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P.I.E. INDUSTRIAL BERHAD

(424086-X)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

PART A

PROPOSED ACQUISITION OF 5,000,000 ORDINARY SHARES OF BAHT10.00 EACH IN PAN INTERNATIONAL ELECTRONICS (THAILAND) CO LTD ("PIT") REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PIT FROM PAN GLOBAL HOLDING CO LTD, A MAJOR SHAREHOLDER OF P.I.E. INDUSTRIAL BERHAD, FOR A CASH CONSIDERATION OF USD3,850,000 (EQUIVALENT TO APPROXIMATELY RM14,534,000) ("PROPOSED ACQUISITION")

Adviser for Part A

AmMerchant Bank Berhad
(Company No. 23742-V)
A member of



AmInvestment Group

PART B

**INDEPENDENT ADVICE TO THE MINORITY SHAREHOLDERS OF P.I.E. INDUSTRIAL BERHAD IN
RELATION TO THE PROPOSED ACQUISITION**

Independent Adviser for Part B



K & N KENANGA BHD
(Company No. 15678-H)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of an Extraordinary General Meeting to be held at Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 8 November 2005 at 9.00 a.m. is set out in this Circular. Shareholders are advised to refer to the Notice of the Extraordinary General Meeting and the Form of Proxy which are enclosed. The Form of Proxy should be lodged at the registered office of the Company not less than 48 hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

This Circular is dated 24 October 2005

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

- Act** — Companies Act, 1965, as amended from time to time and any re-enactment thereof
- Adjusted NTA** — Based on the audited NTA of PIT as at 31 December 2004 of Baht152,057,283 after adjusting for the dividend payable for the financial year ended 31 December 2004 amounting to Baht60.0 million illustrated as follows:-

	Baht	Equivalent in RM
Audited NTA of PIT as at 31 December 2004	152,057,283	14,846,265
Less:- Dividend payment for the financial year ended 31 December 2004	(60,000,000)	(5,858,160)
Adjusted NTA	92,057,283	8,988,105

- AmMerchant Bank** — AmMerchant Bank Berhad (23742-V) (a member of AmInvestment Group)
- Baht** — Thai Baht
- Board** — The Board of Directors of PIE
- Bursa Securities** — Bursa Malaysia Securities Berhad (635998-W)
- BVI** — British Virgin Islands
- Completion Date** — The date of completion of the Proposed Acquisition which shall take place on or before thirty (30) days after the day on which the last of the conditions precedent specified in the SSPA is received, obtained or fulfilled, as the case may be; or any other date agreed in writing between the parties at a place mutually agreed by the parties
- Delta** — Delta Electronics (Thailand) Public Company Limited
- E&E** — Electrical and Electronics
- EPS** — Earnings per share
- EGM** — Extraordinary General Meeting
- Listing Requirements** — The Listing Requirements of Bursa Securities
- NTA** — Net tangible assets
- PAT** — Profit after taxation
- PBT** — Profit before taxation
- PGH** — Pan Global Holding Co Ltd (156001), a major shareholder of PIE
- PIE or the Company** — P.I.E. Industrial Berhad (424086-X)

DEFINITIONS (cont'd)

PIE Group or the Group	—	PIE and its subsidiaries
PIESB	—	Pan-International Electronics (Malaysia) Sdn Bhd (178248-H), a wholly-owned subsidiary of PIE
PIIC	—	Pan-International Industrial Corporation (03546618), the holding company of PGH
PIT	—	Pan International Electronics (Thailand) Co Ltd (9936/2533)
PIT Share(s)	—	Ordinary share(s) of Baht10.00 each in PIT
Proposed Acquisition	—	Proposed acquisition of 5,000,000 PIT Shares representing the entire issued and paid-share capital of PIT from PGH, a major shareholder of PIE, for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition)
Purchase Consideration	—	The cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition) to be paid by PIE to PGH pursuant to the Proposed Acquisition
RM and sen	—	Ringgit Malaysia and sen respectively
Sale Shares	—	5,000,000 PIT Shares representing the entire issued and paid-up share capital of PIT, the subject matter of the Proposed Acquisition
Share(s)	—	Ordinary share(s) of RM1.00 each in PIE
SSPA	—	The share sale and purchase agreement dated 11 August 2005 entered into between PIE and PGH for the Proposed Acquisition
USA or US	—	United States of America
USD	—	US Dollar

For the purpose of this Circular, amounts denominated in Baht have been translated into Ringgit Malaysia at a constant exchange rate of Baht100 to RM9.7636, being the prevailing exchange rate as at 31 December 2004, unless expressly stated otherwise.

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PART A

LETTER FROM THE BOARD TO THE SHAREHOLDERS OF PIE

PART A



P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

Registered Office

3rd Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang

24 October 2005

Directors

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa (*Chairman/ Senior Independent Non-Executive Director*)
Mui Chung Meng (*Managing Director*)
Chen, Chih-Wen (*Executive Director*)
Cheung Ho Leung (*Executive Director*)
Cheng Shing Tsung (*Non-Executive Director*)
Ahmad Murad Bin Abdul Aziz (*Senior Independent Non-Executive Director*)

To : **The Shareholders of P.I.E. Industrial Berhad**

Dear Sir/ Madam,

PROPOSED ACQUISITION OF 5,000,000 ORDINARY SHARES OF BAHT10.00 EACH IN PIT REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PIT FROM PGH, A MAJOR SHAREHOLDER OF PIE, FOR A CASH CONSIDERATION OF USD3,850,000 (EQUIVALENT TO APPROXIMATELY RM14,534,000)

1. INTRODUCTION

On 11 August 2005, on behalf of the Board, AmMerchant Bank had announced to the Bursa Securities that PIE had entered into a SSPA with PGH on the same date to acquire the Sale Shares for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition).

The purpose of this Circular is to provide you with the relevant information on the Proposed Acquisition and to seek your approval for the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. The notice of the EGM together with the Form of Proxy is enclosed in this Circular. The information contained in the Appendices form part of this Circular.

SHAREHOLDERS ARE ADVISED TO READ BOTH PART A OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER UNDER PART B IN RELATION TO THE PROPOSED ACQUISITION CAREFULLY BEFORE VOTING ON THE RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Salient Terms and Conditions of the SSPA

2.1.1 Purchase Consideration

The purchase consideration for the sale, purchase and transfer of the Sale Shares is an aggregate of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition). Upon execution of the SSPA, ten percent (10%) of the Purchase Consideration has been paid as deposit which shall form part of the Purchase Consideration upon fulfillment of the conditions precedent (as defined in Section 2.1.2, Part A of this Circular) ("**Deposit**").

The Purchase Consideration (less the Deposit) shall be paid by PIE to PGH on Completion Date of the SSPA.

2.1.2 Conditions Precedent

The sale, purchase and transfer of the Sale Shares are among others conditional upon the following:-

- (i) The approvals have been obtained from all the relevant public authorities of both Thailand and Malaysia, encompassing:-
 - (a) Any government in any jurisdiction;
 - (b) Any minister, department, officer, commission, delegate, instrumentality, agency, board, authority or organisation of any government or in which any government is interested;
 - (c) Any non-government regulatory authority; and
 - (d) Any provider of public utility services, whether or not government owned or controlled.
- (ii) The approval of the shareholders of PIE in a shareholders' meeting to be convened for the transaction contemplated in the SSPA.
- (iii) The conduct of a due diligence investigation by PIE into PIT and its affairs, the results of which are satisfactory to PIE in its absolute discretion.

(hereinafter referred to as the "**Conditions Precedent**").

2.1.3 Completion Date

The completion of the SSPA, shall take place on or before:-

- (i) the date which is thirty (30) days after the day on which the last of the Conditions Precedent of the SSPA is received, obtained or fulfilled (as the case may be); or
- (ii) any other date agreed in writing between the parties;

at a place mutually agreed by the parties.

2.2 Source of Funding and Liabilities to be Assumed by PIE

There are no other liabilities to be assumed by PIE arising from the Proposed Acquisition other than those stated in the balance sheet of PIT on the Completion Date of the Proposed Acquisition.

The estimated financial commitment for the Proposed Acquisition is the Purchase Consideration which will be funded via internally generated funds of PIE.

2.3 Basis of Arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:-

- (i) The Adjusted NTA of PIT as at 31 December 2004 of approximately Baht92.06 million (equivalent to approximately RM8.99 million);
- (ii) The expected future earnings contribution from PIT to the PIE Group; and
- (iii) The historical performance of PIT. The audited financial highlights of PIT for the past five (5) financial years ended 31 December 2000 to 31 December 2004 are set out in Appendix I of this Circular.

The Purchase Consideration represents a premium of approximately 61.70% (calculated in equivalent RM) of the Adjusted NTA of PIT as at 31 December 2004.

The Purchase Consideration is below the valuation of approximately RM20.68 million based on the independent valuation report prepared by Messrs Horwath.

Please refer to the summarised report on the fairness of the Purchase Consideration prepared by Messrs Horwath as set out in Appendix V of this Circular for further details.

2.4 Rationale for the Proposed Acquisition

The Proposed Acquisition will enable PIE to become a regional holding company for PGH's operations in South East Asia. PIE believes that the Proposed Acquisition will enhance the management efficiency and will ultimately benefit the shareholders of PIE.

In addition, the Proposed Acquisition will allow PIE to expand its business to Thailand and enable PIE to penetrate and gain a foothold in the Thailand market with the availability of certain competitive advantages, namely product integration, lower production and transportation costs.

Pursuant to the Proposed Acquisition, PIE will be able to achieve a faster growth as compared to organic growth as PIT has proven track records, established networks and instant customer base in Thailand. With such synergies, the PIE Group will be able to achieve higher turnover and profitability.

The Proposed Acquisition is expected to contribute positively to the earnings of PIE in the future, as PIE is able to consolidate the earnings of PIT, thereby enhancing PIE's value as well as for PIE's shareholders.

2.5 Sale Shares Acquired Free from Encumbrances

The Sale Shares will be acquired by PIE free from all encumbrances and with all rights and benefits attaching to the Sale Shares including but without limitations to all bonuses, rights, dividends and other distributions declared, paid or made in respect of the Sale Shares on and/or after the Completion Date of the Proposed Acquisition.

3. BACKGROUND INFORMATION ON PIT

PIT was incorporated in Thailand on 21 August 1990 as a private limited company under the Civil and Commercial Code of Thailand. PIT is principally involved in cable assembly and wireharness manufacturing, and providing of cable and wireharness to the computer, communication and consumer electronic industry. PIT's principal place of business is located at 12/1 Moo 9, Suwannasorn Road, Dongkeeek Subdistrict, Muang District, Prachinburi Province 25000, Thailand.

The present authorised and issued paid-up share capital of PIT is Baht50,000,000 comprising 5,000,000 PIT Shares.

Further information of PIT are set out in Appendix I of this Circular.

4. BACKGROUND INFORMATION ON PGH

PGH was incorporated in BVI on 19 July 1995. PGH is an investment holding company. The present issued and paid-up share capital of PGH is USD21,750,000 comprising 2,175 ordinary shares of USD10,000 each. Currently, PGH is a wholly-owned subsidiary of PIIC.

PGH is a major shareholder of PIE. As at 12 October 2005, PGH holds 53.05% equity interest in PIE.

The Directors of PGH as at 12 October 2005 are as follows:-

Name of Directors	No. of Ordinary Shares of USD10,000 Each in PGH	%
Huang, Feng-An	-	-
Huang, Tan-Kuei, also known as Annie Huang	-	-
Kuo, Shih-Hua	-	-

The original cost and date of investment of PGH in PIT are set out as below:-

Name of Shareholder	No. of PIT Shares Acquired	Date of Investment by PGH	Cost of Investment	
			*HKD	#Equivalent in RM
PGH	5,000,000	28 December 1999	11,843,686	5,788,009

Notes:-

* Hong Kong Dollars.

Based on the foreign exchange rate of Hong Kong Dollars as at 31 December 2004 of RM48.87: HKD100.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1 Share Capital and Major Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of PIE and the shareholdings of the major shareholders of PIE as the Proposed Acquisition is to be fully satisfied by cash.

5.2 Earnings

The Proposed Acquisition is expected to be completed by end 2005. As such, the Proposed Acquisition is not expected to have material impact on the earnings of the PIE Group for the financial year ending 31 December 2005.

The Board expects the Proposed Acquisition to contribute positively to the earnings of the PIE Group for the financial year ending 31 December 2006 and is also expected to enhance the future profitability of the PIE Group.

5.3 NTA and Gearing

The effects of the Proposed Acquisition on the NTA per Share and gearing of the PIE Group are as follows:-

	Audited as at 31 December 2004	After the Proposed Acquisition
	RM'000	RM'000
Group Level		
Share capital	61,239	61,239
Share premium	14,924	14,924
Revaluation reserve	9,486	9,486
Exchange reserve	31	31
Merger deficit	(39,000)	(39,000)
Retained profit	87,426	87,426
Shareholders' funds	134,106	134,106
Less: Goodwill on consolidation #	-	(5,545)
NTA	134,106	*128,561
NTA per Share (RM)	2.19	*2.10
Interest-bearing borrowings	14,581	14,581
Gearing (times)	0.11	0.11

Notes:-

The goodwill is computed based on the Purchase Consideration and the Adjusted NTA of PIT as at 31 December 2004.

* Excluding the results of PIT for the financial year ending 31 December 2005.

5.4 Dividends

The Company had declared a first and final tax exempt dividend of 12 sen per Share amounting to RM7,443,360 for the financial year ended 31 December 2004. The dividend was paid on 14 June 2005.

The Proposed Acquisition is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2005.

Currently, there is no fixed dividend policy adopted by PIT. Upon completion of the Proposed Acquisition, PIT will become a wholly-owned subsidiary of PIE. Hence, PIE shall be able to determine the future dividend policy of PIT. Any future dividend to be declared by PIT will be dependent on the future earnings, cashflow position and the funding requirements of the PIE Group.

6. RISK FACTORS

Below are the main risk factors relating to the Proposed Acquisition, which may not be exhaustive:-

6.1 Business Risks

The business of PIT will be generally subject to certain risks inherent to the industry. These risks primarily relate to potential shortage of inputs including manpower and raw material, increasing competition from other players and any change in the legal and environmental framework governing the industry where PIT operates.

However, PIT is well positioned to manage these business risks in the ever changing business environment since it is an established company with proactive management. PIT seeks to limit these business risks through, among others, expansion of both existing and new markets, supplying high quality products, maintaining good business relationships with its suppliers and customers, and complying with the rules and regulations of the relevant authorities. In addition, PIT being a wholly-owned subsidiary of PIE upon completion of the Proposed Acquisition, will be able to maximise and leverage on the resources of the PIE Group to manage any potential business risks.

However, no assurance can be given that any change in the above factors will not have any material and adverse impact to the business of PIT.

6.2 Foreign Operations/ Currency Risk

The Proposed Acquisition will be transacted in USD. As such, PIE will be subjected to the foreign currency risks from the date of the execution of the SSPA until the Completion Date of the Proposed Acquisition.

