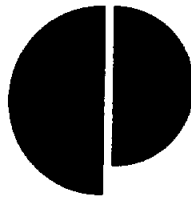


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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. If you have sold or transferred all your ordinary shares in P.I.E. Industrial Berhad (424086-X), please hand this Circular together with the accompanying Form of Proxy to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Kuala Lumpur Stock Exchange 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.

The approval of the Securities Commission ("SC") shall not be taken to indicate that the SC recommends the proposal contained in this Circular. Shareholders should rely on their own evaluation to assess the merits and risks of the proposal.



P.I.E. INDUSTRIAL BERHAD

(424086-X)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE
PROPOSED EMPLOYEE SHARE OPTION SCHEME OF UP TO
TEN PERCENT (10%) OF THE ISSUED AND PAID-UP
SHARE CAPITAL OF P.I.E. INDUSTRIAL BERHAD**

Advised by



AmMerchant Bank Berhad

*(Formerly known as Arab-Malayan Merchant Bank Berhad) (23742-Y)
A member of the AmBank Group*

The Notice of an Extraordinary General Meeting to be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuhr Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 2 December 2002 at 9.00 a.m. is set out in this Circular. Shareholders are advised to refer to the Notice of the Extraordinary General Meeting and the Form of Proxy which are enclosed. The Form of Proxy should be lodged at the registered office of the Company not less than 48 hours before the time stipulated for holding the meeting.

This Circular is dated 15 November 2002

DEFINITIONS

In this Circular, the following terms and expressions shall have the following meanings:-

"AmMerchant Bank"	— AmMerchant Bank Berhad (<i>formerly known as Arab-Malaysian Merchant Bank Berhad</i>) (23742-V)
"Board"	— Board of Directors of PIE
"Bye-Laws"	— The rules, regulations, terms and conditions of the Proposed ESOS
"CCM"	— Companies Commission of Malaysia
"CDS"	— Central Depository System
"Date of Acceptance"	— The date whereupon the ESOS Committee shall receive the written notice from the Employee accepting the Offer
"Date of Offer"	— The date on which an Offer is made by the ESOS Committee to an Employee in accordance with the provisions of the Bye-Laws
"Effective Date"	— The date on which the Scheme comes into force as provided in the Bye-Laws
"EGM"	— Extraordinary General Meeting
"Employee(s)"	— A natural person who is employed by and on the payroll of any company in the PIE Group and who fulfils the conditions of eligibility stipulated in the Bye-Laws. Employees include Executive Directors
"EPS"	— Earnings per Share
"ESOS"	— Employee Share Option Scheme
"ESOS Committee"	— A committee comprising of director and senior management personnel appointed by the Board to administer the Scheme
"Executive Director" or "Director"	— A natural person who holds a directorship in a full time executive capacity and is involved in the day-to-day management of any company in the PIE Group and is on the payroll of such company
"Grantee"	— An Employee who has accepted an Offer in the manner provided in the Bye-Laws
"KLSE"	— Kuala Lumpur Stock Exchange (30632-P)
"Market Day"	— Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which the KLSE is open for the trading of securities
"Maximum Entitlement"	— The maximum number of Options that can be offered to an Employee
"NTA"	— Net Tangible Assets
"Offer"	— An offer made by the ESOS Committee to any Employee in the manner provided in the Bye-Laws

DEFINITIONS (Cont'd)

- “Option”** — The contract constituted by acceptance of an Employee in the manner provided in Bye-Law 8 of an Offer made to such Employee by the ESOS Committee pursuant to Bye-Law 7. Each Option shall entitle an Employee to subscribe for one (1) Share upon its exercise
- “Option Period”** — The period commencing from the Date of Offer and expiring on the date of expiry of the Scheme pursuant to Bye-Law 19.1 or upon the date of termination of the Scheme as provided in Bye-Law 19.3, whichever is the earlier. In the event that the duration of the Scheme shall be extended pursuant to Bye-Law 19.1, the date of expiry of the Scheme shall be the date of expiry as so extended or upon the date of termination of the Scheme as provided in Bye-Law 19.3, whichever is earlier
- “PIE or the Company”** — P.I.E. Industrial Berhad (424086-X)
- “PIE Group or the Group”** — PIE and its subsidiary companies
- “PIESB”** — Pan-International Electronic (Malaysia) Sdn Bhd, a wholly-owned subsidiary of PIE
- “Proposed ESOS” or “Scheme”** — The Scheme for the grant of Options to Employees to subscribe for Shares upon the terms set out in the Bye-Laws, known as the “P.I.E. Industrial Berhad Employee Share Option Scheme”
- “RM” and “sen”** — Ringgit Malaysia and sen respectively
- “SC”** — Securities Commission
- “Share(s)”** — Ordinary share(s) of RM1.00 each in the Company
- “Subscription Price”** — The price at which a Grantee shall be entitled to subscribe for each Share as calculated in accordance with the provisions of the Bye-Laws

