

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 1ST QUARTER ENDED 31 MARCH 2008

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134, INTERIM FINANCIAL REPORTING

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended December 31, 2007.

The unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes which provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2007. The unaudited condensed consolidated financial statements and explanatory notes thereon do not include all of the information required for full set of financial statements to be prepared in accordance with Financial Reporting Standards (FRSs).

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group for the preparation of the unaudited interim financial report are consistent with those adopted in the annual audited financial statements for the year ended December 31, 2007, except for the adoption of the following revised FRSs issued by MASB that are relevant to the Group’s operations and effective for the accounting periods beginning on January 1, 2008:

- a) Revised FRS 107 Cash Flow Statements
- b) Revised FRS 112 Income Taxes
- c) Revised FRS 118 Revenue
- d) Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- e) FRS 134 Interim Financial Reporting
- f) Revised FRS 137 Provision, Contingent Liabilities and Contingent Assets

The adoption of the above revised FRSs did not have material impact on the unaudited interim financial report for the period ended March 31, 2008.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the annual audited financial statements for the year ended December 31, 2007 was not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS

The cyclical nature of the manufacturing sector is generally correlated to the global economy and is normally seasonal with demand peaking at the year-end festive seasons.

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5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date because of their nature, size or incidence.

6. CHANGES IN ESTIMATES

There were no material changes in estimates of amount reported in the prior financial years that have had material effect on the results during the current quarter and financial period-to-date.

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended March 31, 2008.

As of March 31, 2008, out of the total 64,007,000 issued and fully paid-up share capital, 500 are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 64,006,500 ordinary shares of RM1 each.

The Employees' Share Option Scheme ("ESOS") implemented by the Company has been expired on March 11, 2008 and the Board of Directors and ESOS committee do not have intention to renew the scheme.

8. DIVIDEND PAID

The Company did not pay any dividend to its shareholders during the financial period ended March 31, 2008.

9. SEGMENT REVENUE AND RESULTS

Segments	Manufacturing	Trading	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External sales	78,141	927	-	-	79,068
Inter-segment sales	5,765	793	227	(6,785)	-
	83,906	1,720	227	(6,785)	79,068
Results					
Profit/ (loss) before tax	10,965	(769)	(267)	332	10,261
Income tax expense	(2,632)	-	-	4	(2,628)
Profit/ (loss) for the period	8,333	(769)	(267)	336	7,633

Segment information is presented in respect of the Group's business segment which is based on the Company's management and internal reporting structure. Inter-segment pricing is determined based on a negotiated basis.

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10. REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of buildings have been brought forward without amendment from the previous annual audited financial statements for the year ended December 31, 2007.

11. MATERIAL POST BALANCE SHEET EVENTS

Save as disclosed below, there are no material events subsequent to the end of the current quarter that requires adjustment to, or disclosure in the unaudited interim financial report for the financial period ended March 31, 2008:

- a) On April 21, 2008, a subsidiary company, Pan-International Wire & Cable (Malaysia) Sdn. Bhd. has entered into a Sales and Purchase Agreement with Containers Link Depot Sdn. Bhd. to purchase a piece of leasehold land at a consideration of Ringgit Malaysia Five Million and Four Hundred Thousand (RM5,400,000.00) only.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group for the current quarter and financial period-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

13. CONTINGENT LIABILITIES

As of March 31, 2008, there were obligations and contingent liabilities for the Group resulting from the issuance of letter of guarantee on a foreign subsidiary company's import duties by a bank amounting to approximately RM238,000.

There is no change in the contingent liabilities in respect of guarantees given by the Company to certain banks and financial institutions for banking facilities granted to and utilised by its subsidiary companies.

14. CAPITAL COMMITMENT

As of March 31, 2008, capital expenditure contracted but not provided for in the unaudited interim financial report of the Group in respect of purchase of leasehold land and factory building is approximately RM3,960,000.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. REVIEW OF PERFORMANCE

The Group generated a satisfactory profit before tax of RM10.261 million on the back of higher revenue of RM79.068 million as compared to the profit before tax and revenue of RM6.643 million and RM59.156 million respectively recorded in the preceding corresponding quarter. Both revenue and profit before tax has grown up by RM19.912 million or 33.66% and RM3.618 million or 54.46% respectively.

The improved performance was mainly contributed by the improved demand on all manufacturing activities of the Group but was partially offset by the drop on sales of Trading Products which was still in low demand.

16. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's revenue for this quarter dropped slightly by RM1.058 million or -1.32% as compared to RM80.126 million recorded in the immediate preceding quarter which was mainly due to the cyclical nature of the manufacturing sector that will normally peak at the end of the year.

Despite of the slight decrease in Group's revenue, profit before taxation for this quarter decreased significantly by RM6.215 million or – 37.72% as compared to RM16.476 million achieved in the immediate preceding quarter. The decrease in profit before taxation for the reporting quarter was mainly contributed by the increase in foreign currencies exchange loss, higher provision made for bonus which was in line with the good performance achieved during the current quarter and also the increase in provision for doubtful debts.

