incurred capital expenditures (CAPEX) amounting to RM46.68 million, which is lower than the RM65.66 million invested in FY2021. The CAPEX was spent on the purchase of machinery and equipment as well as the purchase and expansion of the factory building to expand production capacity to cater for the increasing orders and enhance operational efficiency.

The net cash used in operating activities for the Group amounted to RM22.31 million in FY2022. The Group’s cash and cash equivalent stood at RM62.66 million in FY2022, which is a healthy level, providing the Group with the flexibility and capability to quickly seize any good business opportunities that arise and adapt to any unforeseen circumstances.

The total equity of the Group increased by 8.52% or RM43.98 million to RM560.47 million in FY2022 compared to RM516.49 million in FY2021. The total equity increased due to higher distributable retained profits of RM70.03 million compared to last year, offset by payment of dividends amounting to RM26.88 million. The Group’s net assets per share increased to RM1.46 per share in FY2022 from RM1.34 per share in FY2021, while the basic earnings per share for FY2022 and FY2021 are 18.24 sen and 15.71 sen, respectively.

The total liabilities of the Group increased by 11.80% or RM36.55 million to RM346.40 million in FY2022 from RM309.85 million in FY2021, mainly due to higher short-term borrowings (RM34.07 million) and increased current tax liabilities (RM0.48 million) for working capital purposes. However, there was partial offset from lower trade payables (RM0.78 million) as we have been ensuring prompt payment to suppliers to receive raw materials on time to fulfill the sales order received. Net assets were higher at RM560.47 million in FY2022 compared to RM516.49 million in FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

CAPITAL STRUCTURE AND RESOURCES (CONT'D)

As of 31 December 2022, the Group's current capital structure is deemed appropriate to safeguard its ability to continue as a going concern to generate satisfactory returns to shareholders and reduce the cost of capital. The main sources of the Group's capital accumulation are earnings generated from core operational activities.

BUSINESS AND OPERATIONAL REVIEW

In FY2022, the EMS division in Malaysia contributed 78.15% of the Group's revenue through its fully built-up vertically integrated manufacturing activities, providing customers with "one-stop" turnkey services. The division saw increased sales orders from existing customers and a new major customer, resulting in a revenue increase of RM80.32 million or 9.68%.

The raw wire and cable manufacturing division in Malaysia contributed 20.27% of the Group's revenue. This division saw an increase in sales orders from existing major customers, resulting in a revenue increase of RM57.74 million or 23.19% compared to FY2021. The division is continuing to invest in machinery and equipment to enhance production capacity and improve customer satisfaction with high-quality products.

The wire harness and cable assembly division in Thailand contributed 1.58% of the Group's revenue. In FY2022, revenue from this division increased to RM18.45 million from RM16.17 million in FY2021, primarily due to higher orders received from existing customers. The revenue from PIT in Thailand is expected to continue to increase, as more orders are transferred from PIE due to the availability of labour supply and customers' acceptance of dual sites to support the manufacturing of their products as a contingency measure.

RISKS AND MITIGATION

Customer concentration risk

To mitigate the risk of customer concentration, which is the risk of losing major customers who account for a significant portion of the Group's revenue, the Group has taken the following steps as part of our risk strategy: -

- Strengthening our network with other foreign sales representatives
- Improving our full integration of "one-stop" turnkey EMS manufacturing capabilities

By doing so, the Group aims to better serve our existing major customers and attract new business opportunities, thereby reducing the impact of losing a major customer on our revenues and earnings.

Foreign currency risk

The Group faces foreign currency exchange risk as a result of its export-based manufacturing operations, particularly in the USD/MYR rate. To manage this risk, the Group employs natural hedging through sales and purchases denominated in USD. The Group's finance team has closely tracked foreign currency movements and optimizes account receivables and payables denominated in USD to minimize foreign exchange losses. Although the Group conducts transactions in Euros, Thai Baht, Singapore Dollars, and Japanese Yen, its exposure to these currencies are limited.

Foreign worker risk

The Group has enlisted the services of a reputable labour agency to provide a steady and reliable workforce, which will help us to meet customer orders without any disruptions to our production schedules.

The manpower shortage that arose during the COVID-19 pandemic period has been resolved. However, the Group will continue to apply for additional foreign workers to support our production expansion efforts.

Environment, Health and Safety Risk

While the Group's manufacturing activities are labour intensive, there are potential risks of both internal and external threats. Internal threats can include employee negligence and poor facility safety levels, while external threats may include the ongoing COVID-19 pandemic. The Group has committed Environmental, Health and Safety (EHS) team to ensure overall facility and employees adhere to safety guidelines. The EHS team, along with the human resource team, regularly organise training and briefing to employees on how to respond in the event of emergencies such as fire or medical incidents.

Inventory Security Risk

The Group will face higher inventory level due to expansion and increase of its customer base. There will be potential risks such as inventory security risk, fire hazard and internal theft. The Group has improved security measures such as the increase in application of CCTV, alarms and security guard personnel to prevent unauthorized access to its warehouses and in monitoring the movement of inventory goods. All plant facilities and warehouses are also equipped with firefighting equipment in compliance with the requirement of the fire authority.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OUTLOOK, PROSPECTS AND FUTURE CHALLENGES

The Group has demonstrated strong financial performance by surpassing prior year revenue and profitability despite the ongoing impact of the Covid-19 pandemic in Malaysia. In FY2022, we achieved a new all-time high revenue record and are continuously striving to maximize shareholder value and increase net profit. With active engagement with few new potential customers, the Group expects another strong growth in view of business revenue and diversity for the financial year ended 31 December 2023 (FY2023).

The expansion and renovation of the two (2) upcoming plant facilities are expected to have a significant impact on revenue in 2023 by engaging more new business opportunities. When the plant facilities are fully operating, the Group will have the ability to increase production capacity and able to cater to existing and new potential customer needs, which will result in increased revenue and growth.

In terms of the global political climate, the Group remains optimistic despite the challenges posted by the ongoing US-China trade war. The Group has observed that customers are increasingly directing their orders to South East Asian countries and India. Furthermore, overall global market is expecting an increase in demand in 5G, automotive, high-performance server, digital and home entertainment products. The Group strongly believes these factors will contribute to overall PIE Group's core product revenue growth in future. The Group may also have an opportunity to enter the electric vehicle (EV) industry in view of the rising EV manufacturing industry in Thailand and such development will improve diversity in business.

Labour costs and productivity will remain challenging in the manufacturing industry. The Group has overcome the shortage labour issue in Q4 and has immediately ramped up production and fulfilled backlog orders. However, the government introduction of an increase in minimum wages and overtime payment has increased overall labour costs. In mitigation, the Group has actively sought agreement from customers for an increase in selling price to absorb the additional cost incurred. Furthermore, the decision on installation of solar panels for green electric energy generation will also mitigate the big rise in electricity cost in 2023. The Group is also automating selected processes to improve consistency in production output and quality.

Revenue in the wire and cable division is expected to trend upwards, reflecting growing market demand. Rising copper prices is unlikely to impact our revenue as the selling price to customers is pegged to the market price of copper.

Despite current challenges, we remain confident in the future of the Group. Based on the developments outlined above and ongoing discussions with existing and new customers on new potential projects, we are confident that the Group will continue to perform well in the coming financial year. With more than 30 years of operating experience, we are dedicated to delivering the best value to all stakeholders - including customers, employees, shareholders, and others - by enhancing and improving our innovation, automation processes, and vertical integration capabilities.

DIVIDEND

In respect of FY2022, the following dividends were declared and paid:-

- a special single tier interim dividend of 2 sen per share amounting to RM7,680,839.70 that was declared on 27 April 2022 and paid on 20 June 2022; and
- a single tier interim dividend of 5 sen per share amounting to RM19,202,099.25 that was declared on 27 April 2022 and paid on 20 June 2022.

We remain committed to a balanced dividend policy that will ensure the adequacy of funds to support the Group's future investment and expansion programs, while also rewarding our shareholders with satisfactory dividend payout in line with our performance.

This statement was made in accordance with a resolution of the Board dated 10 March 2023.

AUDIT COMMITTEE REPORT

The Board of Directors (the Board) presents the Audit Committee (AC) Report for the financial year ended 31 December 2022 (FY2022).

COMPOSITION

The current members of the AC are:

Chairman: Wong Thai Sun (Independent Non-Executive Director) (Redesignated as Chairman w.e.f. 1 April 2022)
Loo Hooi Beng (Independent Non-Executive Director) (Resigned w.e.f. 31 March 2022)

Member: Koay San San (Independent Non-Executive Director)
Lee Cheow Kooi (Non-Independent, Non-Executive Director) (Appointed w.e.f. 1 April 2022)

This AC membership complies with Paragraph 15.09(1)(a) and (b) of the Bursa Securities Main Market Listing Requirements (Main LR). Mr. Wong Thai Sun, the Chairman of the AC is a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the company meets the requirements of paragraph 15.09(1)(c)(i) of the Main LR.

ATTENDANCE OF MEETINGS

The following table shows the attendance of each member at the AC meetings held during the reviewed financial year:

Name of Director	Number of Meetings Attended / Held	Percentage of Attendance
Wong Thai Sun	5/5	100%
Koay San San	5/5	100%
Lee Cheow Kooi (appointed w.e.f. 1 April 2022)	3/3	100%
Loo Hooi Beng (resigned w.e.f. 31 March 2022)	2/2	100%

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

During the fiscal year under review, the AC met five (5) times. The AC also meets with the Group's CFO, internal and external auditors to discuss and review matters to ensure that the AC is provided with comprehensive information or additional assurance as required.

The following were the main activities undertaken by the AC during the FY2022:-

- Assisted the Board in carrying out its statutory and other responsibilities in risk management, internal control systems, financial and accounting matters, and evaluating the system's effectiveness;
- Reviewed internal audit reports, recommendations, and responses from management as well as discussed with the Management actions taken to improve the internal control system as a result of internal auditor findings;
- Reviewed with external auditors their scope of work, audit methodology, materiality thresholds, evaluation of internal control system, management letter to the AC, management responses, and the allocation of audit resources based on key business and financial risk areas, as well as the optimum coverage and efforts between external and internal auditors;
- Reviewed the quarterly financial results and recommendation to the Board prior to public announcement;
- Reviewed reports on related party transactions and recurring related party transactions to ensure they were carried out in accordance with the Main LR and within the shareholders' mandate;

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE (CONT'D)

- Had two (2) private sessions with the external and internal auditors without the presence of Executive Director and the management personnel to discuss any issues and observations which require the AC's attention. There were no areas of concern that warranted escalation of the AC and the Board; and
- Throughout the year, evaluated the external auditors' performance, competency, and professionalism. The AC considered and assessed external auditors' independence and objectivity before engaging them for non-audit related services.

INTERNAL AUDIT FUNCTION

The internal audit function was outsourced to Finfield Corporate Services Sdn. Bhd. (Finfield), an independent professional firm. Finfield was appointed to review and monitor the effectiveness, adequacy, and integrity of the Group's internal control systems throughout FY2022. Its primary function is to provide independent assurance on the adequacy and effectiveness of governance and internal control processes. The internal audit function of the Group cost RM48,000 in FY2022.

Finfield's internal audit proposal was approved by the AC. Finfield conducted four (4) audit examinations during the financial year, covering the following four (4) areas/business processes:-

- Revenue, accounts receivable and credit control;
- Compliance with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (MACC);
- Finished goods inventory management; and
- Human Resource on talent management and foreign worker management.

Finfield also did the following jobs throughout the year:-

- Completed audits as per the AC's approved annual internal audit plan;
- Identified auditable areas and carried out the business processes reviewed;
- Reported the audit findings to the AC, including the risk rating, recommendations, and management response;
- Keeping track of the completion date and effectiveness of corrective actions; and
- Reviewed the Group's status of compliance with established policies, practices, and statutory requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on risk management and internal control has been prepared in accordance with the Bursa Securities Berhad Main Market Listing Requirements (Main LR). It outlines the key elements of the risk management and internal control system within P.I.E Industrial Berhad and its subsidiaries (the Group) for the fiscal year under review.

BOARD RESPONSIBILITY

The Board of Directors (the Board) is responsible towards effective risk management and internal control systems, with the assistance of the Audit Committee (AC) and the Risk Management Committee (RMC). The Board recognizes the importance of maintaining a sound risk management and internal control system within the Group and affirms its overall responsibility to review the adequacy and effectiveness of the system in order to achieve the following objectives: -

- a) Safeguarding shareholders' investments and assets of the Group;
- b) The effectiveness and efficiency of the Group's operations;
- c) Compliance with applicable laws and regulation;
- d) Compliance with the Code of Ethics; and
- e) Integrity and reliability of information and reporting.

Our risk management and internal control system, however, can only provide reasonable, not absolute, assurance against material misstatements of management and financial information, financial frauds or losses, and unforeseen emerging risks due to the inherent limitations of any system.

MANAGEMENT RESPONSIBILITY

Management is responsible for implementing risk and internal control policies and procedures, which include: -

- a) Identifying and assessing risks relevant to the Group's context;
- b) Designing, implementing, monitoring, and reviewing the effective implementation of risk management and internal control systems; and
- c) Reporting to the Board on any key risks or emerging risks, as well as corrective and mitigation actions taken, in a timely manner.

RISK GOVERNANCE & OVERSIGHT

The RMC has duly reviewed and accessed the efficacy and effectiveness of the controls and action plans taken to mitigate and manage the Group risk exposure. The RMC held annual meetings with the Senior Management teams of the relevant business units to identify any risk-related issues within the Group. This was done in collaboration with internal auditors and with their support on risk measurement methodology. The risks identified were then recorded, their likelihood and impact were assessed, and a risk profile with recommended mitigation actions was developed and presented to the AC and the Board for review and evaluation of the risk management system's effectiveness.

Regarding internal controls, the AC reviewed the adequacy and effectiveness of internal controls based on the audits performed by internal auditors. The internal auditors addressed the audit issues and presented the management actions during the AC meetings. The minutes of these meetings were presented to the Board on regular basis. Further information on the AC's activities can be found in the section of the AC Report of this Annual Report.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board defines Enterprise Risk Management (ERM) as all measures taken to reduce risk exposure in order to achieve the Group's business objectives. As a result, ERM is integrated at all levels of corporate and business processes to ensure it is considered in the normal course of business.

The ERM is implemented in accordance with ISO 31000: 2018 Risk Management – Guidelines. In collaboration with various management teams, the RMC identifies, assesses, and evaluates risk as part of our risk management process.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

The purpose of ERM is to create, preserve, and realize value of the Group. It enhances performance, encourages innovation and aids in achievement of the Group's objectives. It also assists management in operating effectively, protecting our employees and assets, making informed decisions, and complying with relevant laws and regulations.

RISK MANAGEMENT PROCESS

The risk management process involves applying policies, procedures, and practices to communication and consultation activities, and establishing the context for identifying, quantifying, responding to, controlling, monitoring, and reviewing risks.

The most recent risk assessment's key risks and control strategies for mitigating or managing those risks can be found in the section of Management Discussion and Analysis of this Annual Report.

INTERNAL CONTROL SYSTEM

The Group's internal control system is designed for effective governance and oversight, which includes the following key elements: -

- **Anti-Bribery, Anti-Corruption Policy and Procedures**

The Group takes a zero-tolerance approach to all forms of bribery and corruption in its daily operations. It complies with the MACC as well as other local laws and regulations. The Group Anti-Bribery and Anti-Corruption Policy outlines the principles used to address and manage bribery and corruption risks in all internal and external dealings.

- **Board Committees with Responsive Oversight**

The board committees, including the AC, RMC, and Nominating Committee (NC), have specific duties, roles, and responsibilities delegated by the Board. The AC and RMC have the authority to investigate all issues within their scope of reference and make recommendations to the Board. The NC assesses the Board's effectiveness and the performance of each individual director to ensure that the Board has the right size and mix of skills and experience to meet the Group's objectives.

- **Group Organisational Structure**

The Board has established a clear organizational structure with defined lines of responsibility, accountability and delegation of authority that are communicated throughout the Group and in line with the Group's business and operational needs.

- **Code of Ethics for Director and Employee Handbook**

The Code of Ethics serves as a guide for setting an ethical standard for directors. All employees are required to read and comprehend the Employee Handbook, which addresses various aspects of employment in a fair and uniform manner. The Handbook includes ethical values, professionalism in all business practices, respect in the workplace, protection of assets, and compliance with laws, rules, and regulations.

- **Human Resource (HR) Standard Practices**

We have best practices in place including the hiring and termination of employees, as well as annual performance evaluations. These evaluations are valuable in making informed decisions about promotions, salary increment, job transfer, and termination, as well as enhancing the overall productivity of the Group.

Employees are encouraged to participate in formal training and development programs to acquire the necessary skills to fulfill their responsibilities and meet the business objectives of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

- **Delegation of Authority**

Management and Executive Directors have been delegated appropriate authority for daily operations, investment, acquisitions, and asset disposal. This creates a strong framework for accountability and responsibility within the Group.

- **Policies, Standard Operating Procedures (SOPs) and Work Instructions (WIs)**

Policies, SOPs, and WIs have been established to regulate crucial business processes, such as Production, Business Development, Procurement, Finance, and Information Technology, among others. These are periodically reviewed and updated to ensure compliance with internal controls, relevant laws and regulations, and to continue to support the Group's business activities.

- **Periodical Meetings**

Regular management meetings are held to review the progress towards targeted results and ensure timely corrective actions are taken if necessary. The Board regularly receives and reviews reports from management to assess the performance of the Group. These reports include financial information and accounts, which are presented for approval. The quarterly financial results are publicly released after they have been reviewed and approved by the AC and the Board at their quarterly meetings.

The Executive Directors are responsible for ensuring the adoption and application of appropriate accounting policies, and that the going concern basis used in the Group's financial statements is appropriate. Furthermore, they are also responsible to ensure prudent judgments and reasonable estimates are made in accordance with the MFRSs, IASs, and Main LR to ensure that the quarterly financial statements are true and fair.

- **Independent Assurance by Internal Audit**

The internal audit function provides independent assurance that the Group's governance and internal control processes are adequate and effective. Internal audits are conducted by the outsourced professional firm Finfield Corporate Services (Finfield) on regular basis to ensure policy and procedure compliance and to report any significant non-compliance.

Finfield prepares Internal Control Review Reports which covered the review of two (2) major subsidiaries of the Group, Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. Audits are performed on the core business processes of the Group to provide independent and objective reports on their operational and management activities. The audit findings, including the risk rating, recommendations, and management responses, are presented to the AC at its regular meetings for review.

The internal control system is audited on regular basis to ensure that its functions are carried out effectively.

- **Whistleblowing Policy**

A whistleblowing policy is in place to provide employees a safe and confidential avenue to report any suspected fraud, unethical behavior, or improper workplace conduct.

The Board confirms that the elements listed above were in place throughout the fiscal year under review and until the date of approval of this annual report and financial statements. The Board believes that the current risk management and internal control system are adequate for achieving the Group's business objectives.

ASSURANCE FROM MANAGEMENT

The Managing Director and Chief Financial Officer have provided the assurance to the Board that the Group's risk management and internal control system have been operating effectively and efficiently in all material aspects during the fiscal year under review. The Board has taken into account the representations made by the Group's subsidiaries regarding their risk management and internal control systems in issuing this statement. Based on the assurances and representations, the Board believes that the Group's risk management and internal control system are adequate for meeting the Group's needs and have not resulted in any material losses, contingencies, or uncertainties that necessitate disclosure in the Group's annual report.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Main LR and pursuant to the scope set out in the Audit and Assurance Practice Guide 3 (AAPG3), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FY2022. AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their review, the External auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material respects, in accordance with disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers as set out, nor is the statement factually inaccurate.

CONCLUSION

The Board is dedicated to maintain an effective risk management and internal control system and acknowledges that it requires ongoing review and reinforcement to support the growth of the Group's operations and businesses. In relation to the commitment to continuous improvement, the Board will take necessary actions and implement plans to enhance the risk management and internal control systems of the Group.

This statement was made in accordance with a Board resolution dated 10 March 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of P.I.E. Industrial Berhad ("PIE" or the "Company") is dedicated to maintaining and implementing high standards of corporate governance (CG) practices within the Group to realize long-term shareholder value and protect the interests of other stakeholders.

The Board has taken the necessary steps to continuously improve the CG practices adopted by the Group to promote business prosperity and meet the higher expectations of regulators and stakeholders.

This statement aims to give shareholders and investors an overview of the Company's CG practices under the leadership of the Board during the financial year ending 31 December 2022 (FY2022). It follows the key CG principles outlined in the Malaysian Code on Corporate Governance (MCCG or the Code).

This statement has been prepared in compliance with Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and should be read in conjunction with the Company's CG Report 2022, which is available on PIE's website at www.pieib.com.my. The CG Report provides information on how the Company applied each practice outlined in the MCCG during FY2022.

