

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular prior to its issuance as it is an Exempt Circular pursuant to Paragraph 2.1 of the Practice Note 18 of the Bursa Securities Main Market Listing Requirements.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



P.I.E. INDUSTRIAL BERHAD

(Company No.: 424086-X)

(Incorporated in Malaysia under the Companies Act 2016)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

The ordinary resolution in respect of the Proposed Shareholders' Mandate will be tabled at the Twenty-Second Annual General Meeting ("AGM") of P.I.E. Industrial Berhad ("PIB"). Notice of the Twenty-Second AGM of PIB which is scheduled to be held at Function Room 1, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 24 May 2019 at 9.00 a.m. together with the Form of Proxy are set out in the Annual Report for the year ended 31 December 2018 of PIB dispatched together with this Circular.

A member entitled to attend, speak and vote at the Twenty-Second AGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/ her behalf. In such event, the Form of Proxy should be lodged at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than 24 hours before the time appointed for holding the meeting, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Thursday, 23 May 2019 at 9.00 a.m.

Date and time of the Twenty-Second AGM : Friday, 24 May 2019 at 9.00 a.m.

This Circular is dated 24 April 2019

DEFINITIONS

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

- Act : Malaysian Companies Act 2016, as amended from time to time and any re-enactment thereof
- AGM : Annual General Meeting
- Board : The Board of Directors of P.I.E. Industrial Berhad
- Bursa Securities : Bursa Malaysia Securities Berhad (Company No. 635998-W)
- Bursa Securities Main Market Listing Requirements or Requirements : Bursa Securities Main Market Listing Requirements and any amendment thereto that may be made from time to time
- Business trust : Means a unit trust scheme where the operation or management of the scheme and the scheme's property or asset is managed by a trustee manager
- Company or PIB : P.I.E. Industrial Berhad (Company No. 424086-X)
- Closed-end fund : Means an applicant or a listed corporation which is engaged wholly in the business of investing its funds in securities for the purposes of (a) spreading investment risks; and (b) managing a portfolio of investments, to gain revenue and profit for the benefit and on behalf of its shareholders
- CMSA : Capital Markets and Services Act 2007
- Directors : Shall have the meaning given in section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon-
- (a) a director of the listed issuer, its subsidiary or holding company;
 - (b) a chief executive of the listed issuer, its subsidiary or holding company;
 - (c) in relation to a SPAC, a member of the SPAC's management team;
 - (d) in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company;
 - (e) in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Managers, its subsidiary or holding company; and
 - (f) in relation to a REIT, a director or chief executive of the management company
- HH : Hon Hai Precision Industry Co. Ltd.
- HH Group : Hon Hai Precision Industry Co. Ltd. and its group of subsidiary companies
- Major Shareholder : (a) Means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is-
- (i) 10% or more of the total number of voting shares in the corporation; or
 - (ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in section 8 of the Act

DEFINITIONS (CONT'D)

| | |
|----------------------------|---|
| Major Shareholder (Cont'd) | (b) Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon- (i) a major shareholder of the listed issuer as defined under paragraph 1.01 of the Requirements or any other corporation which is its subsidiary or holding company; (ii) in relation to a business trust, a major shareholder of the trustee-manager, its subsidiary or holding company; (iii) in relation to a closed-end fund, in addition to a major shareholder of the closed-end fund, a major shareholder of the Managers, its subsidiary or holding company; and (iv) in relation to a REIT, a major shareholder of the management company |
| Management company | : Means a company by which or on whose behalf a unit of a collective investment scheme- (a) has been or is proposed to be issued or offered for subscription or purchase; or (b) in respect of which an invitation to subscribe or purchase has been made, and includes any person for the time being exercising the functions of the management company |
| Managers | : In relation to a closed-end fund, means collectively- (a) such company incorporated in Malaysia; and (b) individual(s), responsible for managing the investments of the closed-end fund as approved by the SC under the SC's Guidelines for Public Offerings of Securities of Closed-end Funds |
| Mandated Related Parties | : PIPE, PIIC and HH/HH Group collectively |
| Management Team | : In relation to a SPAC, includes the executive directors and members of the senior management of the SPAC who are involved in making strategic decisions in the SPAC. |
| PGH | : Pan Global Holding Co Ltd, major shareholder of PIB |
| PIB Group | : The Company and its six subsidiary companies, namely PIESB, PIE Enterprise, PIWSB, PIW Enterprise, PIS and PIT |
| PIESB | : Pan-International Electronics (Malaysia) Sdn. Bhd. (Company No. 178248-H) |
| PIESB Group | : PIESB, PIE Enterprise and PIS collectively |
| PIE Enterprise | : PIE Enterprise (M) Sdn. Bhd. (Company No. 399636-P) |
| PIIC | : Pan-International Industrial Corporation |
| PIPE | : Pan-International Precision Electronics Co., Ltd. |
| PIS | : Pan-International Corporation (S) Pte. Ltd. |
| PIT | : Pan International Electronics (Thailand) Co., Ltd |
| PIW Enterprise | : P.I.W. Enterprise (Malaysia) Sdn. Bhd. (Company No. 579191-K) |
| PIWSB | : Pan-International Wire & Cable (Malaysia) Sdn. Bhd. (Company No. 178247-M) |