PIT is located in Thailand and in that respect, majority of the transactions carried out by PIT will be transacted in Baht. This exposes PIE to foreign currency risks. Any fluctuation in Baht could affect PIE's financial results.

PIE will adopt a prudent approach by continuously monitoring PIE's and PIT's foreign currency transactions and foreign currency movements. When necessary, PIE will hedge its net foreign exchange exposure by entering into short term forward currency contracts. PIE believes that its internal control policies should be able to minimise the foreign currency risks. However, no assurance can be given that any adverse movement in the foreign currency rate(s) will not have an adverse impact on the financial results of PIE and PIT.

6.3 Economic, Political and Regulatory Risks

The business, prospects and financial conditions, and profitability level of the Proposed Acquisition may be affected by any development in the economic, political and regulatory environment of Malaysia, Thailand as well as other countries where PIT may operate and markets its products. Political and economic uncertainties include (but not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting manufacturers, inflation, interest rates, fluctuation in foreign exchange rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

However, no assurance can be given that any changes in these factors will not have any material adverse impact to PIE and PIT.

6.4 Competition

Generally, operators in the E&E industry face competitive conditions. Amongst the critical areas of competition are quality of products, sustainable competitive pricing, delivery dependability, manufacturing capabilities and service capacities. In this respect, PIT has long-standing business relationships with its suppliers and customers, and produces high quality products. The management of PIT is confident that PIT will continue to remain competitive with strict quality control and low overheads to achieve higher operational efficiency.

However, no assurance can be given that PIT will be able to remain competitive and maintain its existing market share in the future.

6.5 Dependence on Key Personnel

The management of PIT believes that the continuity of its success will depend, to a certain extent, upon the abilities and continued efforts of its existing Directors, senior management and other key personnel. The loss of any key members of PIT could adversely affect PIT's performance and/or its ability to maintain its competitive edge. In this respect, to a certain degree, PIT's ability to attract and retain a competent workforce is crucial to sustain the efficiency level of PIT's operations. PIT will strive to continue attracting and retaining skilled personnel to support its business operations and has made efforts to train its staff.

PIT will always maintain a conducive working environment and a comprehensive human resource strategy which includes competitive compensation package as well as a structured succession plan.

However, there can be no assurance that the above measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur.

6.6 Risk in Relation to the Proposed Acquisition

There is a potential risk that the returns from the Proposed Acquisition may have a longer payback period than expected as the investment in the Proposed Acquisition may not generate the expected return. Although PIE will mitigate its investment risks by exercising due care in the evaluation of its investment in PIT, there can be no assurance that the Proposed Acquisition will yield positive returns to PIE and would not have any adverse material effect on PIE's future financial performance.

6.7 Claims by Customers Due to Product Quality or Late Delivery

The business of PIT will be generally subject to certain legal liability risks such as claims from its customers due to product quality issues or late delivery. The issues on the product quality relate primarily to, among others, that the products did not meet the customers' specifications and high product rejection rate which could affect the operations of the customers.

In mitigation, PIT places continuing emphasis on product quality and adheres to stringent quality control system to ensure that its products meet the requirements of its customers and also to ensure that all its products are delivered to its customers on schedule.

However, no assurance can be given that PIT will be able to satisfy all the requirements of its customers in the future and the customers of PIT will not take any legal action against PIT for any adverse impacts on the customers' operations due to the abovementioned factors.

6.8 Forward-Looking Statements

Certain statements in this Circular are based on historical data. Any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on assumptions of the Board and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group.

7. INDUSTRY OVERVIEW AND PROSPECT OF PIT

7.1 Overview of the Malaysian and Global Economy

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the US. The nation continues to sustain its growth momentum, with strong domestic demand providing the impetus for the expansion in domestic economic activities.

Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors, coupled with pro-active measures by the Government to promote economic activities provided the enabling environment for the Malaysian economy to expand favourably, albeit at a lower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Despite sharp increases in oil prices, the Malaysian economy is expected to register 5.1% growth in the second half of the year, with growth for the year averaging 5%.

Growth is expected to be broad based with major sectors recording positive growth, backed by recovery in global electronics demand.

The world economy is expected to expand at a more moderate pace in 2005 in the midst of sharply higher oil prices as well as tighter monetary policy in the US. While the pace of global growth will be somewhat lower, it will, nonetheless, continue to remain strong with further expansion in economic activities.

World economic growth, which had recorded a thirty-year high of 5.1% in 2004, is estimated to moderate to 4.3% in 2005. Global growth continues to be led by China and the US, with growth rates of 9% and 3.5%, respectively. Most countries in emerging Asia are expected to post satisfactory growth rates, albeit below 2004 levels.

(Source: Economic Report 2005/2006)

The 2005 budget was formulated with the objective of generating stronger private investment activity and reinstating the private sector as the main engine of economic growth. In particular, public policy continued to emphasise on the need for Malaysian companies to identify and take advantage of the opportunities available in new growth areas. The diversification of the economy would further enhance the resilience of the economy while providing opportunities for companies to move up the value chain.

In 2004, the global economy expanded at its strongest pace of 4.8% since 1984, led by the US, reinforced by strong growth in the Asian region and revival of growth in Japan and Europe. Robust global growth was reflected in significant improvements in international trade and financial flows.

The outlook for 2005 remains favourable. World output and world trade are projected to expand at a steady pace of 4% and 5.8% respectively in 2005.

(Source: Bank Negara Malaysia Annual Report 2004)

7.2 Overview of the Thailand Economy

The Thai economy grew by 6.1 percent in 2004, decelerating slightly from 6.9 percent growth in 2003, due to the slowdown in domestic demand especially in private consumption and private investment. External demand remained satisfactory with export value attaining record levels. The engines of growth in 2004 proved to be private investment and exports. The Private Investment Indicator expanded by 12.8 percent, decelerating from 13.6 percent growth in the previous year. Exports, on the other hand, grew by 23.0 percent, up from 18.2 percent in the previous year.

Overall economic stability remained satisfactory with headline inflation in 2004 averaging only 2.7 percent, accelerating from 1.8 percent in the previous year in line with the rise in the prices of raw food and energy. Core inflation averaged 0.4 percent, compared with 0.2 percent in the previous year. The unemployment rate remained low at 2.1 percent. Public debt also remained low at 47.8 percent of gross domestic products. As for external stability, the current account continued to be in a surplus in terms of both the trade balance and the services, and transfers balance. External debt declined over the course of the year. At end-2004, the foreign reserves position was strong at 49.8 billion USD or roughly four times that of short-term foreign debt.

The Thai economy in 2005 is expected to continue its growth trend but at a more decelerated pace as compared to previous year. This is in line with the expected moderation in external demand, private consumption and private investment. Private and public investment will prove to be key drivers of growth.

(Source: Thailand's Economic and Monetary Conditions in 2004, Bank of Thailand)

7.3 Overview of the E&E Industry

Global demand for electronics is expected to remain favourable in 2005 supported by the relatively strong global growth. The personal computer segment would also continue to benefit from the strong demand in the Asia-Pacific region. The growth in the electronics sector would be further reinforced by the continued trend towards increased application of chips in consumer appliances due to the increasing convergence in computing, digital media and wireless technology.

(Source: Bank Negara Malaysia Annual Report 2004)

Production of E&E appliances industry, one of Thailand's main export-oriented industries, had decelerated significantly from the previous year. Even though the production of integrated circuits expanded well in the first half of 2004 in line with global demand for electronics products, its production in the second half of the year declined considerably due to contracted global demand for integrated circuits as well as their relatively high level of inventories. On the other hand, production of television sets rose owing to strong exports demand. The capacity utilisation rate in the E&E appliances industry increased slightly from 62.1 percent in 2003 to 63.8 percent in 2004.

(Source: Thailand's Economic and Monetary Conditions in 2004, Bank of Thailand)

7.4 Overview of the Prospect of PIT

PIT is principally involved in the E&E industry which is highly challenging and competitive. PIT's business strategy is to focus on the niche market that contributes higher profit margin which entails PIT to review and analyse the specifications of its customers and subsequently customise its products and capability to meet the specific requirements of its customers. The implementation of the mentioned business strategies have resulted in the gradual increase in the profit margin of PIT. PIT is expected to widen its customer base in a different niche market to further capitalise on the success it has achieved for the customisation and value added features approach undertaken on its products.

8. CONDITIONS TO THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to the approvals of the following parties:-

- (i) The shareholders of PIE at an EGM to be convened;
- (ii) Bank Negara Malaysia whose approval was obtained on 20 September 2005; and
- (iii) Any other relevant authorities, where applicable.

The Proposed Acquisition is not conditional upon any other corporate exercise to be undertaken by the Company.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

PGH and PIIC (by virtue of PIIC being the holding company of PGH), being the major shareholders of both PIE and PIT, are deemed interested in the Proposed Acquisition. Accordingly, PGH and PIIC shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung are the Directors of PIE and are also the management representatives of PGH. As such, they are deemed related to PGH and PIIC by virtue of the fact that they are accustomed to or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of PGH and PIIC. Consequently, Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung have abstained and will continue to abstain from all deliberations and voting on the Proposed Acquisition at all board meetings and will abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

The abovementioned Directors and major shareholders who are interested in the Proposed Acquisition shall undertake to ensure that persons connected with them shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

The shareholdings of the Directors and major shareholders of PIE based on the Register of Directors' Shareholdings and Register of Major Shareholders as at 12 October 2005 are as follows:-

	As at 12 October 2005			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Directors				
Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jawa	10,001	0.02	-	-
Mui Chung Meng	170,000	0.27	-	-
Chen, Chih-Wen	130,000	0.21	-	-
Cheng Shing Tsung	10,000	0.02	-	-
Ahmad Murad Bin Abdul Aziz	8,001	0.01	-	-
Cheung Ho Leung	-	-	-	-
Major Shareholders				
PGH	32,909,998	53.05	-	-
Lembaga Tabung Haji	4,800,000	7.74	-	-
Allianz Life Insurance Malaysia Berhad ("ALIMB")	4,226,400	6.81	-	-
Allianz General Insurance Malaysia Berhad ("AGIMB")	3,011,400	4.85	^(a) 4,226,400	6.81
PIIC	-	-	^(b) 32,909,998	53.05
Allianz Aktiengesellschaft	-	-	^(c) 7,237,800	11.67

Notes:-

- (a) Deemed interested by virtue of Section 6A of the Act via its substantial interest in ALIMB.
 (b) Deemed interested by virtue of Section 6A of the Act via its substantial interest in PGH.
 (c) Deemed interested by virtue of Section 6A of the Act via its substantial interest in ALIMB and AGIMB respectively.

Save as disclosed, none of the other Directors and/or major shareholders of PIE and/or persons connected with them have any interest, either direct or indirect, in the Proposed Acquisition.

10. CORPORATE EXERCISES ANNOUNCED BUT NOT YET COMPLETED

Apart from the Proposed Acquisition, there is no other corporate exercise which has been announced but not yet completed by PIE.

11. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstance, the Board expects the Proposed Acquisition to be completed by end 2005.

12. INDEPENDENT ADVISER

In view of the interest of certain Directors and/or major shareholders in the Proposed Acquisition as set out in Section 9 of this Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to the requirements of Paragraph 10.08 of the Listing Requirements. As such, K & N Kenanga Bhd has been appointed as the Independent Adviser to the minority shareholders of PIE in respect of the Proposed Acquisition.

The Independent Advice Letter containing K & N Kenanga Bhd's evaluation and recommendation on the Proposed Acquisition is set out in Part B of this Circular.

13. BOARD OF DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board (with the exception of Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung), is of the opinion that the Proposed Acquisition is in the best interest of the Company and its shareholders. The Board (with the exception of Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

14. EGM

An EGM, the notice of which is enclosed with this Circular, will be held at Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggara Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 8 November 2005 at 9.00 a.m. for the purpose of considering the Proposed Acquisition contained herein and if thought fit, passing the resolution so as to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you may complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the meeting. The lodging of the Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

15. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendices for further information.

Yours faithfully
For and on behalf of the Board of Directors of
P.I.E. INDUSTRIAL BERHAD

Y.T.M. TUNKU DATO' DR. ISMAIL IBNI ALMARHUM TUNKU MOHD JEW A
Chairman/ Senior Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM K & N KENANGA BHD TO THE
MINORITY SHAREHOLDERS OF PIE IN RELATION TO THE PROPOSED
ACQUISITION**



K & N KENANGA BHD

Company No. 15678-H

CORPORATE FINANCE
17TH FLOOR
KENANGA INTERNATIONAL
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PART B

INDEPENDENT ADVICE FROM K & N KENANGA BHD TO THE MINORITY SHAREHOLDERS OF P.I.E. INDUSTRIAL BERHAD IN RELATION TO THE PROPOSED ACQUISITION

Date: 24 October 2005

To: The Shareholders of P.I.E. Industrial Berhad

Dear Sir/Madam,

P.I.E. INDUSTRIAL BERHAD ("PIE" OR THE "COMPANY")

PROPOSED ACQUISITION OF 5,000,000 ORDINARY SHARES OF BAHT10.00 EACH IN PIT REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PIT FROM PGH, A MAJOR SHAREHOLDER OF PIE FOR A CASH CONSIDERATION OF USD3,850,000 (EQUIVALENT TO APPROXIMATELY RM14,534,000)

All definitions used in this Independent Advice Letter ("IAL") shall have the same meaning as defined in the Definition section of this Circular except where the context otherwise required or where otherwise defined in this IAL.

1.0 INTRODUCTION

AmMerchant Bank has on 11 August 2005, announced on behalf of the Board that PIE has on 11 August 2005 entered into a conditional SSPA with PGH for the proposed acquisition of 5,000,000 ordinary shares of Baht10.00 each in PIT, representing the entire issued and paid-up share capital of PIT, for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000).

In view of the interests of certain Directors and major shareholders of PIE as set out in Section 9 of Part A of this Circular and Section 3 of this IAL, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

The Board had on 11 August 2005 formally appointed K & N Kenanga Bhd ("Kenanga") as the independent adviser ("IA") to comment on whether the Proposed Acquisition is fair and reasonable so far as the shareholders of PIE are concerned and whether the Proposed Acquisition is to the detriment of the minority shareholders PIE. Kenanga had on 19 August 2005 confirmed to Bursa Securities on its eligibility to act as the IA.

The purpose of this IAL is to provide advice to the shareholders of PIE with an independent evaluation of the Proposed Acquisition and Kenanga's opinion thereon subject to the scope and limitation of Kenanga's role and evaluation as specified herein.

This IAL is prepare solely for the use of shareholders of PIE for the purpose of considering the Proposed Acquisition and should not be used or relied upon by any other party.



SHAREHOLDERS OF PIE ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS CIRCULAR AND THE LETTER FROM THE BOARD IN ORDER TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED THEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM OF THE COMPANY.

2.0 DETAILS OF THE PROPOSED ACQUISITION

PIE had on 11 August 2005 entered into a SSPA with PGH to acquire the Sale Shares for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition).