The Board is pleased to disclose the key focus areas that the Group has emphasized during FY2022, as related to the three (3) principles outlined in the Code:

- A. Board Leadership and Effectiveness
 - I. Board Responsibilities
 - II. Board Composition
 - III. Remuneration
- B. Effective Audit and Risk Management
 - I. Audit Committee
 - II. Risk Management and Internal Control Framework
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
 - I. Engagement with Stakeholders
 - II. Conduct of General Meetings

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board acknowledges its responsibility to guide the Group towards achieving its goals and objectives. The Board is primarily accountable for formulating and reviewing the strategic direction of the Company while providing effective oversight on Management's performance in carrying out the delegated duties for the sustainable growth of the Group and the creation of long-term value to shareholders and various stakeholders.

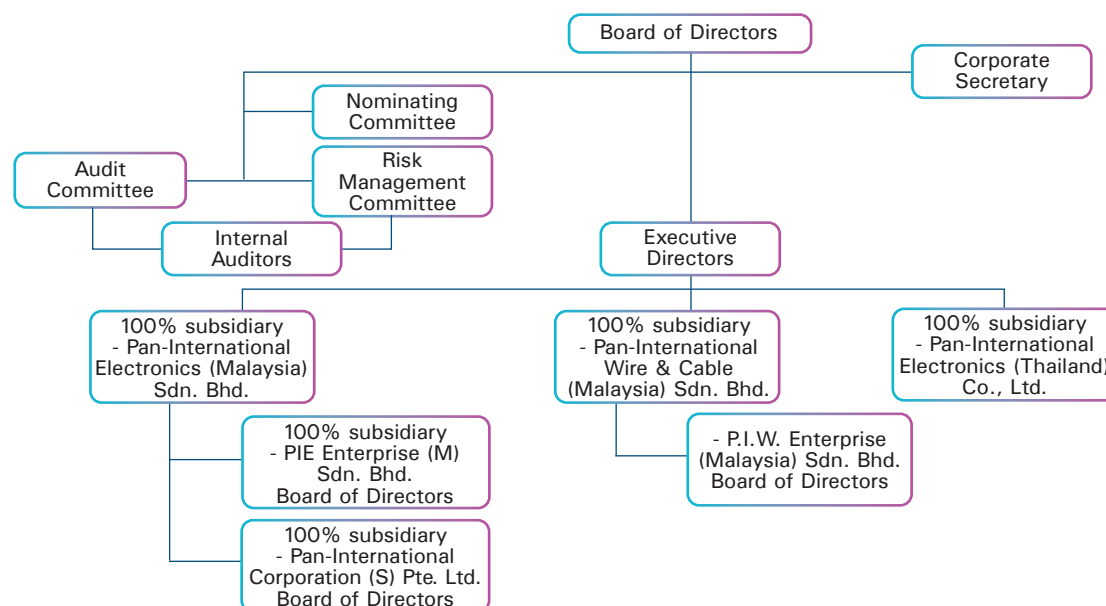


CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

In order to ensure effective discharge of the functions and responsibilities of the Board, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees i.e., the Audit Committee, Nominating Committee and Risk Management Committee, the Managing Director (MD) and the Senior Management of the Group, as depicted below:



Responsibilities between the Board, Board Committees, individual Directors and Management within the Group are distinctly different to ensure they perform their duties more effectively and efficiently. The Board, Management as well as employees shall understand PIE's acceptable manner and behaviour practiced in their daily operations to strengthen ethics, integrity and transparency.

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 participated in the subsidiaries' management meeting to ensure that decisions made by the Board are disseminated and delegated effectively to the Management of the subsidiaries.

The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance and compliance. During the FY2022, the Company continued the practice of conducting Audit Committee meeting before Board Meeting to allow discussion on any issues raised by the External Auditors and/or Internal Auditors for the Board's attention.

The positions of the Chairman and MD are held by different individuals with clear and distinct roles. In addition, the Chairman of the Board is not a member of the Audit Committee, Nominating Committee and Risk Management Committee to ensure there is check and balance as well as objective review by the Board.

All Directors have direct access to the advisory services of the Company Secretaries who are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. In addition to the administrative matters, Company Secretaries also advised the Board on CG issues, compliance with the relevant policies and procedures, laws and regulatory requirements.

All members of the Board and Board Committee received complete agenda and documents relevant to the meetings at least seven (7) days in advance to allow them to have sufficient time to review for effective discussion and decision making during the meetings. To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year.

The Board Charter serves as a primary reference for perspective and existing Board members of their fiduciary duties as Directors of the Company, the responsibilities of the Board Committees and the leadership function of the Board. The Board Charter will be reviewed periodically to ensure its relevance and compliance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

The Board has established a Code of Ethics for Directors. It includes principles relating to Directors' duties, conflict of interest and dealings in securities. Meanwhile, all employees of the Group are bound to the employee handbook which promotes integrity and ethical behaviour in all aspect of the Group's operations. This is to ensure that good standards of behaviour permeate all levels of the Group, and would help to prevent misconduct and unethical practices.

The Anti-Bribery and Corruption Policy has been adopted as part of the Group's commitment against all forms of bribery and corruption. Besides, PIE has implemented the Whistleblowing Policy to provide an avenue for employees or any external party to disclose any improper conduct or wrongdoing within the Group.

Further details relating to the Board Charter, Code of Ethics, Whistleblowing Policy and Anti-Bribery and Corruption Policy are set out in the CG report and also available on Group's corporate website at www.pieib.com.my.

The Board together with the Management are responsible for the governance of sustainability in the Group including setting the Group's sustainability strategies, priorities and targets as well as to ensure these targets are communicated to its internal and external stakeholders. The Board is also aware of the sustainability issues relevant to the Group's business operation.

The performance evaluation of the Board and Senior Management should consider the performance of the Board and Senior Management in their respective roles in addressing the company's material sustainability risks and opportunities.

II. Board Composition

The Nominating Committee reviews the tenure of each director to ensure that the composition of the board is refreshed periodically. The tenure of each director reviewed by the Nominating Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance as well as contribution to the Board.

As of the date of this Annual Report, the Board comprised six (6) members. The independence element of the Board was 50% and all the three (3) Independent Non-Executive Directors satisfied the independence tests under Paragraph 1.01 of Bursa Securities LR and Paragraph 13 of Main LR.

Directorate	Composition
Independent Non-Executive Directors	3
Executive Directors	2
Non-Independent Non-Executive Director	1

Gender	Composition
Male	5
Female	1

Age	Composition
40-49	1
50-59	2
60-69	2
70-79	1

Race / Ethnicity	Composition
Chinese	5
Foreign	1

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

The Board acknowledges that an appropriate mix of knowledge, skills, industry experience, gender, ethnicity and age is fundamental to the right board composition to ensure that diverse perspectives and insights are expressed in the decision-making process for the best interest of the Company.

The skillsets and diversity of the Board are as follows:

Directors	Nationality	Designation	Industry / Background Experience							By Composition								
										Age		Ethnic		Gender				
			Technology	Marketing	Industrial	Corporate	Accounting / Finance	Governance Risk and Compliance	Law / legal	40 – 49 years	50 – 59 years	60 – 69 years	70 – 79 years	Bumiputra	Chinese	Foreign	Male	Female
Lim Chien Ch'eng	Malaysian	Chairman/ Independent Non-Executive Director	√		√	√		√	√			√			√		√	
Mui Chung Meng	Malaysian	Managing Director	√	√	√	√							√		√		√	
Lan, Kuo Yi	Taiwanese	Executive Director				√	√	√			√					√	√	
Wong Thai Sun	Malaysian	Independent Non-Executive Director				√	√	√				√			√		√	
Koay San San	Malaysian	Independent, Non-Executive Director					√	√		√					√			√
Lee Cheow Kooi	Malaysian	Non-Independent, Non-Executive Director	√	√	√	√					√				√		√	

The Board solely rely on recommendations from existing Board members, Management or major Shareholders in identifying candidates for appointment of directors. As the Board and Management of the Company believe that they would have a better understanding of the board candidatures.

The Board ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of Directors. The profile of each Director is set out in the Annual Report and Company's corporate website. These include their age, gender, working experience and any conflict of interest as well as their shareholdings.

The Board is assisted by Nominating Committee which is chaired by an Independent Director to review, amongst other, the structure, size and composition of the Board. The NC shall lead the succession planning, appointment directors and oversee the development of business diversity for the Board and Management.

The percentage of women representation on the Board and Top Management was 17%. The Board is of the view that the appointment of the Board or Management should be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background as well as gender. The Board will maintain or appoint more female board and key senior management representation in future which to be in line with the Code.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

The Board Charter stipulates that “The Board shall at all times promotes and welcomes diversity and gender mix in its composition and gives due recognition to the technical and business experience of the Directors.”

Nominating Committee reviews the effectiveness of the Board and performance of each individual Director as well as assesses the independence of Non-Executive Directors of the Company on an annual basis to determine if the Board has the right size and sufficient diversity with independence elements that meet the Company’s objectives and strategic goals.

On 25 February 2022, the duly completed valuation forms comprising the quantitative and qualitative performance criteria by each Director were tabled at the meeting for evaluation. Such evaluation including the assessment of the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

The Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committee. The Nominating Committee agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively.

III. Remuneration

The Board has formalised Remuneration Policy and Procedures applies to the Directors including Executive and Non-Executive Directors of the Company. Whereas, the Remuneration Policy and Procedures for Senior Management will be governed under the Company’s HR Policy.

Although, the Board has decided not to set up a Remuneration Committee as recommended by the Code. However, the Board has formalised a policy for fixing remuneration packages of each director. The Remuneration Policy and Procedures is available on the Group’s corporate website.

The detailed disclosure on named basis for the remuneration of Individual Directors and Top Five (5) Senior Management of the Group for the FY2022 are disclosed in the Directors’ Profile of this Annual Report and CG Report respectively.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Wong Thai Sun. To ensure the effectiveness and independence of the Committee, he is not holding the position of Chairman of the Board. Besides, the Company complied to Paragraph 15.09(1)c(i), as he is a Chartered Accountant of the Malaysian Institute of Accountants.

The Board has put in place the Terms of Reference of the AC that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee. Nonetheless, there was no former key audit partner being appointed as an Independent Director or member of Audit Committee.

The Audit Committee has adopted the policies and procedures to access the suitability and independence of External Auditors. The Audit Committee is guided by, amongst others, External Auditors Evaluation Form recommended by MCCG Guide 3rd Edition and Paragraph 15.21 of the Main LR.

The Audit Committee comprise majority of Independent Directors. It comprises three (3) members, two (2) of whom are Independent Non-Executive Directors and one (1) of whom is Non-Independent Non-Executive Director.

The Audit Committee possesses a wide range of necessary skills to discharge its duties. They are financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process. They are also undertaking continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework

The Board meets its responsibilities in the risk governance and oversight functions through its Risk Management Committee in order to manage the overall risk exposure of the Group. The Risk Management Committee assess and monitor the effectiveness of the risk management framework while Audit Committee reviews the adequacy and effectiveness of the internal control of the Group.

The Company has engaged an external professional firm to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the internal control of the Group. The Audit Committee reviews and deliberate on the audit findings including risk rating, recommendations and management responses to those recommendations based on the audit assignment carried out by the Internal Auditors.

Further details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Engagement with Stakeholders

The Board ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company also actively engages all its stakeholders through various platforms including Company's Corporate Website, Investor Relation, Annual Report and AGM.

II. Conduct of General Meetings

The Board acknowledges that Annual General Meeting (AGM) is an important means of communicating with its shareholders. Therefore, PIE dispatched its notice of the 25th AGM to shareholders at least 28-days before the AGM, which is in line with Practice 12.1 of the Code. All members of the Board, representatives of the Management and external auditors attended the meeting to respond to the questions raised by the shareholders or proxies.

During the meeting, the Company has leveraged on technology to facilitate voting for the conduct of poll on all resolutions and engaging Agriteum Share Registration Services Sdn Bhd as Polling Administrator together with Symphony Corporate Service Sdn Bhd as Independent Scrutineer to validate the vote cast. In addition, the Chairman briefed the members and proxies presented of their right to ask questions and vote on the resolutions set out in the notice of 25th AGM.

The minutes of the 25th AGM was duly confirmed by the Chairman and uploaded on the Company's corporate website at www.pieib.com.my within 30 business days from the date of the meeting.

This statement was made in accordance with a resolution of the Board dated 10 March 2023.

SUSTAINABILITY STATEMENT

P.I.E. Industrial Berhad (“PIE” or the “Group”) recognises the importance of demonstrating sound business practices that have a positive impact on the Environment, Economy, and Society. This Sustainability Statement (the Statement) communicates our initiatives in addressing sustainability matters to our stakeholders.

The Statement covers the operations of two (2) of our Malaysian subsidiaries, Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (PIW) (collectively known as “PIE” or the “Group” in this Statement), which together make up approximately 98% of the Group’s total revenue. It outlines our sustainability journey, governance structure, and the material sustainability issues and performance data from 1 January 2022 to 31 December 2022. The Statement is guided by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Bursa Malaysia Reporting Guide (2nd Edition).

SUSTAINABILITY WITHIN OUR BUSINESS

In 2022, Malaysia was still grappling with the impact of the Covid-19 pandemic. Despite the uncertainties and challenges posed by the ongoing epidemic, we remained resilient and continued to run our business while incorporating sustainable business practices and initiatives to protect the environment, ensure the well-being of our employees, provide high-quality products to our customers, develop long-term relationships with our suppliers, and meet the expectation of our stakeholders.

Our business sustainability is guided by three (3) Sustainability Pillars: Environmental Management, Economic Growth and Social Contribution, which integrated into the Group’s strategy. With these Pillars, we are committed to creating value for our business through innovation and advancing human capital development while being environmentally aware.

As an Electronics Manufacturing Services (EMS) provider, we recognise that product innovation is critical to the growth and future development of the Group. Therefore, we are dedicated to meeting our customers’ needs and expectations by keeping pace with technological advancements and maintaining our competitive edge.

We believe that strong corporate governance is the foundation for safeguarding shareholders’ interests. The Board has a responsibility to understand the material sustainability matters, provide guidance on how to manage them proactively, and ensure they are dealt with in a structured and consistent manner.

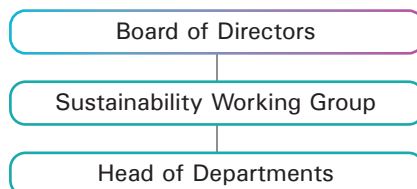
Furthermore, we recognise the importance of creating a healthy and safe work environment through sound policies and standard procedures. Our employees are our most valuable asset, and a productive work environment is essential to achieving the Group’s objectives.

Moreover, carrying out business operations with environmental awareness is also crucial to the Group. We understand the impact our business has on the surrounding environment and are committed to conducting our daily business operations in an environmentally sustainable manner.

We continue to integrate sustainability practices to enhance our contributions to the overall effectiveness of the Group and to achieve sustainable development globally through the 17 Global Goals set by the United Nations, without compromising the Group’s ability to conduct our business.

SUSTAINABILITY GOVERNANCE STRUCTURE

The sustainability governance structure is structured as follows:



The Board of Directors of PIE (the Board) is responsible for setting the sustainability strategies and overseeing the management of all sustainability matters to ensure the Group’s goals are met through integrated sustainable practices in our business operations. The Board also manages the Group’s sustainability initiatives and provide final review on sustainability issues related to the Group.

Sustainability Working Group (SWG) was established in year 2017 and is chaired by the Chief Financial Officer (CFO). The role of the SWG is to oversee the implementation of sustainability strategies, evaluate overall sustainability related risks and opportunities as well as to ensure proper implementation of sustainability initiatives are being carried out throughout the Group.

Department heads from various functions within the Group, including Human Resources, Finance, Supply Chain, Warehouse, Quality Control, Business Development, and Production, are responsible for monitoring sustainability initiatives, reporting on the performance of processes and controls related to sustainability matters, and ensuring that sustainability is integrated into all aspects of the Group’s operations.



SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

We strive to establish a shared sense of value by maintaining a strong connection with all our internal and external stakeholders as we continuously work towards becoming a more sustainable business. Regular communication enables us to comprehend the interests and concerns of our stakeholders regarding the Group's operations, thereby identifying opportunities for growth and sustainable development.

A summary overview of the stakeholders is presented in the following table. This summary encompasses both those who have a significant impact on our business and those whom our business has a significant impact on.

Stakeholder	Engagement Methods	Frequency	Areas of Interest	Our Goals
Investors/ Shareholders	<ul style="list-style-type: none"> Annual General Meetings Annual Reports Interim results Public announcement Corporate website and investor relationship channel Press release 	<ul style="list-style-type: none"> Annually Annually Quarterly Ongoing Ongoing As required 	<ul style="list-style-type: none"> Operational and financial performance Shareholder value (e.g., dividend and capital gain) 	To provide reliable disclosures on the interim financial reports that complied with relevant laws and regulatory requirements and timely updates of business performance and corporate developments.
Employees	<ul style="list-style-type: none"> Induction training Learning and development programmes Formal meeting and group discussion Corporate organised events Performance appraisals 	<ul style="list-style-type: none"> As required Ongoing Ongoing Ongoing Annually 	<ul style="list-style-type: none"> Equitable remuneration Career development and training opportunities Workplace safety and health Fair employment practices 	To provide a safe and healthy workplace with good employee welfare, equal employment opportunities and job-related training.
Customers	<ul style="list-style-type: none"> Customer audits Customer satisfactory survey On-site visits at the Group's premises Face-to-face interactions 	<ul style="list-style-type: none"> Ongoing Semi-Annually/Annually Ongoing Ongoing 	<ul style="list-style-type: none"> Product quality Production capacity Customer services 	To build strong relationship with our customers through regularly efficient communication, ensure customer satisfaction with our products and services, seek continuous feedback and adherence to quality performance standards.
Suppliers	<ul style="list-style-type: none"> Supplier selection through pre-qualification Key supplier audit Supplier survey form Briefings and meetings Scorecard 	<ul style="list-style-type: none"> As required Ongoing Ongoing Ongoing Monthly 	<ul style="list-style-type: none"> Agreeable contracts Terms of payments Maintaining long term partnerships 	To uphold fair and responsible procurement practices across the supply chain.
Government and regulators	<ul style="list-style-type: none"> Official visit and meeting Participation in government programmes 	<ul style="list-style-type: none"> As required As required 	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Economic, Environmental and Social impacts 	To comply with all applicable laws and regulations.
Local communities	<ul style="list-style-type: none"> Donation and sponsorship Participation in local community activities 	<ul style="list-style-type: none"> Ongoing Ongoing 	<ul style="list-style-type: none"> Creation of employment Community development Environment protection 	To fulfill our responsibility as a responsible corporate citizen.

SUSTAINABILITY STATEMENT (CONT'D)

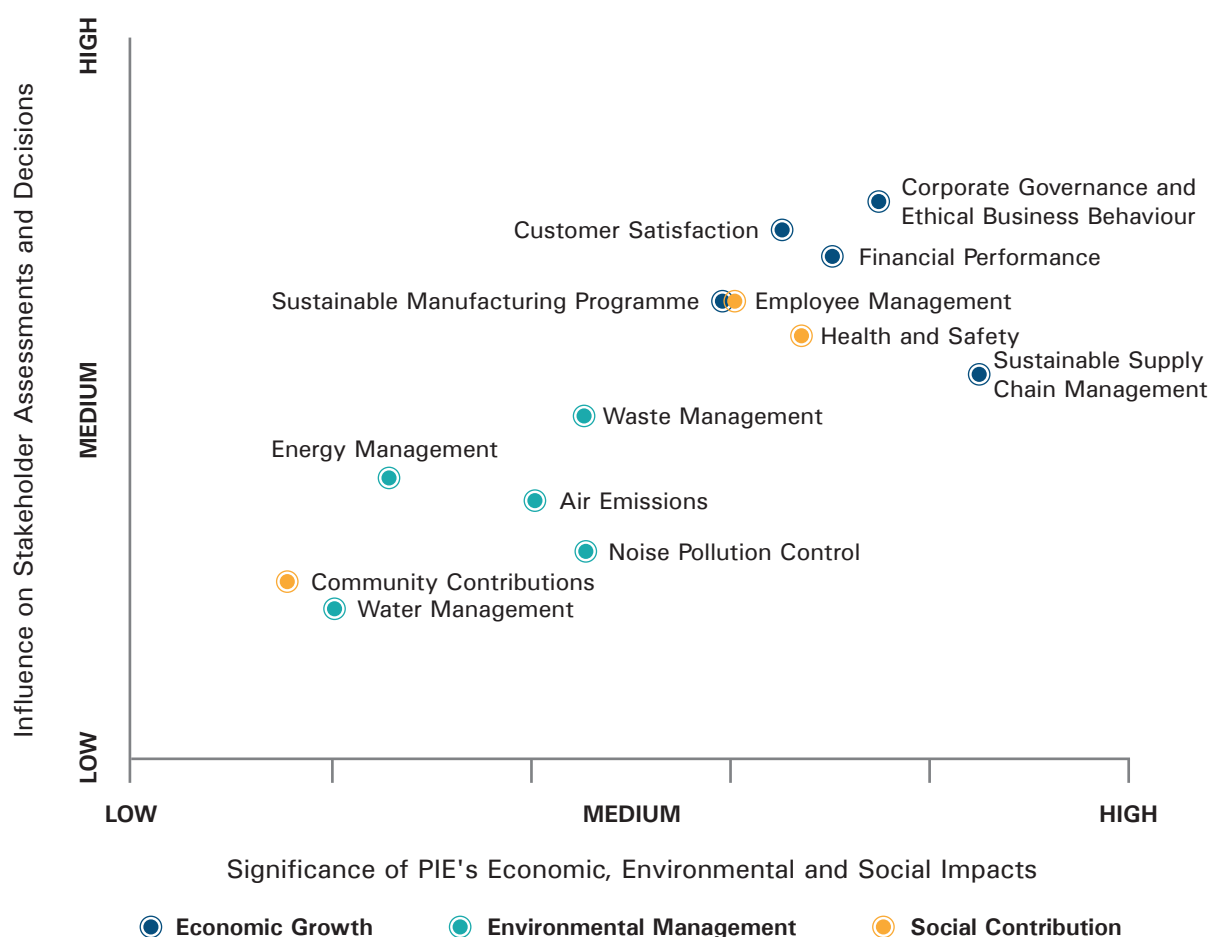
MATERIALITY ASSESSMENT

The materiality assessment process was carried out by the SWG to identify the environmental, economic, and social risks and opportunities (sustainability matters) that have a significant impact on our business. This process provides insights to our stakeholders when making decisions and prioritizing the company's best interests, and it was conducted with the guidance of the Sustainability Reporting Guide and Toolkits issued by Bursa Securities.