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NOTICE OF EXTRAORDINARY GENERAL MEETING**Enclosed****FORM OF PROXY****Enclosed**

P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

Registered Office

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

15 November 2002

Directors

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

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

Dear Sir/Madam,

PROPOSED EMPLOYEE SHARE OPTION SCHEME OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF P.I.E. INDUSTRIAL BERHAD

1. INTRODUCTION

On 11 July 2002, AmMerchant Bank made an announcement on behalf of the Board of PIE that the Company proposed to establish an employee share option scheme of up to ten per cent (10%) of its issued and paid-up share capital. Subsequently, the SC had vide its letter dated 30 September 2002 approved the Proposed ESOS.

This Circular serves to provide you with the relevant information on the Proposed ESOS and to seek your approval for the resolutions to be tabled at the forthcoming EGM.

2. SUMMARY INFORMATION ON THE PROPOSED ESOS

PIE proposes to offer to eligible employees (including Executive Directors) of the PIE Group, Options to subscribe for new Shares in the Company. The maximum number of new Shares offered under the Proposed ESOS shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time or such additional number of Shares that may be permitted by the SC, during the duration of the Proposed ESOS.

All Executive Directors and employees of the PIE Group will be eligible to participate in the Proposed ESOS provided they meet the conditions for eligibility stipulated in the Bye-Laws. The Proposed ESOS will be administered by an ESOS Committee appointed by the Board of PIE. In determining the number of Options to be offered to each Employee, the ESOS Committee will take into consideration the seniority, performance and length of service of each Employee.

Listing on the KLSE will be sought for the Shares arising from the exercise of the Options pursuant to the Proposed ESOS.

3. PRINCIPAL FEATURES OF THE PROPOSED ESOS

The principal features of the Proposed ESOS, details of which are set out in the Bye-Laws attached herewith as Appendix I, are as follows:-

3.1 Total Number of Option Available under the Proposed ESOS

The total number of Options offered under the Scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme as provided in Bye-Law 19.1, or such additional number that may be permitted by the SC during the duration of the Scheme unless the issued and paid-up share capital of the Company is diminished as a result of the Company purchasing its own shares pursuant to Section 67A of the Companies Act, 1965, in which event, the Options granted prior to the diminution of the issued and paid-up share capital shall remain valid and exercisable in accordance with the terms and conditions of the Scheme.

The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

Notwithstanding the above, where an alteration in the capital structure of the Company arises from a purchase by the Company of its own Shares pursuant to Section 67A of the Companies Act, 1965, the following provisions shall apply:-

- (i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than 10% of the issued capital of the Company after such cancellation, the ESOS Committee shall not make any further Offers; and
- (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than 10% of the issued capital of the Company after such cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 10% of the issued capital of the Company after such cancellation.

3.2 Maximum Entitlement and Basis of Allotment

The categories of Employees who are eligible to participate in the Scheme and their respective Maximum Entitlement are as follows:-

Category of Employee	Maximum Entitlement (No. of Options)
Group Managing Director/Group General Manager	500,000
Executive Directors(Company/Subsidiary)	360,000
Assistant General Managers	280,000
Senior Managers	220,000
Managers	200,000
Assistant Managers	170,000
Executive I	120,000
Executive II	100,000
Executive III/ Supervisors I/ Officers	80,000
Supervisors II	50,000
Assistant I	35,000
Assistant II	25,000

In the event that an Employee is moved to a higher category, his Maximum Entitlement shall be increased in accordance with the scale provided above.

In the event that an Employee is moved to a lower category, the following provisions shall apply:-

- (a) his Maximum Entitlement will be reduced in accordance with the scale provided above;
- (b) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is greater than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Entitlement is increased to an amount greater than the total number of Options which has been accepted by him; and
- (c) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is less than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Law 6.3, to be offered further Options up to his Maximum Entitlement under such lower category.