2.1 Salient Terms of the SSPA

The salient terms of the SSPA in relation to the Proposed Acquisition are as follows:

“2.1.1 Purchase Consideration

The purchase consideration for the sale, purchase and transfer of the Sale Shares is an aggregate of USD3,850,000 (equivalent to approximately RM14,534,000 based on the average buying and selling foreign exchange rate of RM3.775:USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition). Upon execution of this SSPA, ten percent (10%) of the Purchase Consideration has been paid as deposit which shall form part of the Purchase Consideration upon fulfillment of the conditions precedent (as defined in Section 2.1.2, Part A of this Circular) (“Deposit”).

The Purchase Consideration (less the Deposit) shall be paid by PIE to PGH on completion of the SSPA.

2.1.2 Conditions Precedent

The sale, purchase and transfer of the Sale Shares are amongst others, conditional upon the following:-

- (i) The approvals have been obtained from all the relevant public authorities of both Thailand and Malaysia, encompassing:
 - (a) Any government in any jurisdiction;*
 - (b) Any minister, department, officer, commission, delegate, instrumentality, agency, board, authority or organisation of any government or in which any government is interested;*
 - (c) Any non-government regulatory authority; and*
 - (d) Any provider of public utility services, whether or not government owned or controlled.**
- (ii) The approval of the shareholders of PIE in a shareholders’ meeting to be convened for the transaction contemplated in the SSPA.*
- (iii) The conduct of a due diligence investigation by PIE into PIT and its affairs, the results of which are satisfactory to PIE in its absolute discretion.*

(hereinafter referred to as the “Conditions Precedent”).



2.1.3 Completion Date

The completion of the SSPA shall take place on or before:-

- (i) the date which is thirty (30) days after the day on which the last of the Conditions Precedent of the SSPA is received, obtained or fulfilled (as the case may be); or*
- (ii) any other date agreed in writing between the parties,*
at a place mutually agreed by the parties."

2.2 Basis of arriving at the Purchase Consideration

As per section 2.3, Part A of this Circular, the Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the historical financial information and expected future earnings of PIT.

We also note that on 30 August 2005, an independent professional valuer, Messrs Horwath, had issued its report on the fairness of the Purchase Consideration for the Proposed Acquisition and concluded that fair value of the entire equity interest in PIT is based on the capitalisation of earnings method which takes into account the maintainable PAT of PIT of approximately RM3.041 million and a price-earnings ("PE") multiple of 6.8 times. Based on the capitalisation of earnings method, the fair value of PIT is approximately RM20.68 million.

Messrs. Horwath states that based on their evaluation of the fair value of PIT, they are of the opinion that the Purchase Consideration for the Proposed Acquisition is fair and reasonable.

2.3 Background Information on PIT

PIT was incorporated in Thailand on 21 August 1990 as a private limited company under the Civil and Commercial Code of Thailand. PIT is principally involved in the cable assembly and wireharness manufacturing providing of cable and wireharness to the computer, communication and consumer electronic industries. PIT's principal place of business is located at 12/1 Moo 9, Suwannasorn Road, Dongkeelek Subdistrict, Muang District, Prachinburi Province 25000, Thailand.

The present authorised and issued paid-up share capital of PIT is Baht50,000,000 comprising 5,000,000 PIT Shares. For the financial year ended 31 December 2004, PIT recorded an audited PAT of approximately Baht44.01 million (equivalent to approximately *RM4.30 million). The audited NTA of PIT as at 31 December 2004 is approximately Baht152.06 million (equivalent to approximately *RM14.85 million). PIT is a wholly-owned subsidiary of PGH. PIT does not have any subsidiary or associated company.

*(*Based on the average foreign exchange rate of Baht as at 31 December 2004 of RM9.7636 = Baht100)*

Further details on PIT are set out in Appendix I of this Circular.



2.4 Original Cost of Investment

PGH had on 28 December 1999 acquired the entire equity interest in PIT for a total cash consideration of Hong Kong Dollars ("HKD") 11,843,686 or approximately RM5,788,009 (based on the foreign exchange rate of HKD as at 31 December 2004 of RM48.87 = HKD100).

2.5 Particulars of Liabilities to be Assumed by PIE

There are no liabilities to be assumed by PIE arising from the Proposed Acquisition other than those stated in the balance sheet of PIT on the Completion Date of the Proposed Acquisition. For information purpose, the liabilities of PIT based on its audited balance sheet as at 31 December 2004 are set out in the table below:-

Liabilities of PIT as at 31 December 2004	RM*	Baht
Current liabilities:		
Trade accounts and notes payable	2,191,246	22,443,006
Accrued expenses	484,694	4,964,300
Other current liabilities	92,363	945,998
Total current liabilities	2,768,303	28,353,304
Non-current liabilities:		
Rental deposit payable	61,511	630,000
Total liabilities	2,829,814	28,983,304

(*Based on the average foreign exchange rate of Baht as at 31 December 2004 of RM9.7636 = Baht100)

We also note from Section 8.14 of the Accountants' Report attached herein as Appendix II, that as at 31 December 2004, there were obligations and contingent liabilities resulting from the issuance of letters of guarantee on PIT's import duties by a banker amounting to Baht3,492,900 or the equivalent of RM341,033.

However, we understand from the management of PIE and PIT that as at 30 September 2005, the said amount has reduced to Baht2,903,300 or the equivalent of approximately RM266,697 (based on the foreign exchange rate of Baht as at 30 September 2005 of RM9.1860 = Baht100).

2.6 Source of Funding

The cash consideration for the Proposed Acquisition will be funded by PIE via its internally generated funds.

2.7 Estimated Timeframe for Completion

Barring any unforeseen circumstances and subject to all the required approvals being obtained, the Proposed Acquisition is expected to be completed by end 2005.



3.0 DETAILS OF THE RELATED PARTIES

Save as disclosed below, none of the other Directors and major shareholders of PIE and persons connected with them, has any interest, direct or indirect in the Proposed Acquisition.

3.1 Directors

Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung are Directors of PIE and are also the management representatives of PGH ("Interested Directors"). As such they are deemed related to PGH and PIIC by virtue of the fact that they are accustomed to or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of PGH and PIIC.

Consequently, Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung and Cheung Ho Leung have abstained and will continue to abstain from all deliberations and voting on the Proposed Acquisition at all board meetings and will abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

The shareholdings of the above Interested Directors in PIE as at 12 October 2005 are as follows:-

Name	As at 12 October 2005			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Mui Chung Meng	170,000	0.27	-	-
Chen, Chih-Wen	130,000	0.21	-	-
Cheng Shing Tsung	10,000	0.02	-	-
Cheung Ho Leung	-	-	-	-

3.2 Major Shareholders

PGH and PIIC (by virtue of PIIC being the holding company of PGH), being the major shareholders of both PIE and PIT ("Interested Major Shareholders"), are deemed interested in the Proposed Acquisition. Accordingly, PGH and PIIC shall abstain from voting in respect of their direct and indirect shareholdings on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

The Interested Major Shareholders' shareholdings in PIE as at 12 October 2005 are as follows:-

Name	As at 12 October 2005			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
PGH	32,909,998	53.05	-	-
PIIC [^]	-	-	32,909,998	53.05

Note: [^] Deemed interested by virtue of its substantial interest in PGH.



The Interested Major Shareholders' shareholdings in PIT as at 12 October 2005 are as follows:-

Name	As at 12 October 2005			
	Direct		Indirect	
	No. of PIT Shares	%	No. of PIT Shares	%
PGH	4,999,994	99.99	6 ^(a)	^(b)
PIIC [^]	-	-	5,000,000 ^(c)	100.0

Notes:

- (a) Held in trust by six (6) individuals i.e. Chen, Chih-Wen, Lo Tsai Hsien, Lo Pei, Tsai Lung, Liu Su Chang and Chang Chin Hsuan for PGH.
- (b) Immaterial.
- (c) Deemed interested by virtue of its substantial interest in PGH.

The Interested Major Shareholders and Interested Directors shall undertake to ensure that persons connected with them shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Acquisition to be tabled in the forthcoming EGM.

4.0 EVALUATION OF THE PROPOSED ACQUISITION

Kenanga was not involved in the negotiation of the terms and conditions of the Proposed Acquisition. Accordingly, Kenanga's evaluation herein relied on the information provided by PIE and discussions with the Board and management of PIE and PIT. In performing our evaluation, we have relied on the following sources of information:-

- (i) SSPA;
- (ii) the report dated 30 August 2005 on the fairness of the Purchase Consideration for the foreign assets to be acquired by PIE that is prepared by Messrs. Horwath ("Fairness Report");
- (iii) Information contained in Part A and all the appendices of this Circular;
- (iv) Other relevant information furnished to us by the management of PIE and PIT; and
- (v) Other publicly available information, including but not limited to PIE's announcement dated 11 August 2005 pertaining to the Proposed Acquisition, the announcement on the quarterly results of the PIE Group for the financial period ended 30 June 2005, the audited financial statements of PIE for the financial year ended 31 December 2004 etc.

Whilst care has been exercised in using the above information, we have not however, independently verified such information and shall not assumed responsibility for the reliability, accuracy and/or completeness of such information. The Board has, however, collectively and individually confirmed that all relevant material facts and information essential to our evaluation have been disclosed to us. The Board has also confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts the omission of which would make any information supplied to us incomplete, misleading or inaccurate.

Kenanga does not express any opinion on the commercial merits of the Proposed Acquisition, which is the sole responsibility of the Board. In evaluating the Proposed Acquisition, Kenanga has not taken into consideration any objectives, financial situation and particular needs of any shareholder or any specific group of shareholders. We therefore recommend that any individual shareholder or any specific group of shareholders who may require advice in relation to the Proposed Acquisition within the context of their objectives, financial situation and particular needs to consult their stockbroker, bank manager, solicitor, accountant and other professional adviser.

As the IA, we have evaluated the Proposed Acquisition based on certain factors, which we believe are of importance in enabling us to form an opinion on the fairness and reasonableness of the Proposed Acquisition so far as the shareholders of PIE are concerned and whether the Proposed Acquisition is to the detriment of the minority shareholders of PIE. We would also emphasise that our role as the IA does not extend to conducting any valuation on the Proposed Acquisition.

In evaluating the Proposed Acquisition, we have taken into consideration the following factors:-

- (i) The rationale for the Proposed Acquisition;
- (ii) Evaluation of the basis of the Purchase Consideration for the Proposed Acquisition;
- (iii) The financial effects of the Proposed Acquisition;
- (iv) Industry overview and prospect of PIT; and
- (v) The risks associated with the Proposed Acquisition.

4.1 The Rationale for the Proposed Acquisition

We note that the rationale for the Proposed Acquisition, as set out in Section 2.4 of Part A of this Circular is as follows:-

"The Proposed Acquisition will enable PIE to become a regional holding company for PGH's operations in South East Asia. PIE believes that the Proposed Acquisition will enhance the management efficiency and will ultimately benefit the shareholders of PIE.

In addition, the Proposed Acquisition will allow PIE to expand its business to Thailand and enable PIE to penetrate and gain a foothold in the Thailand market with the availability of certain competitive advantages, namely product integration, lower production and transportation costs.

Pursuant to the Proposed Acquisition, PIE will be able to achieve a faster growth as compared to organic growth as PIT has proven track records, established networks and instant customer base in Thailand. With such synergies, the PIE Group will be able to achieve higher turnover and profitability.

The Proposed Acquisition is expected to contribute positively to the earnings of PIE in the future as PIE is able to consolidate the earnings of PIT, thereby enhancing PIE's value as well as for PIE's shareholders."

Based on the foregoing, we are the view that the rationale for the Proposed Acquisition is fair and reasonable.



4.2 Evaluation of the basis of the Purchase Consideration for the Proposed Acquisition

4.2.1 Mode of settlement of Purchase Consideration

The Purchase Consideration for the Proposed Acquisition is to be settled fully by cash. It is noted that the audited cash & cash equivalents of PIE and the PIE Group as at 31 December 2004 amounted to approximately RM20.8 million and RM67.89 million respectively. It is also noted from the second quarterly results announcement on the unaudited cash & cash equivalent of the PIE Group as at 30 June 2005 amounted to approximately RM52.5 million. As a result of the Proposed Acquisition, the cash flow position of PIE and the PIE Group would be reduced by approximately RM14.534 million accordingly. Hence, the internally generated funds from the PIE Group is sufficient to finance the Purchase Consideration of the Proposed Acquisition.

4.2.2 Basis of arriving at the Purchase Consideration and the Valuation of PIT

As stated in Section 2.3, Part A of this Circular, the Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:-

- “(i) The Adjusted NTA of PIT as at 31 December 2004 of approximately Baht92.06 million (equivalent to approximately RM8.99 million);*
- (ii) The expected future earnings contribution from PIT to the PIE Group; and*
- (iii) The historical performances of PIT. The audited financial highlights of PIT for the past five (5) financial years ended 31 December 2000 to 31 December 2004 are set out in Appendix I of this Circular.*

The Purchase Consideration represents a premium of approximately 61.70% (calculated in equivalent RM) of the Adjusted NTA of PIT as at 31 December 2004.

The Purchase Consideration is below the valuation of approximately RM20.68million based on the independent valuation report prepared by Messrs. Horwath.”

In evaluating the Purchase Consideration for the Proposed Acquisition we have taken into consideration the following approaches:

- (a) Historical and future financial performance of PIT; and*
- (b) Valuation by Horwath.*

4.2.2.1 Historical and future financial performance of PIT

We note that PIT commenced operations in 1991. The audited financial statements of PIT for the past 5 financial years ended 31 December 2004 and 9 months period ended 30 September 2005 are reproduced below.

Financial years ended 31 December	←-----Audited ⁽ⁱ⁾ -----→					Unaudited 9 months Period Ended 30 September 2005 ⁽ⁱⁱ⁾ RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
Revenue	30,752	16,635	15,532	15,709	21,617	16,907
PBT	2,384	442	1,745	762	4,381	4,073
PAT	2,384	285	1,714	711	4,297	4,073
NTA	22,612	12,938	14,720	10,549	14,846	12,529

Notes:

- (i) Prepared based on the average foreign exchange rate of Baht as at 31 December 2004 of RM9.7636 = Baht 100 for above financial results for the 5 financial years ended 31 December 2000 to 31 December 2004.
- (ii) Prepared based on the average foreign exchange rate of Baht as at 30 September 2005 of RM9.1860 = Baht 100 for the above financial results for the 9 months period ended 30 September 2005.

For details on the commentary of the above financial performance of PIT, please refer to Appendix 1.

As shown above, the unaudited PAT of PIT for the 9 months ended 30 September 2005 is approximately RM4.07 million. However, we note from the Fairness Report that the PAT for the 7 months period ended 31 July 2005 is approximately RM3.34 million and the annualized PAT for the 7 months ended 31 July 2005 has been adjusted to RM4.46 million instead of RM5.72 million for the financial year ending 31 December 2005 after taking into account the lower net profit margin of 20% for year 2004 as compared to 25%.

