

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2012

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

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 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 2011.

The explanatory notes attached to these interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group has adopted the MFRS framework issued by the MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 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 interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2011 except for the newly MFRS and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2012:-

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combination
MFRS 4	Insurance Contract
MFRS 5	Non-current Assets Held for Sales and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments : Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statements of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts

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MFRS 112	Income Taxes
MFRS 116	Property, Plant & Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefits Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interest in Joint Ventures
MFRS 132	Financial Instruments : Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instrument : Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int. 1	Change in Existing Decommissioning, Restoration and Similar Liabilities
IC Int. 2	Member's Shares in Co-operative Entities and Similar Instruments
IC Int. 4	Determining Whether an Arrangement Contains a Lease
IC Int. 5	Rights to Interests Arising from Participating in a Specific Market-Waste Electrical and Electronics Equipment
IC Int. 6	Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronics Equipment
IC Int. 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 12	Service Concession Arrangements
IC Int. 13	Customer Loyalty Programmes
IC Int. 14	MFRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction
IC Int. 15	Agreements for the Construction of Real Estate
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distributions of Non-cash Assets to Owners
IC Int. 18	Transfers of Assets from Customers
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int. 107	Introduction of the Euro
IC Int. 110	Government Assistance - No Specific Relation to Operating Activities
IC Int. 112	Consolidation - Special Purpose Entities

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IC Int. 113	Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IC Int. 115	Operating Leases - Incentives
IC Int. 125	Income Taxes - Change in the Tax Status of an Entity or its Shareholders
IC Int. 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int. 129	Service Concession Arrangements : Disclosures
IC Int. 131	Revenue - Barter Transactions Involving Advertising Services
IC Int. 132	Intangible Assets - Web Site Costs

The Group has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations, which were issued but not yet effective:-

Effective date : 1 July 2014

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

Effective date : 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest on Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

Effective date : 1 January 2014

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective date : 1 January 2015

MFRS 9 Financial Instruments

2 Changes in Accounting Policies

The Group has applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in preparing the first MFRS framework interim financial report. In preparing this interim financial report, the Group's opening statement of financial position was prepared as at 1 January 2011 which is the Group's date of transition to MFRSs. Upon transition to MFRSs, the Group elected to apply the optional exemption to use the fair value of leasehold lands as deemed cost under MFRSs. The revaluation reserve as at 1 January 2011 was reclassified to retained earnings. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are set out as following pages:-

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a) Reconciliation of Statement of Financial Position

	As Previously Reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
As at 1 January 2011			
Non-current assets			
Property, plant and equipment	32,625		32,625
Investment properties	27,442		27,442
Leasehold land	12,744	(5,817)	6,927
Goodwill on consolidation	1,722		1,722
Investment in jointly controlled entity	372		372
Deferred tax assets	2,598		2,598
Total non-current assets	<u>77,503</u>		<u>71,686</u>
Current assets			
Inventories	27,073		27,073
Trade and other receivables	71,546		71,546
Other financial assets	200		200
Current tax assets	937		937
Other assets	2,101		2,101
Restricted cash	57		57
Short-term deposits with licensed banks	75,195		75,195
Cash and bank balances	27,921		27,921
Total current assets	<u>205,030</u>		<u>205,030</u>
TOTAL ASSETS	<u>282,533</u>		<u>276,716</u>
Equity attributable to owners of the parent			
Share capital	64,007		64,007
Less: Treasury shares, at cost	(99)		(99)
Reserves	33,382	(12,990)	20,392
Retained earnings	136,196	8,571	144,767
Total equity	<u>233,486</u>		<u>229,067</u>
Non-current liabilities			
Deferred tax liabilities	4,332	(1,398)	2,934
Current liabilities			
Trade and other payables	43,587		43,587
Current tax liabilities	1,128		1,128
Total current liabilities	<u>44,715</u>		<u>44,715</u>
Total liabilities	<u>49,047</u>		<u>47,649</u>
TOTAL EQUITY AND LIABILITIES	<u>282,533</u>		<u>276,716</u>