SWG has identified and prioritized various sustainability issues related to the Group's operations, taking into account both the impact they have and feedback received from stakeholders.

The Matrix reflects that Sustainable Supply Chain Management, Corporate Governance and Ethical Business Behaviour, Financial Performance, Health and Safety as well as Customer Satisfaction are the top material sustainability matters.

MATERIALITY MATRIX



There are thirteen (13) material matters categorised across three (3) main sustainability themes i.e., creating value through innovation, human capital development and environmental friendly awareness. Details on our sustainability initiatives towards managing these identified material matters are discussed in the subsequent sections of this Statement.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT (CONT'D)

The Group linked each material matter to the Sustainability Pillars and mapped it against the United Nations Sustainable Development Goals (SDGs) as shown in the table below.

Sustainability Pillars	Themes	Material Matters	United Nations Sustainable Development Goals
Economic Growth	Creating Value through Innovation	Financial Performance	
		Customer Satisfaction	 
		Corporate Governance and Ethical Business Behaviour	
		Sustainable Manufacturing Programme	  
		Sustainable Supply Chain Management	 
Social Contribution	Human Capital Development	Employee Management	     
		Health and Safety	 
		Community Contributions	 
Environmental Management	Environmental Friendly Awareness	Waste Management	  
		Air Emissions	  
		Noise Pollution Control	 
		Energy Management	   
		Water Management	  

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC GROWTH

CREATING VALUE THROUGH INNOVATION

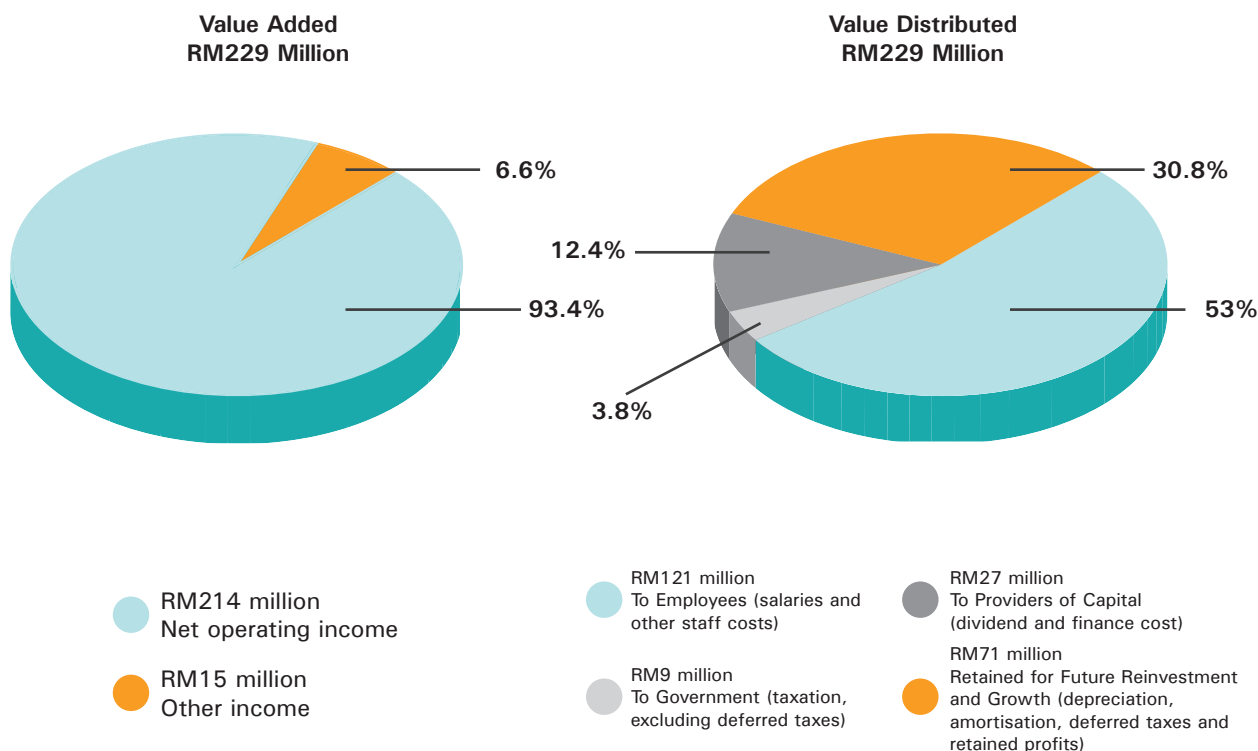
At PIE, innovation plays a crucial role in differentiating us in the competitive global market. Our goal is to meet the needs of our customers by utilizing our expertise to provide quality and innovation products. By aligning our operations processes efficiently, we aim to optimize costs and create greater value for our customers.

Financial Performance

At PIE, we understand the significance of our financial performance to our stakeholders. Our aim is to sustainably grow our business and strengthen our partnerships with customers and suppliers through delivering quality and innovative products while maintaining integrity in our operations. Furthermore, enhancing shareholder value and providing returns through stable share prices and consistent dividend distributions are also important to us. We are dedicated to achieving long-term growth and business profitability by offering fully integrated "one-stop" EMS solutions and investing in machinery and infrastructure. This helps us maintain our status as a preferred supplier and meet the needs of our customers.

Financial performance has a direct impact not only on our company but also on our stakeholders such as employees, investors, and the government. A strong financial performance is a primary goal to ensure sustainable growth and future success of the company.

In the reporting year under review, the Group recorded revenue of RM 1,165.28 million, profit before tax of RM 82.06 million, and net profit of RM 70.03 million. Our direct economic value added and the distribution by PIE to stakeholders is shown below.



Further information on our financial performance can be found in Group Financial Highlights and Financial Statements on this Annual Report.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC GROWTH (CONT'D)

CREATING VALUE THROUGH INNOVATION (CONT'D)

Customer Satisfaction

We understand that customer satisfaction is critical to the success of the Group, and we are committed to ensuring a high level of satisfaction among our customers. To achieve this, we prioritize understanding and meeting our customers' needs. This begins with gathering feedback from our key customers through customer engagement and satisfaction surveys. This feedback helps us improve our services, delivery, and overall customer experience.

In FY2022, we continued our efforts to gather feedback from our customers. PIESB and PIW conducted customer satisfaction surveys biannually and annually, respectively. These surveys assess our customers' level of satisfaction with our performance in areas such as quality, delivery, cost, and service.

Tables below disclose the PIESB and PIW performance in various performance areas for the reporting year of 2021 and 2022.

PIESB	Target	2022	2021
<i>Customer feedback</i>			
Quality	A	B	B
Delivery	B	B	B
Cost	B	B	B
Service	A	B	B
PIW	Target	2022	2021
Customer satisfaction index	83%	84.57%	83.00%

In 2022, the customer feedback on quality and service received that PIESB was not able to meet the target, mainly due to a shortage of manpower. On the other hand, PIW received a customer satisfaction index of 84.57%, which met the target set by management. This indicates that PIW's customers were satisfied with the high-quality wire and cable products, short production lead time, prompt response time, helpful customer service team, and on-time delivery services. With such feedback, PIW continues to expand its product offerings to better meet customer requirements.

The relationships with our customers are further strengthened through adherence to the Responsible Business Alliance (RBA) Code of Conduct, which establishes a set of core requirements in the electronics industry to promote safe working conditions, protect workers' human rights, and adopt environmentally-friendly manufacturing processes. PIESB uses the RBA Self-Assessment Questionnaire (SAQ) to evaluate its own facilities to ensure compliance with the RBA Code of Conduct and operate in a responsible and ethical manner. The SAQ helps identify social, health and safety, environmental, and ethical risks, and develop corrective action plans to manage those risks.

Corporate Governance and Ethical Business Behaviour

We understand that robust corporate governance and ethical business practices are essential for the sustainable development of the Group. Therefore, we are committed to upholding the highest standards of governance, ethics, professionalism, and business conduct and acting with integrity in full compliance with relevant laws, rules, and regulations across all our operations. To support this commitment, we have implemented several ongoing initiatives and policies to ensure effective corporate governance across our businesses.

We strive to comply with the three (3) principles of the Malaysian Code on Corporate Governance 2021 as a framework to enhance shareholders' value and safeguard the interest of other stakeholders. Our Corporate Governance practices are summarised in the Corporate Governance Overview Statement on this Annual Report.

Our Whistleblowing Policy provides employees and external parties with an internal channel to report unethical behaviour, improper business conduct, or any breach or suspected breach of laws, regulations, or the Group's policies and guidelines without fear of retaliation. This policy protects individuals who make such allegations or reports of misconduct. There were no reports received through the whistleblowing channel in 2022.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC GROWTH (CONT'D)

CREATING VALUE THROUGH INNOVATION (CONT'D)

Corporate Governance and Ethical Business Behaviour (Cont'd)

The Code of Ethics for Directors is based on the principles of honesty, integrity, responsibility, and corporate social responsibility and provides guidance for setting ethical standards for directors and fulfilling their responsibilities and social obligations.

Our Employee Handbook communicates the components of our code of conduct, including compliance with laws and regulations, respect for colleagues, protection of company property, and professionalism in all business practices, to all employees to ensure they understand and uphold our ethical standards. Additionally, our Business Ethics Policy outlines our obligations and commitments to ethical business practices, and our Labour Policy protects employee human rights and ensures all workers are treated with dignity and respect.

In accordance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Anti-Bribery and Corruption Policy has been adopted as part of our commitment against all forms of bribery and corruption.

We regularly review our policies to ensure they are relevant and compliant with the current business environment, and we encourage our employees to maintain the highest standards of integrity and accountability at all times. With these initiatives and policies in place, there have been no reported breaches of ethics and integrity in 2021 and 2022.

Further information on our Corporate Governance Report, Whistleblowing Policy, Code of Ethics for Directors, and Anti-Bribery and Corruption Policy can be found on the Company's corporate website at www.pieib.com.my.

Sustainable Manufacturing Programme

The growth of technology and international competition brought about by globalization has continued to drive our manufacturing operations to meet customer demands for innovative and high-quality products. At PIE, we collaborate with our customers to implement continuous improvement strategies that align with their expectations at every stage of product development and provide them with the best experience.

We have implemented a Lean Manufacturing Program in our production process to achieve operational excellence by replacing offline processes. This program has helped us reduce wasteful processes and materials, quickly detect defects, minimize the need for supervision, eliminate idle time, and enhance the overall quality and productivity of our production. In 2022, we continue our focus on achieving sustainability through process automation with the Lean Manufacturing Programme. Following our expansion plan, we invested further in machines, automation and equipment to increase our productivity and automation.

The 5S workplace organization method is a crucial component of our Lean Manufacturing Program. The five (5) principles of the 5S method, which stand for "Sort," "Set in Order," "Shine," "Standardize," and "Sustain," aim to maximize efficiency and effectiveness in the workplace by creating a clean, organized, and safe environment. To further enhance its impact, we have added a sixth (6th) "S" for "Safety," which emphasizes the importance of eliminating workplace hazards and ensuring compliance with regulatory requirements. The "5S + Safety" method is implemented through regular audits, which are conducted on all production floors and discussed in weekly operational meetings for ongoing improvement and standardization.

Sustainable Supply Chain Management

Our Supply Chain Management Department is responsible for overseeing and monitoring all supply chain activities, including sourcing, purchasing, and procurement control. We believe that a well-established Supply Chain Management system, combined with sound procurement practices, is crucial in establishing long-lasting relationships with our suppliers. We have implemented several initiatives to promote sustainability in our supply chain.

In our efforts to be a responsible manufacturer, we take a stringent approach to supplier selection by requiring compliance with the RBA Code of Conduct in PIESB and a commitment to not using substances from the REACH Candidate List of Substances of Very High Concern (SVHC) in PIW. Our suppliers must meet both social and environmental standards and adhere to ethical and business integrity standards.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC GROWTH (CONT'D)

CREATING VALUE THROUGH INNOVATION (CONT'D)

Sustainable Supply Chain Management (Cont'd)

While we aim to purchase locally to support the local economy, PIESB also needs to work with foreign suppliers, as certain custom materials used in our production can only be purchased from customer-appointed suppliers, which are primarily located overseas and a portion are locally authorized distributors. Additionally, PIESB works closely with the headquarters' strategic supply chain group in China to secure the best pricing through volume purchases.

Table below shows the percentage of local and foreign purchase of raw materials in year 2021 and 2022.

Percentage of local and foreign purchases of raw materials	2022		2021	
	Local	Foreign	Local	Foreign
PIESB	28%	72%	12%	88%
PIW	68%	32%	76%	24%

In 2022, the percentage of local purchases of raw materials in PIESB increased by 16% compared to 2021, while in PIW it decreased by 8%.

This change was primarily due to the fact that sourcing from foreign suppliers was found to be more cost-effective for the Group than purchasing locally available goods. Despite the decrease in PIW, the company still continues to support local procurement, achieving 68% in 2022.

SOCIAL CONTRIBUTION

HUMAN CAPITAL DEVELOPMENT

At PIE, we recognize the significant role that our employees play in the Group's success. That's why we are committed to promoting a healthy and safe work environment, offering career development opportunities, and enhancing employee welfare. Our aim is to have a motivated workforce that contributes to delivering high-quality and innovative products to our customers. In addition, we also understand the importance of maintaining positive relationships with the local communities in which we operate. As such, we actively participate in community activities and strive to build mutually beneficial relationships.

Employee Management

At PIE, we understand that our employees are the backbone of our success and sustainable growth. Our 3R strategy - "Recruit", "Retain", and "Reinforce" - is designed to create a supportive and engaged work environment where our employees feel valued and respected.

Recruit

In terms of recruitment, we follow strict Labour Policy that promote equality and merit-based selection processes. We aim to attract the right mixture of skill and experience based on employees' merit to meet various business needs of the Group. We are not merely sourcing for experienced candidates but also recruiting fresh graduate or young generation to bring fresh perspective to the Group.

As at 31 December 2022, the Group has a total workforce of 2,487 employees. This represents a reduction of 6.61% from a workforce of 2,663 employees in 2021, due to the Covid-19 pandemic and manpower shortages, especially foreign workers. Nevertheless, PIE has fully optimized its workforce and readjusted manpower allocation in order to meet customer's timeline.

During the reporting year, the combined number of full-time employees of PIESB and PIW comprised of 44% Malaysians with 72% Bumiputera, 24% Chinese and 4% Indian and the remaining 56% from other countries including China, Taiwan, Myanmar, Indonesia, Vietnam, Nepal and Bangladesh.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL CONTRIBUTION (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

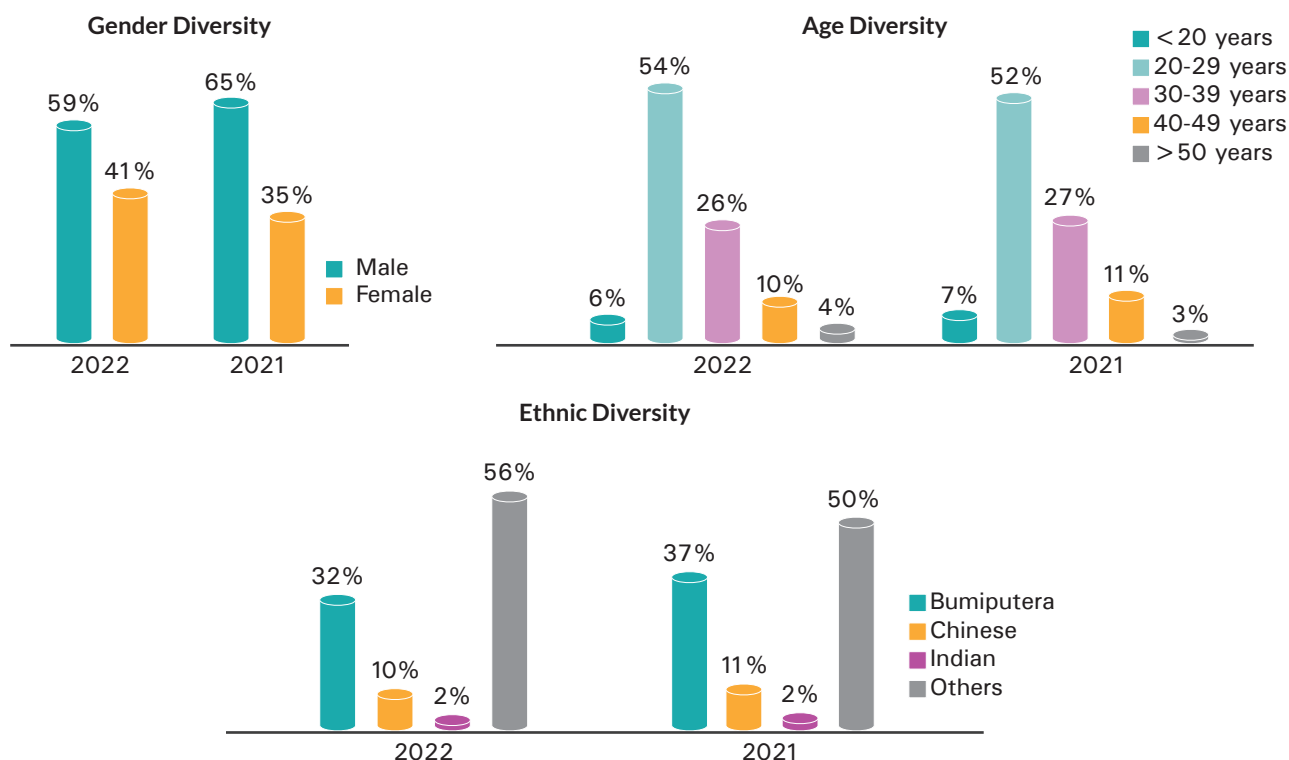
Employee Management (Cont'd)

Recruit (Cont'd)

As an EMS provider, a major part of our workforce consists of direct workers. They are 66% of the combined number of full-time employees of PIESB and PIW work as production operators in 2022.

As stated in our Labour Policy, we prohibit all forms of discrimination in our workplace and therefore nurture an environment that does not discriminate upon race, age, gender, religion, expression, national origin, pregnancy, marital status or any disability. To comply with all appropriate local and international regulations on the restriction on the employment of child labour and the protection of young workers, we will only employ individuals with the age of 18 and above.

We believe a diverse workforce is the beginning stage for lasting success of our businesses. In 2022, our workforce in PIESB and PIW was represented by 59% male and 41% female. The largest proportion with 60% of our employees is aged below 29. The demographics of our diverse workforce in 2021 and 2022 are illustrated as below:



Retain

We are dedicated to attracting and retaining top talent by providing fair opportunities and an attractive compensation package to enable them to perform their best for the Group's benefit. To achieve this, we have established a comprehensive employee welfare program and reconfigured our employee benefits package, which is managed by our Human Resources Department to ensure equitable treatment of all employees.