4.2.2.2 Valuation by Messrs. Horwath

Based on the Fairness Report, the fair value of the entire equity interest in PIT of approximately RM20.68 million was arrived at using the capitalisation of earnings method. Messrs. Horwath is of the opinion that the capitalisation of earnings method is the most appropriate given the facts and circumstances surrounding PIT and its business operations.

It should be noted the capitalisation of earnings method takes into account the maintainable PAT of PIT of approximately RM3.041 million (which takes into account the weighted average PAT of PIT for the 3 financial years ended 31 December 2002 to 31 December 2004 and the adjusted annualized PAT for the financial year ending 31 December 2005) and the net PE multiple of 6.8 times (which has been discounted after taking into account the average net PE multiple of the listed companies in the electronic component sector of the Stock Exchange of Thailand of 11.31 times). The discounted net PE of 6.8 times is to reflect illiquidity of PIT shares as PIT is not an entity which is listed on any stock exchange and the fact that its shares are not readily marketable. Shareholders are advised to refer to the letter dated 20 October 2005 from Messrs Horwath on the Fairness Report which is set out in Appendix V of this Circular ("Summarised Fairness Report") and also the Fairness Report for details on the basis of valuation of PIT, including the assumptions and methodology used in arriving at the fair value of PIT as well as the limiting conditions set out therein. The Fairness Report (detailed version) is made available for inspection at the registered office of the Company.

We also wish to highlight that the above valuation is subject to foreign currency risk i.e. RM performance against USD and Baht. According to Bank Negara Malaysia, the Ringgit appreciated against major and regional currencies during the second quarter of 2005. The following table shows the historical trend of the performance of Ringgit against USD and Baht.

Performance of Ringgit Against USD and Baht

RM per foreign currency	As at end			% change since *	
	2Q 04	1Q 05	2Q 05	2Q 04	1Q 05
USD [#]	3.8000	3.8000	3.8000	-	-
100 Baht	9.2841	9.7013	9.2032	0.9 [^]	5.4 [^]

Source: Bank Negara Malaysia, *Economic and Financial Developments in Malaysian Economy in the Second Quarter of 2005 Report*

Notes:

* (-) indicates appreciation of Ringgit against respective currency and (-) indicates depreciation.

[^] The decline in the Baht was partly due to concerns over the impact of high oil import costs on the current account

[#] The Ringgit peg of RM3.80 : 1 USD was removed on 21 July 2005. Nevertheless, Ringgit remains stable against USD after de-pegging.

Based on the foregoing, we are of the view that the Purchase Consideration of approximately USD3,850,000 or equivalent to approximately RM14,534,000 is fair and reasonable.



4.3 The Financial Effects of the Proposed Acquisition

In considering the fairness and reasonableness of the Proposed Acquisition, we have also taken into consideration the financial effects of the Proposed Acquisition as set out in Section 5, Part A of this Circular, details of which are reiterated below:-

4.3.1 Share Capital and Major Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of PIE and the shareholdings of the major shareholders of PIE as the Proposed Acquisition is to be fully satisfied by cash.

4.3.2 Earnings

The Proposed Acquisition is expected to be completed by end 2005. As such, the Proposed Acquisition is not expected to have any material impact on the earnings of the PIE Group for the financial year ending 31 December 2005.

The Board expects the Proposed Acquisition to contribute positively to the earnings of the PIE Group for the financial year ending 31 December 2006 and is also expected to enhance the future profitability of the PIE Group.

It should be noted that based on the unaudited financial results of PIT for the 9 months ended 30 September 2005, the revenue and PAT generated amounted to approximately RM16.91 million and RM4.07 million respectively or the equivalent of Baht184.05 million and Baht44.33 million respectively (*based on the average foreign exchange rate of Baht as at 30 September 2005, of RM9.1680 = Baht 100*).

4.3.3 NTA and Gearing

Based on the proforma audited financial statements of PIE for the financial year ended 31 December 2004, the NTA per share would be reduced from RM2.19 to RM2.10 or by approximately 4% as set out in Section 5.3, Part A of this Circular. The reduction in NTA per share of PIE is mainly due to the goodwill arising from the Proposed Acquisition of RM5.55 million.

We also note that the gearing of the PIE Group remains at 0.11 times as PIT has no interest-bearing borrowings as at 31 December 2004.

4.3.4 Dividends

The Company had declared and paid a first and final tax exempt dividend of 12 sen per share amounting to RM7,443,360 for the financial year ended 31 December 2004. The dividend was paid on 14 June 2005.

The Proposed Acquisition is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2005.

Currently, there is no fixed dividend policy adopted by PIT. Upon completion of the Proposed Acquisition, PIT will become a wholly-owned subsidiary of PIE. Hence PIE shall be able to determine the future dividend policy of PIT. Any future dividend to be declared by PIT will be dependent on the future earnings, cashflow position and the funding requirements of the PIE Group.

We also note from the Expert Report dated 20 October 2005 on "*Foreign investment, taxation, repatriation of profits and the expected timeframe on repatriation of profits, and legal opinion on the ownership of title to the securities of PIT*", Appendix IV which amongst others, states that there are no restrictions on the time frame to the repatriation of dividends and/or sale of proceeds of shares out of Thailand.

4.4 Industry Review and Prospect of PIT

We have reviewed Section 7, Part A of this Circular, which sets out the overview of the Malaysia, Thailand and global economy, the global E&E industry and also the prospect of PIT.

We have also reviewed the Fairness Report which, amongst others, sets out the overview of the Thailand economy and the market conditions surrounding the E&E industry as follows:-

"Overview of Thailand Economy

For international trade, export value is expected to reach US\$ 102.4 billion in 2005, up by 8.6 percent from 2004. The high growth of export products are electronic and electric products. Meanwhile, import value is projected to amount US\$ 105.2 billion or increase by 12.5 percent due to high import growth of capital goods, raw material and fuel. Consequently, trade balance will register the deficit of US\$ 2.8 billion in 2005. However, trade deficit, which arise from importing capital goods to support economic development is common for developing countries.

Since Thai economy is expected to grow at the rate greater than 6 percent in 2005, this makes Thailand as one of the best performer compared to Thailand's major trading partners. This FPO's economic forecast are consistent with other research houses.

(Source : Bank of Thailand, Fiscal Policy, Ministry of Finance)

The Manufacturing Production Index (MPI with 76 products categories) in May 2005 increased by 8.2 percent from the previous month as a consequence of the growth of export in electronics, electrical appliances and food sectors, Iron steel and beverage productions also revealed a recovery sign in response to the government policies and anticipated government policy by private sector. The capacity utilization rate (with 69 products categories) of the manufacturing sector was averaged at 71.4 percent, showing an upward move from the previous month.

According to private investment, the Board of Investment (BOI) approved 454 out of 492 project applications for investment during the first five months this year. Mostly, the investments concentrated on automobile parts, electrical appliances and electronics. The areas of these productions would benefit from more employment, a higher level of income diversification. Total investments have been approved this year equaled to THB 101.9 billion; with estimation that 74,521 people likely to be employed. In term of total Registered Capital of 13.3, Thai and foreign proportions were at 4.6 and 8.7 respectively".

(Source : Business Sector Overview for June 2005 at www.Thailandoutlook.com - maintain by Thailand Investor Service Center)

“Market Conditions Surrounding the Electrical and Electronics (“E&E”) Industry

Global demand for electronics is expected to remain favourable in 2005 supported by the relatively strong global growth. The personal computer segment would also continue to benefit from the strong demand in Asia Pacific region. The growth in the electronics sector would be further reinforced by the continued trend towards increased application for chips in consumer appliances due to the increasing convergence in computing, digital media and wireless technology.

(Source : Bank Negara Malaysia Annual Report 2004)

In the manufacturing sector, exports of electronics and electrical products (E&E) in the Second Quarter of 2005 increased by 8.7% (1Q 2005 : 9.9%). Stronger demand for computer-related products, particularly from the US, supported the expansion in the E&E sector.

Global demand is expected to be sustained in the second half of the year based on the favourable indicators emerging recently from the US, Japan and the euro area, and further reinforced by the expected improvement in the global electronics sector in the latter part of the year. In the US, consumption spending is expected to remain strong underpinned by the buoyant housing market. For semiconductor products, industry experts have revised upwards their growth forecast for 2005 as a whole.”

(Source : Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2005 – Bank Negara Malaysia Press Release dated 24 August 2005)”

In addition to the information set out therein, the following information should also be considered:-

“The Fiscal Policy Office of Thailand (“FPO”) projects the Thai economy to expand by 4.1 – 4.6 percent (y-o-y), a downward revision from forecast in May of 4.6-5.1 percent (y-o-y). This latest forecast take into account of unremitting rise in global crude oil prices.

GDP in first quarter 2005 (Q1/2005) expanded by 3.3 percent (y-o-y), a slow down from the figure in fourth quarter 2004 (Q4/2004) of 5.3 percent (y-o-y) as the Thai economy was confronted with various short-term uncontrollable factors such as vigorous and unremitting rise in global crude oil prices, Tsunami, drought, avian influenza and temporary closure of petroleum, petrochemical and steel plants for future capacity expansion and unrest in the three southern provinces. While the Thai economy in second quarter 2005 (Q2/2005) is still marred by the same negative factors as experienced in Q1/2005 (barring temporary closure of manufacturing plants) but several macroeconomic indicators on the production side have indicated that the economy in Q2/2005 is going on the right track, for example, manufacturing production index (“MPI”), agricultural production index, number of foreign visitors and employment figure. All in all, the GDP growth is expected to speed up from 3.3 percent (y-o-y) in Q1/2005 to 4.2 percent (y-o-y) in Q2/2005, resulting in GDP figure for the first half of 2005 to stand at 3.8 percent compared to the same period last year.

In the first half of 2005, manufacturing products that were significant in steering the economy in terms of production and exports included hard disk drive and commercial car whereby the growth of the MPIs in the first half of 2005 was 42.8 and 29.9, respectively, compared to the same period last year. The growth of export value was also evident for computer and car in the first seven months of 2005 at 27.4 and 39.7 percent, respectively, compared to the same period of last year. The production and export trend of these two products are foreseen to remain positive over the latter half of 2005."

(Source: Thailand's Economic Outlook dated 30 August 2005 issued by, Fiscal Policy Office, The Ministry of Finance, translated by Thailand Investor Service Sector)

Although the Proposed Acquisition is seen as a strategic move to boost the PIE Group's earnings base, the minority shareholders should note that the outlook of the Thailand economy, the E&E industry and the future prospect of PIT would have a bearing on the future performance of the PIE Group as a result of the Proposed Acquisition.

4.5 The Risks associated with the Proposed Acquisition

In evaluation the Proposed Acquisition, we have considered the risk factors set out in Section 6, Part A of this Circular. In addition, we have also taken into consideration the following additional risk factors:-

(i) **Technological Risk**

Technological changes in the electrical and electronics industry, computer operating environment and software and hardware applications may affect the products of PIT. Such technological changes may also cause PIT's customers requirement to change correspondingly. The PIT products may become obsolete due to changes in technology used particularly in the information and communication technology.

Hence PIT would need to keep abreast with the latest technologies and market trends in order to compete successfully with its competitors. PIT will also leverage for continuous support from the research and development team of the PIE Group.

(ii) **Material Litigation**

As disclosed in Section 3, Appendix VII of this Circular, PIT had on 30 December 2003 commence legal action against Delta (Black case no.: 1797/2546 (2003)) to claim the sum of Baht13,559,759 (or equivalent to RM1,238,182 based on the foreign exchange rate of RM9.1313 : Baht100 as at 31 August 2005) for the compensation damages as a result of the cancellation of purchase orders made by Delta. The case is now pending in the Samutprakam Provincial Court which is a court of first instance. The Board is advised by the solicitors of PIT that PIT has a reasonable chance to succeed in the claim.

We understand from the management of PIE and PIT that the said amount has been fully written-off in the audited accounts of PIT for the financial year ended 31 December 2003.



(iii) ***Dependency on Major Customers***

We understand from the management of PIE and PIT that the top four customers of PIT accounted for approximately 78% of PIT's revenue for the financial year ended 31 December 2004, where these customers are mainly American and Japanese multi-national companies with operations located at the export processing zone promoted under the Board of Investment of Thailand and hence are considered as export sales. Most of these customers have been with PIT for an average of 5 years or more and this indicate long-term and stable relationships.

However, the loss of any of these major customers may adversely affect PIT's revenues and operating results. To mitigate this risk, PIT has been progressively increasing its customer base and we understand from the management of PIT that as to-date, PIT has over 20 customers. PIT has also been expanding its product range to its existing niche market customers (special design like video conferencing cables with higher profit margin) and will continue to market for potential customers by leveraging on the sales and marketing efforts of the PIE Group as well. We also note that the business strategy of PIT is to widen its customer base in different niche market to capitalize on the success of the customisation and value added features of its products as highlighted in Section 7.4, Part A of this Circular.

(iv) ***Dependency on Suppliers/Supply of Raw Materials***

We note from the Fairness Report that PIT sources its main raw material, namely cable wire from Pan-International Wire & Cable (Malaysia) Sdn Bhd ("PIWSB"), a wholly-owned subsidiary company of PIE and hence a related party. For the financial year ended 31 December 2004, the supplies of cable wire from PIWSB accounted for approximately 24% of the total purchases of PIT.

We further note from the audited financial statements for the financial year ended 31 December 2004, stating that the Board is of the opinion that above transactions have been entered in the normal course of business and have been established under the terms that are no less favourable than those arranged with independent third parties. We also note from the Circular dated 28 April 2005 to the PIE shareholders wherein their approvals have been duly obtained on 20 May 2005 for the various recurrent related party transactions of the PIE Group with PIT, which includes the above supplies of raw materials from PIWSB.

5.0 FURTHER INFORMATION

Shareholders are requested to refer to Part A and appendices of this Circular for further information pertaining to the Proposed Acquisition.

6.0 CONCLUSION AND RECOMMENDATION

As stated in Section 13, Part A of this Circular, your Board, apart from the Interested Directors and Interested Major Shareholders and persons connected to them, after careful deliberation on the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of PIE. Accordingly, your Board (excluding the Interested Directors) recommends that your vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.



It is imperative that the minority shareholders of PIE consider carefully the relevant issues highlighted in this IAL before arriving at a decision.

AFTER TAKING INTO ACCOUNT OF THE FACTORS INCLUDED IN OUR EVALUATION, WE ARE OF THE OPINION THAT, BASED ON THE INFORMATION MADE AVAILABLE TO US, THE PROPOSED ACQUISITION IS FAIR AND REASONABLE SO FAR AS THE SHAREHOLDERS OF THE COMPANY ARE CONCERNED AND IS NOT TO THE DETRIMENT OF THE MINORITY SHAREHOLDERS OF PIE.

