

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** If you have sold or transferred all your ordinary shares in P.I.E. Industrial Berhad, you should at once hand this Circular to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **P.I.E. INDUSTRIAL BERHAD**

(Company No.424086-X)

(Incorporated in Malaysia)

### **CIRCULAR TO SHAREHOLDERS**

In Relation To

#### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Notice convening the Extraordinary General Meeting of the Company to be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 6<sup>th</sup> June 2003 at 10.00 a.m. or immediately following the conclusion or adjournment of the 6<sup>th</sup> AGM is enclosed together with this Circular.

A Proxy Form is enclosed in this Circular which you are urged to complete and return in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not later than 48 hours before the time set for holding the meeting. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

**This Circular is dated 13<sup>th</sup> May 2003**

## DEFINITIONS

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

“AGM”	:	Annual General Meeting
“Company”	:	P.I.E. Industrial Berhad (Company No. 424086-X)
“Directors”	:	has the same meaning given in Section 4 of the Companies Act, 1965 and includes any person who is or was within the preceding 12 months of the date of which the terms of the transaction were agreed upon, a director of the Company (or any other company which is its subsidiary or holding company or a subsidiary of its holding company)
“EGM”	:	Extraordinary General Meeting
“FAT”	:	Foxconn Advanced Technology Inc.
“HH”	:	Hon Hai Precision Industry Co. Ltd.
“KLSE”	:	Kuala Lumpur Stock Exchange (Company No. 30632-P)
“Mandated Related Parties”	:	PIT, SBS, PDG, PIIC, HH and FAT collectively
“PDG”	:	Dong Guan Pan-International Wire & Cable Co., Ltd.
“PGH”	:	Pan Global Holding Co. Ltd.
“PIE Group”	:	The Company and its five subsidiary companies, namely PIESB, PIE Enterprise, PIWSB, PIW Enterprise and PIS
“PIESB”	:	Pan-International Electronics (Malaysia) Sdn. Bhd.
“PIE Enterprise”	:	PIE Enterprise (M) Sdn. Bhd.
“PIIC”	:	Pan-International Industrial Corporation
“PIS”	:	Pan-International Corporation (S) Pte. Ltd.
“PIT”	:	Pan-International Electronics (Thailand) Co., Ltd.

“PIW Enterprise”	:	PIW Enterprise (M) Sdn. Bhd.
“PIWSB”	:	Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
“Proposed Renewal of RPT 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 transactions set out in paragraph 3 of this Circular with the Mandated Related Parties
“Recurrent Related Party Transactions”	:	Transaction entered into by the Company or its subsidiary companies involving the interest, direct and indirect, of related parties which are more particularly described in paragraph 3 of this Circular
“Requirements”	:	Listing Requirements of KLSE
“SBS”	:	PT Pan Super Bintang Surya

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

Registered Office

3<sup>rd</sup> Floor, Wisma Wang  
251-A, Jalan Burma  
10350 Penang

Date: May 13, 2003

Directors

Y.T.M. Tunku Dato' Dr. Ismail  
Ibni Almarhum Tunku Mohd Jewa (*Chairman*)(*Independent Non-Executive Director*)  
Mui Chung Meng (*Managing Director*)  
Chen, Chih-Wen (*Executive Director*)  
Cheng Shing Tsung (*Non-Executive Director*)  
Yeap Hun Leng (*Non-Executive Director*)  
Ahmad Murad bin Abdul Aziz (*Independent Non-Executive Director*)  
Yen, Chien-Kun (*Non-Executive Director*)

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

Dear Sir/Madam,

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE IN RESPECT OF  
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR  
TRADING NATURE**

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**1. INTRODUCTION**

Pursuant to paragraph 10.09 of the Requirements, a listed company is required to seek the mandate of its shareholders with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations.

The Company had on 14<sup>th</sup> June 2002 sought and obtained from its shareholders the mandate to enter into related party transactions more particularly described in paragraph 3 of the circular to shareholders dated 23rd May 2002.

The Company had on May 12, 2003 announced to the KLSE that in line with Part E, Chapter 10.09 of the Requirements, which requires the renewal of mandate of

the Company's shareholders on recurrent related party transactions of a revenue or trading nature, the Board of Directors of the Company proposed to seek authorisation from the Company's shareholders for such transactions.