DEFINITIONS (CONT'D)

Proposed Shareholders' Mandate : Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions for the Company and its subsidiary companies in their normal course of business, to enter into the recurrent transactions set out in section 3.1 (in particular column 6) of this Circular with the Mandated Related Parties

Real estate : Means land and all things that are a natural part of the land as well as things attached to the land both below and above the ground, and includes the rights, interests and benefits related to the ownership of the real estate, but excludes mineral, or oil and gas assets and resources

Real estate investment trust ("REIT") : Means a unit trust scheme that invests or proposes to invest primarily in income-generating real estate

Recurrent Related Party Transactions or Recurrent RPT : Means related party transactions which are recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of the Company or its subsidiaries provided that such transactions are carried out in the ordinary course of business and are on terms not more favourable to the Mandated Related Parties than those generally available to the public and the aggregate value of such transactions are to be disclosed in the annual report which are more particularly described in section 3 of this Circular

Related Party : (a) in relation to a corporation, means a director, major shareholder or person connected with such director or major shareholder;
(b) in relation to a business trust, means the trustee-manager, a director or major shareholder of the trustee-manager, a major unit holder of the business trust or person connected with any of the aforesaid persons;
(c) in relation to a closed-end fund, means the Managers, a director or major shareholder of the Managers or the closed-end fund, or person connected with any of the aforesaid persons; or
(d) in relation to a REIT, means the management company, the trustee, a director or major shareholder of the management company, major unit holder of the REIT, or person connected with any of the aforesaid persons

For the purpose of this definition, "director", "major shareholder" and "major unit holder" have the meanings as follow:

"director" : Has the meaning given in section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon-

- i. a director of the listed issuer, its subsidiary or holding company;
- ii. a chief executive of the listed issuer, its subsidiary or holding company;
- iii. in relation to a SPAC, a member of the SPAC's management team;
- iv. in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company;
- v. in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Managers, its subsidiary or holding company; and
- vi. in relation to a REIT, a director or chief executive of the management company

DEFINITIONS (CONT'D)

Related Party (Cont'd)

For the purpose of this definition, "director", "major shareholder" and "major unit holder" have the meanings as follow (Cont'd):

- "major shareholder" : Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon-
- i. a major shareholder of the listed issuer as defined under paragraph 1.01 of the Requirements or any other corporation which is its subsidiary or holding company;
 - ii. in relation to a business trust, a major shareholder of the trustee-manager, its subsidiary or holding company;
 - iii. in relation to a closed-end fund, in addition to a major shareholder of the closed-end fund, a major shareholder of the Managers, its subsidiary or holding company; and
 - iv. in relation to a REIT, a major shareholder of the management company
- "major unit holder" : In relation to a business trust or a REIT includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major unit holder of the business trust or REIT as defined under paragraph 1.01 of the Requirements

As for "person connected", in relation to any person (referred to as "**said Person**") means such person who falls under any one of the following categories:

- (a) a family member* of the said Person;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
- (c) a partner# of the said Person;
- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate in which the said Person, or persons connected with him are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (g) a body corporate which is a related corporation of the said Person.

* *Family in relation to a person means such person who falls within any one of the following categories:-*

- (i) *spouse;*
- (ii) *parent;*
- (iii) *child including an adopted child and step-child;*
- (iv) *brother or sister; and*
- (v) *spouse of the person referred to in subparagraph (iii) and (iv) above.*