We adhere to the relevant local legal requirements regarding wages and benefits, such as the Minimum Wages Order, Employees' Provident Fund, Social Security, Employment Insurance System, Foreign Workers Hospitalization and Surgical Scheme, and leave provisions. In addition to these, we offer a competitive compensation package and employment benefits such as personal accident insurance, medical insurance, annual medical check-up, meal allowance, canteen, transport allowance, panel clinics or medical fees, designated parking areas, and uniforms. Employees are also eligible for annual increments and bonuses based on their performance, position, and length of service.

Our employees are entitled to weekends off, as well as federal and state holidays. They are also granted annual leave, sick leave, hospitalization leave, wedding leave, maternity leave, and compassionate leave.



SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL CONTRIBUTION (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Employee Management (Cont'd)

Reinforce

We prioritize providing our employees with training and development programs to ensure their growth in their careers and to keep pace with changing customer expectations in the digital age. This is why we have continued to promote continuous learning and organized various training programs in 2022, totaling 5280 hours.

During the year, our employees received training in technical skills, management, and latest industry updates. These opportunities helped our employees improve their occupational skills, develop personally, and prepare for new responsibilities as the Group expands.

The technical skills training was designed to enhance the expertise of our machine operators. Management training aimed to equip our employees with the soft skills necessary for taking on bigger roles within the Group. The latest updates and development programs were intended to keep our employees informed of the most recent rules and regulations and changes in their respective fields. Additionally, all new employees are required to attend induction training on their first day to familiarize themselves with the Group.

Health and Safety

We are dedicated to creating a healthy and safe work environment for all our employees, visitors, customers, suppliers, contractors, and the local community. To achieve this, we have established the Environment, Health, and Safety (EHS) management system to continually improve our performance and ensure a secure, safe, and healthy work environment.

We have implemented a comprehensive Safety and Health Policy across the Group with the aim of enhancing our EHS management system, providing adequate training on environmental protection, workplace safety, and health hazards, minimizing EHS incidents through effective safety management techniques, and achieving the highest level of EHS performance.

Our Safety and Health Committee is responsible for overseeing safety-related matters within the Group, monitoring our EHS performance, and making recommendations for improvement. They are in charge of reviewing the Safety and Health Policy to ensure compliance with the Occupational Safety and Health Act 1994 and environmental requirements, as well as any other applicable regulations. Additionally, the Committee regularly reviews the EHS management system to ensure its effectiveness and relevance.

In the year 2022, our effective EHS management system resulted in no reported work-related deaths. However, there were two (2) reported cases of work-related injuries. We continue to increase awareness among our employees about health and safety measures and potential risks in our operations to prevent workplace incidents.

During the year, our efforts to address health and safety issues included but were not limited to: -

- All injuries regardless of the severity, any chemical spillage, any finding of unsafe condition must be reported to Safety and Health Committee members for their immediate further investigation;
- Implementation of 5S by removing all unnecessary items, keeping the tools, equipment and facilities in its place when not in use, cleaning the work area before going back home, standardising the safe practices i.e., keep fire escape route, firefighting equipment and walkway free of obstruction and maintaining the 5S procedures at all time;
- Smoke only at designated area;
- All employees have access to utilise the necessary Personal Protection Equipment (PPE) such as safety shoes, safety helmet, safety glasses, ear plugs, respirators, face shields, gloves and etc.;
- Warning signs and labels or signage of chemical substance are posted at production and chemical store;
- Portable extinguisher and sprinkler valves are available and ensure they are in good condition by conducting quarterly internal safety audit and monthly inspection by fire protection contractor respectively;
- Emergency response plans such as annual fire evacuation drill;
- Safety briefings are provided to all visitors or contractors who work temporarily in our premises and educate them on potential hazards and precautionary measures;
- First-aid kits are available for treatment of work-related injuries;
- Weekly 5S and safety audits are conducted by the Safety and Health Committee; and
- Employees are prohibited to use personal electrical equipment and appliances that pose a potential threat to the facility and occupants or consume excessive amounts of electricity.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL CONTRIBUTION (CONT'D)

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Health and Safety (Cont'd)

In response to the ongoing COVID-19 pandemic, PIE strictly follows the Standard Operating Procedures (SOP) set by the Ministry of Health (MOH). To ensure the health and safety of our employees, we have implemented several precautionary measures, including:-

- Body temperature checking at the entrance of all plants;
- Ensuring employee wear face mask properly;
- Providing hand sanitizers in strategic locations;
- Hand washing step has been displayed to educate worker;
- Dedicated trash bin for discarded face mask;
- Emphasis on social distancing among employees;
- Daily disinfecting of main entrance, lobby, canteen, office, praying room, wash room and production;
- Driver to disinfect the transport for every trip;
- No visitor allowed to enter premise without approval; and
- COVID-19 awareness campaign.

The Safety and Health Committee is responsible for ensuring that EHS-related training is properly arranged and carried out throughout the Group. Our focus is on increasing our employees' awareness of EHS issues through numerous training sessions. To this end, we continue to provide a safety induction course for new hires upon joining the company. Firefighting training was provided for members of the Emergency Response Team (ERT) to equip them with the proper knowledge and skills for any possible emergencies. We also conducted 5S and safety awareness training to enhance our employees' safety awareness and emergency response capabilities.

Community Contributions

We are dedicated to participating in Corporate Social Responsibility (CSR) activities and giving back to the local communities in which we operate. One way in which we support our community is by supporting local businesses. We prioritize purchasing local products and network with non-competing companies in the area, which allows us to reach more people and help other local business owners.

In 2022, we recorded RM254.81 million on local purchases of raw materials and invested approximately of RM46.68 million in machinery and equipment as well as building and facilities to expand production space and enhance our operational competencies in PIESB and PIW. As a prominent player in local EMS industry, we have an area of expertise that is of value to others in the local community and offering valuable knowledge and specialised skills to our employees.

ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL FRIENDLY AWARENESS

We make a concerted effort to manage our business operations in an environmentally friendly manner, ensuring that we comply with all relevant environmental regulations and adhere to the limits set by local authorities. If limits are not set, we aim to operate at an acceptable level with minimal impact on the environment. Our sustainability initiatives have allowed us to increase our productivity while maintaining the quality of our products and minimizing our environmental impact.

Waste Management

As an EMS provider, we are aware that our manufacturing processes generate various types of waste. We are committed to responsible waste management practices that comply with all relevant laws and regulations. Training on chemical spillage and handling was conducted for Schedule Waste Handlers to ensure proper handling of schedule waste. Our waste management is overseen by the Safety Officer and governed by our Environment Policy and Waste Management Procedures.

Waste Management Procedures are in place to standardise waste disposal practices and waste management initiatives. We categorise our waste into two (2) types which are scheduled waste and general waste. All scheduled waste is collected by Department of Environment (DOE) approved contractor, in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 of the Environmental Quality Act (EQA) 1974. Scheduled waste are kept in metal container with cover and proper labelling and stored at sheltered scheduled waste store.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL MANAGEMENT (CONT'D)

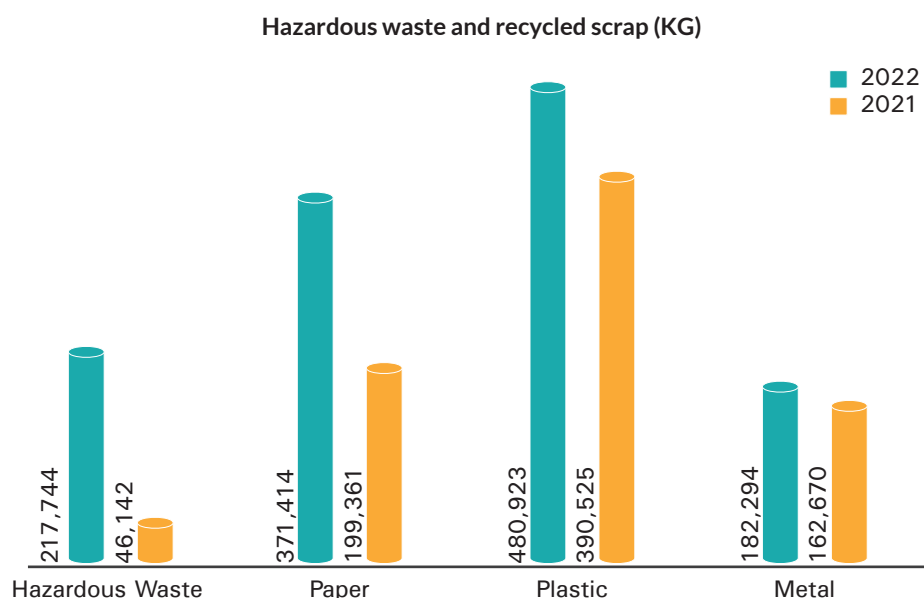
ENVIRONMENTAL FRIENDLY AWARENESS (CONT'D)

Waste Management (Cont'd)

In 2022, there are total ten (10) and four (4) type of scheduled waste generated by PIESB and PIW respectively which have been notified to DOE. Meanwhile, general waste that we generate includes recyclable scrap such as paper, plastic and metal and non-recyclable waste such as food waste. General waste is scrapped or collected by waste collectors for recycling or disposing at the landfills.

This year, we continue to focus our waste management practices by monitoring the Group's waste management performance and recycled activities carried out throughout the Group. We do this by putting effort into 3R Concept- Reuse, Reduce and Recycle waste whenever possible at every stage of our operations. Our ongoing initiatives include developing standardised waste disposal procedures, providing designated waste storage area, tutoring our employees on proper waste labelling and waste separation according to the waste category. We also redesign packaging by increasing the number of cavities per tray and reuse the verified tray to enjoy cost saving and mitigate environmental impact. Moreover, we conduct awareness training on handling and management of waste as well as monitoring waste disposal periodically to ensure the waste is not over-disposed.

The hazardous waste collected by approved contractor and recycled scrap sold for recycling in year 2021 and 2022 are presented as below:



Air Emissions

We comply with the air emission regulatory standards set by the DOE as per the Environmental Quality (Clean Air) Regulations 2014. Our business operations generate minimal air emissions, and to ensure that we meet the standards set by the DOE, we have engaged an external consultant to conduct cost-effective on-site air emission monitoring.

The consultant is responsible for collecting samples, monitoring parameters and determining air emission impurities level from our chimneys. Our air emissions are channeled through eight (8) chimneys located at the PIESB plant and one (1) chimney located at PIW plant. The assessments are conducted annually on these chimneys to ensure that we are in compliance with DOE's limits by collecting and analysing the samples from each chimney.

The monitoring parameters were Particulate Matter, Indium, Tin, Antimony, Copper, Lead, Nickel, Silver, Glycol Ether and Isopropyl Alcohol (IPA) in PIESB. Table below shows the results of the latest assessment conducted in year 2021 and 2022.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL MANAGEMENT (CONT'D)

ENVIRONMENTAL FRIENDLY AWARENESS (CONT'D)

Air Emissions (Cont'd)

Parameter	DOE limit (mg/m ³)	Compliance	
		2022	2021
Particulate Matter	50	Complied	Complied
Indium	5	Complied	Complied
Tin	5	Complied	Complied
Antimony	5	Complied	Complied
Copper	1	Complied	Complied
Lead	1	Complied	Complied
Nickel	1	Complied	Complied
Silver	0.2	Complied	Complied
Glycol Ether	100	Complied	Complied
IPA	150	Complied	Complied

Meanwhile, the monitoring parameters were Particulate Matter, Tin and Copper in PIW. Table below shows the results of the latest assessment conducted in year 2021 and 2022.

Parameter	DOE limit (mg/m ³)	Compliance	
		2022	2021
Particulate Matter	50	Complied	Complied
Antimony	5	N/A	N/A
Arsenic	0.2	N/A	N/A
Cadmium	0.2	N/A	N/A
Tin	5	Complied	Complied
Copper	1	Complied	Complied
Lead	1	N/A	N/A
Mercury	0.2	N/A	N/A
Hydrogen Chloride	30	N/A	N/A

In conclusion, all the monitored parameters were found to be below limit values required by the Environmental Quality (Clean Air) Regulations 2014.

Noise Pollution Control

As an EMS provider, we are aware that noise emissions from our manufacturing processes are inevitable. Thus, our noise monitoring is supervised by Quality Control Lab Engineer and we evaluate the noise levels produced by our operations at PIESB on a bi-annual basis to ensure compliance with the Factories and Machinery (Noise Exposure) Regulations 1989.

Besides, we have conducted on-site noise level measurement at the boundary of the factory during day and night. The purpose of this boundary noise monitoring is to ensure compliance with The Environmental Quality Act 1974 by comparing the boundary noise level with noise level limits specified in the "Guidelines for Environmental Noise Limits and Control – Third (3rd) Edition". Our monitoring results have shown that the average noise level detected at all three (3) sampling points was within the permissible sound limit during both the daytime and nighttime.

We have also engaged outsourcing consultant to perform noise risk assessment to monitor the noise level of the possibility of excessive noise throughout the production area in PIESB and PIW in order to comply with Occupational Safety and Health (Noise Exposure) Regulations 2019, Regulations 4 of the Noise Exposure Regulations. The noise risk assessment helps us to identify noise sources and the affected group for design of engineering controls, as well as to contain a reliable estimate of employees' exposures and compare the exposure with exposure limits specified in the said Regulations.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL MANAGEMENT (CONT'D)

ENVIRONMENTAL FRIENDLY AWARENESS (CONT'D)

Noise Pollution Control (Cont'd)

Other than the above, we have placed several initiatives to reduce noise pollution including: -

- Provide hearing protection PPE such as ear plugs to employees exposed to high noise level;
- Display warning signage at production area that generate noise level at or above the limit;
- Conduct training with a focus on noise safety and hazards to employees;
- Carry out audiometry tests for machine operators to monitor their risk of detrimental exposure to noise; and
- Implement engineering controls to service and maintenance of the machine regularly to keep them in good condition and reduce the noise generated.

Energy Management

As an EMS provider, our main source of energy consumption is from our production machinery and facility equipment. We are dedicated to the responsible management of energy usage through a series of energy conservation initiatives, aimed at reducing operational costs and minimizing our impact on the environment. Visible signs, such as "switch off when not in use," are placed throughout our workplace to remind employees to conserve electricity by turning off lights, air conditioning, and machinery when not in use. We also train our employees to turn off all unused equipment during breaks.

To prevent energy waste, we maintain and replace all lightings and electrical equipment, and our employees are encouraged to report any issues, such as burned-out light bulbs, faulty switches, tripped circuit breakers, or electrical shocks, to the Maintenance Department immediately.

We recorded our energy consumption per thousand sales in year 2021 and 2022 as below:

	2022	2021
Electricity (kWh) / Sales (RM'000)	24.45	25.00

Water Management

We strive to improve our water efficiency to reduce water wastage with implementation of various water efficiency initiatives at our workplace. "Turn off the taps to save water and our environment" warning signs are found near to the taps to remind our employees to reduce water usage by turning off the taps. Besides, we have replaced our lavatory fixtures with self-push button taps and spray bidet and adjusted water level for toilet flush tank to a suitable level to avoid unnecessary water wastage. Any water leakage must be reported to Maintenance Department immediately.

In addition, we reuse water in the cooling process of extrusion section in the production. We have recycled 21% of water in 2022 out of the total water used.

We recorded our water usage per thousand sales in year 2021 and 2022 as below:

	2022	2021
Water (Litre) / Sales (RM'000)	134.07	141.69

This statement was made in accordance with a resolution of the Board dated 10 March 2023.

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 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements 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 MFRSs 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 risk management and internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities;
- Ensured that the financial statements present a balanced and understandable assessment of the financial position 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; and
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent.

The financial statements for the year ended 31 December 2022 had been approved by the Board on 13 March 2023.

This statement was made in accordance with a resolution of Board dated 10 March 2023.



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.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the Financial Year Ended 31 December 2022 (FY2022) by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follow:

Category	Audit Fees (RM)	Non-Audit Fees (RM)
Company	35,000	61,500 ¹
Subsidiaries	178,380	65,758 ²
Total	213,380	127,258

¹ Non-audit fees were mainly paid for the advisory services on review of quarterly financial information, Statement on Risk Management and Internal Control and tax advisory services.

² Non-audit fees were mainly paid for tax advisory services.

EMPLOYEE SHARE SCHEME

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

MATERIAL CONTRACT

There was no material contract entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FY2022 are disclosed on pages 95 and 96 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, 2022.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

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
Profit for the year	<u>70,030,536</u>	<u>28,174,651</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

	RM
In respect of the financial year ended December 31, 2022:	
A single tier interim dividend of RM0.05 per share	19,202,099
A special single tier interim dividend of RM0.02 per share	<u>7,680,840</u>
	<u>26,882,939</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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 financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- 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 had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.



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 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 would 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 of the Group and of the Company which would render any amount stated in the financial statements 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 which secures the liabilities 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 financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Mui Chung Meng
 Lee Cheow Kooi
 Koay San San
 Wong Thai Sun
 Lan, Kuo-Yi
 Lim Chien Ch'eng (appointed on March 18, 2022)
 Loo Hooi Beng (resigned on March 31, 2022)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Direct subsidiaries	Directors of the subsidiaries
Pan-International Electronics (Malaysia) Sdn. Bhd.	Huang, Feng-An Tsai, Ming-Feng Yu, Wen-Ling Law Tong Han
Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Chen, Ming-Lung Liao, Yueh-Chen Huang, Feng-An Yu, Wen-Ling Tsai, Ming-Feng
Pan-International Electronics (Thailand) co., Ltd.	Huang, Feng-An Tsai, Ming Feng Lee Yu Hsien

DIRECTORS' REPORT (CONT'D)

DIRECTORS (CONT'D)

Indirect subsidiaries	Directors of the subsidiaries
Pan-International Corporation (S) Ptd. Ltd.	Huang, Feng-An (resigned on February 24, 2023) Yu, Wen-Ling (resigned on February 24, 2023) Tsai, Ming Feng (resigned on February 24, 2023) Lan, Kuo-Yi (appointed on February 24, 2023) Sueoka Yohei (appointed on February 24, 2023) Wong Bay Jang (appointed on February 24, 2023) Minamoto Hideto (appointed on February 24, 2023) Tay Siew Noi (resigned on February 24, 2023)
PIE Enterprise (M) Sdn. Bhd.	Mui Chung Meng Huang, Feng-An Yu, Wen-Ling Cheah Heng Lye Tsai, Ming-Feng
P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Chen, Ming-Lung Liao, Yueh-Chen Huang, Feng-An Yu, Wen-Ling Tsai, Ming-Feng

DIRECTORS' INTERESTS

The interest in shares in the Company and in related companies of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

Shares in the Company	Number of ordinary shares			
	Balance as of 1.1.2022	Bought	Sold	Balance as of 31.12.2022
Direct interests:				
Mui Chung Meng	10,000	-	-	10,000
Indirect interests:				
Mui Chung Meng ⁽ⁱ⁾	2,460,000	-	-	2,460,000

⁽ⁱ⁾ Deemed interest through spouse.

By virtue of their interests in the shares of the Company, Mr. Mui Chung Meng is also deemed to have interests in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other directors held shares or have beneficial interest in the shares of the Company or of related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than those disclosed as directors' remuneration amounting to RM3,569,227 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 for any benefits which may be deemed to have arisen by virtue of transactions mentioned in Note 28 to the financial statements. Certain directors have also received remuneration from related companies in their capacities as directors or executives of those related companies as disclosed in Note 7 to the financial statements.

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



DIRECTORS' REPORT (CONT'D)

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' liability insurance for the purpose of Section 289 of the Companies Act, 2016, throughout the financial year, which provides appropriate insurance cover for the directors and officers of the Company. The amount of insurance premium paid or payable during the financial year, which was borne by the Company are amounted to RM16,357.

Other than disclosed above, there was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2022 are RM213,380 and RM35,000 respectively.

HOLDING COMPANY

The Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., a company incorporated in British Virgin Islands and Pan-International Industrial Corp., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation ("TWSE") respectively.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 33 to the financial statements.