The purpose of this Circular is to seek renewal of the mandate of the Company's shareholders for the Company to carry out recurrent related party transactions of a revenue or trading nature to comply with Part E, Chapter 10.09 of the Requirements.

The Company is principally an investment holding company. The principal activities of PIE Group are as follows:-

Company	% of ownership	Principal activities
PIWSB	100	Manufacturing of wires and cables for personal computer and electronic devices and cable moulding compounds
PIW Enterprise	100	Trading of raw cable/wire and cable assembly products
PIESB	100	Contract Electronic Manufacturing (CEM) services
PIE Enterprise	100	Trading of computer peripheral products and cable assembly products
PIS	100	Marketing and trading of cables assembly and personal computer related components for Singapore and Peninsular Malaysia

Five subsidiary companies of the Company, namely, PIESB, PIE Enterprise (a wholly-owned subsidiary of PIESB), PIS (a wholly-owned subsidiary of PIESB), PIWSB, and PIW Enterprise (a wholly-owned subsidiary of PIWSB) are involved in recurrent related party transactions of a revenue nature with other related parties. The related parties are non-Malaysian companies related to PIIC, a major shareholder of the Company.

**2. THE CLASS OF PARTIES RELATED TO P.I.E INDUSTRIAL BERHAD WITH WHOM THE TRANSACTION WILL BE CARRIED OUT**

Under paragraph 1.01 of Requirements, unless the context otherwise requires:-

“related party” means a director, major shareholder or person connected with such director or major shareholder;

“person connected” in relation to a director or a major shareholder, means such person who falls under any one of the following categories:-

- (a) a member of the director’s or major shareholder’s family, which family shall have the meaning given in section 122A of the Companies Act, 1965; or
- (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a member of the director’s or major shareholder’s family is the sole beneficiary; or
- (c) a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder; or
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder; or
- (e) a person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal to act; or
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder; or
- (g) a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal, to act; or
- (h) a body corporate in which the director, major shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation.

Under paragraph 10.02 of the Requirements, for the purpose of Chapter 10 of the Requirements:-

“director” has the same meaning given in Section 4 of the Companies Act, 1965 and includes any person who is or was within the preceding 12 months of the date of which the terms of the transaction were agreed upon, a director of the Company (or any other company which is its subsidiary or holding company or a subsidiary of its holding company); and

“major shareholder” is defined to include any person who is or was within the preceding 12 months of the date of which the terms of the transaction were agreed upon, a major shareholder of the Company (or any other company which is its subsidiary or holding company or a subsidiary of its holding company).

Based on the above definitions, the parties related to the Company which have recurrent transactions of a revenue or trading nature with the Company and its group of companies are as follows:-

- (a) **PIT**, a wholly-owned subsidiary of PGH, a company incorporated in the British Virgin Island, which is in turn a wholly-owned subsidiary of PIIC. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company. PIT is incorporated in Thailand;
- (b) **SBS**, a 90.3% owned subsidiary of PGH.. SBS is incorporated in Indonesia;
- (c) **PDG**, a wholly-owned subsidiary of PGH. PDG is incorporated in People Republic of China;
- (d) **PIIC**, a major shareholder of P.I.E. Industrial Berhad. PIIC is incorporated in Taiwan, Republic of China. PIIC indirectly holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company by virtue of its 100% shareholding in PGH;
- (e) **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; and
- (f) **FAT**, a wholly owned subsidiary company of HH.

**(3) THE NATURE OF TRANSACTIONS CONTEMPLATED UNDER THE PROPOSED RENEWAL OF RPT MANDATE AND ESTIMATED VALUE**

The Recurrent Related Party Transactions which will be covered by the Proposed Renewal of RPT Mandate are as follows: -

<b>Party and principal activities</b>	<b>Related party and relationship</b>	<b>Nature of transaction</b>	<b>Estimate annual value for the period from 6<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004 which is the tentative date of the next AGM</b>
<p>PIWSB</p> <p>The principal activities of PIWSB are the manufacturing of wires and cables for personal computer and electronic devices and cable moulding compounds.</p>	<p>PIT</p> <p>PIT is a wholly-owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIWSB currently sells and intends to continue selling raw wire and cable to PIT</p>	<p>RM3,500,000.00</p>
<p>PIWSB</p>	<p>SBS</p> <p>SBS is a 90.3% owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIWSB currently sells and intends to continue selling raw wire and cable to SBS</p>	<p>RM3,500,000.00</p>
<p>PIWSB</p>	<p>PDG</p> <p>PDG is a wholly-owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIWSB currently sells and intends to continue selling raw wire and cable to PDG</p>	<p>RM500,000.00</p>