DEFINITIONS (CONT'D)

| | |
|---|--|
| Related Party (Cont'd) | # <i>Partner in relation to any person (referred to as “said Person”), means such person who falls within any one of the following categories :-</i> <i>(i) a person with whom the said Person, is in or proposes to enter into partnership with. “Partnership” for this purpose refers to a “partnership” as defined in section 3 of the Partnership Act 1961 or “limited liability partnership” as defined in section 2 of the Limited Liability Partnerships Act 2012, as the case may be; or</i> <i>(ii) a person with whom the said Person has entered or proposes to enter into a joint venture, whether incorporated or not.</i> |
| Related party transaction or RPT | : Means a transaction entered into by the Company or its subsidiary companies which involves the interest, direct or indirect, of related parties which are more particularly described in Section 3 of this Circular |
| RM and sen | : Ringgit Malaysia and sen respectively |
| SC | : Means the Securities Commission established under section 3 of the Securities Commission Act 1993 |
| Shares(s) | : Ordinary share(s) in PIB |
| Special purpose acquisition company or SPAC | : Means a corporation which has no operations or income generating business at the point of initial public offering and has yet to complete a qualifying acquisition with the proceeds of such offering |
| Trustee-manager | : Means a person who (a) holds property or asset on trust for unit holders of the business trust; and (b) manages and operates such property or asset |
| Unit trust scheme | : Shall have the meaning given in section 2(1) of the CMSA |
| Validity Period | : The validity period of the Proposed Shareholders' Mandate commencing from 24 May 2019 until (a) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed; (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or (c) it is revoked or varied by resolution passed by the shareholders in a general meeting, whichever is earlier. |

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated.

CONTENTS

| | PAGE |
|--|-------------|
| LETTER TO THE SHAREHOLDERS OF PIB IN RELATION TO THE PROPOSED SHAREHOLDERS' MANDATE | |
| 1. INTRODUCTION | 1 |
| 2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE | 2 |
| 3. THE NATURE OF TRANSACTIONS CONTEMPLATED UNDER THE PROPOSED SHAREHOLDERS' MANDATE AND ESTIMATED VALUE | 3 |
| 4. THE RELATIONSHIP OF THE COMPANY AND ITS RELATED PARTIES FROM A BUSINESS POINT OF VIEW | 6 |
| 5. THE RATIONALE FOR, AND THE BENEFIT TO THE COMPANY AND ITS GROUP OF COMPANIES TRANSACTING WITH RELATED PARTIES | 7 |
| 6. THE METHODS OR PROCEDURES ON WHICH A TRANSACTION IS PRICED | 8 |
| 7. VALIDITY OF THE MANDATE | 9 |
| 8. FINANCIAL EFFECT OF THE PROPOSED SHAREHOLDERS' MANDATE | 9 |
| 9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM | 10 |
| 10. DIRECTORS' RECOMMENDATION | 11 |
| 11. TWENTY-SECOND AGM | 11 |
| 12. FURTHER INFORMATION | 11 |
| APPENDIX | |
| APPENDIX I - FURTHER INFORMATION | 12 |

P.I.E. INDUSTRIAL BERHAD
(Company No. 424086-X)
(Incorporated in Malaysia)

Registered Office

57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

24 April 2019

Board of Directors:

Khoo Lay Tatt (*Chairman / Independent Non-Executive Director*)

Mui Chung Meng (*Managing Director*)

Chen, Chih-Wen (*Executive Director*)

Loo Hooi Beng (*Independent Non-Executive Director*)

Lee Cheow Kooi (*Non-Independent Non-Executive Director*)

Koay San San (*Independent Non-Executive Director*)

To: The Shareholders of P.I.E. Industrial Berhad (“the Company”)

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)

1. INTRODUCTION

Pursuant to paragraph 10.09 of the Requirements, a listed company may seek a shareholders’ mandate, a mandate which is subject to annual renewal, with regard to related party transactions involving recurrent transactions of a revenue or trading nature and which are necessary for its day-to-day operations provided that such transactions are carried out in the ordinary course of business and are on terms not more favourable to the Mandated Related Parties than those generally available to the public and the aggregate value of such transactions are to be disclosed in the annual report.

The Company had on 25 May 2018 sought and obtained from its shareholders the mandate to enter into Recurrent RPT more particularly described in Section 3 of the Circular to shareholders dated 26 April 2018 and it shall expire on 24 May 2019. All such concluded transactions pursuant to the shareholders’ mandate are disclosed in pages 95 and 96 of the Annual Report for the year ended 31 December 2018 of the Company.

The Company had on 3 April 2019 announced to Bursa Securities that in line with Part E, paragraph 10.09 of the Requirements, which requires a renewal of mandate from the Company’s shareholders on the Recurrent RPT of a revenue or trading nature, the Board proposes to seek authorisation from the Company’s shareholders for such transactions.

The purpose of this Circular is to seek the approval from the shareholders of the Company for the Proposed Shareholders’ Mandate to carry out Recurrent RPT of a revenue or trading nature, to comply with Part E, paragraph 10.09 of the Requirements.

