

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009*

**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 Main Market 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 31 December 2008.

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 gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2008. 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, methods of computation and basis of consolidation 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 31 December 2008.

The Group has not adopted the following FRSs and IC Interpretation which are effective from 1 January 2010.

- |                          |   |
|--------------------------|---|
| (a) FRS 4                | Insurance Contracts                                 |
| (b) FRS 7                | Financial Instruments : Disclosures                 |
| (c) FRS 8                | Operating Segments                                  |
| (d) FRS 139              | Financial Instruments : Recognition and Measurement |
| (e) IC Interpretation 9  | Reassessment of Embedded Derivatives                |
| (f) IC Interpretation 10 | Interim Financial Reporting and Impairment          |

The adoption of FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements will introduce new disclosure requirements in relation to the Group’s financial instruments and the objectives, policies and processes for managing capital. FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in Paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of FRS 139 as required by Paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

FRS 4 is not relevant to the Group’s and the Company’s operations.

The adoption of other FRSs and IC Interpretations is anticipated not to have material impact on the financial statements of the Group in the period of initial application.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009*

**3 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.

**4 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 year-to-date because of their nature, size or incidence.

**5 Changes in Estimates**

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

**6 Debt and Equity Securities**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2009.

- (a) During the financial period ended 30 September 2009, the Company repurchased 1,000 of its issued share capital from the open market for an average price of RM4.02 per share. The repurchased transactions were financed by the internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act 1965. There is no shares being cancelled or resold during the financial year under review.

As of 30 September 2009, out of the total 64,007,000 issued and fully paid-up share capital, 12,000 are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,995,000 ordinary shares of RM1 each.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009**

**7 Dividends Paid**

	9 months ended	
	<u>30.09.2009</u>	<u>30.09.2008</u>
	RM'000	RM'000
Dividends declared and paid:		
Special dividend of 23 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2008	11,039	-
Special dividend I of 8 sen per ordinary share of RM1.00 each, tax exempt, for 2007	-	5,120
Special dividend II:		
16 sen gross per ordinary share of RM1.00 each, less tax at 26%, for 2007	-	7,578
First and final dividend:		
12 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2008	5,760	-
12 sen gross per ordinary share of RM1.00 each, less tax at 26%, for 2007	-	5,684
	<u>16,799</u>	<u>18,382</u>

**8 Segment Revenue and Results**

Segments	Manufacturing	Trading	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External sales	154,695	1,972	-	-	156,667
Inter-segment sales	8,882	571	1,845	(11,298)	-
Total revenue	<u>163,577</u>	<u>2,543</u>	<u>1,845</u>	<u>(11,298)</u>	<u>156,667</u>
<b>Results</b>					
Profit before tax	22,271	162	765	45	23,243
Income tax expense	(5,266)	(8)	(473)	487	(5,260)
Profit for the period	<u>17,005</u>	<u>154</u>	<u>292</u>	<u>532</u>	<u>17,983</u>

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.

**9 Revaluation of Property, Plant and Equipment**

The valuations of building have been brought forward without amendment from the previous annual audited financial statements for the year ended 31 December 2008.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009*

**10 Material Post Balance Sheet Events**

There were no material events subsequent to the end of the current financial quarter under review up to the date of this report.

**11 Changes in the Composition of the Group**

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

**12 Contingent Liabilities**

As of 30 September 2009, 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 RM242,000.

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.

**13 Capital Commitment**

There was no capital expenditure contracted but not provided for in the unaudited interim financial report of the Group during the current financial period under review.

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

**14 Review of Performance**

*(a) Comparison with Previous Year Corresponding Quarter's Results*

The Group recorded a revenue of RM58.124 million and a profit before tax of RM7.798 million in the current quarter ended 30 September 2009.

As compared to revenue of RM68.978 million and a profit before tax of RM10.604 million in the preceding year corresponding quarter, the revenue decreased by RM10.854 million or 15.74%, which was mainly due to lower demand in all manufacturing and trading activities as global market downturn not yet fully recover; while profit before tax was reduced by RM2.806 million or 26.46% due to lower revenue achieved, higher provision of doubtful debts, higher losses from foreign currency exchange transactions and lower income from sale of scrap but partly offset with lower administration and distribution expenses.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009**

**(b) Comparison with Previous Year Corresponding Period's Results**

The Group recorded a revenue of RM156.667 million and a profit before tax of RM23.243 million in the current period ended 30 September 2009.

