

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

PROPOSED BONUS ISSUE OF UP TO 12,801,400 NEW ORDINARY SHARES OF RM1.00 EACH IN PIB ("PIB SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) EXISTING PIB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")

1. INTRODUCTION

On behalf of the Board of Directors of PIB ("Board"), RHB Investment Bank Berhad ("RHBIB") wishes to announce that the Company proposes to undertake a bonus issue of up to 12,801,400 new PIB Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every five (5) existing PIB Shares held on an entitlement date to be determined later ("Entitlement Date").

Further details of the Proposed Bonus Issue are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue will entail an issuance of up to 12,801,400 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every five (5) existing PIB Shares held by the shareholders of PIB whose names appear in the Record of Depositors of the Company on the Entitlement Date.

As at 14 February 2014 (being the latest practicable date prior to the date of this announcement), the issued and paid-up share capital of PIB is RM64,007,000 comprising 64,007,000 PIB Shares (including 73,900 treasury shares).

The actual number of Bonus Shares to be issued will be determined based on the issued and paid-up share capital of the Company as at the Entitlement Date, after taking into consideration the treatment of the Company's treasury shares prior to the Entitlement Date. The treasury shares may be cancelled, distributed as share dividends, resold on Bursa Malaysia Securities Berhad ("Bursa Securities") or continued to be retained as treasury shares.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with by the Board in such manner at their absolute discretion as they may deem fit and think expedient in the best interest of the Company.

The Proposed Bonus Issue will not be implemented on a staggered basis.

For illustrative purposes throughout this announcement, the Proposed Bonus Issue shall be depicted based on the following two (2) scenarios:-

Minimum Scenario : Assuming all the existing treasury shares are retained by the Company prior to the Entitlement Date

Maximum Scenario : Assuming all the existing treasury shares have been resold on Bursa Securities prior to the Entitlement Date

2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the share premium account of the Company.

For illustrative purposes, the proforma effects of the Proposed Bonus Issue on the share premium account at the company level based on the latest audited financial statements for the financial year ended ("FYE") 31 December 2012 and unaudited financial statements for the nine (9)-month financial period ended ("FPE") 30 September 2013 of PIB are set out below:-

Company level	<-----Audited----->		<-----Unaudited----->	
	<---FYE 31 December 2012--->	<---FYE 31 December 2012--->	<--FPE 30 September 2013-->	<--FPE 30 September 2013-->
	Minimum Scenario RM'000	Maximum Scenario RM'000	Minimum Scenario RM'000	Maximum Scenario RM'000
Share premium	18,993	18,993	18,993	18,993
Amount to be capitalised for the Proposed Bonus Issue	(12,787)	(12,801)	(12,787)	(12,801)
Estimated expenses for the Proposed Bonus Issue	(75)	(75)	(75)	(75)
Balance after the Proposed Bonus Issue	6,131	6,117	6,131	6,117

The Board confirms that based on the latest audited financial statements for the FYE 31 December 2012 and unaudited financial statements for the nine (9)-month FPE 30 September 2013 of PIB, PIB will have adequate reserves to cover the capitalisation required for the Proposed Bonus Issue, and that reserves are unimpaired by losses on a consolidated basis in accordance with Paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Securities.

2.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing PIB Shares, except that the Bonus Shares will not be entitled to any dividends, rights, allotment and/ or other distributions, in respect of which the entitlement date precedes the date of allotment and issuance of the Bonus Shares.

2.4 Listing of and quotation for the Bonus Shares

An application will be made to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities.

The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED BONUS ISSUE

After due consideration, the Board is of the view that the Proposed Bonus Issue is the most appropriate avenue of rewarding the existing shareholders of the Company while at the same time enhancing the Company's share capital base as the Proposed Bonus Issue will:-

- i. Serve to reward the existing shareholders for their loyalty and continuous support to PIB and its subsidiaries ("PIB Group" or "Group") by enabling them to have greater participation in the equity of the Company in terms of the increased number of Shares held whilst maintaining their percentage of equity interest;

- ii. Increase the Company's share capital base to a level which would be more reflective of its current scale of operations and assets employed; and
- iii. Potentially increase the marketability and trading liquidity of PIB Shares on Bursa Securities with a larger share base.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Issued and paid-up share capital

The proforma effects of the Proposed Bonus Issue on the issued and paid-up share capital of the Company are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at 14 February 2014	64,007,000	64,007,000	64,007,000	64,007,000
Less: Treasury shares, at par	(73,900)	(73,900)	-	-
	63,933,100	63,933,100	64,007,000	64,007,000
Shares to be issued pursuant to the Proposed Bonus Issue	12,786,620	12,786,620	12,801,400	12,801,400
Enlarged issued and paid-up share capital	76,719,720	76,719,720	76,808,400	76,808,400

4.2 Net assets ("NA") per Share and gearing

Based on the latest audited consolidated statement of financial position of PIB Group as at 31 December 2012, the proforma effects of the Proposed Bonus Issue on the NA per Share and gearing of the Group are set out below:-