The Company is principally involved in investment holding and providing management services to its subsidiary companies. The principal activities of PIB Group are as follows:-

| Company | % of ownership | Principal activities |
|----------------|-----------------------|---|
| PIESB | 100 | Contract Electronic Manufacturing (CEM) services and cable and PCB assemblies and manufacture of fixed and handle barcode readers and its related sub-assembly |
| PIE Enterprise | 100 | Trading of peripheral products of computer, telecommunication, consumer electronics and cable assembly products and manufacture, refurbishment and sale of electronics appliances |
| PIS | 100 | Marketing and trading of electronics and telecommunication components and equipment |
| PIWSB | 100 | Manufacturing of wires and cables for electronics devices and cable moulding compounds |
| PIW Enterprise | 100 | Dormant |
| PIT | 100 | Cable assembly and wireharness manufacturing and providing of cable and wireharness to the computer, communication and consumer electronic industries. |

Six subsidiary companies of the Company, namely, PIESB, PIE Enterprise (a wholly-owned subsidiary of PIESB), PIS (a wholly-owned subsidiary of PIESB), PIWSB, PIW Enterprise (a wholly-owned subsidiary of PIWSB) and PIT are involved in recurrent related party transactions of a revenue or trading nature with other related parties. The related parties are non-Malaysian companies related to PIIC, a major shareholder of the Company and they are namely PIPE and HH/HH Group:

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

Pursuant to Part E, paragraph 10.09 of the Requirements, the Company is required to seek its shareholders' mandate with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the following threshold:
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent RPT is RM1.0 million or more; or
 - (ii) the percentage ratio of such Recurrent RPT is 1% or more,
 whichever is higher;
- (c) the issuance of a circular to the shareholders by the Company including information as prescribed by Bursa Securities;
- (d) in a meeting to obtain shareholder or unit holder mandate, where it involves an interested Related Party, the relevant Related Party must not vote on the resolution in respect of such transaction; and

- (e) the Company must immediately announce to Bursa Securities when the actual value of a Recurrent RPT entered into by the Company exceeds the estimated value of the Recurrent RPT disclosed in the circular by 10% or more, and must include the information as may be prescribed by Bursa Securities in its announcement.

In its ordinary course of business the Company has entered and is anticipated to enter into recurrent transactions of a revenue or trading nature with the following group companies:-

- (a) **PIPE**, a wholly-owned subsidiary of PGH. PIPE is incorporated in the People's Republic of China;
- (b) **PIIC**, a major shareholder of PIB. PIIC is incorporated in Taiwan, Republic of China. PIIC indirectly holds 197,459,985 ordinary shares in the Company or 51.42% of the issued share capital of the Company by virtue of its 100% shareholding in PGH; and
- (c) **HH**, a major shareholder of PIIC. HH is incorporated in Taiwan, Republic of China and holds 21.54% of the issued and paid up share capital of PIIC.

Accordingly, the Company proposes to seek its shareholders' approval for the Proposed Shareholders' Mandate to enable the Company to enter into transactions with the Related Parties which are of a revenue or trading nature and necessary for its day-to-day operations, on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

If approved at the forthcoming AGM, the Proposed Shareholders' Mandate will continue to be in force throughout the Validity Period.

3. THE NATURE OF TRANSACTIONS CONTEMPLATED UNDER THE PROPOSED SHAREHOLDERS' MANDATE AND ESTIMATED VALUE

3.1 The Recurrent RPT which will be covered by the Proposed Shareholders' Mandate are as follows: -

| Companies within PIB Group | Related party | Nature of transaction | Estimate annual value disclosed in the preceding year's circular (RM) | Actual value transacted since last AGM to 31 March 2019 (being the latest practicable date) (RM) | Estimate annual value for the period from 24 May 2019 to 30 June 2020 which is the tentative date of the next AGM (RM) |
|----------------------------|---------------|---|--|---|---|
| PIW Enterprise | PIIC | PIW Enterprise intends to purchase raw wire/cable and/or cable assembly products from PIIC. | 500,000.00 | NIL | 350,000.00 |
| PIW Enterprise | PIPE | PIW Enterprise intends to purchase raw wire/cable and/or cable assembly products from PIPE. | 1,500,000.00 | NIL | 1,000,000.00 |
| PIWSB | PIPE | PIWSB intends to sell raw wire and cable to PIPE. | 400,000.00 | NIL | 300,000.00 |