As compared to revenue of RM218.143 million and a profit before tax of RM31.253 million in the preceding year corresponding period, the revenue decreased by RM61.476 million or 28.18%, which was mainly due to lower demand in all manufacturing and trading activities where customers were managed to reduce their inventory level as a step to handle the cash flow difficulty during the time of financial crisis; while profit before tax was reduced by RM8.010 million or 25.63% due to lower revenue achieved, reduction of gain from foreign currency exchange transactions and lower income from sale of scrap. However, the reduction in profit was narrowed by reversal of provision of doubtful debts, reversal of provision of slow moving inventories and less operating expenses.

**15 Comparison with Immediate Preceding Quarter's Results**

	<u>Individual Quarter Ended</u>		Variance RM '000	Variance %
	30.09.2009 RM '000	30.06.2009 RM '000		
Revenue	58,124	52,582	5,542	10.54%
Profit before tax	7,798	8,532	(734)	-8.60%

The Group's revenue for the quarter under review increased by RM5.542 million or 10.54% if compared with the preceding quarter, RM52.582 million. Higher revenue recorded during the quarter under review was mainly due to higher demand on contract electronics and raw cable and wire manufacturing and trading activities. However, there were slightly decreased on demand of wire harness activities.

The Group recorded a profit before tax of RM7.798 million, representing a decrease of RM0.734 million or 8.6% if compared to profit before tax of RM8.532 million in the preceding quarter. The decrease was mainly caused by higher provision of doubtful debts and higher provision of slow moving inventories. However, the reduction was partly narrowed by lower losses from foreign currency exchange transactions and higher scrap sales income.

**16 Current Year Prospect**

The Group's revenue and profit in coming quarter are expected to be improved when global demand for electronics products turns to positively stable in the recent few months. The Group will prepare itself by focusing on its cost management, inventory control and on-time collection of account receivables to maintain its competitiveness in market and take secure steps to look for the new customers or business opportunities. With a sound financial support, the Group is optimistic to achieve satisfactory performance when economic uptrend appears to come.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009*

**17 Variance of Actual Profit from Forecast Profit**

Not applicable as no profit forecast was announced and published.

**18 Income Tax Expense**

	Quarter Ended		Period Ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	1,860	2,504	5,274	7,534
Under provision in prior year	473	0	473	0
Deferred tax income	(25)	(28)	(487)	(84)
	<u>2,308</u>	<u>2,476</u>	<u>5,260</u>	<u>7,450</u>

The Group's taxation for the current quarter reflects an effective tax rate which is higher than the statutory income tax rate mainly due to adjustment of underprovision of taxation in prior financial year.

The Group's taxation for the 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%.

**19 Sale of Unquoted Investments and/or Properties**

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

**20 Quoted Securities**

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

**21 Status of Corporate Proposals Announced**

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

**22 Group Borrowings and Debt Securities**

There were no borrowings and debt securities as of 30 September 2009.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009*

**23 Financial Instruments with Off Balance Sheet Risk**

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

**24 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 and adversely affect the financial position or business of the Group:

- (a) Pan-International Electronics (Malaysia) Sdn. Bhd. (PIESB) had on 24 October 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. The Board has appointed Adam Abdullah & Mani to commence a review of the case and provide the Board with an opinion of the PIESB's chances of success if we were to proceed with Arbitration. Messrs Adam Abdullah & Mani have reviewed all the documents provided by our lawyer handling the case and had a meeting with our Finance Manager, Miss Saw Siew Hong and Marketing Manager, Mr. Sam Lim on Tuesday, 12 February 2009 to discuss the case. The Company had received the written opinion from Messrs. Adam Abdullah & Mani and the Company has decided to proceed with arbitration. Messrs. Adam Abdullah & Mani have taken over the files from the former solicitors and have commenced negotiation with the Xircom's lawyer with regard to the arbitration process.

- (b) Pan International Electronics (Thailand) Co., Ltd. (PIT) had on 30 December 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 21 August 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 29 December 2006. However, the Court of Appeal has decided to uphold the judgement of the Court of First Instance. On 16 October 2008, PIT had filed an appeal to Supreme Court against the judgement of the Court of Appeal.

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)*  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009**

**25 Dividends**

The following Dividends for the year ended 31 December 2008, approved by the Company's shareholders at the Twelfth Annual General Meeting on 22 May 2009 has been paid on 9 June 2009 to depositors registered in the Record of Depositors on 27 May 2009:

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

**26 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 period, excluding treasury shares held by the Company.

	Quarter Ended		Period Ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Profit attributable to ordinary equity shareholders (RM'000)	5,490	8,128	17,983	23,803
Weighted average number of ordinary share in issue (units'000)	63,995	64,006	63,996	64,006
Basic earnings per ordinary share (sen)	<u>8.579</u>	<u>12.699</u>	<u>28.100</u>	<u>37.190</u>

*(b) Diluted earnings per ordinary share*

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

**27 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report of the Group's most recent annual audited financial statements did not contain any qualification.