AUDITORS

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

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

MUI CHUNG MENG

Penang,

March 13, 2023

LAN, KUO-YI

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

Report on the Audit of the Financial Statements

Opinion

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 at December 31, 2022, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2022, and of their financial performance and of their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit performed and responses thereon
Valuation of inventories <p>The Group has significant balance of inventories as at December 31, 2022 which mainly comprised of raw materials amounting to RM149,668,698, work-in-progress amounting to RM75,760,672 and finished goods amounting to RM42,720,892 as disclosed in Note 17 to the financial statements. There is a risk to the valuation of inventories due to possible slow moving and obsolete inventories given that the age of the inventories have increased as compared to the prior year. Significant management estimation is involved in identifying slow moving or obsolete inventories with reference to the condition of the inventories, historical, current and future sales information as well as the ageing of inventories.</p> <p>The cost of inventories recognised as an expense include RM2,864,568 in respect of net reversal of write-downs of inventories.</p>	<p>To address the risk of slow moving and obsolete inventories, we obtained an understanding of the controls relevant to estimating, approving and recording of allowance for slow moving and obsolete inventories and tested the design and implementation of the controls.</p> <p>We reviewed the terms and conditions of supply agreements with customers and ensured that provision for slow moving and obsolete inventories is in line with the Group's policies and supply agreements with customers.</p> <p>We tested the accuracy of the ageing profile of inventory items by checking to the underlying procurement documents, invoices and production record (e.g. job order) and also assessed if each inventory categories have been classified into the correct ageing buckets.</p>



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD (CONT'D)

Key Audit Matters (Cont'd)

Key audit matter	Our audit performed and responses thereon
There is also a risk to the valuation of inventories due to incorrect absorption of labour and overheads. Management judgment is involved in determining an appropriate costing basis for the inventories, particularly in regards to work-in-progress and finished goods.	<p>We tested the movement of slow moving inventories for raw materials, work-in-progress and finished goods inventories to subsequent usage and also assessed whether the raw materials are still in use for production or are in good working condition.</p> <p>We assessed and challenged management's basis in determining slow-moving inventories with regards to the completeness of the inventory provisions and made an assessment of its adequacy, considering the age and volumes relative to expected usage.</p> <p>We assessed if there were raw material, work-in-progress or finished goods inventories, which needed to be provided for as obsolete/slow moving items with reference to future sales demand/forecast for the related finished goods (e.g. where such finished goods are expected to be discontinued or replaced in the near future).</p> <p>We performed a retrospective review on the provision for excess and obsolete inventories and assessed whether judgments have been applied consistently, by comparing the actual inventories written down against the general provision based on the Group's policies.</p> <p>To address the risk of inaccurate absorption of labour and overhead, we obtained an understanding of the controls relevant to estimating, calculating, approving and recording of labour and overhead absorption and tested the design and implementation of the controls.</p> <p>We reviewed the Group's methodology for calculating the labour and overhead absorption rate for reasonableness, consistency with prior years and then recomputed the absorption rate for the selected work-in-progress and finished goods samples for accuracy.</p> <p>We also obtained the inventory listing at the detailed-product level and the Bill of Material ("BOM") which indicated the cost of raw materials as well as labour and overhead cost absorbed to each unit of work-in-progress and finished goods.</p> <p>We agreed the labour and overhead cost indicated in the BOM for work-in-progress and finished goods to the actual direct expenses for the year. We also agreed selected quantities of the work-in-progress and finished goods samples to production records.</p>

The key audit matters referred to above are in respect of P.I.E. Industrial Berhad at the Group level. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P.I.E. INDUSTRIAL BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that in the case of consolidated financial statements, the name of the subsidiary companies, of which we have not acted as auditors, are indicated in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

Penang,

March 13, 2023

ADRIAN LAM KEEN LEONG
Partner – 03553/02/2025 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	The Group 2022 RM	2021 RM	The Company 2022 RM	2021 RM
Revenue	5	1,165,277,968	1,025,203,862	34,201,772	24,407,981
Cost of sales		(1,070,368,509)	(946,123,304)	-	-
Gross profit		94,909,459	79,080,558	34,201,772	24,407,981
Other operating income		27,809,818	29,532,072	80,200	72,442
Administrative expenses		(22,314,730)	(24,881,110)	(5,912,657)	(4,432,985)
Selling and distribution expenses		(4,271,969)	(3,677,042)	-	-
Other operating expenses		(13,142,076)	(6,059,141)	-	(17,632)
Operating profit		82,990,502	73,995,337	28,369,315	20,029,806
Interest income		474,088	620,169	-	-
Interest expense		(1,402,952)	(270,425)	-	-
Profit before tax	6	82,061,638	74,345,081	28,369,315	20,029,806
Tax expense	8	(12,031,102)	(14,025,147)	(194,664)	(105)
Profit for the year		70,030,536	60,319,934	28,174,651	20,029,701
Other comprehensive income, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		830,674	(2,206,470)	-	-
Total comprehensive income for the year		70,861,210	58,113,464	28,174,651	20,029,701
Earnings per share:					
Basic/Diluted (sen per share)	9	18.24	15.71		

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



STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	Notes	The Group 2022 RM	2021 RM	The Company 2022 RM	2021 RM
Assets					
Non-current assets					
Property, plant and equipment	10	164,011,046	124,535,725	-	-
Investment properties	11	21,506,923	47,432,563	-	-
Right-of-use assets	12	22,746,158	13,064,812	-	-
Investment in subsidiaries	13	-	-	79,918,805	79,918,805
Investment in associate	14	-	-	25,000	25,000
Goodwill on consolidation	15	1,721,665	1,721,665	-	-
Deferred tax assets	16	1,216,491	1,262,427	827,120	827,120
Total non-current assets		211,202,283	188,017,192	80,770,925	80,770,925
Current assets					
Inventories	17	287,797,776	300,927,383	-	-
Trade and other receivables	18	336,011,163	256,143,019	21,519,819	20,293,265
Current tax assets		7,203,461	1,590,532	555,336	-
Short-term investments	19	1,471,410	1,389,646	1,471,410	1,389,646
Cash and cash equivalents	20	63,176,132	78,275,158	322,601	273,358
Total current assets		695,659,942	638,325,738	23,869,166	21,956,269
Total assets		906,862,225	826,342,930	104,640,091	102,727,194
Equity and liabilities					
Capital and reserves					
Share capital	21	83,202,902	83,202,902	83,202,902	83,202,902
Reserves	22	15,363,114	14,532,440	16,408,221	16,408,221
Retained earnings	23	461,900,646	418,753,049	1,748,809	457,097
Total equity		560,466,662	516,488,391	101,359,932	100,068,220
Non-current liability					
Retirement benefit obligations	24	2,060,381	1,545,940	-	-
Deferred tax liabilities	16	10,682,594	7,363,768	-	-
		12,742,975	8,909,708	-	-
Current liabilities					
Trade and other payables	25	226,027,418	227,609,560	3,280,159	2,658,974
Retirement benefit obligations	24	-	260,276	-	-
Borrowings	26	105,569,000	71,502,000	-	-
Current tax liabilities		2,056,170	1,572,995	-	-
Total current liabilities		333,652,588	300,944,831	3,280,159	2,658,974
Total liabilities		346,395,563	309,854,539	3,280,159	2,658,974
Total equity and liabilities		906,862,225	826,342,930	104,640,091	102,727,194

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

The Group

	Notes	Share capital RM	Non-distributable Foreign currency translation reserve RM	Revaluation reserve RM	Distributable Retained earnings RM	Total RM
Balance as of January 1, 2021		83,202,902	14,079,332	2,659,578	377,635,214	477,577,026
Profit for the year		-	-	-	60,319,934	60,319,934
Other comprehensive income for the year, net of income tax		-	(2,206,470)	-	-	(2,206,470)
Total comprehensive income for the year		-	(2,206,470)	-	60,319,934	58,113,464
Dividends paid	27	-	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2021		83,202,902	11,872,862	2,659,578	418,753,049	516,488,391
Balance as of January 1, 2022		83,202,902	11,872,862	2,659,578	418,753,049	516,488,391
Profit for the year		-	-	-	70,030,536	70,030,536
Other comprehensive income for the year, net of income tax		-	830,674	-	-	830,674
Total comprehensive income for the year		-	830,674	-	70,030,536	70,861,210
Dividends paid	27	-	-	-	(26,882,939)	(26,882,939)
Balance as of December 31, 2022		83,202,902	12,703,536	2,659,578	461,900,646	560,466,662



STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2022

The Company

	Notes	Share capital RM	Non-distributable Merger reserve RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM
Balance as of January 1, 2021		83,202,902	16,408,221	(370,505)	99,240,618
Profit for the year		-	-	20,029,701	20,029,701
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	20,029,701	20,029,701
Dividends paid	27	-	-	(19,202,099)	(19,202,099)
Balance as of December 31, 2021		83,202,902	16,408,221	457,097	100,068,220
Balance as of January 1, 2022		83,202,902	16,408,221	457,097	100,068,220
Profit for the year		-	-	28,174,651	28,174,651
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	28,174,651	28,174,651
Dividends paid	27	-	-	(26,882,939)	(26,882,939)
Balance as of December 31, 2022		83,202,902	16,408,221	1,748,809	101,359,932

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	82,061,638	74,345,081	28,369,315	20,029,806
Adjustments for:				
Depreciation of property, plant and equipment	23,319,880	18,098,743	-	-
Unrealised loss/(gain) on foreign exchange, net	10,153,597	(2,483,389)	(62,073)	(42,636)
Interest expense	1,402,952	270,425	-	-
Amortisation of right-of-use assets	796,865	263,892	-	-
Provision for retirement benefits obligations	209,692	216,194	-	-
Provision for expected credit loss of trade receivables, net	159,572	1,171	-	-
Property, plant and equipment written off	112,113	7	-	-
Reversal of inventories written down, net	(2,864,568)	(4,119,222)	-	-
Fair value gain on investment properties	(580,000)	(750,000)	-	-
Interest income	(474,088)	(620,169)	-	-
(Gain)/loss on disposal of property, plant and equipment	(393,569)	490,537	-	-
Fair value (gain)/loss on financial asset at fair value through profit or loss	(18,127)	17,632	(18,127)	17,632
Investment income earned on financial asset at fair value through profit or loss	(1,772)	(31,981)	(1,772)	(31,981)
Gain on disposal of short-term investments	-	(29,806)	-	(29,806)
Dividend income	-	-	(27,000,000)	(20,500,000)
	113,884,185	85,669,115	1,287,343	(556,985)
Movements in working capital:				
Decrease/(Increase) in inventories	15,964,426	(133,417,936)	-	-
(Increase)/Decrease in receivables	(95,872,758)	(55,384,649)	(1,226,554)	3,920,000
Increase/(Decrease) in payables	3,525,995	85,891,248	621,185	(70,319)
Decrease in refund liabilities	-	(1,324,651)	-	-
Cash generated from/(used in) operations	37,501,848	(18,566,873)	681,974	3,292,696
Income tax paid	(13,788,566)	(12,016,112)	(750,000)	(105)
Interest paid	(1,402,952)	(270,425)	-	-
Retirement benefits paid	-	(85,420)	-	-
Dividend received	-	-	27,000,000	10,000,000
Net cash from/(used in) operating activities	22,310,330	(30,938,830)	26,931,974	13,292,591
Cash flows from investing activities				
Interest received	474,088	620,169	-	-
Proceed from disposal of property, plant and equipment	393,586	383,053	-	-
Acquisition of property, plant and equipment	(46,675,292)	(60,289,208)	-	-
Acquisition of right-of-use assets	-	(5,366,591)	-	-
(Placement)/Withdrawal of fixed deposits with licensed banks	(11,200)	36,000	-	-
Decrease in short-term investments	-	5,900,000	-	5,900,000
Net cash (used in)/from investing activities	(45,818,818)	(58,716,577)	-	5,900,000



STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	The Group 2022 RM	2021 RM	The Company 2022 RM	2021 RM
Cash flows from financing activities					
Changes in bank borrowings		35,198,300	42,823,340	-	-
Dividends paid		(26,882,939)	(19,202,099)	(26,882,939)	(19,202,099)
Net cash from/(used in) financing activities		8,315,361	23,621,241	(26,882,939)	(19,202,099)
Net decrease in cash and cash equivalents					
Effect of foreign exchange rate changes		82,901	638,824	208	145
Cash and cash equivalents at the beginning of the year		77,775,158	143,170,500	273,358	282,721
Cash and cash equivalents at the end of the year	20	62,664,932	77,775,158	322,601	273,358

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities:

The Group

	01.01.2022 RM	Cash flows generated from financing activities RM	Unrealised loss/(gain) on foreign exchange RM	31.12.2022 RM
Borrowings	<u>71,502,000</u>	<u>35,198,300</u>	<u>(1,131,300)</u>	<u>105,569,000</u>

	01.01.2021 RM	Cash flows used in financing activities RM	Unrealised loss/(gain) on foreign exchange RM	31.12.2021 RM
Borrowings	<u>28,317,660</u>	<u>42,823,340</u>	<u>361,000</u>	<u>71,502,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are as stated in Note 13.

The registered office of the Company is located at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia.

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

The Company's immediate and ultimate holding companies are Pan Global Holding Co. Ltd., a company incorporated in British Virgin Islands and Pan-International Industrial Corp., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation ("TWSE") 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 13, 2023.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of revised MFRSs

In the current year, the Group and Company has applied a number of revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2022.

Amendments to MFRS 3	References to the Conceptual Framework
Amendments to MFRS 116	Property, Plant, and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract
Annual improvements to MFRS Standards 2018-2020	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 16 Leases and MFRS 141 Agriculture

The adoption of these revised MFRSs has not had any material impact on the disclosures or on the amounts reported in the financial statements. There was no significant changes in the accounting policies of the Group and of the Company during the financial year.

New and revised standards in issue but not yet effective

The Group and Company has not applied the following new and revised MFRSs and that have been issued but are not yet effective:

MFRS 17	Insurance Contracts ^(a)
Amendments to MFRS 17	Insurance Contracts ^(a)
Amendments to MFRS 17	Initial Application of MFRS 17 <i>Insurance Contracts</i> and MFRS 9 <i>Financial Instruments</i> - Comparative Information ^(a)
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <i>Financial Instruments</i> ^(a)
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ^(a)
Amendments to MFRS 101 and MFRS Practice Statements 2	Disclosure of Accounting Policies ^(a)
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^(a)



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT (CONT'D)

New and revised standards in issue but not yet effective (Cont'd)

Amendments to MFRS 108	Definition of Accounting Estimates ^(b)
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ^(b)
Amendments to MFRS 101	Non-current Liabilities with Covenants ^(b)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^(c)

^(a) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

^(b) Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

^(c) Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain assets that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Subsidiary and basis of consolidation

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiary and basis of consolidation (Cont'd)

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- (a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) potential voting rights held by the Company, other vote holders or other parties;
- (c) rights arising from other contractual arrangements; and
- (d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing 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, a gain or a loss is recognised in profit or loss and 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. When assets of the subsidiary are carried at revalued amounts or at fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by MFRS). 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 MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree 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.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill

Goodwill is initially recognised and measured as set out above.

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 (or groups of 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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Investment in associated company

The Group and the Company recognise an associated company based on the criterion of significant influence. Significant influence exists when the Group and the Company has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group and the Company, directly or indirectly through subsidiaries, holds 20 per cent or more of the voting rights of the investee. When the Group's and the Company's voting rights in an investee are less than 20 per cent, the Group and the Company assess whether it has significant influence by examining all relevant facts and circumstances, including the existence of potential voting rights that are substantive, representation on the board of directors, participation in policy-making processes, material transactions between the Group and the Company and the investee, interchange of managerial personnel and provision of essential technical information.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in associated company (Cont'd)

The Group and the Company measure its investment in associated company using the equity method. Under this method, on initial recognition, the investment in an associated company is measured at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's and the Company's:

- (i) share of the investee's profit or loss through profit or loss;
- (ii) share of the investee's other comprehensive income through other comprehensive income; and
- (iii) share of the investee's changes in other net assets through equity.

In applying the equity method, the Group and the Company use the financial statements of its associated company as of the same date as the financial statements of the Group and of the Company.

If the Group's and the Company's share of losses of an associated company equals or exceeds the carrying amount of its investment in the investee, the Group and the Company discontinue recognising its share of further losses. After the Group's and the Company's interest is reduced to zero, it recognises additional losses by a provision only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee.

Unrealised gains and losses arising from transactions between the Group and the Company and its associated company are eliminated partially to the extent of the Group's and the Company's interests in the associated company, except when there are indications of impairment losses. This partial elimination principle applies equally to a transfer of non-monetary assets to an associated company in exchange for equity interests in the investee.

Revenue recognition and other operating income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- (ii) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition and other operating income (Cont'd)

(a) Revenue from contracts with customers

(i) Manufacturing of industrial products

The Group is in the business of manufacturing industrial products and revenue from manufacturing of industrial products is recognised at a point in time when control of the goods are transferred to the customer. The Group has generally concluded that it is the principal in its revenue arrangement.

(ii) Trading of electronic materials

The Group is also in the business of trading of electronic materials. Revenue from trading of electronics materials is recognised at a point in time when control of the goods is transferred to the customers. The normal credit term is 30 to 60 days upon delivery.

(b) Rental income

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.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(e) Other income

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

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 profit or loss and other 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiary and associate, except where the Group and the Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 to 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 its current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the year

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, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Employee benefit expenses

(a) 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.

(b) Defined contribution plans

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.

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees' Provident Fund ("EPF"). The Group's foreign subsidiaries also make contributions to their respective country's statutory pension schemes. The Group and the Company have no legal or constructive obligation to pay contribution in addition to its fixed contributions which are recognised as an expense in the period that relevant employee services are received.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefit expenses (Cont'd)

(c) Defined benefit plan

The Group operates an unfunded, defined benefit plan - Retirement Benefit Scheme ("the Scheme") for eligible employees in Thailand in accordance with the Labour Law Act of Thailand. Under the Scheme, eligible employees are entitled to retirement benefits upon attaining their retirement age.

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- (i) If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit asset or liability.
- (ii) If contributions are linked to services, they reduce service cost. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by MFRS 119 *Employee Benefits*. For the amount of contributions that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered or reduces service cost by attributing to the employees' periods of service in accordance with MFRS 119 *Employee Benefits*.

The calculation for defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

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 (CONT'D)

31 DECEMBER 2022

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 Group and 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 repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary company that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary company that does not result in the Group losing control over the subsidiary company, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Leases

The Group and the Company as a lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group and the Company as a lessee (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position. Right-of-use assets representing leasehold lands are amortised evenly over the lease period of 60 years.

The Group and the Company apply MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the impairment of tangible assets policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group and the Company as a lessee (Cont'd)

As a practical expedient, MFRS 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Company have not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Company allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group and the Company as lessor

The Group and the Company enter into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group and the Company are lessors are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating 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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Company'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 and the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contract with Customers* to allocate the consideration under the contract to each component.

Property, plant and equipment

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

Freehold land and capital work in progress are not depreciated. Leasehold land was measured at cost less accumulated depreciation and any accumulated impairment losses where leasehold land was depreciated over its lease term of 60 years.

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:

Buildings and structures	2.22% - 10%
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%
Computer	1.3%

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any impairment loss. Depreciation of these assets in progress, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (Cont'd)

All items of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment Properties

(a) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(b) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Impairment of tangible assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their 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 and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of tangible assets (Cont'd)

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.

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 basis.

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

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

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit and loss ("FVTPL").

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- (i) Investments in equity instruments are classified as at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets at FVTPL (Cont'd)

- (ii) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group and the Company have not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 31.

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and amounts due from customers. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime expected credit loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- (i) an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- (ii) significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Significant increase in credit risk (Cont'd)

- (iii) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) an actual or expected significant deterioration in the operating results of the debtor;
- (v) significant increases in credit risk on other financial instruments of the same debtor;
- (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company consider a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- (i) when there is a breach of financial covenants by the counterparty; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collaterals held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 180 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 *Leases*.

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12 months ECL at the current reporting date, except for assets for which simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

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 party. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its 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 recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group and the Company, and commitments issued by the Group and the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which MFRS 3 *Business Combinations* applies, 2) held for trading, or 3) it is designated as at FVTPL.

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 and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL 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 and the Company'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 MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 31.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- (i) the amount of the loss allowance determined in accordance with MFRS 9 *Financial Instruments*; or
- (ii) the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Segment information

For management purpose, the Group is organised into operating segments based on their business segment which is regularly reviewed by the Group's chief operation decision officer for the performance of the respective segments under their charge. The segment chief operation officer reports directly to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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 with original maturities of three months or less.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and Company'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 and the Company's accounting policies

In the process of applying the Group's and the Company'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.

(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) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 3 reflect the directors' estimate of the period that the Group expects to derive future economic benefits from the use of its property, plant and equipment. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. Further details are given in Note 10.

(ii) Impairment of goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable growth rate and discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the end of the reporting period is disclosed in Note 15.

(iii) Inventories

The Group makes an allowance for slow moving and/or obsolete inventories based on the assessment of future sales demand and/or forecast. If there are no future demand or forecast expected for the raw material, work-in-progress or finished goods inventories (e.g. where such finished goods are expected to be discontinued or replaced in the near future and there is no reuse opportunities for the raw materials, work-in-progress or finished goods), an allowance for slow moving and/or obsolete inventory will be made. Further details are given in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

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

(b) Key sources of estimation uncertainty (Cont'd)

(iv) Impairment of receivables

When measuring ECL, the Group and the Company use reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Further details are given in Note 31.