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Party and principal activities	Related party and relationship	Nature of transaction	Estimate annual value for the period from 6 <sup>th</sup> June 2003 to 30 <sup>th</sup> June 2004 which is the tentative date for the next AGM
PIWSB	<p>PIIC</p> <p>PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>(i) PIWSB currently sells and intends to continue selling raw wire and cable to PIIC.</p> <p>(ii) PIWSB currently purchases and intends to continue purchasing 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.</p>	<p>(i) RM400,000.00</p> <p>(ii) RM1,500,000.00</p>
<p>PIW Enterprise</p> <p>The principal activities of PIW Enterprise relate to the trading of raw cable/ wire and cable assembly products.</p>	<p>SBS</p> <p>SBS is a 90.3% owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIW Enterprise intends to purchase raw wire/cable and/or cable assembly products from SBS</p>	<p>RM4,000,000.00</p>

<b>Party and principal activities</b>	<b>Related party and relationship</b>	<b>Nature of transaction</b>	<b>Estimate annual value for the period from 6<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004 which is the tentative date for the next AGM</b>
PIW Enterprise	PDG  PDG is a wholly-owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company	PIW Enterprise intends to purchase raw wire/cable and/or cable assembly products from PDG	RM3,000,000.00
PIW Enterprise	PIIC  PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company	PIW Enterprise intends to purchase raw wire/cable and/or cable assembly products from PIIC	RM500,000.00

<b>Party and principal activities</b>	<b>Related party and relationship</b>	<b>Nature of transaction</b>	<b>Estimate annual value for the period from 6<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004 which is the tentative date for the next AGM</b>
<p>PIESB</p> <p>The principal activity of PIESB is Contract Electronic Manufacturing (CEM) service.</p>	<p>HH</p> <p>HH is a major shareholder of PIIC. PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>(i) PIESB currently purchases mechanical parts and electronic components from HH. The mechanical parts and electronic components are mainly used as part of the components or raw materials for products manufactured by PIESB</p> <p>(ii) PIESB currently provides contract electronic manufacturing services to HH</p>	<p>(i) RM30,000,000.00</p> <p>RM32,000,000.00</p>
<p>PIESB</p>	<p>FAT</p> <p>FAT is a wholly-owned subsidiary company of HH. HH is a major shareholder of PIIC. PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>(i) PIESB currently purchases mechanical parts and electronic components from F A T . The mechanical parts and electronic components are mainly used as part of the components or raw materials for products manufactured by PIESB</p> <p>(ii) PIESB currently provides contract electronic manufacturing</p>	<p>RM3,500,000.00</p> <p>RM3,700,000.00</p>

		services to FAT	
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<b>Party and principal activities</b>	<b>Related party and relationship</b>	<b>Nature of transaction</b>	<b>Estimate annual value for the period from 6<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004 which is the tentative date for the next AGM</b>
PIESB	<p>PIIC</p> <p>PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIESB intends to purchase raw materials like electronic components, mechanical parts from PIIC. These are new transactions to be entered into between PIESB and PIIC.</p>	RM2,000,000.00
PIESB	<p>SBS</p> <p>SBS is a 90.3% owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIESB intends to purchase cable assembly products from SBS for trading purpose. These are new transactions to be entered into between PIESB and SBS.</p>	RM2,500,000.00
PIESB	<p>PIT</p> <p>PIT is a wholly-owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIESB intends to sell to PIT its finished goods and products. These are new transactions to be entered into between PIESB and PIT.</p>	RM300,000.00