The ESOS Committee may make more than one(1) Offer to an Employee provided that the aggregate number of Options offered to an Employee throughout the entire duration of the Scheme does not exceed his Maximum Entitlement.

Notwithstanding Bye-Laws 6.1 to 6.4, there should be equitable allocation to the various grades of eligible employees, such that not more than 50% of the Shares available under the Scheme should be allocated, in aggregate, to directors and senior management. The senior management includes Group Managing Directors/Group General Manager, Executive Directors, Assistant General Managers and Senior Managers. Not more than 10% of the Shares available under the Scheme should be allocated to any individual director or Employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

3.3 Eligibility

Only Employees who fulfil the following conditions shall be eligible to participate in the Proposed ESOS.

- (a) An Employee must be at least eighteen (18) years of age on the Date of Offer;
- (b) An Employee must fall under one of the categories of employees listed in Bye-Law 6.1;
- (c) An Employee must have been employed for a continuous period of at least six(6) months in the Group and his employment must have been confirmed on the Date of Offer; and
- (d) If an Employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary of the Company upon such acquisition, the Employee's period of employment in the said company shall be taken into account in calculating the six(6) months stipulated in the paragraph (c) above.

3.4 Offer

During the duration of the Scheme, the ESOS Committee may at its discretion at any time and from time to time make an Offer in writing to an Employee, subject to the Employee's Maximum Entitlement. Each Offer shall be in a multiple of 1,000 Options, the minimum being 1,000 Options. The Option shall only be accepted in multiples of one thousand (1,000) Shares.

The ESOS Committee shall state the following particulars in the letter of Offer:-

- (a) the number of Options that are being offered to the Employee;
- (b) the number of Shares which the Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
- (c) the Option Period;
- (d) the Subscription Price; and
- (e) the closing date for acceptance of the Offer.

An Offer shall be valid for a period of one (1) month from the Date of Offer ("Offer Period").

No Offer shall be made to any Executive Director of the Company unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.

3.5 Acceptance of Offer by Employees

An Offer shall be accepted by an Employee within the Offer Period by written notice to the ESOS Committee accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.

The Company shall within thirty(30) days of the Date of Acceptance issue to the Employee an Option Certificate stating, inter alia, the number of Option granted, the Subscription Price and the Option Period.

If an Offer is not accepted in the manner aforesaid, the Offer will automatically lapse upon the expiry of the Offer Period.

3.6 Non-Transferability

An Option is personal to the Grantee and subject to the provisions of Bye-Laws 14.2 to 14.6, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.

An Option shall not be transferred, assigned or otherwise disposed of by the Grantee save and except in the event of the death of the Grantee as provided under Bye-Law 14.6.

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3.7 Exercise of Options

A Grantee shall be allowed to exercise not more than 20% of the Options granted to him each year.

Options, which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. All unexercised Options will be exercisable in the last year of the Option Period or in the period allowed or approved by the ESOS Committee as described in Bye-Law 14. Any Options which remain unexercised at the expiry of the Option Period shall be automatically terminated.

A Grantee shall exercise his Option by notice in writing to the Company stating the number of Option exercised. The procedure for the exercise of Option to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.

Within ten(10) Market Days of receipt of such notice and payment or such other period as may be prescribed by the KLSE and subject to the Articles of Association of the Company, the Company shall allot and/or issue the relevant number of Shares, despatch a notice of allotment to the Grantee and then make an application for the quotation of the Shares, upon and subject to the provisions of the KLSE Listing Requirements and Articles of Association of the Company. The said Shares will be credited directly into the CDS account of the Grantee or his financier, as the case may be. No physical certificates will be issued.

The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in procuring the KLSE to list the Shares subscribed for by a Grantee.

3.8 Subscription Price

The price at which the Option holder is entitled to subscribe for the Shares shall be the higher of:-

- i) a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% from the weighted average market price of the Shares as shown in the daily official list issued by the KLSE for the five(5) Market Days immediately preceding the Date of Offer; or
- ii) the par value of the Shares.

subject to such adjustments as stipulated under Bye-Law 15 herein.

3.9 Duration of the Scheme

The date of the confirmation letter submitted by the adviser would signify the effective date for the launch/implementation of the Scheme ("Effective Date"). The scheme shall be in force for a duration of five(5) years from the Effective Date. The Company may, if the Board and the ESOS Committee deem fit, extend the Scheme for another five(5) years. Such extended Scheme shall be implemented in accordance with the terms of the Bye-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty(30) days prior to the expiry of the Scheme.

