P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086-X)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 1ST QUARTER ENDED 31 MARCH 2013

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 2012.

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 2012.

2 Significant 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 2012 except for the adoption of the following MFRSs, IC Interpretations ("IC Int.") and amendments to MFRSs for the financial period beginning on 1 January 2013:-

MFRS 3	Business Combination
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (Revised)
MFRS 127	Consolidated and Separate Financial Statements (Revised)
MFRS 128	Investments in Associates and Joint Ventures (Revised)
Amendments to MFRS 1	First-time Adoption of MFRS - Government Loans
Amendments to MFRS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements : Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities : Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

The adoption of the above pronouncements did not have any financial impact to the Group, except for the following :

a) Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

The adoption of this amendment affect presentation only and has no financial impact on the Group's financial statements.

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

Effective date : 1 January 2014	
Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interest in Other Entities : Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

Effective date : 1 January 2015	
MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

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 period ended 31 March 2013.

As of 31 March 2013, 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

The Company did not pay any dividend to its shareholders during the financial period ended 31 March 2013.

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
Period ended 31 March 2013					
Revenue	81,109	481	-	-	81,590
Inter-segment revenue	469	648	915	(2,032)	-
	81,578	1,129	915	(2,032)	81,590
Segment results	5,943	(29)	314	72	6,300
Investment revenue					564
Other gains and losses					160
Share of results in jointly controlled entity					-
Share of results in associated company					(8)
Profit before tax					7,016

Segments	**Manufacturing**	**Trading**	**Others**	**Elimination**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 March 2012					
Revenue	79,812	214	-	-	80,026
Inter-segment revenue	208	556	615	(1,379)	-
	80,020	770	615	(1,379)	80,026
Segment results	7,025	12	298	9	7,344
Investment revenue					991
Other gains and losses					(1,114)
Share of results in jointly controlled entity					(34)
Share of results in associated company					-
Profit before tax					7,187

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 2012.

The Group has reclassified certain leasehold lands to property, plant and equipment. The classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Leasehold lands were treated as operating leases in prior and the considerations paid were classified and presented as prepaid lease payments in the statement of financial position. This change in classification has no effect on the results of the Group. The comparatives have been restated to conform with current quarter's presentation. The effects of the reclassification to the comparatives following the change as mentioned above are as follows:

	As previously reported	Reclassification	As Restated
	RM'000	RM'000	RM'000
Property, plant and equipment	57,459	2,228	59,687
Prepaid lease payments	6,582	(2,228)	4,354

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 period ended 31 March 2013.

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.

12 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 31 March 2013.

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 228,000.

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

	As at 31.03.2013 RM '000
Commitments in respect of capital expenditure:	
Approved and contracted for :	
Machinery and equipment	937

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

14 Review of Performance

Comparison with Previous Year Corresponding Quarter's Results

The Group's revenue for the current quarter under review was RM81.590 million and profit before tax was RM7.016 million.

The revenue was RM1.564 million or 2% higher than preceding year corresponding quarter attributable to higher revenue from manufacturing activities.

Revenue of manufacturing activities was increased by RM1.558 million if compared to preceding year corresponding quarter. This result is due to higher demand of electronics manufacturing products from existing customers and new customers but partly offset by lower demand of raw wire and cables products.

Compare to preceding year corresponding quarter, the profit before tax was RM0.171 million or 2% lower due to the lower margin of product mix which mainly affected by the implementation of minimum wages for the employee. However, the decrease in profit was partly offset with higher foreign currency exchange gain.

15 Comparison with Immediate Preceding Quarter's Results

	Individual Quarter Ended			
	31.03.2013	31.12.2012	Variance	Variance
	RM '000	RM '000	RM '000	%
Revenue	81,590	92,663	(11,073)	-12%
Profit before tax	7,016	17,532	(10,516)	-60%

The Group's revenue for the quarter under review was lower by 12% if compared with the preceding quarter. The decrease was mainly due to low demand for electronics manufacturing products. However, the decrease in revenue had partly recovered by slightly higher demand on raw wire and cable products.

The Group profit before tax for the current quarter was 60% lower than the preceding quarter. This is mainly due to lower margin on product mix, lower gain on foreign currency exchange and higher provision of slow moving inventories. However, the decreased was partly limited by lower operating expenses.

16 Current Year Prospect

The Group foresees the uptrend growth for outsourcing activities by existing and new customers. With its continued effort in improving the efficiency and maintaining its competitiveness in the market, the Group expects better performance in revenue and earnings in coming quarters.

17 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

18 Profit for the Period

	Quarter Ended		Period Ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	273	218	273	218
Investment income	291	773	291	773
Interest expenses	0	(95)	0	(95)
Depreciation and amortisation	(2,131)	(1,655)	(2,131)	(1,647)
Net reversal/(allowance) of impairment losses				
- trade receivables	81	298	81	298
Net reversal/(write down) of inventories	(413)	(240)	(413)	(240)
Net Gain/(loss) on disposal of :				
- property, plant and equipment	0	27	0	27
Net foreign exchange gain/(loss)	492	(1,199)	492	(1,199)

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		Period Ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	1,521	1,370	1,521	1,370
Deferred tax income	(40)	(72)	(40)	(72)
	1,481	1,298	1,481	1,298

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 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

The details of the Group's borrowings as at end of current quarter are as follows:

		Foreign Currency	Equivalent in RM
		'000	RM'000
Unsecured Borrowings			
Short-term loan	USD	8,130	25,081

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 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. The Company has commenced arbitration against Xircom. The proceedings are now ongoing. The Company expects a conclusion of the case by end of Q3'13.

23 Dividends

The following Dividends for the year ended 31 December 2012, has been approved by the Company's shareholders at the Sixteenth Annual General Meeting on 23 May 2013 and will be paid on 18 June 2013 to depositors registered in the Record of Depositors on 29 May 2013:

(a) A Special Dividend of 20 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%.

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		Period Ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Profit attributable to ordinary equity shareholders (RM'000)	5,535	5,889	5,535	5,889
Weighted average number of ordinary share in issue (units'000)	63,980	63,980	63,980	63,980
Basic earnings per ordinary share (sen)	8.65	9.20	8.65	9.20

(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.

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 March 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 31.03.2013	As at 31.12.2012
	RM'000	RM'000
Total retained profits of P.I.E. Industrial Berhad and it's subsidiaries		
- Realised	215,808	207,492
- Unrealised	13,729	16,852
	229,537	224,344
Total share of retained profits from associate company		
- Realised	(7)	1
- Unrealised	-	-
	229,530	224,345
Add : Consolidation adjustments	(41,791)	(42,141)
Total Group retained profits as per consolidated accounts	187,739	182,204

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.