<b>Party and principal activities</b>	<b>Related party and relationship</b>	<b>Nature of transaction</b>	<b>Estimate annual value for the period from 6<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004 which is the tentative date for the next AGM</b>
<p>PIE Enterprise</p> <p>The principal activities of PIE Enterprise relate to the trading of computer peripheral products and cable assembly products</p>	<p>SBS</p> <p>SBS is a 90.3% owned subsidiary of PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIE Enterprise currently purchases low end cable assembly products, accessories and computer peripheral products from SBS. The low end cable assembly products, accessories and computer peripheral products are products traded by PIE Enterprise</p>	<p>RM2,000,000.00</p>
<p>PIE Enterprise</p>	<p>PIIC</p> <p>PIIC is a major shareholder of the Company by virtue of its 100% shareholding in PGH. PGH holds 32,909,998 ordinary shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company</p>	<p>PIE Enterprise currently purchases low end cable assembly products, accessories and computer peripheral products from PIIC. The low end cable assembly products, accessories and computer peripheral products are products traded by PIE Enterprise</p>	<p>RM5,000,000.00</p>
<p>PIS</p> <p>The principal activities of PIS are in the marketing and trading of cables</p>	<p>SBS</p> <p>SBS is a 90.3% owned subsidiary of PGH. PGH holds 32,909,998 ordinary</p>	<p>PIS currently purchases low end cable assembly products from SBS. The low end cable assembly products</p>	<p>RM2,000,000.00</p>

assembly and personal computer related components for Singapore and Peninsular Malaysia.	shares of RM1.00 each or 54.85% of the issued and paid up share capital of the Company	are products traded by PIS.	
Aggregate estimate annual value			<u>RM99,900,000.00</u>

#### **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 arms length basis based on prevailing market conditions.

#### **5. THE RATIONALE FOR, AND THE BENEFIT TO P.I.E INDUSTRIAL BERHAD 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, PIT, SBS and PDG 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, PIT, SBS and PDG, 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 by PIWSB, PIW Enterprise, PIESB, PIE Enterprise and PIS 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, PIE Enterprise and PIS to purchase products from PIIC, PDG, SBS, FAT and HH 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, PIE Enterprise and PIS purchasing products from PIIC, PDG, SBS, FAT and HH, the PIE 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 PIE Group to ensure (i) consistency in the quality of its products (which use and/or incorporate materials purchased from PIIC/HH/SBS/FAT) (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.

Again, by PIESB providing contract electronic manufacturing services to HH and FAT, 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 related party transactions described above are recurrent in nature and are made in the ordinary course of business on terms not more favorable 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 and the renewal of the 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 related party transactions with a Mandated Related Party arise, thereby reducing substantially administrative time and expenses in convening such meetings, without comprising the corporate objectives 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 arms-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 2002 the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year from 1<sup>st</sup> January 2002 to 31<sup>st</sup> December 2002

All related party transactions will be subject to periodic reviews by the Audit Committee to ensure that they have been transacted on arms 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 of the Company in respect of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year.

The PIE Group has implemented and will continue to implement the following procedures for Related Party Transactions and the methods for which transaction prices are determined in order to ensure that recurrent related party transactions will be undertaken on an arms 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 PIE Group and each related party will be notified that all recurrent related party transactions are required to be undertaken on arms 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 related party transactions 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 related party transactions 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 related party transactions which are entered into pursuant to the shareholders' mandate;

- e. The board of directors of the Company 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 related party transactions have been complied with;
- f. The board of directors of the Company and the audit committee shall have overall responsibility for the determination of the review procedures with authority to sub-delegate to such responsibilities to individuals or committees within the Company as they deem appropriate. If a member of the board of directors or audit committee has an interest in a transaction, as the case may be, he will abstain from any decision making by the board of directors 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 related party transactions/sales.

The audit committee is of the views that the procedures adopted by PIE Group are sufficient to continue to ensure that the recurrent related party transactions are not more favourable to the related party and not be to the detriment of minority shareholders.

## **7. VALIDITY OF THE MANDATE**

The 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 annual general meeting of the listed issuer following the general meeting at which the Proposed Renewal of RPT 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 annual general meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or

- (c) revoked or varied by resolution passed by the shareholders in general meeting

whichever is earlier.