3.10 Rights Attaching to Shares

The Shares to be allotted upon any exercise of the Option will upon allotment rank pari passu in all respect with the then existing issued ordinary shares of the Company except that the Shares so issued shall not rank for any dividend or other distribution declared, made or paid to shareholders which entitlement date thereof precedes the allotment date of the new Shares and will be subject to all provisions of the Articles of Association of the Company.

3.11 Holding of Shares

The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS account.

4. RATIONALE OF THE PROPOSED ESOS

The rationale for the Proposed ESOS are as follows:-

- (a) to recognise the contribution of Executive Directors and eligible employees whose services are valued and considered vital to the operations and continued growth of the PIE Group;
- (b) to motivate Executive Directors and employees of the PIE Group towards better performance through greater productivity and loyalty;
- (c) to stimulate a greater sense of belonging and dedication since Executive Directors and employees are given the opportunity to participate directly in the equity of the Company;
- (d) to encourage employees to remain with the PIE Group thus ensuring that the loss of key personnel is kept to a minimum; and
- (e) to reward Executive Directors and employees by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation in the value of the Company's Shares.

5. FINANCIAL EFFECTS OF THE PROPOSED ESOS

5.1 Share Capital

The Proposed ESOS will not have an immediate effect on the share capital of the Company. However, assuming that the total number of Options under the Proposed ESOS are granted and exercised, the issued and paid-up share capital of PIE will be increased to RM66,000,000 comprising 66,000,000 Shares as follows:-

	No. of Shares	% of Enlarged Share Capital
Existing as at 31 October 2002	60,000,000	90.91
To be issued pursuant to the Proposed ESOS	6,000,000	9.09
Enlarged share capital	66,000,000	100.00

5.2 Earnings

The Proposed ESOS is not expected to have any effect on the earnings of PIE Group for the financial year ending 31 December 2002. Any potential effect on the earnings will be in respect of the EPS of PIE Group in the future. The effect on EPS will depend on the number of Options granted and exercised at any point in time as well as the price payable upon the exercise of the Options.

5.3 NTA

The Proposed ESOS is not expected to have any immediate material effect on PIE Group's NTA. Any potential effect on the Group's NTA would also depend on the number of Options granted and exercised at any point in time as well as the price payable upon the exercise of the Options.

5.4 Dividend

For the financial year ended 31 December 2001, the Company declared a first and final tax exempt dividend of 10 sen per Share, amounting to RM6,000,000, which was paid on 5 July 2002.

Barring unforeseen circumstances, the Board expects that they will be in a position to maintain a similar quantum of dividend for the financial year ending 31 December 2002.

6. CORPORATE EXERCISES ANNOUNCED BUT NOT YET COMPLETED

Apart from the Proposed ESOS, there are no other corporate exercises which have been announced but not yet completed.

7. SHARE PRICES OF PIE

The monthly highest and lowest share prices of PIE as traded on the KLSE for the past twelve(12) months ended 31 October 2002 are as follows:

Year	Month	High (RM)	Low (RM)
2001	November	2.08	1.47
	December	2.23	1.73
2002	January	2.32	1.89
	February	2.10	1.87
	March	2.44	1.91
	April	2.43	2.18
	May	2.44	2.24
	June	2.38	2.01
	July	2.16	1.98
	August	2.15	2.05
	September	2.04	1.83
	October	2.07	1.83

Source : Bloomberg

The last transacted price on the KLSE on 10 July 2002, being the last transacted market price immediately prior to the announcement of the Proposed ESOS was RM2.12.

The last transacted price on the KLSE on 11 November 2002, being the latest practicable date prior to the printing of this Circular was RM2.04.

8. CONDITIONS OF THE PROPOSED ESOS

The Proposed ESOS is conditional upon approvals being obtained from the following:-

- (a) SC, whose approval was obtained on 30 September 2002;
- (b) the shareholders of PIE at the forthcoming EGM; and
- (c) KLSE for the listing of and quotation for the Shares to be issued pursuant to the exercise of the Options under the Proposed ESOS.

9. SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS

Mui Chung Meng and Chen, Chih-Wen, being Executive Directors of PIE, are entitled to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS. The direct and indirect interests of the aforementioned Executive Directors in the Company as at 31 October 2002 and their respective entitlements under the Proposed ESOS are set out in the following table: -

Name of Director	No. of Shares				Proposed Maximum Entitlement (No. of Options)
	Direct	%	Indirect	%	
Mui Chung Meng	10,000	0.02	-	-	500,000
Chen, Chih-Wen	10,000	0.02	-	-	360,000

As interested parties, Mui Chung Meng and Chen, Chih-Wen have abstained from all deliberations and voting on the Proposed ESOS at all Board meetings in respect of their allocations. Accordingly, they will abstain from voting and will also ensure that persons connected to them will abstain from voting on the relevant resolutions pertaining to the allocations of Options to them under the Proposed ESOS to be tabled at the forthcoming EGM in respect of any direct or indirect interest in the Company.

Save as disclosed above, none of the other Directors and/or substantial shareholders or persons connected to the Directors and/or substantial shareholders of PIE have any interest, either direct or indirect, in the Proposed ESOS.

10. DIRECTORS' RECOMMENDATION

Having considered the rationale for the Proposed ESOS, the Board of Directors is of the opinion that the Proposed ESOS is fair, reasonable and in the best interest of PIE. Therefore, your Directors (with the exception of Mui Chung Meng and Chen, Chih-Wen, who being interested parties to the Proposed ESOS have abstained and will continue to abstain from voting on the resolutions in respect of their entitlements) recommend that you vote in favour of the resolutions to be tabled at the forthcoming EGM.

11. EXTRAORDINARY GENERAL MEETING

For the purpose of approving the Proposed ESOS, an EGM, the notice of which is enclosed with this Circular, is to be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuah Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 2 December 2002 at 9.00 a.m.

If you are unable to attend and vote in person at the EGM, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions therein as soon as possible and in any event so as to arrive at the registered office of the Company at 3rd Floor Wisma Wang, 251-A Jalan Burma, 10350 Penang not less than 48 hours before the time stipulated for holding the EGM. The completion and return of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

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

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

Y.T.M. Tunku Dato' Dr. Ismail Ibni Almarhum Tunku Mohd Jewa
Chairman

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THE BYE-LAWS OF THE PROPOSED ESOS

1. NAME OF SCHEME

This Scheme shall be called the “P.I.E. Industrial Berhad Employee Share Option Scheme”.

2. OBJECTIVES OF SCHEME

The objectives of the Scheme are:-

- (a) to provide an opportunity for Employees to participate as shareholders of the Company;
- (b) to reward and retain Employees whose services are vital to the continued growth of the Group; and
- (c) to motivate Employees towards better performance through greater loyalty to the Group.

3. DEFINITIONS AND INTERPRETATION

3.1 In these Bye-Laws, the following terms and expressions shall have the following meanings:-

- | | | |
|----------------------|---|---|
| “Board” | - | The Board of Directors of the Company |
| “Bye-Laws” | - | The rules, regulations, terms and conditions of the Proposed ESOS |
| “CDS” | - | Central Depository System |
| “Company” or “PIE” | - | P.I.E. Industrial Berhad |
| “Date of Acceptance” | - | The date whereupon the ESOS Committee shall receive the written notice from the Employee accepting the Offer |
| “Date of Offer” | - | The date on which an Offer is made by the ESOS Committee to an Employee in the manner provided in Bye-Law 7 |
| “Effective Date” | - | The date of the confirmation letter submitted by the Adviser to the SC which signifies the effective date for the launch/implementation of the Scheme. The confirmation letter confirms that the Company (i) has fulfilled the SC’s conditions of approval for the ESOS and that the Bye-Laws do not contravene the guidelines on ESOS as stipulated under the Policies and Guidelines on Issue/Offer of Securities and (ii) has obtained relevant approvals for the ESOS and has fulfilled any condition imposed therein |
| “Employee(s)” | - | A natural person who is employed by and on the payroll of any company in the Group. Employees include Executive Directors. |