| Companies within PIB Group | Related party | Nature of transaction | Estimate annual value disclosed in the preceding year's circular | Actual value transacted since last AGM to 31 March 2019 (being the latest practicable date) | Estimate annual value for the period from 24 May 2019 to 30 June 2020 which is the tentative date of the next AGM |
|-----------------------------------|----------------------|---|---|--|--|
| | | | (RM) | (RM) | (RM) |
| PIWSB | PIIC | PIWSB intends to purchase raw material in small volume for cables manufacturing and spare parts for maintenance of machines from PIIC. The raw materials are mainly plastic compound, pigments and wrapping taps. | 1,500,000.00 | NIL | 1,000,000.00 |
| | | PIWSB intends to sell raw wire and cable to PIIC. | 300,000.00 | NIL | 200,000.00 |
| PIB | PIIC | PIIC intends to provide management services, technical advisory services and market procurement services to PIB. | 600,000.00 | NIL | 400,000.00 |
| PIE Enterprise | PIIC | PIE Enterprise intends to purchase low end cable assembly products, telecommunication accessories and computer peripheral products from PIIC, which are products traded by PIE Enterprise. | 5,000,000.00 | NIL | 3,500,000.00 |
| PIESB | PIIC | PIESB currently purchases and intends to continue purchasing raw materials like electronic components, mechanical parts from PIIC. | 1,500,000.00 | 1,274,123.38 | 1,500,000.00 |
| | | PIESB intends to sell connector terminal housing electronic parts to PIIC. | 100,000.00 | NIL | 100,000.00 |

| Companies within PIB Group | Related party | Nature of transaction | Estimate annual value disclosed in the preceding year's circular | Actual value transacted since last AGM to 31 March 2019 (being the latest practicable date) | Estimate annual value for the period from 24 May 2019 to 30 June 2020 which is the tentative date of the next AGM |
|-----------------------------------|----------------------|---|---|--|--|
| | | | (RM) | (RM) | (RM) |
| PIESB/PIESB Group | HH/HH Group | PIESB/PIESB Group currently purchases and intends to continue purchasing mechanical parts and electronic components from HH/ HH Group. The mechanical parts and electronic components are mainly used as part of the components or raw materials for products manufactured by PIESB and/or for the trading purpose. | 600,000,000.00 | 16,050,610.72 | 600,000,000.00 |
| | | PIESB currently provides and intends to continue providing contract electronic manufacturing services to HH/ HH Group. | 650,000,000.00 | NIL | 450,000,000.00 |
| | | PIESB/PIESB Group currently purchases and intends to continue purchasing machineries from HH/HH Group. | 20,000,000.00 | NIL | 14,000,000.00 |
| | | PIESB/PIESB Group intends to purchase the Manufacturing Execution System (MES) and implementation support from HH/ HH Group. MES is a computerized system used in manufacturing which works in real time to enable the control of multiple elements of the production process. | 2,000,000.00 | NIL | 1,400,000.00 |

| Companies within PIB Group | Related party | Nature of transaction | Estimate annual value disclosed in the preceding year's circular (RM) | Actual value transacted since last AGM to 31 March 2019 (being the latest practicable date) (RM) | Estimate annual value for the period from 24 May 2019 to 30 June 2020 which is the tentative date of the next AGM (RM) |
|----------------------------|---------------|--|--|---|---|
| PIS | PIIC | PIS currently purchases and intends to continue purchasing phone jack and connector terminal housing electronic parts from PIIC, which are products traded by PIS. | 400,000.00 | 11,502.70 | 300,000.00 |
| PIT | PIIC | PIT intends to purchase mechanical parts from PIIC which are used as part of the components or raw materials for products manufactured by PIT. | 1,500,000.00 | NIL | 1,000,000.00 |
| PIT | HH/ HH Group | PIT intends to purchase mechanical parts and electronic components from HH/ HH Group which are used as part of the components or raw materials for products manufactured by PIT and/or for trading purposes. | 30,000,000.00 | NIL | 20,000,000.00 |
| | | PIT intends to purchase machineries from HH/ HH Group. | 10,000,000.00 | NIL | 7,000,000.00 |

3.2 There are no amounts due and owing by the Related Parties arising from the Recurrent Related Party Transactions to PIB Group which has exceeded the credit terms as at the financial year ended 31 December 2018.

4. THE RELATIONSHIP OF THE COMPANY AND ITS RELATED PARTIES FROM A BUSINESS POINT OF VIEW

- 4.1 It is the business strategy of HH and PIIC to establish subsidiaries in different countries to take advantage of the unique characteristics of their respective operating environments including customer profile and requirements, labour costs, availability of skilled labour and market condition. As such, the products manufactured by the HH and PIIC group of companies ("HH/PIIC Group") throughout the world, including the Company and its group of companies are driven by suitability and market condition.
- 4.2 All the companies within the HH/PIIC Group employ the profit center system. This means that each company and their respective management are responsible for their own profit generating activities and all transactions are conducted on an arm's length basis based on prevailing market conditions.