Yours faithfully
K & N KENANGA BHD

LEE KOK KHEE
Head
Corporate Finance

TERESA TAN SIEW KUAN
Senior Manager
Corporate Finance

1. HISTORY AND BUSINESS

PIT was incorporated in Thailand on 21 August 1990 as a private limited company under the Civil and Commercial Code of Thailand. PIT is principally involved in cable assembly and wireharness manufacturing, and providing of cable and wireharness to the computer, communication and consumer electronic industry. The main products of PIT are cable and wireharness assembly for:-

- (i) Personal computers peripheral and power supply;
- (ii) Multimedia products, i.e. audio-visual communication equipment;
- (iii) Home appliances;
- (iv) Local area network products, i.e. Cat 5 and Firewire1394 cable assembly; and
- (v) Non-toxic medical cable assembly.

PIT's principal place of business is located at 12/1 Moo 9, Suwannasorn Road, Dongkeeek Subdistrict, Muang District, Prachinburi Province 25000, Thailand, with a total built-up area of approximately 16,008 square metres.

Most of the raw materials used by PIT are sourced from Singapore and Malaysia. Currently, 100% of PIT's products are exported mainly to the multinational companies located in the export processing zone promoted under the Board of Investment of Thailand. Sales made by PIT to the companies located in the export processing zone are considered as export sales.

The annual production capacity and production output of PIT for the past five (5) financial years ended 31 December 2000 to 2004 are as follows:-

Financial Years Ended 31 December	2000	2001	2002	2003	2004
Production capacity [^] :-					
- Cable assembly ('000 pieces)	1,600	1,000	1,000	1,000	1,000
- Wireharness ('000 pieces)	54,000	33,000	18,000	24,000	28,000
Production output [*] :-					
- Cable assembly (%)	82.50	52.30	72.90	77.20	64.50
- Wireharness (%)	75.82	78.89	73.67	73.72	77.19

Notes:-

[^] The annual production capacity was prepared based on the average utilisation of the machineries for different range of products produced by PIT during the respective financial years.

^{*} The variation in the annual production capacity and output was mainly due to different range of products that will have different production lead time due to, among others, the different complexity, customisation of designs and multiple sizes of the products.

A summary of the properties owned by PIT is as set out below:-

Location	Description	Approximate Built-up Area (square metres)	Existing Use
12/1 Moo 9, Suwannasorn Road, Dongkeeek Subdistrict, Muang District, Prachinburi Province 25000, Thailand	Factory building	16,008	Factory and office premises
101/4/1, Nava Nakorn Industrial Estate (Soi 3), Klong Luang District, Pathum Thani Province 12120, Thailand	Factory building	1,788	Rented to third party
101/47/15, Nava Nakorn Industrial Estate (Soi 10), Klong Luang District, Pathum Thani Province 12120, Thailand	Factory building	2,592	Rented to third party

2. SHARE CAPITAL

2.1 Authorised and Issued and Paid-up Share Capital

The authorised and issued paid-up share capital of PIT as at 12 October 2005 are as follows:-

Type (Ordinary Shares)	No. of PIT Shares	Par Value (Baht)	Total (Baht)
Authorised	5,000,000	10.00	50,000,000
Issued and paid-up	5,000,000	10.00	50,000,000

2.2 Changes in Issued and Paid-up Share Capital Since Incorporation

Details of the changes in the issued and paid-up capital of PIT since the date of incorporation are as follows:-

Date of Allotment	No. of PIT Shares Allotted/ (Cancelled)	Par Value (Baht)	Type of Issue	Cumulative Issued and Paid-Up Share Capital (Baht)
10.08.1990	10,000	1,000.00	Subscribers' shares	10,000,000
23.11.1990	-	10.00	Denomination of share from Baht1,000.00 each to Baht10.00 each	10,000,000
23.11.1990	800,000	10.00	Cash	18,000,000
12.12.1991	2,200,000	10.00	Cash	40,000,000
22.03.1994	2,000,000	10.00	Cash	60,000,000
15.12.1996	9,200,000	10.00	Cash	152,000,000
05.07.2001	(10,200,000)	10.00	Capital reduction	50,000,000

3. PARTICULARS OF MAJOR SHAREHOLDERS

The major shareholders of PIT (holding 5% or more equity interest) and their respective shareholdings, according to the Register of Major Shareholders of PIT as at 12 October 2005 are as follows:-

Name of Shareholders	Direct		Indirect	
	No. of PIT Shares	%	No. of PIT Shares	%
PGH	4,999,994	99.99	^(a) 6	^(b) -
PIIC	-	-	^(c) 5,000,000	100.00

Notes:-

- (a) Held in trust by six (6) individuals, i.e. Chen, Chih-Wen, Lo Tsai Hsien, Lo Pei, Tsai Lung, Liu Su Chang and Chang Chin Hsuan for PGH.
 (b) Immaterial.
 (c) Deemed interested by virtue of its substantial interest in PGH.

APPENDIX I – INFORMATION ON PIT (Cont'd)

4. PARTICULARS OF DIRECTORS

The Directors of PIT and their respective shareholdings, according to the Register of Directors and Directors' Shareholdings of PIT as at 12 October 2005 are as follows:-

Directors	Designation	Nationality/ Passport or NRIC Number	Direct		Indirect	
			No. of PIT Shares	%	No. of PIT Shares	%
Huang, Feng-An	Director	Taiwanese/ M 13805147	-	-	-	-
Supida Saekow	Director	Siamese/ 3 9098 00001 96 1	-	-	-	-
Huang, Tan-Kuei also known as Annie Huang	Director	Taiwanese/ 131815874	-	-	-	-

5. SUBSIDIARY AND ASSOCIATE COMPANY

As at 12 October 2005, PIT does not have any subsidiary or associate company.

6. PROFIT AND DIVIDEND RECORD

The summary of the profit and dividend records of PIT based on the audited financial statements of PIT for the past five (5) financial years ended ("FYE") 31 December 2000 to 31 December 2004 (extracted from the Accountants' Report as set out in Appendix II of the Circular) and the unaudited results for the nine (9) months period ended 30 September 2005 are as follows:-

FYE 31 December	Audited					Unaudited (d) 9 Months Period Ended 30 September 2005
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Revenue	30,752	16,635	15,532	15,709	21,617	16,907
PBT before exceptional item	2,384	442	1,745	1,739	4,381	4,073
Exceptional item	-	-	-	(c) (977)	-	-
PBT	2,384	442	1,745	762	4,381	4,073
Taxation	-	(157)	(31)	(51)	(84)	-
PAT	2,384	285	1,714	711	4,297	4,073
Weighted average number of PIT Shares in issue (('000))	15,200	10,100	5,000	5,000	5,000	5,000
Number of PIT Shares in issue ('000)	15,200	5,000	5,000	5,000	5,000	5,000
NTA	22,612	12,938	14,720	10,549	14,846	12,529
NTA per PIT Share (RM) (a)	1.49	2.59	2.94	2.11	2.97	2.51
Gross EPS (sen) (b)	15.68	4.38	34.90	15.24	87.62	(a) 108.61
Net EPS (sen) (b)	15.68	2.82	34.28	14.22	85.94	(a) 108.61
Dividend rate (%)	-	-	100.00	-	120.00	-

APPENDIX I – INFORMATION ON PIT (Cont'd)

Notes:-

- (a) Based on number of PIT Shares in issue.
- (b) Based on weighted average number of PIT Shares in issue.
- (c) The exceptional item of approximately RM0.98 million represents the compensation paid to a supplier who is a related company of PIT as a result of the cancellation of purchase orders by PIT.
- (d) Based on the foreign exchange rate of RM9.1860 : Baht100 as at 30 September 2005.
- (e) Annualised.
- (f) There is no extraordinary item for the financial years under review.
- (g) The revenue of PIT for FYE 2001 decreased by approximately RM14.12 million or 45.91% as compared to FYE 2000. This was mainly due to the decrease in sales orders as certain customers of PIT shifted their orders to cheaper suppliers in China.

PBT reduced to approximately RM0.44 million, in line with the significant drop in revenue and the price competition in Thailand market.

- (h) The revenue of PIT for FYE 2002 decreased by approximately RM1.10 million or 6.63% as compared to FYE 2001. This was mainly due to the decrease in sales orders from a customer of PIT. However, during FYE 2002, PIT had changed its strategy to expand its sales to certain American and European multinational companies in Thailand and this had increased the revenue of PIT subsequently.

Despite of the decrease in revenue, PBT increased significantly by approximately RM1.30 million in FYE 2002 as compared to FYE 2001. This was due mainly to the increase in the demand on the higher profit margin products from American and European multinational companies in Thailand and also cost savings policies on operational expenditures.

- (i) The revenue of PIT for FYE 2003 increased slightly by approximately RM0.18 million or 1.14% as compared to FYE 2002. This was mainly due to the increase in sales demand from certain customers on the existing products.

Despite of the slight increase in revenue, the PBT decreased in FYE 2003 mainly due to the compensation of approximately RM0.98 million paid to a supplier who is a related company of PIT for the cancellation of certain purchase orders by PIT. Thus, the PBT reduced by approximately 56.33%.

- (j) The significant increase in revenue of PIT in FYE 2004 by approximately RM5.91 million or 37.61% as compared to FYE 2003 was mainly due to the strong global demand on electronics products and the contribution by the existing and certain new customers of PIT.

PBT was increased by approximately RM3.62 million in FYE 2004 as a result of the significant increase in revenue and increased in sales of new products with higher profit margin contribution such as tele-conferencing cable.



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The Board of Directors
P.I.E. Industrial Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

October 20, 2005

Dear Sirs,

**ACCOUNTANTS' REPORT
PAN INTERNATIONAL ELECTRONICS (THAILAND) CO., LTD.**

1. INTRODUCTION

This report has been prepared for the inclusion in the Circular to Shareholders of P.I.E. Industrial Berhad ("PIE"), to be dated 24 October 2005 in connection with PIE's proposed acquisition of 5,000,000 ordinary shares of Thai Baht 10 each in Pan International Electronics (Thailand) Co., Ltd. ("PIT") representing the entire issued and paid-up share capital of PIT for a total cash consideration of USD 3,850,000 (equivalent to approximately RM14,534,000) ("Proposed Acquisition") from Pan Global Holding Co., Ltd. ("PGH").

2. BASIS OF PREPARATION

This report is prepared in accordance with approved accounting standards of the Malaysian Accounting Standards Board in all material respects and is based on audited financial statements of PIT.

In preparation of this report, we have made necessary enquiries and obtained information and explanations from the management of PIE and auditors of PIT.

This report has been seen and approved by the directors of PIE and, after making all reasonable enquiries, the directors are satisfied with the contents of this report.

3. SCOPE OF WORK

This report sets out the financial information provided to us by the management of PIE that has been prepared on the basis of accounting policies set out in Section 8 of this report.

The scope of our work carried out in the preparation of this report does not constitute an audit or review in accordance with approved auditing standards and we do not express any assurance or opinion on the financial information. In the course of the preparation of this report, we have relied on the financial information provided to us by the management of PIE (that has been prepared based on the basis of the accounting policies as set out in Section 8 of this report) and the representations given to us by the directors, officers, employees and agents of PIE.

We have not performed any verification procedures to ensure the validity of the figures and facts presented to us for the preparation of the accountants' report. It is therefore agreed that we shall not be liable to the addressees of this report for any loss, damage cost or expense arising from fraudulent acts, fraudulent representations or willful default on the part of PIE, their directors, officers, employees or agents, except and only to the extent that we contributed to such loss, damage cost or expense by our negligence, bad faith or willful default.

We have not performed a legal due diligence to interpret the enforceability of the agreements that PIE or PIT has entered into, to ascertain if there are restrictive covenants therein or whether PIE or PIT has complied with the terms of such agreements.

4 GENERAL INFORMATION

4.1 INCORPORATION

PIT was incorporated in Thailand on August 21, 1990 as a private limited company under the Civil and Commercial Code of Thailand.

PIT is principally involved in cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industry.

4.2 SHARE CAPITAL

The present authorised and issued and paid-up share capital of PIT is Thai Baht 50,000,000 (approximately RM4,882,000), comprising 5,000,000 ordinary shares of Thai Baht 10 each.

Details of the movements in the issued and paid-up share capital of PIT since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Allotted/ (Cancelled)	Par Value Thai Baht	Consideration/ Type of Issue	Cumulative Issued and Paid-Up Share Capital	Resultant Share Capital	
	'000			'000	Thai Baht '000	RM'000
10.08.1990	10	1,000	Cash	10	10,000	976
23.11.1990	990	10	Note (ii)	1,000	10,000	976
23.11.1990	800	10	Cash	1,800	18,000	1,757
12.12.1991	2,200	10	Cash	4,000	40,000	3,905
22.03.1994	2,000	10	Cash	6,000	60,000	5,858
15.12.1996	9,200	10	Cash	15,200	152,000	14,841
05.07.2001	(10,200)	10	Note (iii)	5,000	50,000	4,882

Notes

- For the purpose of translation, the share capital of PIT, which is denominated in Thai Baht, has been translated into Ringgit Malaysia at a constant exchange rate of Thai Baht 100 to RM9.7636, being the prevailing exchange rate as of December 31, 2004.
- The par value per ordinary share was changed from Thai Baht 1,000 each to Thai Baht 10 each on November 23, 1990.

- iii. On June 18, 2001 and July 5, 2001, PIT reduced its authorised and issued and paid-up share capital from 15,200,000 ordinary shares of Thai Baht 10 each amounting to Thai Baht 152,000,000 to 5,000,000 ordinary shares of Thai Baht 10 each amounting to Thai Baht 50,000,000.

4.3 SUBSIDIARY COMPANY

PIT does not have any subsidiary company as of December 31, 2004. Information on PIT's former subsidiary company, Pan Precision Technology Co., Ltd. ("PPT") are as follows:

PPT was incorporated as a private limited company in Thailand on May 22, 1997. PIT owned 100% of the equity interest in PPT. The issued and paid-up share capital of PPT was Thai Baht 15,000,000 (approximately RM1,465,000). PPT was principally involved in manufacturing of mould and die. PPT was dissolved on July 10, 2001 and the final registration of the liquidation at the Department of Commerce was completed on October 26, 2004.

4.4 ASSOCIATED COMPANY

PIT does not have any associated company as of December 31, 2004. Information on PIT's former associated company, Pan International Trading Co., Ltd. ("PITC") are as follows:

PITC was incorporated as a private limited company in Thailand on February 23, 1994. PIT owned 49% of the equity interest in PITC. The issued and paid-up share capital of PITC was Thai Baht 500,000 (approximately RM49,000). PITC was principally involved in trading of computer and electronics parts. PITC was dissolved on December 23, 2002 and the final registration of the liquidation at the Department of Commerce was completed on October 26, 2004.

4.5 DIVIDENDS

Details of dividends declared by PIT since the date of its incorporation are as follows:

Financial Years Ended	Issued and Paid-up Share Capital	Gross Dividend Rate	Net Dividend		Financial years in which dividend was/ will be paid
			Thai Baht	RM	
31.12.1991	40,000,000	25	10,000,000	976,360	31.12.1992
31.12.1993	40,000,000	220	88,000,000	8,591,968	31.12.1994
31.12.1995	152,000,000	19.74	30,000,240	2,929,103	31.12.1996
31.12.2002	50,000,000	100	50,000,000	4,881,800	31.12.2003
31.12.2004	50,000,000	120	60,000,000	5,858,160	31.12.2005

4.6 AUDITED FINANCIAL STATEMENTS

The statutory financial statements of PIT for the financial years under review were audited by another firm of auditors and were reported on by the said firm of auditors without any qualifications.