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	As Previously Reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
As at 31 December 2011			
Non-current assets			
Property, plant and equipment	46,049		46,049
Investment properties	27,336	(983)	26,353
Leasehold land	12,413	(5,659)	6,754
Goodwill on consolidation	1,722		1,722
Investment in jointly controlled entity	125		125
Deferred tax assets	2,859		2,859
Total non-current assets	<u>90,504</u>		<u>83,862</u>
Current assets			
Inventories	42,482		42,482
Trade and other receivables	103,930		103,930
Other financial assets	509		509
Current tax assets	1,164		1,164
Other assets	1,182		1,182
Restricted cash	36		36
Short-term deposits with licensed banks	85,781		85,781
Cash and bank balances	18,257		18,257
Total current assets	<u>253,341</u>		<u>253,341</u>
TOTAL ASSETS	<u>343,845</u>		<u>337,203</u>
Equity attributable to owners of the parent			
Share capital	64,007		64,007
Less: Treasury shares, at cost	(101)		(101)
Reserves	32,211	(12,598)	19,613
Retained earnings	157,871	7,328	165,199
Total equity	<u>253,988</u>		<u>248,718</u>
Non-current liabilities			
Deferred tax liabilities	4,202	(1,372)	2,830
Current liabilities			
Short-term borrowings	20,477		20,477
Trade and other payables	61,897		61,897
Current tax liabilities	3,281		3,281
Total current liabilities	<u>85,655</u>		<u>85,655</u>
Total liabilities	<u>89,857</u>		<u>88,485</u>
TOTAL EQUITY AND LIABILITIES	<u>343,845</u>		<u>337,203</u>

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b) Reconciliation of Statement of Comprehensive Income

	As Previously Reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
Comprehensive Income			
Quarter Ended 31 December 2011			
Revenue	88,971		88,971
Cost of sales	<u>(73,493)</u>	166	<u>(73,327)</u>
Gross profit	15,478		15,644
Administrative and distribution expenses	(5,310)	17	(5,293)
Other operating income	7,298	(982)	6,316
Income from other investments	1,384		1,384
Finance costs	(47)		(47)
Share of results in jointly controlled entity	<u>(90)</u>		<u>(90)</u>
Profit before tax	18,713		17,914
Income tax expense	<u>(2,883)</u>	(35)	<u>(2,918)</u>
Profit for the period	<u>15,830</u>		<u>14,996</u>
<u>Other comprehensive income, net of tax</u>			
Currency translation differences	<u>(973)</u>	(1)	<u>(974)</u>
Other comprehensive income, net of tax	<u>(973)</u>		<u>(974)</u>
Total comprehensive income for the period	<u>14,857</u>		<u>14,022</u>

	As Previously Reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
Comprehensive Income			
Year Ended 31 December 2011			
Revenue	349,650		349,650
Cost of sales	<u>(298,517)</u>	142	<u>(298,375)</u>
Gross profit	51,133		51,275
Administrative and distribution expenses	(20,522)	16	(20,506)
Other operating income	12,713	(982)	11,731
Income from other investments	4,001		4,001
Finance costs	(52)		(52)
Share of results in jointly controlled entity	<u>(247)</u>		<u>(247)</u>
Profit before tax	47,026		46,202
Income tax expense	<u>(8,949)</u>	(26)	<u>(8,975)</u>
Profit for the period	<u>38,077</u>		<u>37,227</u>
<u>Other comprehensive income, net of tax</u>			
Currency translation differences	<u>(778)</u>	(1)	<u>(779)</u>
Other comprehensive income, net of tax	<u>(778)</u>		<u>(779)</u>
Total comprehensive income for the period	<u>37,299</u>		<u>36,448</u>

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c) Reconciliation of Statement of Comprehensive Income

	As Previously Reported RM'000	Effects of Transition to MFRSs RM'000	As Restated RM'000
Statement of Cash Flows			
Year Ended 31 December 2011			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	38,077	(850)	37,227
Adjustments for:			
Income tax expense	8,949	26	8,975
Non-cash items	6,234	824	7,058
Non-operating items	(3,608)		(3,608)
	<hr/>		<hr/>
Operating profit before working capital changes	49,652		49,652
Changes in working capital:	(27,022)		(27,022)
	<hr/>		<hr/>
Cash generated from operations	22,630		22,630
Tax refunded	699		699
Tax paid	(8,105)		(8,105)
Net cash generated from operating activities	15,224		15,224
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	(17,372)		(17,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from financing activities	3,649		3,649
	<hr/>		<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,501		1,501
Effect of foreign exchange rate differences	(579)		(579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	103,116		103,116
	<hr/>		<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	104,038		104,038
REPRESENTED BY:-			
Short-term deposits with licensed banks	85,781		85,781
Cash and bank balances	18,257		18,257
	<hr/> 104,038		<hr/> 104,038

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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 period-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 period or prior financial years that have a material effect on the results during the current quarter and financial period-to-date.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 December 2012.