5. THE RATIONALE FOR, AND THE BENEFIT TO THE COMPANY AND ITS GROUP OF COMPANIES TRANSACTING WITH RELATED PARTIES

Strictly from a business point of view, the sale of raw wires and cables by PIWSB to PIIC and PIPE are premised on commercial terms not more or less favourable than those that PIWSB would transact with any other non-related parties and are not to the detriment of the minority shareholders.

However, by PIWSB selling raw wires and cables to PIIC and PIPE, PIWSB would be transacting with parties whose background, financial well-being and management are familiar to PIWSB. PIWSB can therefore make more informed commercial decisions and help ensure timely recovery of business debts from such parties.

Similarly, the purchase of products and machineries by PIWSB, PIW Enterprise, PIESB/PIESB Group and PIT from related parties are also based on prevailing market conditions and terms and as such there is no price advantage for PIWSB, PIW Enterprise, PIESB and PIT to purchase products and machineries from Mandated Related Parties on terms which are no more or less favourable than those available to other non-related parties and are not to the detriment of the minority shareholders.

However, by PIWSB, PIW Enterprise, PIESB/PIESB Group and PIT purchasing products and machineries from Mandated Related Parties, the PIB Group benefits by the sharing of products information which will lead to improving product quality, specification, reliability vis-à-vis other non-related party suppliers and timely delivery. Furthermore, transactions are between parties who are confident of the financial well-being and management of the related parties. Therefore, the in-depth knowledge and sharing of information will enable the PIB Group to ensure (i) consistency in the quality of its products (which use and/or incorporate materials and/or machineries purchased from PIIC/PIPE/HH/HH Group) (ii) reliable supply of materials (iii) better control of inventory, time and costs and (iv) a more effective channel of review and (v) improvement in product quality.

PIIC, which is a well-established company in the global electronic and electrical industry, has a wealth of international business networks and contacts and they are able to introduce new businesses and ventures to PIB Group. PIIC's strong technical knowledge of the electronic and electrical industry will allow PIB Group to tap into its resources to keep abreast with the latest technological development/trend and enabling transfer of technology and know-how. PIB will also benefit from PIIC's global management services through sharing of management information and assistance.

Again, by PIESB providing contract electronic manufacturing services to HH/HH Group, PIESB enjoys vis-à-vis other customers, the advantages of dealing with parties whose background, financial well-being, management, products and demand of quality are familiar to PIESB. These factors are very important to PIESB in view of the increasingly competitive and demanding contract electronic manufacturing industry with decreasing margin.

Above all, the RPT described above are recurrent in nature and are made in the ordinary course of business on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

The obtaining of the shareholders' mandate on an annual basis would eliminate the need to convene separate general meeting from time to time to seek shareholders' approval as and when potential Recurrent RPT with a Mandated Related Party arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives of the PIB Group and adversely affecting the business opportunities available to the Company and its subsidiary companies.

6. THE METHODS OR PROCEDURES ON WHICH A TRANSACTION IS PRICED

The Directors of the Company and its group of companies will ensure that the methods or procedures adopted for pricing a transaction with related parties are determined in accordance with the normal procedures and standards currently adopted by the Company and its group of companies in transactions with non-related parties conducted on an arm's-length willing-buyer and willing-seller basis taking into account prevailing market conditions and that such transactions are negotiated on the basis of prudent business practice to maximize profit margin or minimize costs and not to the detriment of the minority shareholders.

As required by paragraph 10.09 of the Requirements, the Company has disclosed in the Annual Report of the Company for the year of 2018 the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year from 1 January 2018 to 31 December 2018.

All RPT will be subject to periodic reviews by the Audit Committee to ensure that they have been transacted on arm's length basis and on commercial terms not detrimental to the Company and its group of companies and that proper disclosures will be made in the Annual Report for the year ended 31 December 2018 of the Company in respect of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year.