5. SUMMARISED INCOME STATEMENTS

The summarised income statements of PIT based on the audited financial statements for the five financial years ended December 31, 2004 are as follows:

	-----Financial Years Ended December 31-----				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	30,752	16,635	15,532	15,709	21,617
Profit before depreciation and interest expense	3,184	875	2,013	1,921	4,607
Depreciation	(800)	(433)	(268)	(182)	(226)
Interest expense	-	-	-	-	-
Profit before exceptional items	2,384	442	1,745	1,739	4,381
Exceptional item: Damages compensation	-	-	-	(977)	-
Profit before tax	2,384	442	1,745	762	4,381
Income tax expense	-	(157)	(31)	(51)	(84)
Profit after tax	2,384	285	1,714	711	4,297
Weighted average number of ordinary shares of Thai Baht 10 each in issue ('000)	15,200	10,100	5,000	5,000	5,000
Gross earnings per ordinary share (in RM)	0.16	0.04	0.35	0.15	0.88
Net earnings per ordinary share (in RM)	0.16	0.03	0.34	0.14	0.86

Notes:

- a) For the purpose of preparation of this Report, the audited financial statements of PIT which are denominated in Thai Baht, have been translated into Ringgit Malaysia at a constant exchange rate of Thai Baht 100 to RM9.7636, being the prevailing exchange rate as of December 31, 2004.

For information, the annual average and year end exchange rates of Ringgit Malaysia to Thai Baht are as follows:

	Average Rates	Year End Rates
2000	100 Thai Baht = RM9.5526	100 Thai Baht = RM8.7790
2001	100 Thai Baht = RM8.6906	100 Thai Baht = RM8.6022
2002	100 Thai Baht = RM8.7059	100 Thai Baht = RM8.8096
2003	100 Thai Baht = RM9.2022	100 Thai Baht = RM9.5947
2004	100 Thai Baht = RM9.6792	100 Thai Baht = RM9.7636

- b) i) The revenue for year 2001 decreased by RM14.12 million or 46% if compared with year 2000. This was mainly due to the decrease in customers' orders as some of the PIT's customers shifted their orders to cheaper suppliers in China.

In line with the significant drop in revenue and the price competition in the market, the profit before tax just hovered above the break-even point. With a compensation of RM0.31 million from a customer for the cancellation of sales order, the profit before tax only turned out to be RM0.4 million, which is reduced by RM1.94 million or 81% as compared to year 2000.

- ii) The revenue for year 2002 continued to drop by RM1.1 million or 6.6% to RM15.53 million if compared with year 2001. This was mainly due to the drop in sales orders from a customer. However, during year 2002, PIT had changed its strategy to expand its sales to American and European Multinational Companies in Thailand and this had increased the revenue of PIT subsequently.

Despite the decrease in revenue, the profit before tax in year 2002 increased significantly by approximately RM1.3 million as compared to year 2001. It was due mainly to the increase in the demand of the higher profit margin products from American and European Multinational Companies in Thailand and also cost saving policies on operational expenditures.

- iii) The revenue for year 2003 increased slightly by about 1% as compared to year 2002. This was mainly due to the increase in sales demand from certain customers on the existing products.

Despite the slight increase in revenue, the profit before tax dropped in 2003 due mainly to the damages compensation of approximately RM0.98 million paid to a related company for the cancellation of certain purchase orders by PIT. As a result, the profit before tax had reduced by 56% as compared to year 2002.

- iv) The significant increase in revenue in year 2004 by 38% as compared to previous year was mainly due to strong global demand on electronics products and the contribution by the existing customers and new customers of PIT.

As a result of the significant increase in revenue and increase in sales of new products with higher profit margin contribution such as tele-conferencing cable, profit before tax increased significantly by RM3.62 million in year 2004 as compared to year 2003.

- c) i) Although PIT made a profit before tax in year 2000, no provision for income tax was made as PIT obtained an investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1997 from the Board of Investment (BOI). As a result, the income generated from the sales of goods under the investment promotion ("BOI operations") were exempted from tax.

No provision for income tax was made for the non-BOI operations in view of the loss incurred in year 2000 for non-BOI operations.

- ii) The effective tax rate of PIT for the year 2001 was higher than the statutory income tax rate as the income derived from non-BOI operations were liable for corporate income tax at a rate of 30% and certain expenses were not deductible for tax purposes. Besides, it was also due to BOI operations were making loss for year 2001.
- iii) The effective tax rates of PIT for the years ended December 31, 2002, 2003 and 2004 were lower than the statutory income tax rate due mainly to the investment promotion certificate granted by the Board of Investment (BOI) on manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1997 where the income generated from the sales of goods under the investment promotion was exempted from tax.

The income derived from non-BOI operations for the years ended December 31, 2002, 2003 and 2004 were liable for corporate income tax at a rate of 30%.

- d) There were no exceptional or extraordinary items over the years under review, except that in year 2003, PIT had made damages compensation amounting to approximately RM0.98 million to a related company as a result of the cancellation of certain purchase orders by PIT.
- e) The gross earnings per ordinary share is calculated based on the profit before tax divided by the weighted average number of ordinary shares of Thai Baht 10 each in issue during the respective years.
- f) The net earnings per ordinary share is calculated based on the profit after tax divided by the weighted average number of ordinary shares of Thai Baht 10 each in issue during the respective years.

6. SUMMARISED BALANCE SHEETS

The summarised balance sheets of PIT based on the audited financial statements for the five financial years ended December 31, 2004 are as follows:

	-----As of December 31-----				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4,274	3,847	3,582	3,404	3,311
Investment in subsidiary company	1,563	1,501	1,501	1,497	-
Investment in associated company	35	35	34	34	-
CURRENT ASSETS	19,980	9,210	12,816	8,703	14,365
CURRENT LIABILITIES	(3,214)	(1,629)	(3,187)	(3,063)	(2,768)
NET CURRENT ASSETS	16,766	7,581	9,629	5,640	11,597
	22,638	12,964	14,746	10,575	14,908
SHARE CAPITAL	14,841	4,882	4,882	4,882	4,882
RETAINED PROFIT	6,957	7,242	9,024	4,853	9,150
OTHER RESERVES	814	814	814	814	814
SHAREHOLDERS' EQUITY	22,612	12,938	14,720	10,549	14,846
LONG-TERM LIABILITY					
Rental deposit payable	26	26	26	26	62
	22,638	12,964	14,746	10,575	14,908
Number of ordinary shares of Thai Baht 10 each in issue as of balance sheet date ('000)	15,200	5,000	5,000	5,000	5,000
Net tangible assets per ordinary share (in RM)	1.49	2.59	2.94	2.11	2.97

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of PIT as of December 31, 2004 based on the audited financial statements for the year ended December 31, 2004 after adjusting for the dividend payable of Thai Baht 60 million (equivalent to approximately RM5,858,000) for the financial year ended December 31, 2004 are as follows:

	Note	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	8.3	3,311
CURRENT ASSETS		
Inventories	8.4	1,769
Trade receivables	8.5	3,679
Other receivables and prepaid expenses	8.6	193
Cash and bank balances	8.7	8,724
Total Current Assets		14,365
CURRENT LIABILITIES		
Trade payables	8.8	1,541
Other payables and accrued expenses	8.9	577
Amount owing to ultimate holding company	8.10	60
Amount owing to related companies	8.11	590
Dividend payable		5,858
Total Current Liabilities		8,626
NET CURRENT ASSETS		5,739
		9,050
SHARE CAPITAL		
RESERVES	8.12	4,882
	8.13	4,106
SHAREHOLDERS' EQUITY		8,988
LONG-TERM LIABILITY		
Rental deposit payable		62
		9,050

The above statement of assets and liabilities should be read in conjunction with the notes as set out in Note 8 of this report.

8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

8.1 BASIS OF PREPARATION

The statement of assets and liabilities has been prepared in accordance with the applicable approved accounting standards of the Malaysian Accounting Standards Board in all material respects and is based on the audited financial statements of PIT.

8.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The statement of assets and liabilities of PIT has been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

Revenue and Revenue Recognition

Revenue represents gross invoiced value of goods sold less returns and discounts.

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Other operating income are recognised on an accrual basis.

Foreign Currency Conversion

Transactions in foreign currencies are recorded in Thai Baht at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date. Translation gains and losses are recognised in the income statement as they arise.

The principal closing rates used in translation of foreign currency amounts into Thai Baht are as follows:

100 Thai Baht = United States Dollar 2.2570

100 Thai Baht = Japanese Yen 265.7617

For the purpose of preparation of this Report, the financial statements of PIT, which are denominated in Thai Baht, have been translated into Ringgit Malaysia at a constant exchange rate of Thai Baht 100 to RM 9.7636, being the prevailing exchange rate as of December 31, 2004.

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 future taxable profit will be available against which the deferred tax assets can be utilised.

Employee Benefits Costs

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of property, plant and equipment except for freehold land which is not depreciated, is computed on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

	<u>Rates</u>
Buildings	5%
Road	10%
Machinery	20%
Furniture and fixtures	20%
Tools and equipment	20%
Office equipment	20%
Vehicles	20%
Utilities and power system	20%

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statement.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Cost of finished goods consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads while the cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location.

Allowance is made for obsolete, slow moving or defective items where applicable.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Payables

Payables are stated at cost.

Share Capital

Ordinary shares are recorded at the nominal value of shares issued and are classified as equity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances 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.

Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when PIT has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material, and the directors are of the opinion that disclosure is appropriate.

8.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Cost	Accumulated Depreciation	Net Book Value
	RM'000	RM'000	RM'000
Freehold Land	1,775	-	1,775
Buildings	3,073	1,628	1,445
Road	66	54	12
Machinery	4,703	4,645	58
Furniture and fixtures	1,093	1,090	3
Tools and equipment	801	799	2
Office equipment	540	527	13
Vehicles	198	196	2
Utilities and power system	396	395	1
	<u>12,645</u>	<u>9,334</u>	<u>3,311</u>

8.4 INVENTORIES

	RM'000
At cost:	
Raw materials	1,176
Finished goods	214
Goods-in-transit	379
	<u>1,769</u>
At net realisable value:	
Raw materials	4,678
Less: Allowance for obsolete inventories	(4,678)
	-
Finished goods	818
Less: Allowance for obsolete inventories	(818)
	-
	<u>1,769</u>

8.5 TRADE RECEIVABLES

	RM'000
Trade receivables	4,085
Less: Allowance for doubtful debts	(406)
	<u>3,679</u>

Trade receivables comprise amounts receivable for the sales of goods. The credit periods granted by PIT on sales of goods range from 30 to 90 days.

An allowance has been made for estimated irrecoverable amounts from sales of goods. This allowance has been determined by reference to past default experience.

Analysis of trade receivables by currencies:

	RM'000
Thai Baht	3,402
United States Dollar	277
	<u>3,679</u>

8.6 OTHER RECEIVABLES AND PREPAID EXPENSES

	RM'000
Other receivables	72
Prepaid expenses	102
Refundable deposits	19
	<u>193</u>

Analysis of other receivables by currencies:

	RM'000
Thai Baht	17
United States Dollar	53
Ringgit Malaysia	2
	<u>72</u>

8.7 CASH AND BANK BALANCES

Included in cash and bank balances is an amount of Thai Baht 960,000 (approximately RM93,731) pledged as guarantee for the issuance of letter of guarantee by a commercial bank for PIT's installation of electrical transformer.

8.8 TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to PIT for trade purchases range from 10 to 60 days.

Analysis of trade payables by currencies:

	RM'000
Thai Baht	1,202
United States Dollar	278
Japanese Yen	61
	<u>1,541</u>

8.9 OTHER PAYABLES AND ACCRUED EXPENSES

	RM'000
Other payables	89
Accrued expenses	488
	<u>577</u>

Other payables and accrued expenses are denominated in Thai Baht.

8.10 AMOUNT OWING TO ULTIMATE HOLDING COMPANY

The companies regarded by the directors as PIT's immediate and ultimate holding companies are Pan Global Holding Co., Ltd., a corporation incorporated in British Virgin Islands and Pan-International Industrial Corporation, a corporation incorporated in Taiwan.

The amount owing to ultimate holding company, Pan-International Industrial Corporation arose mainly from trade transactions.

The credit period granted by the ultimate holding company is 90 days.

The currency of amount owing to ultimate holding company is in United States Dollar.

8.11 AMOUNT OWING TO RELATED COMPANIES

The amount owing to related companies are as follows:

	RM'000
Pan International Wire & Cable (Malaysia) Sdn. Bhd.	586
Pan-International Electronics (Malaysia) Sdn. Bhd.	4
	<u>590</u>

The amount owing to related companies arose mainly from trade transactions.

The credit periods granted by related companies range from 30 to 60 days.

Analysis of amount owing to related companies by currencies:

	RM'000
United States Dollar	586
Ringgit Malaysia	4
	<u>590</u>

8.12 SHARE CAPITAL

	RM'000
Authorised:	
5,000,000 ordinary shares of Thai Baht 10 each	4,882
Issued and fully paid:	
5,000,000 ordinary shares of Thai Baht 10 each	<u>4,882</u>

8.13 RESERVES

	RM'000
Non-distributable:	
Legal reserve	814
Distributable:	
Retained profit	3,292
	<u>4,106</u>

Legal reserve is a reserve fund which PIT must maintain according to the Civil and Commercial Code, where at each distribution of dividend, at least one-twentieth of the profits arising from the business of PIT, must be appropriated to this legal reserve until the reserve fund reaches one-tenth part of the capital of PIT or such higher proportion thereof as may be stipulated in the regulations of PIT.

8.14 CONTINGENT LIABILITIES

As of December 31, 2004, there were obligations and contingent liabilities resulting from the issuance of letters of guarantee on PIT's import duties by a banker amounting to Thai Baht 3,492,900 (approximately RM341,033).

8.15 FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

The operations of PIT are subject to a variety of financial risks, including foreign currency risk, market risk, credit risk, liquidity risk and cash flow risk. PIT has formulated a financial risk management framework whose principal objective is to minimise PIT's exposure to risks and/ or costs associated with the financing, investing and operating activities of PIT.

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. Foreign currency risk

PIT has exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. PIT does not speculate in foreign currencies.

ii. Market risk

PIT has in place policies to manage PIT's exposure to fluctuation in the prices of the key raw materials used in the operations.

iii. Credit risk

PIT is exposed to credit risk mainly from trade receivables. PIT extends credit to their customers based upon careful evaluation of the customers' financial condition and credit history. PIT also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

iv. Liquidity risk

PIT practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

v. Cash flow risk

PIT reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

PIT has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

c. Fair Values

It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs or eventual outcome.