As of 31 December 2012, out of the total 64,007,000 issued and fully paid-up share capital, 27,300 are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 63,979,700 ordinary shares of RM1 each. Shares purchased were stated at cost.

7 Dividends Paid

	12 months ended	
	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
Dividends declared and paid:		
a) Special dividend:		
- 27 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2011	12,956	-
- 23 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2010	-	11,037
b) First and final dividend:		
- 12 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2011	5,758	-
- 12 sen gross per ordinary share of RM1.00 each, less tax at 25%, for 2010	-	5,758
	<u>18,714</u>	<u>16,795</u>

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8 Operating Segment

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

- a) Manufacturing Manufacturing of industrial products
- b) Trading Trading of electrical products
- c) Others Investment holdings

Segments	Manufacturing	Trading	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Year ended 31 December 2012</u>					
Revenue	343,756	5,045	15	-	348,816
Inter-segment revenue	<u>5,010</u>	<u>1,667</u>	<u>2,460</u>	<u>(9,137)</u>	<u>-</u>
	<u><u>348,766</u></u>	<u><u>6,712</u></u>	<u><u>2,475</u></u>	<u><u>(9,137)</u></u>	<u><u>348,816</u></u>
Segment results	33,545	(1)	(1,479)	143	32,208
Investment revenue					3,750
Other gains and losses					4,109
Finance cost					(189)
Share of results in jointly controlled entity					(80)
Share of results in associated company					<u>(24)</u>
Profit before tax					<u><u>39,774</u></u>
<u>Year ended 31 December 2011</u>					
Revenue	347,309	2,332	9	-	349,650
Inter-segment revenue	<u>2,223</u>	<u>1,319</u>	<u>21,070</u>	<u>(24,612)</u>	<u>-</u>
	<u><u>349,532</u></u>	<u><u>3,651</u></u>	<u><u>21,079</u></u>	<u><u>(24,612)</u></u>	<u><u>349,650</u></u>
Segment results	38,283	(7)	16,953	(18,453)	36,776
Investment revenue					4,001
Other gains and losses					5,724
Finance cost					(52)
Share of results in jointly controlled entity					<u>(247)</u>
Profit before tax					<u><u>46,202</u></u>

9 Revaluation of Property, Plant and Equipment

The valuation of property, plant and equipment have been brought forward without amendment from the previous annual audited financial statements for the year ended 31 December 2011.

10 Material Post Balance Sheet Events

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 year ended 31 December 2012.

11 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.

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12 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 31 December 2012.

- a) 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 RM 216,000.

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.

- b) There were contingent liabilities for the Company for payment of withholding tax to foreign tax authority amounting to approximately RM 4,300,000 if the Company received from foreign subsidiary company the dividend out of its non-tax exempted retained earnings.

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's revenue for the current quarter under review was RM92.663 million and profit before tax was RM13.091 million.

The revenue was RM3.692 million or 4% higher than preceding year corresponding quarter attributable to higher revenue achieved by manufacturing activities where higher demand from existing and new customer for electronics manufacturing products. However, the increased in revenue was limited by lower demand for wire and cable products.

The profit before tax was RM4.823 million or 27% lower than preceding year corresponding quarter due to lower margin on products mix, lower gain from foreign currency exchange and lower reversal of doubtful debts provision. However, the decreased in profit was partly offset by higher reversal of slow moving inventories provision.

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

The Group recorded a revenue of RM348.816 million and a profit before tax of RM39.774 million in the year ended 31 December 2012.

As compared to revenue of RM349.650 million and a profit before tax of RM46.202 million in the year ended 31 December 2011, the revenue was reduced by RM0.834 million.

The decreased in revenue was due to lower demand from existing European customers for all manufacturing activity.

The profit before tax was reduced by RM6.428 million or 14% compared to preceding year which are mainly due to lower margin on product mix, lower scrap sales proceed, lower gain from foreign currency exchange. However, the decreased in profit was partly reduced by reversal of doubtful debts provision.

15 Comparison with Immediate Preceding Quarter's Results

	<u>Individual Quarter Ended</u>		Variance RM '000	Variance %
	31.12.2012 RM '000	30.09.2012 RM '000		
Revenue	92,663	84,740	7,923	9%
Profit before tax	13,091	8,351	4,740	57%

The Group's revenue for the quarter under review was increased by 9% if compared with the preceding quarter. The increased was mainly due to higher demand for electronics manufacturing products and wire harness products. However, the increased in revenue was partly limited by lower demand for raw wire and cables products.