The PIB Group has implemented and will continue to implement the following procedures for RPT and the methods for which transaction prices are determined in order to ensure that Recurrent RPT will be undertaken on an arm's length basis and on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders:-

- a. A list of related parties will be circulated within the PIB Group and each related party will be notified that all Recurrent RPT are required to be undertaken on arm's length basis and on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public;
- b. All Recurrent RPT to be entered into will be reviewed by one senior manager to ensure that the transactions are not more favourable to the related party and will not be to the detriment of minority shareholders;
- c. The annual internal audit plan shall incorporate a review of all Recurrent RPT intended to be entered into pursuant to the shareholders' mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- d. Records will be maintained by the Company to capture all Recurrent RPT which are entered into pursuant to the shareholders' mandate;
- e. The Board and the Audit Committee shall review the internal audit reports on a quarterly basis to ascertain that the guidelines and procedures established to monitor Recurrent RPT have been complied with;
- f. The Board and the Audit Committee shall have overall responsibility for the determination of the review procedures with authority to sub-delegate such responsibilities to individuals or committees within the Company as they deem appropriate. If a member of the Board or Audit Committee has an interest in a transaction, as the case may be, he will abstain from any decision making by the Board or Audit Committee in respect of the said transaction;
- g. The prices, terms and conditions of a transactions will be determined by market force, under similar commercial terms in respect of transactions with third parties taking into considerations the demand and supply of the products and its availability in the domestic market;
- h. The cost plus method will be used to determine the transaction price. This method adds an appropriate mark-up to the cost of production and will best determine an arm's length price. The appropriate mark-up is the percentage earned by the Company on the RPT/sales;

- i. At least two (2) other contemporaneous transactions with unrelated parties for similar products/ services and/or quantities will be used as comparison, whenever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/ services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, to ensure that the Recurrent RPT is not detrimental to the listed issuer or its group of companies, the transaction price will be determined in accordance with applicable industry norms, prevailing commercial rates and at rates not more favourable to the related parties than those generally available to the public; and
- j. There are no specific thresholds for approval of Recurrent RPT within the PIB Group. However, all Recurrent RPT are subject to the approval of Senior Marketing Manager and reviewed by the Board from time to time, subject to the provisions in the Requirements and/or the Act, where necessary.

The Audit Committee is of the view that:-

- 1) the procedures adopted by PIB Group are sufficient to continue to ensure that the Recurrent RPT are not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders; and
- 2) the PIB Group has in place adequate procedures and processes to monitor, track and identify the Recurrent RPT in a timely and orderly manner, and the frequency of review of these procedures and processes was done in quarterly basis.

The Audit Committee has seen and reviewed the Recurrent RPT for the financial year ended 31 December 2018 and is of the view that the Recurrent RPT were conducted according to the procedures as set out in the Section 6 of the Circular to the Company's shareholders dated 26 April 2018 where the shareholders' mandate was granted to the Company.

7. VALIDITY OF THE MANDATE

The Proposed Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

8. FINANCIAL EFFECT OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any material effect in respect of the share capital, earnings per share, gearing, net assets per share, major shareholding and dividend rate of the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

The direct and indirect interests of those Directors, Major Shareholders of the Company and persons connected to them who are interested in the Proposed Shareholders' Mandate as at 31 March 2019 are as follows:-

| Directors | No. of ordinary shares held in the Company | | | |
|-----------------------------|--|---|----------|---|
| | Direct | % | Indirect | % |
| Mui Chung Meng ¹ | - | - | - | - |
| Chen, Chih-Wen ² | - | - | - | - |
| Lee Cheow Kooi | - | - | - | - |

| Major Shareholders | No. of ordinary shares held in the Company | | | |
|--------------------|--|-------|----------|---|
| | Direct | % | Indirect | % |
| PGH | 197,459,985 | 51.42 | - | - |

| Persons Connected to Directors or Major Shareholders | No. of ordinary shares held in the Company | | | |
|--|--|------|----------------------------|----------------------|
| | Direct | % | Indirect | % |
| PIIC | - | - | 197,459,985 ^(a) | 51.42 ^(a) |
| Chung Lean Hwa ¹ | 2,460,000 | 0.64 | - | - |
| Khor Bee Kiow ² | 109,500 | 0.03 | - | - |

Notes

^(a) Deemed interested by virtue of its shareholding in PGH. PGH is a wholly owned subsidiary of PIIC.
^{1, 2} Being spouse to the Director.

Mui Chung Meng, Chen, Chih-Wen and Lee Cheow Kooi are the Directors of the Company and 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 and Lee Cheow Kooi have abstained and will continue to abstain from all deliberations and voting on the Proposed Shareholders' Mandate 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 Shareholders' Mandate to be tabled at the forthcoming AGM.

In compliance with paragraph 10.09(2)(d) of the Requirements, PGH and PIIC (by virtue of PIIC being the holding company of PGH), the interested major shareholders of the Company shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

The abovementioned Directors and Major Shareholders who are interested in the Proposed Shareholders' Mandate have undertaken to ensure that persons connected with them shall abstain from voting on the resolution, deliberating or approving the Proposed Shareholders' Mandate in respect of their direct and indirect shareholding (if any) to be tabled at the forthcoming AGM.