Minimum Scenario

	Audited as at 31 December 2012 RM'000	Adjusted for subsequent events up to 14 February 2014 ¹ RM'000	After the Proposed Bonus Issue RM'000
Share capital	64,007	64,007	76,794
Treasury shares	(101)	(317)	(317)
Share premium	18,993	18,993	6,131 ²
Translation reserve	509	509	509
Retained earnings	182,204	166,849	166,849
Shareholders' funds/ NA	265,612	250,041	249,966
No. of Shares in issue (excluding treasury shares) ('000)	63,980	63,933	76,720
NA per Share (RM)	4.15	3.91	3.26
Total borrowings (RM'000)	-	-	-
Gearing ratio (times)	-	-	-

Notes:-

^{*1} After incorporating the effects arising from the following subsequent events up to 14 February 2014:-

- i. further shares buy-back of 46,600 treasury shares amounting to approximately RM0.22 million from 1 January 2013 up to 14 February 2014; and
- ii. Distribution of dividend in respect of the FYE 31 December 2012 amounting to approximately RM15.36 million to the entitled shareholders of PIB on 18 June 2013

^{*2} After accounting for the capitalisation of RM12.79 million and estimated expenses of RM75,000 in relation to the Proposed Bonus Issue

Maximum Scenario

	Audited as at 31 December 2012 RM'000	Adjusted for subsequent events up to 14 February 2014 ^{*1} RM'000	After the Proposed Bonus Issue RM'000
Share capital	64,007	64,007	76,808
Treasury shares	(101)	(317)	-
Share premium	18,993	18,993	6,117 ^{*2}
Translation reserve	509	509	509
Retained earnings	182,204	166,849	166,849
Shareholders' funds/ NA	265,612	250,041	250,283
No. of Shares in issue (excluding treasury shares) ('000)	63,980	63,933	76,808
NA per Share (RM)	4.15	3.91	3.26
Total borrowings (RM'000)	-	-	-
Gearing ratio (times)	-	-	-

Notes:-

^{*1} After incorporating the effects arising from the following subsequent events up to 14 February 2014:-

- i. further shares buy-back of 46,600 treasury shares amounting to approximately RM0.22 million from 1 January 2013 up to 14 February 2014; and
- ii. Distribution of dividend in respect of the FYE 31 December 2012 amounting to approximately RM15.36 million to the entitled shareholders of PIB on 18 June 2013

^{*2} After accounting for the capitalisation of RM12.80 million and estimated expenses of RM75,000 in relation to the Proposed Bonus Issue

4.3 Earnings and earnings per Share ("EPS")

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2014. However, assuming the net earnings of the Group remain unchanged, the EPS of the Group will be proportionally diluted as a result of the increase in the number of PIB Shares in issue upon completion of the Proposed Bonus Issue.

4.4 Convertible securities

As at 14 February 2014, the Company does not have any convertible securities.

4.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the shareholdings of the substantial shareholders of PIB, save for the proportionate increase in the number of PIB Shares held by each substantial shareholder upon completion of the Proposed Bonus Issue. The proforma effects of the Proposed Bonus Issue on the shareholdings of the substantial shareholders of the Company are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at 14 February 2014				I After the Proposed Bonus Issue			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Pan Global Holding Co. Ltd.	32,909,998	51.48	-	-	39,491,997	51.48	-	-
Pan-International Industrial Corporation	-	-	32,909,998 ^{*1}	51.48	-	-	39,491,997 ^{*1}	51.48

Note:-

^{*1} Deemed interested by virtue of its substantial interest in Pan Global Holding Co. Ltd.

Maximum Scenario

Substantial shareholders	Shareholdings as at 14 February 2014				I Assuming all the treasury shares are resold				II After I and the Proposed Bonus Issue			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Pan Global Holding Co. Ltd.	32,909,998	51.48	-	-	32,909,998	51.42	-	-	39,491,997	51.42	-	-
Pan-International Industrial Corporation	-	-	32,909,998 ^{*1}	51.48	-	-	32,909,998 ^{*1}	51.42	-	-	39,491,997 ^{*1}	51.42

Note:-

^{*1} Deemed interested by virtue of its substantial interest in Pan Global Holding Co. Ltd.

5. APPROVALS REQUIRED

The Proposed Bonus Issue is conditional upon approvals being obtained from the following parties:-

- i. Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- ii. The shareholders of PIB at an extraordinary general meeting of the Company to be convened; and
- iii. Any other relevant authority, if required.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors and/ or major shareholders of PIB and/ or persons connected to them have any interest, either direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements as shareholders of the Company under the Proposed Bonus Issue which are also available to all other shareholders of the Company as at the Entitlement Date.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Bonus Issue including the rationale and justifications as well as the effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Bonus Issue to be completed by the second quarter of 2014.

9. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities for the Proposed Bonus Issue shall be made within two (2) months from the date of this announcement.

10. ADVISER

RHBIB has been appointed as the Adviser for the Proposed Bonus Issue.

This announcement is dated 21 February 2014.