The Group profit before tax for the current quarter was soared by 57% compared to preceding quarter. This was mainly due to higher revenue achieved, higher margin on product mix and reversal of slow moving inventories provision. However, the increased in profit was partly offset by higher operating expenses and lower scrap sales proceed.

16 Current Year Prospect

The period ahead will remain challenging with the prevalent volatile raw materials prices and adjustment to labour cost coupled with uncertainties in the global economy. Notwithstanding these adversities, the Group will continue to focus on costs rationalization and man power management, besides operating efficiency strategies to enhance its competitive edge. Barring any unforeseen circumstances, the Group is positive on the outlook for the year 2013.

17 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

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18 Profit for the Period

	Quarter Ended		Year Ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	620	675	1,785	1,503
Investment income	430	709	1,965	2,498
Interest expenses	(22)	(47)	(189)	(52)
Depreciation and amortisation	(2,352)	(2,452)	(7,436)	(6,377)
Net reversal/(allowance) of impairment losses				
- trade receivables	171	1,466	1,002	(952)
Net reversal of inventories	3,113	710	648	518
Net Gain on disposal of :				
- property, plant and equipment	2	0	253	118
Property, plant and equipment written off	(2)	0	(2)	0
Bad debts written off	0	0	(213)	0
Net foreign exchange gain	1,147	3,625	2,415	5,975
Gain from fair value adjustment of financial assets through profit and loss	0	0	0	1

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.

19 Income Tax Expense

	Quarter Ended		Year Ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	2,296	3,509	8,518	9,961
Overprovision in prior year	(409)	(280)	(409)	(280)
Deferred tax expenses/(income)	457	(311)	278	(706)
	<u>2,344</u>	<u>2,918</u>	<u>8,387</u>	<u>8,975</u>

The Group's taxation for the current quarter and financial year-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 investment tax incentives enjoyed by the main subsidiaries in the Group.

20 Status of Corporate Proposals Announced

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

21 Group Borrowings and Debt Securities

There were no borrowings and debt securities as of 31 December 2012.

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22 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 Board is advised by the Company's solicitor that PIESB has a reasonable chance to succeed in the claim. The Board has appointed Messrs Adam Abdullah & Mani (AAM) 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. The Company had received the written opinion from AAM and the Company has decided to proceed with arbitration. Consequently, on advice by AAM, PIESB has withdrawn the appeal to the Court of Appeal. PIESB had commenced Arbitration proceedings against the Xircom. Our lawyer together with Xircom's lawyer had met the appointed Arbitrator to decide the procedure for the Arbitration. The hearing has been fixed on 21 & 22 March 2013.

- (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. The Supreme Court had rejected our appeal and decided against the Company.

23 Dividends

The following Dividends for the year ended 31 December 2011, has been approved by the Company's shareholders at the Fifteenth Annual General Meeting on 18 May 2012 and has been paid on 15 June 2012 to depositors registered in the Record of Depositors on 25 May 2012:

- (a) A Special Dividend of 27 sen per share less income tax at 25%; and
(b) A First and Final Dividend of 12 sen per share less income tax at 25%.

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24 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		Year Ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit attributable to ordinary equity shareholders (RM'000)	10,747	14,996	31,387	37,227
Weighted average number of ordinary share in issue (units'000)	63,980	63,980	63,980	63,980
Basic earnings per ordinary share (sen)	<u>16.80</u>	<u>23.44</u>	<u>49.06</u>	<u>58.19</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 year-to-date.

25 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.

26 Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group as at 31 December 2012, into realised and unrealised profits, pursuant to directives by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

	As at	As at
	31.12.2012	30.09.2012
	RM'000	RM'000
Total retained profits of P.I.E. Industrial Berhad and it's subsidiaries		
- Realised	212,044	182,322
- Unrealised	<u>7,440</u>	<u>18,710</u>
	219,484	201,032
Total share of retained profits from associated company		
- Realised	<u>26</u>	<u>47</u>
	219,510	201,079
Add : Consolidation adjustments	<u>(41,638)</u>	<u>(27,030)</u>
Total Group retained profits as per consolidated accounts	<u>177,872</u>	<u>174,049</u>

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The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.