Save as disclosed above, there are no other Directors, Major Shareholders or persons connected to them (as defined in the Requirements) who have any direct or indirect interest in the Proposed Shareholders' Mandate.

10. DIRECTORS' RECOMMENDATION

After taking into consideration all relevant factors, the Directors of the Company (other than Mui Chung Meng, Chen, Chih-Wen and Lee Cheow Kooi who are deemed interested in the resolution) are of the opinion that the Proposed Shareholders' Mandate described above are in the best interest of the Company and its shareholders and accordingly, recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

11. TWENTY-SECOND AGM

The Twenty-Second AGM, notice of which is enclosed in the Annual Report for the year ended 31 December 2018 of PIB, will be held at Function Room 1, Level 1, Ixora Hotel, Jalan Baru, Bandar Perai Jaya, 13600 Perai, Penang on Friday, 24 May 2019 at 9.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the Twenty-Second AGM, you may complete and return the Form of Proxy enclosed in the Annual Report for the year ended 31 December 2018 of PIB dispatched together with this Circular, in accordance with the instructions printed thereon as soon as possible to be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than 24 hours before the time appointed for holding the Twenty-Second AGM. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the Twenty-Second AGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I of this Circular for further information.

Yours faithfully,
For and on behalf of the Board

Khoo Lay Tatt
(Chairman/ Independent Non-Executive Director)

FURTHER INFORMATION**1. Directors' Responsibility**

This Circular has been seen and approved by the Directors of the Company and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statements herein misleading.

The transaction amounts for the Recurrent RPT set out in Sections 3.1 of this Circular (in particular column 6 and 4 respectively) represents the estimated annual value only. As such, the sole responsibility of the Directors of the Company, in relation to the transaction amounts thereof, is limited to ensuring that such information is accurately reproduced in this Circular.

2. Material Contracts

The Company and its subsidiary companies have not entered into any other contracts outside the ordinary course of business which are or may be material within the past two (2) years preceding the date of this Circular.

3. Material Litigation

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

PIESB, a wholly owned subsidiary company of the Company had received demand letters dated 2 February 2015, 19 March 2015, 22 June 2015 and 21 July 2015 from the Royal Malaysian Customs regarding short collection of import duty and sales tax from PIESB amounting to RM8,432,282.51 and RM841,342.00 respectively.

PIESB had received a letter from the Royal Malaysian Customs in January 2016 blacklisting the directors of PIESB from leaving and entering the country with the Immigration Department of Malaysia. PIESB subsequently filed a judicial review application with the High Court of Malaya at Penang to challenge the action of the Royal Malaysian Customs to blacklist their directors and the Royal Malaysian Customs agreed to lift the blacklisting of the directors of PIESB on the condition that PIESB pays a bank guarantee. Upon such request of the Royal Malaysian Customs and advice from PIESB's consultant, PIESB had paid 20% of the total amount demanded by the Royal Malaysian Customs on January and July 2016 respectively as payment under protest to commence the appeal process. To date, the Royal Malaysian Customs had not filed any civil suit against PIESB in respect of the unpaid import duty and sales tax from PIESB amounting to RM8,432,282.51 and RM841,342.00 respectively. PIESB had on 20 April 2016 filed an appeal with the Minister of Finance and such appeal was refused by the Minister of Finance on 31 October 2017. Subsequently, PIESB filed a judicial review application with the High Court of Malaya at Penang on 19 January 2018 to challenge the decision of the Minister of Finance in refusing PIESB's appeal. The judicial review application was fixed for hearing on 4 May 2018 and subsequently adjourned to 8 October 2018. The High Court judge dismissed PIESB's application for judicial review. Following the dismissal by the High Court, PIESB had submitted the case to the Court of Appeal for further review. The Case Management and hearing date in the Court of Appeal are fixed on 18 February 2019 and 24 June 2019 respectively. PIESB's solicitors opined that the chances of PIESB's appeal application against the decision of the High Court are reasonably good.

4. Consent

The written consent of Messrs Zaid Ibrahim & Co to act as the adviser of the Company in respect of this Circular has been given before the issuance of this Circular and has not been subsequently withdrawn.

5. Outstanding Corporate Proposals Announced But Pending Completion

There are no other outstanding proposals which have been announced by the Company.

6. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal office hours (except public holidays) at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang from the date of this Circular up to and including the date of the forthcoming AGM:

- a. Memorandum and Articles of Association being the Constitution of PIB;
- b. Audited Financial Statements for the past two financial years ended 31 December 2017 and 31 December 2018; and
- c. The written consent of Messrs Zaid Ibrahim & Co. referred to in Section 4 of this Appendix I.