5. REVENUE

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Segment revenue				
Revenue from contract with customers:				
Manufacturing of industrial products	1,165,125,479	1,025,003,279	-	-
Trading of electronic materials	150,717	168,602	-	-
	<u>1,165,276,196</u>	<u>1,025,171,881</u>	<u>-</u>	<u>-</u>
Investment income earned from financial asset at fair value through profit or loss	1,772	31,981	1,772	31,981
Management fees	-	-	7,200,000	3,876,000
Dividend income from subsidiaries	-	-	27,000,000	20,500,000
Total revenue	<u>1,165,277,968</u>	<u>1,025,203,862</u>	<u>34,201,772</u>	<u>24,407,981</u>
Timing of revenue recognition				
Goods transferred at a point in time	1,165,277,968	1,025,203,862	27,001,772	20,531,981
Services transferred over time	-	-	7,200,000	3,876,000
Total revenue	<u>1,165,277,968</u>	<u>1,025,203,862</u>	<u>34,201,772</u>	<u>24,407,981</u>
Geographical markets				
Malaysia	661,941,904	617,018,782	34,201,772	24,407,981
United States of America	218,277,184	166,268,881	-	-
Other Asia Pacific countries	170,870,006	151,157,477	-	-
Europe	114,188,874	90,758,722	-	-
Total revenue	<u>1,165,277,968</u>	<u>1,025,203,862</u>	<u>34,201,772</u>	<u>24,407,981</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

6. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	The Group 2022 RM	2021 RM	The Company 2022 RM	2021 RM
After charging:				
Employee benefit expenses (Note 7)	120,629,161	88,452,903	5,690,942	4,170,771
Depreciation of property, plant and equipment (Note 10)	23,319,880	18,098,743	-	-
Unrealised loss on foreign exchange	10,153,597	-	-	-
Interest expense	1,402,952	270,425	-	-
Amortisation of right-of-use assets (Note 12)	796,865	263,892	-	-
Expenses relating to short-term and low value leases:				
Premises	524,384	139,694	-	-
Office equipment	20,773	20,502	-	-
Statutory audit fees:				
Deloitte PLT	149,750	132,000	35,000	35,000
Other auditors	63,630	60,629	-	-
Provision for expected credit loss of trade receivables, net	159,572	1,171	-	-
Property, plant and equipment written off	112,113	7	-	-
Loss on disposal of property, plant and equipment	-	490,537	-	-
Non-statutory audit fees:				
Deloitte PLT and its affiliates	56,700	73,000	39,000	43,000
Others	70,558	94,361	-	-
Fair value loss on financial assets at fair value through profit or loss	-	17,632	-	17,632
And crediting:				
Gain on foreign exchange:				
Realised	8,043,787	4,264,673	-	-
Unrealised	-	2,483,389	62,073	42,636
Rental income from investment properties (Note 11)	4,488,968	5,166,725	-	-
Reversal of inventories written down, net (Note 17)	2,864,568	4,119,222	-	-
Fair value gain on investment properties	580,000	750,000	-	-
Interest income	474,088	620,169	-	-
Gain on disposal of property, plant and equipment	393,569	-	-	-
Fair value gain on financial assets at fair value through profit or loss	18,127	-	18,127	-
Investment income earned on financial asset at fair value through profit or loss	1,772	31,981	1,772	31,981
Gain on disposal of short-term investments	-	29,806	-	29,806

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

7. EMPLOYEE BENEFIT EXPENSES

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Wages, salaries and others	115,747,424	84,143,285	5,170,276	3,765,801
Defined benefit plan	209,692	216,194	-	-
Defined contribution plan	4,672,045	4,093,424	520,666	404,970
Total employee benefit expenses	120,629,161	88,452,903	5,690,942	4,170,771

Included in the employee benefit expenses of the Group and of the Company is directors' remuneration as shown below:

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Directors of the Company:				
Executive:				
Salaries, allowance and bonus	2,747,560	1,533,188	2,072,690	1,533,188
Defined contribution plan	446,191	272,603	365,200	272,603
Benefits-in-kind	-	22,100	-	-
Non-executive:				
Fee	90,000	81,000	90,000	81,000
Allowance	29,000	25,400	29,000	25,400
	3,312,751	1,934,291	2,556,890	1,912,191
Directors of subsidiaries:				
Executive:				
Salaries, allowance and bonus	2,119,357	1,890,221	901,765	745,294
Defined contribution plan	250,563	222,408	110,572	91,403
Benefits-in-kind	14,100	14,100	-	-
	2,384,020	2,126,729	1,012,337	836,697
	5,696,771	4,061,020	3,569,227	2,748,888

There are no key management personnel, other than the directors of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

8. TAX EXPENSE

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current tax:				
Malaysia	10,867,644	11,293,892	194,664	7
Foreign	123,655	147,028	-	-
Deferred tax:				
Origination and reversal of temporary differences (Note 16)	1,774,647	2,729,121	-	-
	12,765,946	14,170,041	194,664	7
(Over)/Underprovision in prior years:				
Current tax	(2,333,663)	18,820	-	98
Deferred tax (Note 16)	1,598,819	(163,714)	-	-
	12,031,102	14,025,147	194,664	105

The reconciliation of the tax expense of the Group and of the Company are as follows:

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Profit before tax	82,061,638	74,345,081	28,369,315	20,029,806
Income tax at Malaysian tax rate of 24%	19,694,793	17,842,819	6,808,636	4,807,153
Effect of tax rates in foreign jurisdictions	(48,984)	(108,221)	-	-
Effect of expenses that are not deductible in determining taxable profit	1,403,418	781,368	194,664	7
Utilisation of reinvestment allowances arising during the year	(6,631,282)	(3,806,510)	-	-
Effect of income that are not taxable in determining taxable profit	(1,651,999)	(539,415)	(6,808,636)	(4,807,153)
	12,765,946	14,170,041	194,664	7
(Over)/Underprovision in prior years:				
Current tax	(2,333,663)	18,820	-	98
Deferred tax	1,598,819	(163,714)	-	-
	12,031,102	14,025,147	194,664	105

A subsidiary in Thailand was enjoying investment promotion incentive in the manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1977. Under this incentive, the subsidiary was entitled to full corporate tax exemption on certain sources of income, a tax reduction of 10% on certain sources of income and full corporate tax exemption on certain sources of income not exceeding the capital investment (excluding land), as well as other rights and privileges as prescribed by the Board of Investment of Thailand. For income which was derived from non-qualifying investment promotion incentive, tax was charged at 2%. The investment promotion incentive will expire on Oct 9, 2025. The corporate tax rate applicable upon expiry of the investment promotion incentive is 2%.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

8. TAX EXPENSE (CONT'D)

As of December 31, 2022, the Group and the Company has the following amounts of unused tax losses which are available for set off against future taxable profits:

	The Group and the Company	
	2022	2021
	RM	RM

Unused tax losses	-	1,226,821
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The unused tax losses can be carried forward for ten consecutive years of assessment immediately following that year of assessment (e.g. unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2028) pursuant to the gazetted Finance Act 2022.

The unused tax losses of the Group and of the Company will expire in the following years of assessment ("YA"):

	The Group and the Company	
	2022	2021
	RM	RM

YA 2031	-	457,826
YA 2029	-	742,265
YA 2028	-	26,730
	-	1,226,821

9. EARNINGS PER SHARE

Basic earnings per ordinary share

The net profit and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	The Group	
	2022	2021

Profit for the year attributable to owners of the Company (RM)	70,030,536	60,319,934
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share (units)	384,041,985	384,041,985
Basic earnings per ordinary share (sen)	18.24	15.71

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share as there are no potential dilutive ordinary shares during the financial year.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Freehold land	Buildings and structures	Plant and machinery	Production tools and equipment	Furniture, fixtures and office equipment	Mechanical and electrical installation	Motor vehicles	Computer	Capital work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2022:										
At cost										
Balance at beginning	820,110	49,276,803	194,464,209	18,258,151	4,165,349	3,030,262	2,634,608	207,956	32,604,481	305,461,929
Additions	-	3,185,931	30,426,623	3,555,130	68,387	25,500	370,477	389,596	8,653,648	46,675,292
Disposals/write offs	-	-	(2,392,185)	(17,000)	-	-	(204,473)	-	(95,105)	(2,708,763)
Transfer from investment properties	-	16,121,789	-	-	-	-	-	-	-	16,121,789
Reclassification	-	68,000	13,098,829	-	-	-	-	-	(13,166,829)	-
Effects of movements in exchange rates	18,555	15,023	152,347	184	20,573	14,117	13,007	-	102	233,908
Balance at end	838,665	68,667,546	235,749,823	21,796,465	4,254,309	3,069,879	2,813,619	597,552	27,996,297	365,784,155
Accumulated depreciation										
Balance at beginning	-	17,021,923	142,172,685	13,467,744	3,785,801	2,171,026	2,294,252	12,773	-	180,926,204
Charge for the year	-	2,708,115	18,216,177	1,691,702	234,707	229,445	163,891	75,843	-	23,319,880
Disposals/write offs	-	-	(2,392,163)	-	-	-	(204,470)	-	-	(2,596,633)
Effects of movements in exchange rates	-	4,130	80,517	1,089	18,035	8,046	11,841	-	-	123,658
Balance at end	-	19,734,168	158,077,216	15,160,535	4,038,543	2,408,517	2,265,514	88,616	-	201,773,109
Carrying amount	838,665	48,933,378	77,672,607	6,635,930	215,766	661,362	548,105	508,936	27,996,297	164,011,046

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group (Cont'd)

Cost	Freehold land RM	Buildings and structures RM	Plant and machinery RM	Production tools and equipment RM	Furniture, fixtures and office equipment RM	Mechanical and electrical installation RM	Motor vehicles RM	Computer RM	Capital work in progress RM	Total RM
2021:										
At cost										
Balance at beginning	879,738	45,021,066	171,945,694	16,363,395	4,149,489	2,658,049	2,672,599	-	4,342,709	248,032,739
Additions	-	2,798,083	24,286,138	1,956,056	109,895	417,590	-	207,956	30,513,490	60,289,208
Disposals/write offs	-	(139,855)	(1,204,906)	(61,300)	(29,208)	-	-	-	(605,919)	(2,041,188)
Reclassification	-	1,645,799	-	-	-	-	-	-	(1,645,799)	-
Effects of movements in exchange rates	(59,628)	(48,290)	(562,717)	-	(64,827)	(45,377)	(37,991)	-	-	(818,830)
Balance at end	820,110	49,276,803	194,464,209	18,258,151	4,165,349	3,030,262	2,634,608	207,956	32,604,481	305,461,929
Accumulated depreciation										
Balance at beginning	-	15,016,213	129,822,418	11,834,624	3,612,843	1,966,054	2,138,040	-	-	164,390,192
Charge for the year	-	2,063,086	13,666,249	1,689,508	254,556	219,952	192,619	12,773	-	18,098,743
Disposals/write offs	-	(47,280)	(1,035,275)	(56,388)	(28,648)	-	-	-	-	(1,167,591)
Effects of movements in exchange rates	-	(10,096)	(280,707)	-	(52,950)	(14,980)	(36,407)	-	-	(395,140)
Balance at end	-	17,021,923	142,172,685	13,467,744	3,785,801	2,171,026	2,294,252	12,773	-	180,926,204
Carrying amount	820,110	32,254,880	52,291,524	4,790,407	379,548	859,236	340,356	195,183	32,604,481	124,535,725

The carrying amount of the Group's freehold land and building charged to licensed banks as securities for banking facilities granted to the Group (as disclosed in Note 26) amounted to RM1,361,906 (2021: RM1,364,107).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

11. INVESTMENT PROPERTIES

	The Group	
	2022	2021
	RM	RM
At fair value		
Balance at beginning	47,432,563	46,985,867
Change in fair value recognised in profit or loss	580,000	750,000
Transfer to property, plant and equipment	(16,121,789)	-
Transfer to right-of-use assets	(10,478,211)	-
Effects of movements in exchange rates	94,360	(303,304)
Balance at end	<u>21,506,923</u>	<u>47,432,563</u>
The investment properties are represented by:		
Freehold land and buildings	4,306,923	4,212,563
Leasehold land and buildings	<u>17,200,000</u>	<u>43,220,000</u>
	<u>21,506,923</u>	<u>47,432,563</u>

During the financial year, the Group had transferred certain leasehold land and buildings previously classified as investment properties to property, plant and equipment or right-of-use assets as the purpose of the leasehold land and buildings were changed such that they were used in the production or supply of goods and/or for administrative purposes.

The carrying amount of the Group's investment properties charged to a licensed bank as securities for banking facilities granted to the Group (as disclosed in Note 26) amounted to RM4,306,923 (2021: RM4,212,563).

Group as lessor

The Group has entered into operating leases on its investment properties. These leases have terms of between 1 to 3 years.

The following are recognised in profit or loss in respect of investment properties:

	The Group	
	2022	2021
	RM	RM
Rental income from investment properties	4,488,968	5,166,725
Direct operating expenses:		
Income generating investment properties	<u>241,675</u>	<u>382,633</u>

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	The Group	
	2022	2021
	RM	RM
Not later than one year	2,457,671	5,190,525
Later than one year and not later than five years	<u>293,061</u>	<u>2,742,055</u>
	<u>2,750,732</u>	<u>7,932,580</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

11. INVESTMENT PROPERTIES (CONT'D)

Fair value measurement information

Fair value of investment properties are categorised as follows:

	The Group Level 3	
	2022 RM	2021 RM
Freehold land and buildings	4,306,923	4,212,563
Leasehold land and buildings	17,200,000	43,220,000
	21,506,923	47,432,563

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and input used	Significant unobservable inputs		Inter-relationship between significant used unobservable inputs fair value measurement
	2022	2021	
Comparison method of valuation: Comparing the subject site with similar industrial lands and industrial buildings which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, terrain of land, tenure and restrictions if any, availability of infrastructure, vacant possession and other relevant characteristics.	Price per square foot (RM33-RM56)	Price per square foot (RM30-RM125)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower)

Valuation process applied by the Group for level 3 fair value

At December 31, 2022, the fair value of the Group's investment properties have been arrived at on the basis of a valuation carried out on January 19, 2023 by independent valuers, which have appropriate qualifications and recent experience in the valuation of properties in the relevant locations, by reference to market evidence of transaction prices for similar properties. Changes in Level 3 fair value are analysed by the management after obtaining the valuation reports from the valuation company.

Highest and best use

The Group's investment properties comprise of factory land and buildings located within an area designated for industrial use. Accordingly, industrial use has been adopted as the highest and best use for the valuation purpose.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

12. RIGHT-OF-USE ASSETS

	The Group	
	2022	2021
	RM	RM
Leasehold land		
At cost		
Balance at beginning	16,896,798	11,530,207
Transfer from investment properties	10,478,211	-
Additions during the year	-	5,366,591
Balance at end	<u>27,375,009</u>	<u>16,896,798</u>
Accumulated amortisation		
Balance at beginning	3,831,986	3,568,094
Charge for the year	796,865	263,892
Balance at end	<u>4,628,851</u>	<u>3,831,986</u>
Carrying amount	<u>22,746,158</u>	<u>13,064,812</u>

Leasehold land of the Group is with unexpired lease period of ranging between 13 to 29 years (2021: 14 to 30 years).

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2022	2021
	RM	RM
Unquoted shares, at cost	<u>79,918,805</u>	<u>79,918,805</u>

Details of the subsidiaries are as follows:

Name of companies	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2022	2021	
Held by the Company:				
Pan-International Electronics (Malaysia) Sdn. Bhd.	Malaysia	100	100	Contract electronics manufacturing, cable assemblies and Printed Circuit Board ("PCB") assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of companies	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2022	2021	

Held by the Company:

Pan-International Wire & Cable (Malaysia) Sdn. Bhd.	Malaysia	100	100	Manufacture of cables and wires for electronic devices and cable moulding compounds
Pan-International Electronics (Thailand) Co., Ltd.*	Thailand	100	100	Manufacture and distribution of cable assembly and wire harness, plastic parts for electrical appliances and electronics parts and PCB assembly for computer, communication and consumer electronics industry

Indirectly held through Pan-International Electronics (Malaysia) Sdn. Bhd.:

Pan-International Corporation (S) Pte. Ltd.*	Singapore	100	100	Marketing and trading of electronic and telecommunication components and equipment
PIE Enterprise (M) Sdn. Bhd.	Malaysia	100	100	Dormant

Indirectly held through Pan-International Wire & Cable (Malaysia) Sdn Bhd.:

P.I.W. Enterprise (Malaysia) Sdn. Bhd.	Malaysia	100	100	Dormant
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* Not audited by Deloitte PLT

14. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Unquoted shares, at cost	25,000	25,000	25,000	25,000
Share of post-acquisition reserves	(25,000)	(25,000)	-	-
	-	-	25,000	25,000

Details of the associate are as follows:

Name of company	Country of incorporation and operation	Proportion of ownership interest (%)		Principal activities
		2022	2021	
12 Skyway Sdn. Bhd.*	Malaysia	49	49	Dormant

* Not audited by Deloitte PLT



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	The Group	
	2022	2021
	RM	RM
As at December 31		
Non-current assets	38	38
Current assets	14,693	42,800
Current liabilities	(105,620)	(133,607)
Net liabilities	(90,889)	(90,769)
Year ended December 31		
Profit from continuing operations	631	5,832

15. GOODWILL ON CONSOLIDATION

The Group

	2022	2021
	RM	RM
At cost	1,721,665	1,721,665

At end of the reporting period, the Group assessed the recoverable amount of goodwill and determined that no impairment was necessary.

Goodwill has been allocated for impairment testing purposes to the 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 management covering a period of 5 years with an estimated growth rate of 1% (2021: 0%) and a pre-tax discount rate of 10.30% (2021: 13.00%) 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 management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

16. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Balance at beginning	(6,101,341)	(3,506,883)	827,120	827,120
Recognised in profit or loss (Note 8)	(1,774,648)	(2,729,121)	-	-
Effects of movements in exchange rates	8,705	(29,051)	-	-
	(7,867,284)	(6,265,055)	827,120	827,120
(Under)/Overprovision in prior year (Note 8)	(1,598,819)	163,714	-	-
	(9,466,103)	(6,101,341)	827,120	827,120

The recognised deferred tax assets and liabilities, after appropriate offsetting, are as follows:

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Deferred tax assets	1,216,491	1,262,427	827,120	827,120
Deferred tax liabilities	(10,682,594)	(7,363,768)	-	-
	(9,466,103)	(6,101,341)	827,120	827,120

The movement in deferred tax assets/(liabilities) during the year before offsetting are as follows:

	Opening balance	Recognised in profit or loss	Currency Translation Difference	Closing balance
	RM	RM	RM	RM
The Group				
2022				
Deferred tax assets				
Unused tax losses	294,437	(294,437)	-	-
Other deductible temporary difference	4,160,628	3,281,524	8,705	7,450,857
	4,455,065	2,987,087	8,705	7,450,857
Deferred tax liabilities				
Property, plant and equipment	(10,556,406)	(6,360,554)	-	(16,916,960)
Net	(6,101,341)	(3,373,467)	8,705	(9,466,103)
The Group				
2021				
Deferred tax assets				
Unused tax losses	181,857	112,580	-	294,437
Other deductible temporary difference	5,193,244	(1,003,565)	(29,051)	4,160,628
	5,375,101	(890,985)	(29,051)	4,455,065
Deferred tax liabilities				
Property, plant and equipment	(8,881,984)	(1,674,422)	-	(10,556,406)
Net	(3,506,883)	(2,565,407)	(29,051)	(6,101,341)



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	Opening balance RM	Recognised in profit or loss RM	Currency Translation Difference RM	Closing balance RM
The Company				
2022				
Deferred tax assets				
Unused tax losses	294,437	(294,437)	-	-
Other deductible temporary difference	532,683	294,437	-	827,120
Net	827,120	-	-	827,120
2021				
Deferred tax assets				
Unused tax losses	181,857	112,580	-	294,437
Other deductible temporary difference	645,263	(112,580)	-	532,683
Net	827,120	-	-	827,120

Certain deferred tax assets and deferred tax liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offsetting):

	The Group 2022 RM	2021 RM
Deferred tax assets (before offsetting)	7,450,857	4,455,065
Offsetting	(6,234,366)	(3,192,638)
Deferred tax assets (after offsetting)	1,216,491	1,262,427
	The Group 2022 RM	2021 RM
Deferred tax liabilities (before offsetting)	(16,916,960)	(10,556,406)
Offsetting	6,234,366	3,192,638
Deferred tax liabilities (after offsetting)	(10,682,594)	(7,363,768)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

17. INVENTORIES

	The Group	
	2022	2021
	RM	RM
Raw materials	149,668,698	165,542,009
Work-in-progress	75,760,672	69,412,327
Finished goods	42,720,892	38,797,305
Goods-in-transit	19,647,514	27,175,742
	<u>287,797,776</u>	<u>300,927,383</u>
	The Group	
	2022	2021
	RM	RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,070,368,509	946,123,304
Reversal of inventories written down, net	<u>(2,864,568)</u>	<u>(4,119,222)</u>

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Trade				
Third parties	211,316,926	191,956,345	-	-
Less: Provision for expected credit loss	<u>(451,381)</u>	<u>(289,585)</u>	-	-
	210,865,545	191,666,760	-	-
Related parties	114,765,175	52,062,385	-	-
Ultimate holding company	<u>2,396,396</u>	<u>3,668,647</u>	-	-
	<u>328,027,116</u>	<u>247,397,792</u>	-	-
Non-trade				
Amount owing by subsidiaries	-	-	21,504,421	20,277,421
Other receivables	969,632	777,930	-	-
Deposits	378,033	366,901	2,000	2,000
Prepayments	6,609,462	7,573,352	13,398	13,844
Goods and Services Tax ("GST") recoverable	<u>26,920</u>	<u>27,044</u>	-	-
	<u>7,984,047</u>	<u>8,745,227</u>	<u>21,519,819</u>	<u>20,293,265</u>
	<u>336,011,163</u>	<u>256,143,019</u>	<u>21,519,819</u>	<u>20,293,265</u>

The normal credit terms granted on the trade receivables balances range of the Group from 30 to 120 days (2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The trade amount due from related parties and ultimate holding company are subject to normal trade terms.