## 8. FINANCIAL EFFECT ON THE PROPOSED RENEWAL OF RPT MANDATE

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

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

According to the Register of Directors' Shareholdings and Register of Major Shareholders as at 14<sup>th</sup> April 2003, the direct and indirect interests of those Directors, major shareholders of the Company and persons connected to them who are interested in the Proposed Renewal of RPT Mandate are as follows:-

<b>No. of ordinary shares of RM 1.00 each held in the Company</b>				
<b>Directors</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
Mui Chung Meng	10,000	0.02	-	-
Chen, Chih-Wen	10,000	0.02	-	-
Cheng Ching Tsung	10,000	0.02	-	-
Yen, Chien-Kun	-	-	-	-
Yeap Hun Leng	3,000	0.005	-	-

<b>No. of ordinary shares of RM 1.00 each held in the Company</b>				
<b>Major Shareholders</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
PGH	32,909,998	54.85	-	-
Lembaga Tabung Haji	4,800,000	8.00	-	-

<b>No. of ordinary shares of RM 1.00 each held in the Company</b>				
<b>Persons Connected to Directors or Major Shareholders</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
PIIC	-	-	32,909,998	(a) 54.85

*Notes*

- (a) *Deemed interested by virtue of its shareholding in PGH. PGH is a wholly owned subsidiary of PIIC.*

Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung, Yen, Chien-Kun and Yeap Hun Leng are directors of the Company and are the 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, Yen, Chien-Kun and Yeap Hun Leng have abstained and will continue to abstain from all deliberations and voting on the Proposed Renewal of RPT Mandate at all board meetings and will abstain from voting in respect of their direct shareholding in the forthcoming EGM.

Save as disclosed above, there are no other directors, major shareholders or persons connected to them who have any direct or indirect interest in the Proposed Renewal of RPT Mandate.

In compliance with paragraph 10.09(d) of the Requirements, PGH, the interested major shareholders of the Company shall abstain from voting in respect of its direct interest on the Proposed Renewal of RPT Mandate at the forthcoming EGM. PGH also undertakes that it shall ensure that those persons connected with it, namely, PIIC, Mui Chung Meng, Chen, Chih-Wen, Cheng Shing Tsung, Yen, Chien-Kun and Yeap Hun Leng will abstain from voting on the Proposed Renewal of RPT Mandate in respect of their direct and indirect shareholding in the forthcoming EGM.

**10. DIRECTORS' RECOMMENDATION**

After taking into consideration all relevant factors, your Directors are of the opinion that the Proposed Renewal of RPT Mandate described above are in the best interest of the Company.

Accordingly, your Directors (other than Mui Chung Meng,, Chen, Chih-Wen, Cheng Shing Tsung, Yen, Chien-Kun and Yeap Hun Leng who are directors of the Company and representatives of PGH ) recommend that you vote in favour of the ordinary resolution to be tabled at the forthcoming EGM.

**11. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is enclosed in this Circular, will be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggara Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on June 6, 2003 at 10.00 a.m. or immediately following the conclusion or adjournment of the Sixth AGM for the purpose of considering and if thought fit, passing the resolution.

**12. FURTHER INFORMATION**

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

Yours faithfully,

**Y.T.M. Tunku Dato' Dr. Ismail Ibni  
Almarhum Tunku Mohd Jawa**

**APPENDIX**  
**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 facts, the omission of which would make any statements herein misleading.

**2. Material Contracts**

Save as disclosed below, the Company and its subsidiary companies have not entered into any contracts which are or may be material during the two (2) years preceding the date of this Circular other than contracts entered into in the ordinary course of business:

- (a) Subscription agreement dated August 21, 2002 made between Global Mould Manufacturing Pte. Ltd., a company incorporated in the Republic of Singapore ("GMM") and the Company for the Company to subscribe for 30% equity in GMM for an estimated amount of RM4.852 million to be satisfied in cash.

**3. Material Litigation**

Save as disclosed below, PIE 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 PIE Group or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the PIE Group:

- (i) On 26<sup>th</sup> December 2001, PIESB commenced legal proceeding against Inter-Network Multimedia Solutions Sdn. Bhd. to recover the sum of Ringgit Malaysia Eight Hundred Forty Eight Thousand Five Hundred Thirty Eight and Sen Fifty (RM848,538.50) for goods sold and delivered to and stock kept for the defendant. PIESB had on 19<sup>th</sup> June 2002 obtained summary judgement against the defendant. Inter-Network Multimedia Solutions Sdn. Bhd. has since approached PIESB to discuss settlement of the judgement sum. The Board is of the opinion that there is a fair chance that both parties will reach an agreement on the settlement of the judgment sum.
- (ii) PIESB had on 24<sup>th</sup> October 2002 commenced legal action against Xircom Operations (M) Sdn. Bhd. to claim the sum of Ringgit Malaysia Five Million Nine Hundred Fifty Seven Thousand Three Hundred Sixteen