The fair values of financial assets and other financial liabilities approximate their carrying amounts because of the short maturity of these instruments.

8.16 RIGHTS AND PRIVILEGES

PIT has received investment promotion in manufacturing of certain goods according to the Investment Promotion Act of Thailand B.E. 1997. As a result, PIT is entitled to corporate income tax exemption for certain income, as well as other rights and privileges as prescribed by the Board of Investment.

As for income which is derived from Non-Board of Investment operations, PIT is still liable for corporate income tax at 30 percent of the net profit.

9. NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of PIT as of December 31, 2004, the net tangible assets per ordinary share of Thai Baht 10 each are as follows:

Net Tangible Assets (RM'000)	8,988
	<hr/>
Number of ordinary shares of Thai Baht 10 each ('000)	5,000
	<hr/>
Net tangible assets per share (in RM)	1.80
	<hr/>

10. AUDITED FINANCIAL STATEMENTS

No audited financial statements of PIT has been prepared in respect of any period subsequent to December 31, 2004.

Yours very truly,



DELOITTE KASSIMCHAN

AF0080

Chartered Accountants



LEE CHENG HEOH

2225/04/06 (J)

Partner

Penang

Deloitte.

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October 20, 2005

The Board of Directors
P.I.E. Industrial Berhad
3rd Floor, Wisma Wang
251-A Jalan Burma
10350 PENANG
MALAYSIA

Dear Sirs,


**P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086 X)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004**


We have reviewed the presentation of the Proforma Consolidated Balance Sheets of P.I.E. Industrial Berhad ("PIE") as of December 31, 2004, together with the notes thereto for which the Directors are solely responsible, as set out in the accompanying statements which we have stamped for the purpose of identification. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only for inclusion in the Circular to Shareholders of PIE, in connection with the proposed acquisition of the entire issued and fully paid-up share capital of Pan International Electronics (Thailand) Co., Ltd. ("PIT") for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000) ("Proposed Acquisition").

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheets of PIE as of December 31, 2004, together with the notes thereto, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheets.

We draw attention to Note 3 of the Proforma Consolidated Balance Sheets, where it is stated that the goodwill on acquisition is calculated based on the audited net tangible assets value of PIT as of December 31, 2004 with adjustment for the dividend payable for the financial year ended December 31, 2004 and before including the earnings of PIT for the financial year ending December 31, 2005 up to the date of completion of the Proposed Acquisition. Any fair value or other adjustments at the point of completion of the Proposed Acquisition to the values of assets and liabilities of PIT will have a corresponding effect on goodwill on acquisition and accordingly impact the net tangible assets per share.

Yours faithfully,


DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants


LEE CHENG HEOH
2225/04/06(J)
Partner

Audit.Tax.Consulting.Financial Advisory.

Member of
Deloitte Touche Tohmatsu

APPENDIX III – PROFORMA CONSOLIDATED BALANCE SHEETS OF PIE AS AT 31 DECEMBER 2004 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086 X)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the audited consolidated balance sheets of P.I.E. Industrial Berhad ("PIE") as of December 31, 2004 had the Proposed Acquisition of Pan-International Electronics (Thailand) Co., Ltd. ("PIT") been effected on that date. The Proforma Consolidated Balance Sheets should be read in conjunction with the notes accompanying thereto.

	Audited consolidated balance sheets of PIE As of December 31, 2004 RM'000	Proforma I – After Proposed Acquisition RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	37,887	41,198
Deferred tax assets	1,587	1,587
Goodwill on consolidation	-	5,545
CURRENT ASSETS		
Inventories	22,017	23,786
Trade receivables	35,265	38,944
Other receivables and prepaid expenses	1,941	2,134
Tax recoverable	75	75
Amount owing by a related company	586	-
Short-term deposits	58,752	44,219
Cash and bank balances	9,139	17,863
Total Current Assets	127,775	127,021
CURRENT LIABILITIES		
Trade payables	9,803	11,344
Other payables and accrued expenses	4,579	5,160
Amount owing to ultimate holding company	173	233
Amount owing to a related company	101	101
Amount owing to directors	12	12
Bank borrowings	14,581	14,581
Tax liabilities	205	205
Dividend payable to former shareholder of PIT	-	5,858
Total Current Liabilities	29,454	37,494
NET CURRENT ASSETS	98,321	89,527
	137,795	137,857

(FORWARD)

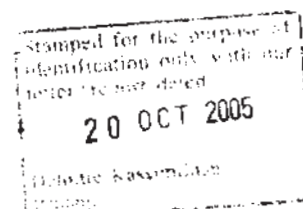
Stamped for the purpose of
identification only with our
letter/report dated
20 OCT 2005
Deloitte KasimChan
Penang

APPENDIX III – PROFORMA CONSOLIDATED BALANCE SHEETS OF PIE AS AT 31 DECEMBER 2004 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086 X)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004

	Audited consolidated balance sheets of PIE As of December 31, 2004 RM'000	Proforma I – After Proposed Acquisition RM'000
SHARE CAPITAL	61,239	61,239
RESERVES	72,867	72,867
SHAREHOLDERS' EQUITY	134,106	134,106
LONG-TERM AND DEFERRED LIABILITIES		
Deferred tax liabilities	3,689	3,689
Rental deposit payable	-	62
	3,689	3,751
	137,795	137,857
Net Tangible Assets ("NTA")/ Proforma NTA (RM'000)	134,106	128,561*
Number of ordinary shares ('000)	61,239	61,239
NTA/ Proforma NTA per ordinary share (RM)	2.19	2.10*

* Excluding the earnings of PIT for the financial year ending December 31, 2005.



**P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 424086 X)
NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004**

1. Proposed Acquisition

P.I.E. Industrial Berhad ("PIE") proposes to acquire the entire issued and fully paid-up share capital of Pan International Electronics (Thailand) Co., Ltd. ("PIT") comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of USD1.00: RM3.775). The purchase consideration for the acquisition of PIT was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited net tangible assets of PIT as of December 31, 2004 of Thai Baht 92.06 million (equivalent to approximately RM8.99 million) after adjusting for the dividend payable for the financial year ended December 31, 2004 amounting to Thai Baht 60 million (equivalent to approximately RM5.86 million).

2. Basis of Preparation

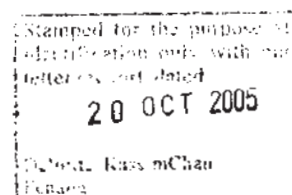
The Proforma Consolidated Balance Sheets have been prepared based on the audited financial statements of PIE and PIT for the year ended December 31, 2004, using accounting principles and bases consistent with those previously adopted by PIE in the preparation of the financial statements except that the goodwill on acquisition is calculated based on the audited net tangible assets value of PIT as of December 31, 2004 with adjustment for the dividend payable for the financial year ended December 31, 2004 and before including the earnings of PIT for the financial year ending December 31, 2005 up to the date of completion of the Proposed Acquisition. The assets and liabilities of PIT have not been measured at their respective fair values. The Directors will ascertain the fair values of these assets and liabilities on completion of the Proposed Acquisition. Any adjustments to the values of assets and liabilities of PIT will have a corresponding effect on goodwill on acquisition and accordingly impact the net tangible assets per share.

3. Proforma I

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheets of PIE as of December 31, 2004 had the proposed acquisition of PIT been effected on that date.

Proforma I incorporates, on a proforma basis, the effects on the audited consolidated balance sheets of PIE as of December 31, 2004 of the proposed acquisition of the entire issued and fully paid-up share capital of PIT comprising 5,000,000 ordinary shares of Thai Baht 10 each for a total cash consideration of USD 3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of USD1.00: RM3.775).

The Proposed Acquisition is accounted for using the acquisition method of consolidation.





Kamthorn Surachet & Somsak Ltd.

Suite 31 A, Sinn Sathom Tower, 77/132 Krungthonburi Road, Klongtonsai, Klongsarn, Bangkok 10600, THAILAND
Tel: +66 2 440-0288 through 97 Fax: +66 2 440-0298 and 440-0299 Website: www.kss.co.th Email: kss@kss.co.th

20 October 2005

The Board of Directors
P. I. E. INDUSTRIAL BERHAD
3rd Floor, Wisma Wang,
251-A, Jalan Burma
10350 Penang
Malaysia

Partners :

<i>Prempracha</i>	<i>Dibhayawan</i>
<i>Kamthorn</i>	<i>Gunhirunskul</i>
<i>Surachet</i>	<i>Lamparoy</i>
<i>Somsak</i>	<i>Chulermisracha</i>
<i>Sunee</i>	<i>Nrichanira</i>
<i>Anuchai</i>	<i>Atchayawat</i>
<i>Noramon</i>	<i>Boontanom</i>
<i>Promyos</i>	<i>Sintwansee</i>
<i>Dr Rungsang</i>	<i>Kitayapong</i>

Lawyers :

<i>Sirimongkol</i>	<i>Taraporn</i>
<i>Vutipong</i>	<i>Sumrit</i>
<i>Kamuk</i>	<i>Arsepan</i>
<i>Karun</i>	<i>Meesak</i>
<i>Surachai</i>	<i>Kasemchaichutiphon</i>
<i>Dacha</i>	<i>Chaitonrak</i>
<i>Yada</i>	<i>Panichitra</i>
<i>Purramate</i>	<i>Kaewjumbang</i>

Dear Sirs:

EXPERT’S REPORT ON FOREIGN INVESTMENT, TAXATION, REPATRIATION OF PROFITS AND THE EXPECTED TIMEFRAME ON REPATRIATION OF PROFITS, AND LEGAL OPINION ON THE OWNERSHIP OF TITLE TO THE SECURITIES OF PAN-INTERNATIONAL ELECTRONICS (THAILAND) LIMITED

We refer to the proposed acquisition by P.I.E. Industrial Berhad (the “Company”) and the legal due diligence we conducted on Pan-International Electronics (Thailand) Limited, the Company’s Thai subsidiary (“Thai Subsidiary”). For such listing, there are questions with regard to Thai legislation and government policy on foreign investment which may affect the Company’s investment in the Thai Subsidiary, as follows:

- (1) Whether foreigners are allowed to hold shares in a company incorporated and existing in Thailand;
- (2) Whether a company can be wholly owned by a foreigner;
- (3) Whether there are any industries in which foreigners are not allowed to have an interest;
- (4) Whether there are special taxes applicable to foreigners resulting from such holding;
- (5) Whether there are special approvals and/or license and/or consent for foreigners to hold shares;
- (6) Whether there are restrictions on disposal of shares;

- (7) Whether there are any restrictions on repatriation of dividends/sale proceeds out of Thailand;
- (8) Whether the shares in the Thai Subsidiary are validly issued, allotted and transferred in accordance with the laws and its Articles of Association; and
- (9) Whether the existing shareholders of the Thai Subsidiary are the legal and beneficial owners of the shares and whether there are any restrictions in the laws of Thailand that prohibit the transfer of ownership of the shares to P.I.E. Industrial Berhad.

Foreign Investment Policies in Thailand

We have reviewed the Foreign Business Act, the Revenue Code, and the Exchange Control Act and confirm that:

- (a) Foreigners are allowed to hold shares in a company incorporated and existing in Thailand as in the case of the Thai Subsidiary;
- (b) A company can be wholly owned by foreigner(s) if it is in manufacturing business as in the case of the Thai Subsidiary;
- (c) Restrictions for foreigners to hold shares are imposed in indigenous industries and businesses related to national safety or security or affecting arts and culture, tradition, folk handicrafts or natural resources and environment. Foreigners are also restricted from operating a business in which Thai nationals are not ready to compete. The Thai Subsidiary’s activity is not subject to these restrictions;
- (d) There is no special tax levied on foreigners resulting from holding shares in Thailand;
- (e) There are no requirement of special approvals and/or license and/or consent of any kind required for holding of shares as in the case of Thai Subsidiary;
- (f) There are no restrictions on disposal of shares;
- (g) Upon submission of evidences supporting the nature of the funds to be repatriated to the commercial banks repatriating the funds, there are no restrictions on the time frame to the repatriation of dividends and/or sale proceeds of shares out of Thailand.



Ownership of title to the securities

- (h) The shares in the Thai Subsidiary are validly issued, allotted and transferred in accordance with the laws of Thailand and the Thai Subsidiary’s Articles of Association.
- (i) The existing shareholders of the Thai Subsidiary are the legal and beneficial owners of the shares and there are no restrictions in the laws of Thailand that prohibit the transfer of ownership of the shares to P.I.E. Industrial Berhad.

This legal opinion is qualified that if a foreign company wishes to acquire land in Thailand, it must obtain approval from the Ministry of Interior or special approval under special law, for example, approval from the Board of Investment under the Investment Promotion Act.

This legal opinion is addressed to you and for the purpose of attaching it to the circulars that you will send to the shareholders of the Company.

Yours faithfully,

KAMTHORN SURACHET & SOMSAK

A handwritten signature in black ink, appearing to read 'R. Kittayapong'. The signature is written over a dotted line.

Dr. Rungsaeng Kittayapong

RK/mp



Horwath AF No 1018
Penang Office
Chartered Accountants

Suites 701 & 702
7th Floor
11 Lorong Kinta
10400 Penang

604.227.7061
604.227.8011 Fax

www.horwath.com.my
pg@horwathpg.com

20 October 2005

The Board of Directors
P.I.E. Industrial Berhad
3rd Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang

Dear Sirs,

**SUMMARISED REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION
FOR THE FOREIGN ASSET TO BE ACQUIRED BY P.I.E. INDUSTRIAL BERHAD**

1. Introduction

This letter is prepared for inclusion in the circular to shareholders of P.I.E. Industrial Berhad ("PIE") to be dated 24 October 2005 ("the Circular") in relation to the proposed acquisition of 5,000,000 ordinary shares of Bath 10.00 each in Pan International Electronics (Thailand) Co., Ltd ("PIT") representing the entire issued and paid up share capital of PIT from Pan Global Holding Co., Ltd ("PGH"), a major shareholder of PIE, for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000) and is hereinafter referred to as "the Proposed Acquisition".

Horwath has been appointed by the Board of Directors of PIE to prepare an independent report on the fairness of the purchase consideration for the foreign asset to be acquired which in this case is PIT ("Fairness Report").

This letter has been prepared as a summary of our Fairness Report dated 30 August 2005 ("Report Date") on the fairness of the purchase consideration for 100% equity interest of PIT. This letter is not intended as, and does not constitute a recommendation by us to the shareholders of PIE in relation to the abovementioned proposal. This letter is also not intended to be relied on to address all business concerns and risks pertaining to PIE and PIT.

The Fairness Report sets out the basis of valuation of PIT, for the purpose of determining whether the purchase consideration of PIT is fair and reasonable. In arriving at our opinion, we have relied on and assumed that all information provided to us up to the Report Date is true, accurate, not misleading and complete in all respects as at the date thereof and, that all information which is or may be relevant to our valuation has been provided to us.