Included in non-trade amount owing by subsidiaries of the Company is dividend receivable amounting to RM10.5 million (2021: RM10.5 million) owing from a subsidiary. The remaining balance arose mainly from unsecured advances which are interest free and are repayable on demand.

The ageing analysis of the Group's trade receivable balances are disclosed in Note 31.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

19. SHORT-TERM INVESTMENTS

	The Group and the Company	
	2022	2021
	RM	RM
Financial assets at fair value through profit or loss		
Investment in unit trusts	<u>1,471,410</u>	<u>1,389,646</u>

The effective interest rate for the short-term investments are 1.10% to 2.70% (2021: 0.90% to 2.70%) per annum and can be redeemed at any time upon notice given to the financial institution. The unit trusts invest in a mixture of Islamic money market instruments and fixed deposits with different maturity period.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	43,529,664	63,413,366	322,601	273,358
Fixed deposits with licensed banks	13,646,468	11,861,792	-	-
Short-term money market deposits	6,000,000	3,000,000	-	-
	<u>63,176,132</u>	<u>78,275,158</u>	<u>322,601</u>	<u>273,358</u>
Less: Cash and bank balances pledged	(511,200)	(500,000)	-	-
	<u>62,664,932</u>	<u>77,775,158</u>	<u>322,601</u>	<u>273,358</u>

Included in the Group's cash and bank balances is RM511,200 (2021: RM500,000) pledged to licensed banks as securities for banking facilities granted to the Group (as disclosed in Note 26).

The effective interest rate and maturity period of the fixed deposits with licensed banks of the Group as at the end of the reporting period range from 1.30% to 3.00% (2021: 1.30% to 1.85%) per annum and 1 month (2021: 1 month) respectively.

The effective interest rate and maturity period of the short-term money market deposits of the Group as at the end of the reporting period is at 2.30% (2021: 1.65%) per annum and 1 month (2021: 1 to 2 months) respectively.

21. SHARE CAPITAL

	2022		2021	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
Ordinary shares	<u>384,041,985</u>	<u>83,202,902</u>	<u>384,041,985</u>	<u>83,202,902</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

22. RESERVES

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Non-distributable:				
Foreign currency translation reserve	12,703,536	11,872,862	-	-
Revaluation reserve	2,659,578	2,659,578	-	-
Merger reserve	-	-	16,408,221	16,408,221
	<u>15,363,114</u>	<u>14,532,440</u>	<u>16,408,221</u>	<u>16,408,221</u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of foreign subsidiary companies' financial statements. Exchange differences relates 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.

Revaluation reserve

Revaluation reserve represents increase in the value of property, plant and equipment and right-of-use assets, net of tax, as a result of change in use of the Group's owner-occupied property to investment property that was carried at fair value at the date of change in use.

Merger reserve

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

23. RETAINED EARNINGS

The entire retained earnings of the Company as of December 31, 2022 is available for the distribution as single-tier dividends to the shareholders of the Company.

As at December 31, 2022, the Company has tax exempt profits available for distribution of RM60,357,187 (2021: RM60,357,187), subject to the agreement of the Inland Revenue Board.

24. RETIREMENT BENEFIT OBLIGATIONS

	The Group	
	2022	2021
	RM	RM
Present value of retirement benefit obligations, representing net liabilities	<u>2,060,381</u>	<u>1,806,216</u>
Analysed as:		
Current	-	260,276
Non-current	<u>2,060,381</u>	<u>1,545,940</u>
	<u>2,060,381</u>	<u>1,806,216</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amount recognised in the profit or loss of the Group are as follows:

	The Group 2022 RM	2021 RM
Current services costs	187,482	193,313
Interest costs	22,210	22,881
	<u>209,692</u>	<u>216,194</u>

The following table sets out the reconciliation of the retirement benefit obligations of the Group:

	The Group 2022 RM	2021 RM
Balance at beginning	1,806,216	1,800,736
Recognised in the profit or loss:		
Employee benefit expense	209,692	216,194
Contribution paid	-	(85,420)
Effects of movements in exchange rates	44,473	(125,294)
	<u>2,060,381</u>	<u>1,806,216</u>

The principle actuarial assumptions used are as follows:

	The Group 2022	2021
Discount rate	1.53%	1.53%
Long-term salary increment rate	4.00%	4.00%

The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of each reporting period changed with all other variables held constant period:

	2022 %	The Group RM	2021 %	RM
Discount rate increase	1	(121,496)	1	(123,438)
Discount rate decrease	(1)	138,143	(1)	140,558
Long-term salary increment rate increase	1	188,493	1	168,983
Long-term salary increment rate decrease	(1)	(166,899)	(1)	(150,014)

The average duration of the defined benefit plan obligation at the end of the reporting period is 12 years (2021: 12 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Trade				
Third parties	102,914,070	130,334,652	-	-
Related parties	76,875,022	50,238,492	-	-
	<u>179,789,092</u>	<u>180,573,144</u>	<u>-</u>	<u>-</u>
Non-trade				
Amount due to ultimate holding company	851,358	1,077,887	-	-
Other payables	19,643,087	25,165,147	-	-
Accruals	25,743,881	20,793,382	3,280,159	2,658,974
	<u>46,238,326</u>	<u>47,036,416</u>	<u>3,280,159</u>	<u>2,658,974</u>
	<u>226,027,418</u>	<u>227,609,560</u>	<u>3,280,159</u>	<u>2,658,974</u>

The normal credit terms granted on the trade payables balances range from 30 to 90 days (2021: 30 to 90 days).

The normal credit terms granted on the amounts due to related parties balances are 30 days (2021: 30 days).

The amount due to the ultimate holding company is mainly non-trade in nature, unsecured, non-interest bearing and repayable on demand.

26. BORROWINGS

	The Group	
	2022	2021
	RM	RM
Current liabilities		
Onshore foreign currency loan	11,070,000	37,854,000
Multi-currency trade loan	72,359,000	12,618,000
Revolving credit	22,140,000	21,030,000
	<u>105,569,000</u>	<u>71,502,000</u>

The effective interest rates per annum are as follows:

	2022	2021
	%	%
Onshore foreign currency loan	4.85	2.64
Multi-currency trade loan	4.93	2.76
Revolving credit	<u>2.41-3.28</u>	<u>2.76</u>

These banking facilities are secured by legal charges over the freehold land and building (as disclosed in Note 10) amounted to RM1,361,906 (2021: RM1,364,107) and investment properties (as disclosed in Note 11) amounted to RM4,306,923 (2021: RM4,212,563) of the Group and corporate guarantee by the Company.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

27. DIVIDENDS

	The Group and the Company	
	2022	2021
	RM	RM
In respect of the financial year ended December 31, 2022:		
Single tier interim dividend of RM0.05 per share	19,202,099	-
Special single tier interim dividend of RM0.02 per share	7,680,840	-
In respect of the financial year ended December 31, 2020:		
First and final single tier dividend of RM0.024 per share	-	9,217,008
Special single tier interim dividend of RM0.026 per share	-	9,985,091
	<u>26,882,939</u>	<u>19,202,099</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year.

28. RELATED PARTY TRANSACTIONS

The following details of transactions between the Group and the Company with related parties were carried out under terms and conditions negotiated amongst the related parties.

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
With subsidiaries:				
Management fees received	-	-	7,200,000	3,876,000
Dividend received	-	-	27,000,000	20,500,000
With ultimate holding company:				
Sales to	8,867,743	7,285,168	-	-
Purchases from	5,035,083	2,063,032	-	-
Sales of equipment to	-	402,616	-	-
With related parties:				
Sales to:				
Sharp North Malaysia Sdn. Bhd.	302,570,728	341,728,883	-	-
Hon Hai Precision Industries Co., Ltd.	8,762,121	3,070,934	-	-
Foxconn Technology Co., Ltd	9,599	-	-	-
Pan-International Precision Electronics Co Ltd.	114,247	135,274	-	-
Pan-International (USA), Inc	-	301,775	-	-
Purchases from:				
Foxconn Technology Co., Ltd	192,524,637	286,481,778	-	-
Hon Hai Precision Industries Co., Ltd.	45,979,173	57,361,310	-	-
Futaihua Co. Ltd.	724,613	28,350	-	-
Foxconn Interconnect Technology Singapore Pte. Ltd.	142,123	154,845	-	-
ShenZhen Futaihong Precision Ind. Co. Ltd.	-	386,005	-	-
Purchase of machinery and equipment from:				
Pan-International Industrial Corp.	33,088	18,714	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

28. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

There were no transactions with any key management personnel during the year other than key management personnel compensation as disclosed in Note 7.

29. CAPITAL COMMITMENTS

	The Group 2022 RM	2021 RM
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Contracted and not provided for:

Property plant and equipment

9,888,647 10,309,158

30. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

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

Segment profit

Performance is measured based on segment profit before tax, interest income and expense and rental income as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets of a segment, excluding income producing assets, current and deferred tax assets and investment in unit trusts as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

30. OPERATING SEGMENTS (CONT'D)

Segment revenue and results

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

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Elimination RM	Total RM
2022					
Revenue					
External revenue	1,165,125,479	150,717	1,772	-	1,165,277,968
Inter-segment revenue	36,810,325	1,960,940	34,200,000	(72,971,265)	-
Total revenue	1,201,935,804	2,111,657	34,201,772	(72,971,265)	1,165,277,968
Results					
Segment profit/(loss)	77,336,946	(51,738)	28,369,316	(27,152,990)	78,501,534
Rental income					4,488,968
Interest income					474,088
Interest expense					(1,402,952)
Profit before tax					82,061,638
Income tax expense					(12,031,102)
Profit for the year					70,030,536
2021					
Revenue					
External revenue	1,025,003,279	168,602	31,981	-	1,025,203,862
Inter-segment revenue	23,412,412	1,346,221	24,376,000	(49,134,633)	-
Total revenue	1,048,415,691	1,514,823	24,407,981	(49,134,633)	1,025,203,862
Results					
Segment profit/(loss)	69,482,275	(49,794)	20,029,806	(20,633,675)	68,828,612
Rental income					5,166,725
Interest income					620,169
Interest expense					(270,425)
Profit before tax					74,345,081
Income tax expense					(14,025,147)
Profit for the year					60,319,934

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

30. OPERATING SEGMENTS (CONT'D)

Segment assets and liabilities

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Total RM
2022				
Assets				
Segment assets	418,395,894	1,860,324	2,159,665	422,415,883
Income producing assets				474,554,980
Current and deferred tax assets				8,419,952
Investment in unit trusts				<u>1,471,410</u>
Total assets				<u>906,862,225</u>
2021				
Assets				
Segment assets	379,809,982	1,751,556	2,010,867	383,572,405
Income producing assets				438,527,920
Current and deferred tax assets				2,852,959
Investment in unit trusts				<u>1,389,646</u>
Total assets				<u>826,342,930</u>

Other segment information

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Total RM
2022				
Other information				
Additions to non-current assets	65,978,979	-	-	65,978,979
Depreciation of property, plant and equipment and right-of-use assets	24,116,745	-	-	24,116,745
Provision/(reversal) for expected credit loss of trade receivables, net	160,551	(979)	-	159,572
Fair value gain on investment properties	580,000	-	-	580,000
Fair value gain on financial asset at fair value through profit or loss	-	-	18,127	18,127
Gain on disposal of property, plant and equipment	393,569	-	-	393,569
Interest expense	1,402,952	-	-	1,402,952
Interest income	474,088	-	-	474,088
Reversal of inventories written down	2,864,568	-	-	2,864,568
Unrealised (gain)/loss on foreign exchange	<u>10,215,669</u>	<u>-</u>	<u>(62,072)</u>	<u>10,153,597</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

30. OPERATING SEGMENTS (CONT'D)

Other segment information (Cont'd)

	Manufacturing of industrial products RM	Trading of electronics materials RM	Investment holding RM	Total RM
2021				
Other information				
Additions to non-current assets	65,655,799	-	-	65,655,799
Depreciation of property, plant and equipment and right-of-use assets	18,362,635	-	-	18,362,635
Provision for expected credit loss of trade receivables, net	308	863	-	1,171
Fair value gain on investment properties	750,000	-	-	750,000
Fair value loss on financial asset at fair value through profit or loss	-	-	17,632	17,632
Loss on disposal of property, plant and equipment	490,537	-	-	490,537
Gain on disposal of short-term investments	-	-	29,806	29,806
Interest expense	270,425	-	-	270,425
Interest income	576,581	43,588	-	620,169
Reversal of inventories written down	4,119,222	-	-	4,119,222
Unrealised gain on foreign exchange	2,440,753	-	42,636	2,483,389

Geographical information

The Group's manufacturing activities are located in Malaysia and Thailand and trading activities are located in Malaysia and Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in an associate), goodwill and deferred tax assets.

	Revenue RM	Non-current assets RM
2022		
Malaysia	661,941,904	203,220,731
United States of America	218,277,184	-
Other Asia Pacific countries	170,870,006	5,043,396
Europe countries	114,188,874	-
	1,165,277,968	208,264,127
2021		
Malaysia	617,018,782	173,097,323
United States of America	166,268,881	-
Other Asia Pacific countries	151,157,477	11,935,777
Europe countries	90,758,722	-
	1,025,203,862	185,033,100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

30. OPERATING SEGMENTS (CONT'D)

Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		
	2022	2021	
	RM	RM	Segments
Customer A	302,570,728	341,728,883	Manufacturing of industrial products
Customer B	202,958,717	155,178,810	Manufacturing of industrial products
Customer C	108,870,805	92,575,654	Manufacturing of industrial products
	<u>614,400,250</u>	<u>589,483,347</u>	

31. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. Management monitors capital based on ability of the Group and of the Company to generate sustainable profits. The Group's and the Company's overall strategy remains unchanged from 2021.

b. Categories of financial instruments

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Financial assets				
At amortised cost:				
Trade and other receivables, excluding prepayments and GST recoverable	329,374,779	248,542,623	21,506,421	20,279,421
Cash and cash equivalents	63,176,132	78,275,158	322,601	273,358
At fair value through profit or loss:				
Short-term investments	<u>1,471,410</u>	<u>1,389,646</u>	<u>1,471,410</u>	<u>1,389,646</u>
Financial liabilities				
At amortised cost:				
Trade and other payables	226,027,418	227,609,560	3,280,159	2,658,974
Borrowings	105,569,000	71,502,000	-	-
Retirement benefit obligations – current	-	260,276	-	-
Retirement benefit obligations non-current	<u>2,060,381</u>	<u>1,545,940</u>	<u>-</u>	<u>-</u>

c. Financial risk management objectives and policies

The operations of the Group and of the Company 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 and the Company have formulated a financial risk management framework whose principal objective is to minimize the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

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

i. 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 risk or the manner in which these risks are managed and measured.

ii. Foreign currency risk management

The Group and the Company have exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. The Group and the Company enter into derivative financial instruments to manage its exposure to foreign currency risk, including foreign currency forward contracts to hedge the exchange rate risks arising on foreign currency transactions.

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

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Assets				
United States Dollars	322,120,374	232,535,290	1,165,610	1,087,947
Euro	11,365,933	17,698,724	-	-
Singapore Dollars	1,022,165	1,109,385	-	-
Others	575,273	24,029	-	-
Liabilities				
United States Dollars	215,362,914	251,808,166	-	-
Euro	13,172,391	-	-	-
Singapore Dollars	11,933	5,908	-	-
Others	608,509	5,080,609	-	-

The following table details the Group's and the Company's sensitivity to a 10% (2021: 10%) strengthening of the RM against the relevant foreign currencies. 10% (2021: 10%) is the sensitivity rate used when reporting 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% (2021: 10%) change in foreign currency rates. A positive number below indicates an increase in profit net of tax (2021: an increase in profit net of tax) and a negative number indicates a decrease in profit net of tax (2021: a decrease in profit net of tax) where the RM strengthens 10% (2021: 10%) against the relevant currency. For a 10% (2021: 10%) weakening of the RM against the relevant currency, it would have had equal but opposite effect on the below currencies to the amounts shown below.

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Impact on profit or loss				
United States Dollar	(10,675,746)	1,927,288	(116,561)	(108,795)
Euro	180,646	(1,769,872)	-	-
Singapore Dollar	(101,023)	(110,348)	-	-
Others	3,324	505,658	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

iii. Credit risk management

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

Third party 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.

At the end of the reporting period, approximately 73% (2021: 80%) of the Group's third party trade receivables were due from 3 (2021: 3) major customers. Apart from these major customers, 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.

(a) Ageing analysis – maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The Group maintains an ageing analysis in respect of third party trade receivables only. The ageing of third party trade receivables of the Group as at the end of the reporting period is as follows:

	Gross RM	Loss allowance RM	Net RM
2022			
Not past due	156,055,717	(106,904)	155,948,813
1 to 30 days past due	32,394,992	(223,346)	32,171,646
31 to 60 days past due	21,462,224	(1,165)	21,461,059
61 to 90 days past due	955,278	(20,377)	934,901
Past due more than 90 days	448,715	(99,589)	349,126
	<u>211,316,926</u>	<u>(451,381)</u>	<u>210,865,545</u>
2021			
Not past due	180,295,149	(125,750)	180,169,399
1 to 30 days past due	10,354,199	(631)	10,353,568
31 to 60 days past due	956,239	(10,642)	945,597
61 to 90 days past due	64,360	(2,562)	61,798
Past due more than 90 days	286,398	(150,000)	136,398
	<u>191,956,345</u>	<u>(289,585)</u>	<u>191,666,760</u>

The ECL allowance is calculated based on expected loss rate ranging from 0.3% to 100% (2021: 0.3% to 100%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

iii. Credit risk management (Cont'd)

(a) Ageing analysis – maximum exposure to credit risk (Cont'd)

The provision for expected credit loss of trade receivables as at December 31, 2022 reconciles to the opening loss allowance for that provision as follows:

	2022 RM	2021 RM
At January 1	289,585	298,760
Provision for expected credit loss	277,617	73,716
Reversal of provision for expected credit loss	(118,045)	(72,545)
Effects of movements in foreign exchange rates	2,224	(10,346)
At December 31	451,381	289,585

(b) Financial guarantees – risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries up to a limit of RM252,746,000 (2021: RM212,479,400). The maximum exposure to credit risk is RM105,569,000 (2021: RM71,502,000) as there was outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

Financial guarantees have not been recognised as the fair value on initial recognition was not material since no consideration was paid.

iv. Interest rate risk management

The Group's fixed rate fixed deposits with licensed banks, short-term money market deposits placed with licensed banks and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of the Group's significant interest-earning financial instruments, based on carrying amounts as at the end of the reporting period is as follows:

	The Group	
	2022 RM	2021 RM
Fixed rate instruments		
Fixed deposits with licensed banks	13,646,468	11,861,792
Short-term money market deposits	6,000,000	3,000,000
Borrowings	105,569,000	71,502,000

No sensitivity analysis is 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 fixed interest bearing financial instruments at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONT'D)

c. Financial risk management objectives and policies (Cont'd)

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 and Company's funding and liquidity management requirements. The Group and the Company remain focused on ensuring sufficient access to money markets to finance business growth and to meet its debt obligations. The Group and the Company seek to align the maturity profile of its financial obligations with its forecasted cash flow generation. Furthermore, strong cost and cash management policies are in place to preserve cash and protect the Group's and the Company's liquidity.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Not later than 1 year				
Trade and other payables	226,965,019	227,609,560	3,280,159	2,658,974
Borrowings	105,569,000	71,552,877	-	-
Retirement benefit obligations	-	273,349	-	-
Financial guarantee contracts*	252,746,000	212,479,400	-	-
Later than one year and not later than five years				
Retirement benefit obligations	2,060,381	1,784,623	-	-

* The carrying amount of financial guarantee contracts as at the reporting date is RM Nil (2021: RM Nil) as there was no indication that the subsidiaries would default on repayment. The disclosure represents the maximum amount that is required to be settled in the event that the subsidiaries default on the banking facilities granted.