and Sen Twenty only (RM5,957,316.20) for damages arising from the breach of contract to purchase goods and wrongful set-off of payment . Xircom Operations (M) Sdn. Bhd. has applied to the court for the case to be referred to arbitration. Xircom Operations (M) Sdn. Bhd.'s application is fixed for hearing on 13<sup>th</sup> May 2003. In the meantime, PIESB has applied for summary judgment for the sum claimed which is fixed for hearing on 19<sup>th</sup> May 2003. The Board is of the opinion that the company has a reasonable chance in succeeding in the claim.

#### **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 issue of this Circular and has not been subsequently withdrawn.

#### **5. 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 3<sup>rd</sup> Floor, Wisma Wang, 251-A Jalan Burma 10350 Penang from the date of this Circular up to the date of AGM:

- a) Memorandum and Articles of Association of the Company;
- b) the audited accounts of the Company for the past two(2)financial years ended December 31, 2002 and the three (3) months unaudited results for the period ended March 31, 2003;
- c) the material contract referred to in paragraph 2 above;
- d) the writ of summons and notice of demand in respect of the material litigation referred to in paragraph 3 above; and
- e) the written consent of Messrs Zaid Ibrahim & Co referred to in paragraph 4 above.

## **P.I.E. INDUSTRIAL BERHAD**

(Company No. 424086-X)

(Incorporated In Malaysia)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of the Company will be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuah Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 6<sup>th</sup> June 2003 at 10.00 a.m. or immediately following the conclusion or adjournment of the Sixth Annual General Meeting, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

#### **ORDINARY RESOLUTION**

#### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE TO P.I.E. INDUSTRIAL BERHAD AND ITS GROUP OF COMPANIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

“THAT, approval be and is hereby given for the purpose of Chapter 10 of the Listing Requirements of Kuala Lumpur Stock Exchange, for the Company and its group of companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day to day operation as listed in Section Three (3) of the circular to the shareholders dated 13<sup>th</sup> May 2003 provided that such transactions are carried out in the normal course of business, at arm's length, on normal commercial terms and on terms not more favourable to the Mandated Related Parties than those generally available to the public and are not to the detriment of the minority shareholders and the Directors of the Company are hereby authorized to give effect to the various arrangements and/or transactions related to the above transactions and this shareholders' mandate.

THAT the approval given above shall continue in force until:-

- (a) the conclusion of the next annual general meeting of the listed issuer following the general meeting at which the Proposed Renewal of RPT 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 annual general meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (“CA”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or



(c) revoked or varied by resolution passed by the shareholders in general meeting

whichever is earlier.”

**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, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorized.

The instrument appointing a proxy must be deposited at the Registered Office, 3<sup>rd</sup> Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

By Order of the Board,

KHOO LAY TATT (MAICSA 7029262)  
HOW WEE LING (MAICSA 7033850)  
Secretaries

Penang  
Date: May 13, 2003

**P.I.E. INDUSTRIAL BERHAD (424086-X)**

(Incorporated in Malaysia)

(PROXY FORM)

I, We, \_\_\_\_\_

of \_\_\_\_\_

being a Member of the above Company hereby appoint \_\_\_\_\_

or failing him, \_\_\_\_\_

of \_\_\_\_\_

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 Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuah Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on June 6, 2003 at 10.00 a.m. or immediately following the conclusion or adjournment of the Sixth Annual General Meeting thereof.

I/We hereby indicate with a "X" in the spaces provided how I/We wish My/Our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

**Resolution**

- 1. To approve the Proposed Renewal of Mandate to P.I.E. Industrial Berhad and its group of Companies to enter recurrent related party transactions of a revenue or trading nature.

For	Against

Signature of Member: .....

Signed this:.....

**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 invalidated 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, the instrument appointing a proxy must be either under its common seal or under the hand or its officer or attorney duly authorized. The instrument appointing a proxy must be deposited at the Registered Office, 3<sup>rd</sup> Floor, Wisma Wang, 251-A, Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournment thereof.