We have considered all information provided to us. We have not carried work that constitutes an audit in accordance with approved auditing standards in Malaysia in respect of any other financial information presented in the Fairness Report. We also do not express any opinion on the achievability of the annualized profit for the financial year ending 31 December 2005 presented in the Fairness Report. Any opinions in relation to the outlook of the business are based on the information furnished to us and the state of the business environment as at the Report Date.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai



2. Definition of Fair Market Value

The standard or value that we have adopted in the indicative valuation is the fair market value ("FMV"). FMV is defined as the price of an asset that would change hands between a willing buyer and a willing seller when neither is acting under compulsion and when both have the relevant required facts. We note that the concept of FMV means the cash equivalent price of any asset being valued assuming the transaction took place under conditions existing at the date of valuation of the asset.

The indicative value represents the value that a well-informed general investor may be willing to pay. However, it must be emphasised that the indicative value estimated by us involves a high degree of subjectivity and element judgment based on the information provided to us by PIT and PIE.

The indicative value is based on the going concern use and not, for example, on the break-up value of that business or the value which a third party may place on the business in a takeover situation.

3. Background information on PIT

PIT was incorporated in Thailand on 21 August 1990 as a private limited company under the Civil and Commercial Code of Thailand. PIT is principally involved in cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communications and consumer electronic industry. PIT focuses on offering a wide range of cable assembly and wireharness manufacturing for the application to these industries.

The present authorised and issued paid-up share capital of PIT is Baht 50,000,000 comprising 5,000,000 ordinary shares of Baht 10.00 each.

4. Basis/method of Valuation

In view of the earnings potential of PIT, we are of the opinion that the most appropriate valuation approach for the valuation of PIT should be the capitalisation of earnings method. In this connection, we have used a maintainable profit of RM3.041 million and a discounted price-earnings ("PE") multiple of 6.8. The PE multiple has been discounted to reflect the illiquidity of shares for a non-listed entity.

5. Assumptions

We have assumed that the weighted average profits for the three years ended 31 December 2002 to 2004 and annualised profit for the financial year ending 31 December 2005 of PIT is maintainable for various reasons as mentioned in the Fairness Report.

Readers are advised to refer to the Fairness Report for details of the assumptions used in the valuation of PIT.



6. Sources of information used to prepare the Fairness Report

In preparing the Fairness Report, we had access to the financial statements of PIT for the financial years ended 31 December 2002 to 2004, and the management accounts for the financial period ended 31 July 2005. We also held discussions with various representatives of the management of PIT and PIE.

No independent verification has been carried out to determine the validity and accuracy of information provided to us. We accept no responsibility for the ultimate accuracy and realisation of the annualized profit of PIT for the financial year ending 31 December 2005.

7. Conclusion

On the basis of the foregoing, we are of the opinion that the fair value of PIT as at the Report Date is approximately RM20.68 million and therefore, the purchase consideration for the Proposed Acquisition of PIT of USD3.85 million (or approximately RM14.534 million) is fair and reasonable to PIE.

Yours faithfully

Horwath

Penang Office

A handwritten signature in black ink, appearing to read "Eddy Chan Wai Hun", written over the printed name.

Eddy Chan Wai Hun

Partner

FARARA KERINS

*Barristers & Solicitors
Trade Mark & Patent Agents
Notaries Public*

GERARD ST. C. FARARA, O.C., LL.B.
CHARLES P. KERINS, B.A., LL.M.

TANA'ANIA SMALL, LL.B.
LORNA SHELLY-WILLIAMS, LL.B.
AKHAH. A. KHAN, LL.B.
TANIA T. WONG, B.A., J.D.
ANNA-LISE BAILEY, LL.B., LL.M.
ODIA S. REID, LL.B., LL.M.
HERBERT C. MCKENZIE, LL.B.

125 Main Street
P.O. Box 144
Road Town
Tortola
British Virgin Islands

Tel: (284) 494 2717
Fax: (284) 494 4834
E-mail: mail@fararakerins.com

Our Ref: 10-1010.01

Your Ref:

20th October, 2005

The Board of Directors
P. I. E. INDUSTRIAL BERHAD
3rd Floor, Wisma Wang,
251-A, Jalan Burma
10350 Penang
Malaysia

Dear Sirs,

Re: Pan Global Holdings Co. Ltd. (the "Company")

**LEGAL OPINION ON THE ENFORCEABILITY OF AGREEMENTS,
REPRESENTATION AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-
PARTIES UNDER THE LAWS OF BRITISH VIRGIN ISLANDS AND OTHER
RELEVANT LEGAL MATTERS**

We have acted as legal advisers as to British Virgin Islands law in connection with the entry, by the Company, into the Agreement for the Sale and Purchase of 5,000,000 shares of Baht 10 each representing the Entire Issued and Paid-Up Capital of Pan-International Electronics (Thailand) Co. Ltd. (No. 9936/2533) (the "Sale Shares"), to be entered into between the Company as Vendor and P. I. E. INDUSTRIAL BERHAD as the Purchaser (the "Agreement").

For the purposes of this opinion we have examined the following:

- (1) the Certificate of Incorporation and Memorandum and Articles of Association of the Company on file at the Registry of Corporate Affairs in the British Virgin Islands;
- (2) a Certificate of Incumbency dated 7th September, 2005 issued by the Registered Agent of the Company in the British Virgin Islands certifying that Huang, Feng-An, Kuo Shih, Hua and Huang, Tan-Kuei (the "Directors") are directors of the Company;

The Board of Directors
P. I. E. INDUSTRIAL BERHAD
20th October, 2005
Page 2 of 3

- (3) a copy of the executed Agreement dated 11th August, 2005;
- (4) a copy of a Directors' Resolution adopted on 8th August, 2005 approving the execution of the Agreement by the Company; and
- (5) a copy of a letter of the Directors dated 5th September, 2005 confirming that not more than 50% of the total assets of the Company as at 31st December, 2004 is being disposed of.

In considering the documents mentioned above, we have made the following assumptions:

- (1) all documents submitted to us as copies conform to their originals and the originals are authentic;
- (2) all representations of fact expressed or implied by any of the documents reviewed by us are accurate; and
- (3) the Agreement is valid under the laws of Malaysia by which it is expressed to be governed.

This opinion is restricted to the laws of the British Virgin Islands. We have not investigated, nor do we seek to express or imply any opinion on, the laws of any other jurisdiction.

Based upon and subject to the foregoing and subject to the reservations set out below, we are of the following opinion:

- (a) the Company is duly constituted and validly existing under the laws of the British Virgin Islands;
- (b) the Company has full power, capacity and authority to enter into and perform its obligations under the Agreement;
- (c) the Agreement constitutes the Company's legal, valid and binding obligations enforceable against the Company in accordance with its terms;
- (d) the execution and delivery of the Agreement by and the performance of the transactions contemplated therein by the Company do not and will not violate any provision of the Company's Memorandum and Articles of Association or any law or regulation of the British Virgin Islands;

The Board of Directors
P. I. E. INDUSTRIAL BERHAD
20th October, 2005
Page 3 of 3

- (e) all actions, conditions, consents and other requirements of British Virgin Islands law and the Company's Memorandum and Articles of Association have been taken, fulfilled and observed in order to enable the Company to authorize the execution of the Agreement;
- (f) it is not necessary in order to ensure the legality, validity, enforceability or admissibility in evidence of the Agreement for it to be filed, recorded or registered with any court or authority in the British Virgin Islands;
- (g) there is no stamp, registration or similar tax or duty payable in the British Virgin Islands in respect of the Agreement; and
- (h) no authorizations, approvals or consents from any governmental or other authorities in the British Virgin Islands are necessary or appropriate for the execution and delivery by the Company of the Agreement and the exercise of its rights and the performance of its obligations thereunder including, without limitation, the making of all payments due or to become due from it under the Agreement and to render the same legal, valid, enforceable and admissible in evidence.

We qualify our opinion to the extent that the enforceability of the rights and remedies provided for in the Agreement are subject to insolvency and bankruptcy laws, applicable limitation periods and to the discretionary nature of equitable remedies.

This opinion is addressed to you in connection with the Agreement. It may not be relied upon for any other purpose nor may it be disclosed to any other person, other than your legal advisers, without our prior approval.

Yours faithfully,
FARARA KERINS



Odia S. Reid

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given 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 false or misleading.

Information relating to PIT and PGH thereof have been obtained from documents furnished by and representations made by PIT and PGH respectively. The sole responsibility of the Directors of PIE, in relation to information on PIT and PGH thereof, is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS

The written consents of AmMerchant Bank, K & N Kenanga Bhd, Messrs Deloitte Kassim Chan, Messrs Kamthorn Surachet & Somsak, Messrs Horwath and Messrs Farara Kerins for the inclusion in this Circular of their names and all references to them in the form and context in which they appear have been given and have not been subsequently withdrawn before the issuance of this Circular.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**PIE Group**

Save as disclosed below, as at 12 October 2005 (being the latest practicable date prior to printing of this Circular), the Group is not engaged as plaintiff or defendant in any material litigation, claims or arbitration and the Board is not aware 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:-

On 24 October 2002, PIESB commenced legal action against Xircom Operations (M) Sdn Bhd ("Xircom") to claim the sum of 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. Xircom's application for stay of proceedings and PIESB's application for summary judgement for the sum claimed has been fixed for hearing/mention on 16 November 2005. On the other hand, PIESB has also filed two (2) new applications to apply for security for costs from Xircom and to ask the court to set down preliminary issue for trial in which the hearing date for both applications has been fixed on 10 November 2005 and 16 November 2005 respectively. PIESB's solicitors are of the view that PIESB has a reasonable chance to succeed in the claim.

PIT

Save as disclosed below, as at 12 October 2005 (being the latest practicable date prior to printing of this Circular), PIT is not engaged as plaintiff or defendant in any material litigation, claims or arbitration and the Board of Directors of PIT is not aware of any proceedings pending or threatened against PIT or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of PIT:-

On 30 December 2003, PIT commenced legal action against Delta (Black case no.: 1797/2546(2003)) to claim the sum of Baht13,559,759 (equivalent to approximately RM1,323,921) for the compensation damages as a result of the cancellation of purchase orders by Delta. The case is now pending in the Samutprakarn Provincial Court which is a court of first instance. The Board is advised by the solicitors of PIT that PIT has a reasonable chance to succeed in the claim.

4. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the PIE Group and/or PIT within the past two (2) years preceding the date of this Circular.

SSPA dated 11 August 2005 between PIE and the shareholder of PIT to acquire the 5,000,000 PIT Shares representing the entire issued and paid-up share capital of PIT for a cash consideration of USD3,850,000 (equivalent to approximately RM14,534,000 based on the foreign exchange rate of RM3.775 : USD1.00 as at 10 August 2005, being a date prior to the announcement of the Proposed Acquisition) subject to the terms and conditions of the SSPA.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 3rd Floor, Wisma Wang, 251-A, Jalan Burma 10350 Penang during normal office hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- (a) The Memorandum and Articles of Association of PIE and PIT;
- (b) The audited consolidated financial statements of PIE for the past two (2) financial years ended 31 December 2003 and 31 December 2004, and the unaudited consolidated results of PIE for the six (6) months period ended 30 June 2005;
- (c) The audited financial statements of the PIT for the past two (2) financial years ended 31 December 2003 and 31 December 2004, and the unaudited results of PIT for the nine (9) months period ended 30 September 2005;
- (d) The letters of consent as referred to in Section 2 above;
- (e) The relevant cause papers in respect of the material litigations referred to Section 3 above;
- (f) The material contracts referred to in Section 4 above;
- (g) The Accountants' Report of PIT as referred to in Appendix II of this Circular;
- (h) The proforma consolidated balance sheets of PIE as at 31 December 2004 together with the Reporting Accountants' Letter thereon as referred to in Appendix III of this Circular;
- (i) The expert's report on foreign investment, taxation, repatriation of profits and the expected timeframe on repatriation of profits, and legal opinion on the ownership of title to the securities of PIT from Messrs Kamthorn Surachet & Somsak as referred to in Appendix IV of this Circular;
- (j) The expert's report and the summarised expert's report on the fairness of the purchase consideration for the Proposed Acquisition from Messrs Horwath as referred to in Appendix V of this Circular; and
- (k) The legal opinion on the enforceability of agreements, representation and undertakings given by foreign counter-parties under the laws of BVI and other relevant legal matters from Messrs Farara Kerins as referred to in Appendix VI of this Circular.

P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 8 November 2005 at 9.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 5,000,000 ORDINARY SHARES OF BAHT10.00 EACH IN PAN INTERNATIONAL ELECTRONICS (THAILAND) CO LTD ("PIT") REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PIT FROM PAN GLOBAL HOLDING CO LTD ("PGH"), A MAJOR SHAREHOLDER OF P.I.E. INDUSTRIAL BERHAD ("PIE"), FOR A CASH CONSIDERATION OF USD3,850,000 ("PROPOSED ACQUISITION")

"THAT, subject to the approvals being obtained from the relevant authorities, approval be and is hereby given to the Directors of PIE to acquire 5,000,000 ordinary shares of Baht10.00 each in PIT representing the entire issued and paid-up share capital of PIT from PGH, a major shareholder of PIE, for a cash consideration of USD3,850,000 in accordance with the terms and conditions of the Share Sale and Purchase Agreement dated 11 August 2005 entered into between PIE and PGH ("**SSPA**") **AND THAT** the SSPA be and is hereby approved and confirmed.

AND FURTHER THAT any one of the Directors of the Company be hereby empowered, authorised and directed to do all such acts and things as may be necessary and to give effect to the various arrangement and/or transactions and to sign any relevant documents in connection with the Proposed Acquisition with full power to assent to any condition, modification and amendment and/or variation as may be imposed by the relevant authorities and to do all such acts and things as he/she may in his/her absolute discretion deem fit and expedient for and on behalf of PIE.

By Order of the Board

Khoo Lay Tatt (MAICSA 7029262)
How Wee Ling (MAICSA 7033850)

Company Secretaries

Penang
24 October 2005

Notes:-

A Member of the Company entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, this instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

This instrument appointing a proxy must be deposited at the registered office, 3rd Floor, Wisma Wang, 251-A, Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

PROXY FORM

I/We (Full name in block letters)

of (Address)

being a member/members of P.I.E. Industrial Berhad hereby appoint.....

..... (Full name in block letters)

of (Address)

and/or failing him (Full name in block letters)

of (Address)

or failing him, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Meranti Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 8 November 2005 at 9.00 a.m..

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED ACQUISITION OF 5,000,000 ORDINARY SHARES OF BAHT10.00 EACH IN PAN INTERNATIONAL ELECTRONICS (THAILAND) CO LTD ("PIT") REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PIT FROM PAN GLOBAL HOLDING CO LTD, A MAJOR SHAREHOLDER OF P.I.E. INDUSTRIAL BERHAD, FOR A CASH CONSIDERATION OF USD3,850,000		

Signature of Member:

Signed this:

Number of shares held:

Notes:-

A Member of the Company entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, this instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

This instrument appointing a proxy must be deposited at the registered office, 3rd Floor, Wisma Wang, 251-A, Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