All financial assets and financial liabilities of the Group and of the Company are repayable on demand or due within 1 year from the end of the reporting period.

vi. Cash flow risk management

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

d. Fair value measurement

This note provides information about how the Group and the Company determines fair values of various financial assets and financial liabilities.

i. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, in particular the valuation techniques and inputs used.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. FINANCIAL INSTRUMENTS (CONT'D)

d. Fair value measurement (Cont'd)

i. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

	The Group and the Company	
	2022	2021
	RM	RM
Investment in unit trusts	<u>1,471,410</u>	<u>1,389,646</u>

Fair value hierarchy	Level 1
Valuation technique and key input	The investment in unit trusts which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period.
Significant unobservable input	Not applicable
Relationship of unobservable input to fair value	Not applicable

There was no transfer between Levels 1 and 2 during the period.

ii. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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 due to the short term maturity of these financial instruments.

32. MATERIAL LITIGATION

Indirect tax dispute with the Royal Malaysian Customs ("RMC")

In 2015, a subsidiary of the Company, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIESB") received demand letters from the RMC regarding unpaid import duties and sales tax amounting to RM8,432,283 and RM841,342 respectively.

In the same year, the RMC had blacklisted all the directors of PIESB from leaving and entering Malaysia and arising from this, the external legal counsel of PIESB had filed a judicial review application in the High Court of Malaya to challenge the condition imposed by the RMC. The RMC had subsequently withdrew the blacklisting of all directors with the condition that PIESB remit a payment of 20% of the disputed sum (amounting to RM1,854,725) and placed a bank guarantee with the RMC for the remaining sum. PIESB had complied with the instructions of the RMC without prejudice.

The RMC had not filed any suit against PIESB for the above said claim. PIESB had filed an appeal with the Malaysia Ministry of Finance ("MOF") regarding the alleged unpaid import duties and sales tax of which its application was verbally rejected by the MOF on October 31, 2017. Subsequent to the rejection, the external legal counsel of PIESB had applied for a judicial review on the decision of the MOF with the High Court of Penang. The High Court of Penang dismissed PIESB's application for a judicial review. Following the dismissal by the High Court of Penang, PIESB had submitted an appeal application against the decision of the High Court of Penang to the Court of Appeals of which hearing of the case was fixed on June 24, 2019.

The Court of Appeal however decided that the appeal was premature as there was no documentary proof that the MOF had issued a letter to dismiss PIESB appeal for remission of the custom duties and sales tax. As such, the solicitor had advised PIESB to write a fresh letter of appeal to the MOF to request the Minister of Finance to reconsider and allow its appeal for the remission of the custom duties and sales tax. In December 2021, an additional payment of RM741,889 was made by PIESB based on a notice of demand received from the RMC.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

32. MATERIAL LITIGATION (CONT'D)

Indirect tax dispute with the Royal Malaysian Customs ("RMC") (Cont'd)

Due to some changes in the policy making in the MOF resulting from the new government in 2022, PIESB was requested to resubmit another new letter of appeal to the MOF. This new letter of appeal was submitted to the MOF on February 27, 2023.

The external legal counsel of PIESB is still awaiting the Minister of Finance to reply to its fresh letter of appeal and believes that the chances of PIESB's judicial review on the decision of the Ministry of Finance are reasonably good.

33. SUBSEQUENT EVENTS

Changes in group structure - Pan-International Corporation (S) Pte Ltd ("PIS")

On February 24, 2023, an unrelated company subscribed to 233,334 newly issued ordinary shares of PIS at an issue price of SGD1.30 per ordinary share for a total cost of SGD303,335 in cash. The shareholding of the Company's subsidiary, Pan-International Electronics (Malaysia) Sdn. Bhd. ("PIESB") in PIS was reduced from 100% to 30% subsequent to this and PIS was no longer a subsidiary of PIESB and became an associate company instead.



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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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, 2022 and of the financial performance and the cash flows of the Group and of the Company for the year then ended on that date.

Signed in accordance with
a resolution of the Directors,

MUI CHUNG MENG

LAN, KUO-YI

March 13, 2023

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

I, **LAN, KUO-YI**, 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 **LAN, KUO-YI** at

GEORGETOWN in the State of **PENANG**

on **MARCH 16, 2023**

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 21 MARCH 2023

Total Number of Issued Shares : 384,041,985
 Class of Shares : Ordinary Shares with equal voting rights
 Number of Shareholders : 3,794

DISTRIBUTION OF SHAREHOLDERS AS AT 21 MARCH 2023

Holdings	No. of Holders	Shareholding	%
1 - 99	22	279	0.00
100 - 1,000	695	505,475	0.13
1,001 - 10,000	2,089	10,014,086	2.61
10,001 - 100,000	818	24,242,613	6.31
100,001 - 19,202,098	168	131,968,647	34.36
19,202,099 and above	2	217,310,885	56.59
Total	3,794	384,041,985	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 21 MARCH 2023

	Name	Shareholdings	%
1	PAN GLOBAL HOLDING CO. LTD	197,459,985	51.42
2	WONG YOKE FONG @ WONG NYOK FING	17,468,200	4.55
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	13,863,600	3.61
4	LEMBAGA TABUNG HAJI	13,783,200	3.59
5	GOH THONG BENG	5,967,000	1.55
6	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	5,432,000	1.41
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	5,155,800	1.34
8	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YOKE FONG @ WONG NYOK FING (M)	3,845,100	1.00
9	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	3,695,200	0.96
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,667,300	0.95
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC SELECT TREASURES EQUITY FUND	3,029,300	0.79
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	2,498,000	0.65
13	CHUNG LEAN HWA	2,460,000	0.64
14	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)	2,145,200	0.56
15	WONG YOKE FONG @ WONG NYOK FING	2,135,500	0.56
16	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	1,914,600	0.50
17	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (UOB AMM6939-406)	1,831,500	0.48
18	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	1,826,600	0.48
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	1,660,200	0.43



ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 21 MARCH 2023 (CONT'D)

	Name	Shareholdings	%
20	WONG YOON TET	1,656,000	0.43
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR KENANGA SYARIAH EXTRA FUND (N14011960240)	1,628,700	0.42
22	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	1,626,300	0.42
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA EQUITY TRUST FUND (211882)	1,510,500	0.39
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (ACF-KENANGA-EQ)	1,466,100	0.38
25	LIM SOON HUAT	1,346,000	0.35
26	OUTSTANDING GROWTH TECHNOLOGY LIMITED	1,240,700	0.32
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD WONG GOAY SUAN	1,238,800	0.32
28	WONG YOON CHYUAN	1,195,000	0.31
29	MAK MEI LING	1,080,000	0.28
30	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	924,300	0.24

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2023

	Name	Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
1	Pan Global Holding Co. Ltd	197,459,985	51.42	-	-
2	Pan-International Industrial Corporation	-	-	197,459,985*	51.42

Note:

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

DIRECTOR SHAREHOLDING AS AT 21 MARCH 2023

	Name	Direct		Indirect	
		Shareholding	%	Shareholding	%
1	Mui Chung Meng	10,000	0.003	2,460,000*	0.64
2	Wong Thai Sun	-	-	-	-
3	Lee Cheow Kooi	-	-	-	-
4	Koay San San	-	-	-	-
5	Lan, Kuo-Yi	-	-	-	-
6	Lim Chien Ch'eng	-	-	-	-

PERSONS CONNECTED TO DIRECTOR

	Name	Direct		Indirect	
		Shareholding	%	Shareholding	%
1	Chung Lean Hwa ¹	2,460,000	0.64	-	-

¹ Being Spouse to a Director of the Company

* Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via spouse

TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES

AS AT 31 DECEMBER 2022

Location/Title	Tenure	Approximate Area	Description	Net Book Value as at 31.12.2022 (RM)	Age of Building (Years)	Year of Acquisition (A)/ Revaluation (R)
H.S.(D) 31755, Lot No. 5019, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 11.11.2050)	Land : 4.0 acres Built up : 15,874 sq. meters	Industrial complex - 1 storey factory A - Annexed 2 storey office - 1 storey factory B - guard house and canteen - 1 unit 1 storey warehouse	17,528,655	32	2021 (R)
H.S.(D) 37959, P.T. No. 3188, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang #	Leasehold – 60 years (expire on 5.6.2050)	Land : 5.780 acres Built up : 14,177 sq. meters	Industrial complex - 2 storey detached office cum factory - guard house and other outbuildings	17,200,000	32	2022 (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 : 19,783 sq. meters	Industrial complex - 2 storey office - 1 storey factory - Annexed 3 storey production areas - 3 units 1 storey warehouse - Guardhouse and canteen	12,682,680	30	1990 (A) & 2010 (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 : 4.0 acres Built up : 17,110 sq. meters	Industrial complex - 3 storey office - 2 storey factory complex - guard house	10,776,231	27	2012 (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 : 11,728 sq. meters	Industrial complex - 2 storey detached office cum factory	10,537,278	30	2021 (R)
H.S.(D) 31801, P.T. No. 3245, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang ^	Leasehold – 60 years (expire on 3.6.2051)	Land : 5.54 acres Built up : 8,300 sq. meters	Industrial complex - 1 storey detached factory building	8,528,374	32	2010 (A) & 2010 (R)
H.S.(D) 46251, Plot 6, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang#	Leasehold – 60 years (expire on 12.12.2035)	Land : 4.0 acres	Land - Building under construction	4,983,263	46	2020 (A)
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	4,404,734	28	1990 (A) & 2021 (R)



TOP 10 PROPERTIES OWNED BY P.I.E. INDUSTRIAL BERHAD GROUP OF COMPANIES (CONT'D) AS AT 31 DECEMBER 2022

Location/Title	Tenure	Approximate Area	Description	Net Book Value as at 31.12.2022 (RM)	Age of Building (Years)	Year of Acquisition (A)/ Revaluation (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	2,628,207	33	2020 (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	1,678,717	32	2020 (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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-SIXTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT MEETING ROOM 3, LEVEL 1, IXORA HOTEL, JALAN BARU, BANDAR PERAI JAYA, 13600 PERAI, PENANG, MALAYSIA ON FRIDAY, 19 MAY 2023 AT 9.00 A.M. FOR THE FOLLOWING PURPOSES:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2022 together with the Reports of the Directors and of the Auditors thereon. (Please refer to Note A)
2. To approve the payment of Directors' Fees of up to RM90,000 for the financial year ended 31 December 2022. (Ordinary Resolution 1)
3. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM40,800 from 1 June 2023 until the next Annual General Meeting (AGM) of the Company. (Ordinary Resolution 2)
4. To re-elect the following Directors retiring by rotation in accordance with Article 102 (1) of the Company's Constitution and being eligible, have offered themselves for re-election.
 - a) Mr Mui Chung Meng (Ordinary Resolution 3)
 - b) Ms Koay San San (Ordinary Resolution 4)
5. To re-appoint Messrs. Deloitte PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 and Waiver of Pre-Emptive Rights** (Ordinary Resolution 6)
 "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 (the "Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being.

 THAT pursuant to Section 85(1) of the Act read together with Article 62(1) of the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate.

 AND THAT the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."
7. **Authority to Purchase Its Own Shares** (Ordinary Resolution 7)
 "That subject to the Companies Act 2016, provisions of the Company's Constitution 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:-

 i. The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. Authority to Purchase Its Own Shares (Cont'd)

- 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 of the Company. As at the latest financial year ended 31 December 2022, the audited retained profits of the Company stood at RM1,748,809 ;
- 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 dividends to the shareholders and/or to 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 to enter 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, revaluation, 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 2016, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.

8. Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

(Ordinary
Resolution 8)

"That, approval be and is hereby given for the purpose of Chapter 10 of Bursa Securities Main Market Listing Requirements for the Company and its group of companies to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as listed in Section 3 of the Circular to the shareholders dated 20 April 2023 provided that such transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the Mandated Related Parties than those generally available to the public, are not to the detriment of the minority shareholders and disclosures on the breakdown of the aggregate value of these transactions conducted pursuant to the shareholders' mandate shall be made available in the Annual Report for the year ended 31 December 2022 ("the Mandate") and the Directors of the Company are hereby authorised to give effect to the various arrangements and/or transactions related to the above transactions and this shareholders' mandate.

And That the approval given above shall continue in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which the Mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

WONG YEE LIN (MIA15898)
SSM PC NO. 201908001793

HING POE PYNG (MAICSA 7053526)
SSM PC NO. 202008001322
Joint Company Secretaries

Penang
Date: 20 April 2023

Notes:

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.*
1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 11 May 2023. Only a depositor whose name appears on the Record of Depositors as at 11 May 2023 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/ her stead.*
 2. *A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his/her place. If a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
 3. *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 authorised nominee may appoint in respect of each omnibus account it holds.*
 4. *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 authorised.*
 5. *The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang, not less than 24 hours before the time appointed for holding the meeting.*



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Note On Special Business:

1. **Ordinary Resolution 6 - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016 and Waiver of Pre-Emptive Rights**

The proposed Ordinary Resolution 6 is for the purpose of granting a new and renewed general mandate (the "Mandate") and waiver of pre-emptive rights under Section 85(1) of the Act read together with Article 62(1) of the Company's Constitution, if passed, will give authority to the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and will exclude the shareholders' pre-emptive rights over all new shares to be issued under the Mandate.

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

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors at the 25th AGM held on 20 May 2022 and which will lapse at the conclusion of the 26th AGM.

Pursuant to Section 85(1) of the Act be read together with Article 62(1) of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

Section 85(1) of the Act Pre-Emptive Rights to New Shares	Article 62(1) of the Company's Constitution Allotment of shares / securities
Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.	Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue be offered to such persons as at the date of the offer are entitled to received notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

2. **Ordinary Resolution 7 - Authority to Purchase its own Shares**

The proposed Resolution 7, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares 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 AGM.

3. **Ordinary Resolution 8-New and Renewal of Proposed Shareholders' Mandate**

The proposed Resolution 8, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to shareholders dated 20 April 2023.

PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.



SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

This Share Buy-back Statement (Statement) is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (Bursa Securities) has not perused this 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 (SHARES) REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES AT ANY GIVEN POINT IN TIME (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 number of issued shares 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

Based on the audited financial statements of PIE as at 31 December 2022, the retained profits of the Company stood at RM1,748,809. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

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 RM322,601 based on the audited financial statements of PIE as at 31 December 2022. 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. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) 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 Major Shareholders of PIE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

SHARE BUY-BACK STATEMENT (CONT'D)

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM (CONT'D)

Based on the Register of Directors and the Register of Substantial Shareholders of PIE as at 21 March 2023 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 21 March 2023				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	% *	No. of Shares	% ^	No. of Shares	% ^
Lim Chien Ch'eng	-	-	-	-	-	-	-	-
Mui Chung Meng	10,000	0.0026	2,460,000	0.64	10,000	0.0029	2,460,000**	0.71**
Lan, Kuo-Yi	-	-	-	-	-	-	-	-
Wong Thai Sun	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Lee Cheow Kooi	-	-	-	-	-	-	-	-

Substantial Shareholders

Name	Existing as at 21 March 2023				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.	197,459,985	51.42	-	-	197,459,985	57.13	-	-
Pan-International Industrial Corporation	-	-	197,459,985 ¹	51.42	-	-	197,459,985 ¹	57.13

Person Connected To Director

Name	Existing as at 21 March 2023				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 ²	2,460,000	0.64	-	-	2,460,000	0.71	-	-

Note:

* Percentage shareholding computed based on 384,041,985 PIE Shares in issue

^ Percentage shareholding computed based on 345,637,787 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

¹ By virtue of its substantial interest in Pan Global Holding Co. Ltd.

² Being Spouse to a Director of the Company

** Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via Spouse

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

6.1 Potential Advantages of the Proposed Share Buy-Back

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



SHARE BUY-BACK STATEMENT (CONT'D)

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK (CONT'D)

6.2 Potential disadvantages of the Proposed Share Buy-Back

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

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

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

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

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

7.1 Share Capital

As at 21 March 2023, the total number of issued shares was 384,041,985 Shares. In the event that the 38,404,198 Shares representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:

	No. of Shares
Total number of issued shares as at 21 March 2023	384,041,985
Assumed the Shares purchased and cancelled	(38,404,198)
Resultant total number of issued shares	<u>345,637,787</u>

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

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.

SHARE BUY-BACK STATEMENT (CONT'D)

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

7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow 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.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

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.

Assuming 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 2023.

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 total number of issued shares 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 2023 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

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

7.6 Substantial Shareholders

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

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE RULES ON TAKE-OVERS, MERGER AND COMPULSORY ACQUISITIONS (THE RULES)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. PURCHASES, RESOLD, TRANSFER AND CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

There was no treasury share held and the Company had not purchased, resold, transferred or cancelled any shares in the preceding 12 months.



SHARE BUY-BACK STATEMENT (CONT'D)

10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

The Proposed Share Buy-Back, if exercised, 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.

11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 21 March 2023, approximately 183,969,000 Shares representing 47.90% of the total number of issued shares 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 total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Paragraph 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

12. 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.

13. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twenty-Six (26th) Annual General Meeting to give effect to the Proposed Share Buy-Back.

14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of PIE Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
2022		
April	3.07	2.72
May	3.08	2.61
June	3.40	3.01
July	3.55	2.68
August	3.50	3.02
September	3.14	2.70
October	2.88	2.48
November	2.70	2.29
December	2.76	2.56
2023		
January	3.09	2.57
February	3.56	3.00
March	3.70	3.37

Last transacted market price as at 11 April 2023 (being the latest practical date prior to the printing of this Statement) was RM3.65.

(Source: Bursa Malaysia)

SHARE BUY-BACK STATEMENT (CONT'D)

15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM :

- (i) Constitution of PIE; and
- (ii) The audited consolidated financial statements of PIE for the past two (2) financial years ended 31 December 2021 and 2022 respectively.

17. FURTHER INFORMATION

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



PROXY FORM



P. I. E. INDUSTRIAL BERHAD

Registration No.: 199701008590 (424086-X)
(Incorporated in Malaysia)

No. of Ordinary Shares held	CDS Account No.
Contact No.	Email Address

*I/We, _____ (NRIC no. / Passport No. _____)

of _____

being a member of P.I.E. Industrial Berhad hereby appoint (Proxy 1) _____

(NRIC no. / Passport No. _____) and */or failing him* (Proxy 2), _____

_____ (NRIC no. / Passport No. _____)

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 TWENTY-SIXTH ANNUAL GENERAL MEETING of the Company to be held at Meeting Room 3, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 19 May 2023 at 9.00 a.m. and at any adjournment thereof as indicated below:

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

Proxy 1	%	Proxy 2	%
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In case of a vote by show of hands, Proxy 1 */Proxy 2* shall vote on my/our behalf. *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)

* Strike out whichever is inapplicable

AGENDA			
To receive the Audited Financial Statements of the Company for the year ended 31 December 2022 together with the Reports of the Directors and of the Auditors thereon.			
RESOLUTIONS		For	Against
Ordinary Resolution 1	To approve the payment of Directors' Fees of up to RM90,000 for the financial year ended 31 December 2022.		
Ordinary Resolution 2	To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM40,800 from 1 June 2023 until the next Annual General Meeting (AGM) of the Company.		
Ordinary Resolution 3	To re-elect Mr Mui Chung Meng who retires by rotation in accordance with Article 102(1) of the Company's Constitution.		
Ordinary Resolution 4	To re-elect Ms Koay San San who retires by rotation in accordance with Article 102(1) of the Company's Constitution.		
Ordinary Resolution 5	To appoint Messrs. Deloitte PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
Ordinary Resolution 6	To authorise Directors to allot and issue shares pursuant to Authority to Issue Shares and Waiver of Pre-emptive Rights		
Ordinary Resolution 7	To approve the authority to purchase company's own share.		
Ordinary Resolution 8	To approve the Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this _____ day of _____, 2023. Signature / Common Seal of Shareholder _____

Notes:

- This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.
- For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 11 May 2023. Only a depositor whose name appears on the Record of Depositors as at 11 May 2023 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/ her stead.
- A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his/ her place. If a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- 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 authorised nominee may appoint in respect of each omnibus account it holds.
- 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 authorised.
- The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang, not less than 24 hours before the time appointed for holding the meeting.

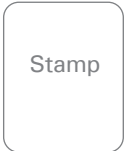


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The Company Secretaries
P.I.E. INDUSTRIAL BERHAD
Registration No.: 199701008590 (424086-X)
(Incorporated in Malaysia)

51-8-A, Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town
Pulau Pinang, Malaysia.



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