17. CURRENT YEAR PROSPECT

Due to transient adjustment of product strategy in the market by one of the major customers, the Group expects a flat movement on revenue growth for the coming quarter. Barring any unforeseen circumstances, the prospect of the Group for the current year remains positive and promising with the continued effort to grab the business opportunity by enhancing the strategies in business penetration, cost management and enlargement of customer base.

18. VARIANCE ON PROFIT FORECAST

Not applicable as no profit forecast was announced and published.

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19. INCOME TAX EXPENSE

	3 Months Ended		Period Ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	2,656	1,900	2,656	1,900
Deferred tax income	(28)	(28)	(28)	(28)
	<u>2,628</u>	<u>1,872</u>	<u>2,628</u>	<u>1,872</u>

The Group's taxation for the current quarter and financial period-to-date reflects an effective tax rate which is lower than the statutory income tax rate mainly due to certain income which is not taxable and incentives enjoyed by the foreign subsidiary in Thailand under Investment Promotion Act of Thailand B.E. 1977 in which income derived from Board of Investment operations is entitled to corporate income tax reduction at 15%.

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investment and/or property for the current quarter and financial period-to-date.

21. QUOTED SECURITIES

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial period-to-date.

22. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but pending completion as at the date of this unaudited interim financial report.

23. GROUP BORROWINGS AND DEBT SECURITIES

There were no borrowings and debt securities as of March 31, 2008.

24. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

There was no financial instrument with off balance sheet risk as at the date of this unaudited interim financial report.

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25. CHANGES IN MATERIAL LITIGATION

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Group or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Group:

- (a) Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) had on October 24, 2002 commenced legal action against Xircom Operations (M) Sdn. Bhd. (Xircom) to claim the sum of Ringgit Malaysia Five Million Nine Hundred Fifty Seven Thousand Three Hundred Sixteen and Sen Twenty Only (RM5,957,316.20) for damages arising from the breach of contract to purchase goods and wrongful set-off of payment. Xircom has applied to the court for the case to be referred to arbitration while PIESB applied to set down preliminary issue down for trial. The Penang High Court has granted Xircom's application for arbitration. PIESB therefore proceed with the appeal No. P-02-1301-06 in the Court of Appeal against the decision of Penang High Court ordering the matter to go for arbitration. The date of the Appeal has not been fixed by the Court of Appeal. The Board is advised by the Company's solicitor that PIESB has a reasonable chance to succeed in the claim. In view of the long delay since the case was filed, the Board has authorized Encik Ahmad Murad to commence negotiations with Xircom's lawyer with a view to achieving an amicable settlement. We have commenced the negotiations with Xircom. However until the date of this interim report, Xircom has not responded to our revised claim.
- (b) Pan International Electronics (Thailand) Co., Ltd. (PIT) had on December 30, 2003 commenced legal action against Delta Electronics (Thailand) Public Company Limited (Delta) to claim the sum of Baht13,559,759 (equivalent to approximately RM1,331,568) for the compensation damages as a result of the cancellation of purchase orders by Delta. Although the Court of First Instance gave the verdict to dismiss the case on August 21, 2006, PIT has proceeded with the appeal No. 01057/2549 (2006) in the Court of Appeal through the Samutprakarn Provincial Court against the decision on December 29, 2006 and the lawsuit is still under the process by the Court of Appeal.

26. DIVIDEND

The following Dividends for the year ended December 31, 2007 has been approved by the Company's shareholders at the Eleventh Annual General Meeting held on May 23, 2008 and will be paid on June 10, 2008 to depositors registered in the Record of Depositors on May 28, 2008:

- (a) A Special Dividend I of 8 sen per share tax exempt;
- (b) A Special Dividend II of 16 sen per share less income tax at 26%; and
- (c) A First and Final Dividend of 12 sen per share less income tax at 26%.

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27. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

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

	3 Months Ended		Period Ended	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Profit attributable to ordinary equity shareholders (RM'000)	7,633	4,771	7,633	4,771
Weighted average number of ordinary share in issue (units'000)	64,006	61,929	64,006	61,929
Basic earnings per ordinary share (sen)	11.926	7.704	11.926	7.704

(b) Diluted earnings per ordinary share

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

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary share in issue for the period ended March 31, 2007 have been adjusted for the dilutive effects of all potential share options granted to employees.

	3 Months Ended	Period Ended
	31.03.2007	31.03.2007
	(Units'000)	(Units'000)
Weighted average number of ordinary share in issue	61,929	61,929
Adjustment for share options	218	218
Weighted average number of ordinary shares for calculating diluted earnings per ordinary share	62,147	62,147
Diluted earnings per ordinary share (sen)	7.677	7.677