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

“Executive Director(s)”	-	A natural person who holds a directorship in a full time executive capacity and is involved in the day-to-day management of any company in the PIE Group and is on the payroll of such company
“ESOS Committee”	-	A committee comprising of director and senior management personnel appointed by the Board to administer the Scheme
“Grantee”	-	An Employee who has accepted an Offer in the manner provided in Bye-Law 8
“Group”	-	The Company and its subsidiaries as defined in Section 5 of the Companies Act, 1965 which are not dormant. Subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in Bye-Law 17.2.
“KLSE”	-	Kuala Lumpur Stock Exchange
“Market Day”	-	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which the KLSE is open for the trading of securities
“Maximum Entitlement”	-	The maximum number of Options that can be offered to an Employee
“Offer”	-	An offer made by the ESOS Committee to any Employee in the manner provided in Bye-Law 7
“Option”	-	The contract constituted by acceptance of an Employee in the manner provided in Bye-Law 8 of an Offer made to such Employee by the ESOS Committee pursuant to Bye-Law 7. Each Option shall entitle an Employee to subscribe for one (1) Share upon its exercise.
“Option Period”	-	The period commencing from the Date of Offer and expiring five(5) years therefrom or upon the date of expiry of the Scheme as provided in Bye-Law 19.1, whichever is the earlier. In the event that the duration of the Scheme shall be extended or the Scheme shall be renewed, the date of expiry of the Scheme shall be the date of expiry as so extended or renewed.
“SC”	-	Securities Commission
“Scheme”	-	The scheme for the grant of Options to Employees to subscribe for Shares upon the terms set out herein known as the “P.I.E. Industrial Berhad Employee Share Option Scheme”
“Selected Employees”	-	An Employee who has been offered Options

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- “Shares” - Ordinary shares of RM1.00 each
- “Subscription Price” - The price at which a Grantee shall be entitled to subscribe for each Share as calculated in accordance with the provisions of Bye-Law 11

- 3.2 Headings are for ease of reference only and do not affect the meaning of a Bye-Law.
- 3.3 References to the provisions of statutes include such provisions as amended or re-enacted from time to time, and references to statutes include any consolidations, replacements or revisions of the same.
- 3.4 Words importing the masculine gender shall include the feminine and neuter genders.
- 3.5 Words importing the singular number shall include the plural number and vice versa.

4. TOTAL NUMBER OF OPTIONS AVAILABLE UNDER SCHEME

- 4.1 The total number of Options offered under the Scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme as provided in Bye-Law 19.1, or such additional number that may be permitted by the SC during the duration of the Scheme unless the issued and paid-up share capital of the Company is diminished as a result of the Company purchasing its own shares pursuant to Section 67A of the Companies Act, 1965, in which event, the Options granted prior to the diminution of the issued and paid-up share capital shall remain valid and exercisable in accordance with the terms and conditions of the Scheme.
- 4.2 The Company will keep available sufficient unissued Shares in its authorized share capital to satisfy all outstanding Options throughout the duration of the Scheme.

5. ELIGIBILITY

- 5.1 Only Employees who fulfil the following conditions shall be eligible to participate in the Scheme:-
- (a) An Employee must be at least eighteen(18) years of age on the Date of Offer;
 - (b) An Employee must fall under one of the categories of employees listed in Bye-Law 6.1;
 - (c) An Employee must have been employed for a continuous period of at least six(6) months in the Group and his employment must have been confirmed on the Date of Offer; and
 - (d) If an Employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary of the Company upon such acquisition, the Employee's period of employment in the said company shall be taken into account in calculating the six(6) months stipulated in the paragraph (c) above.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 5.2 Executive Directors who represent the Government or Government Institution/ agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible for the share allocation.

6. MAXIMUM ENTITLEMENT AND BASIS OF ALLOTMENT

- 6.1 The categories of Employees who are eligible to participate in the Scheme and their respective Maximum Entitlement are as follows:-

Category of Employee	Maximum Entitlement (No. of Options)
Group Managing Director/Group General Manager	500,000
Executive Directors(Company/Subsidiary)	360,000
Assistant General Managers	280,000
Senior Managers	220,000
Managers	200,000
Assistant Managers	170,000
Executive I	120,000
Executive II	100,000
Executive III/ Supervisors I/ Officers	80,000
Supervisors II	50,000
Assistant I	35,000
Assistant II	25,000

- 6.2 (a) In the event that an Employee is moved to a higher category, his Maximum Entitlement shall be increased in accordance with the scale provided in Bye-Law 6.1.
- (b) In the event that an Employee is moved to a lower category, the following provisions shall apply:-
- (i) his Maximum Entitlement shall be reduced in accordance with the scale provided in Bye-Law 6.1;
 - (ii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is greater than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Entitlement is increased to an amount greater than the total number of Options which has been accepted by him; and
 - (iii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is less than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Law 6.3, to be offered further Options up to his Maximum Entitlement under such lower category.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 6.3 Notwithstanding Bye-Law 6.1, the number of Options to be offered to each Employee shall, subject to each Employee's Maximum Entitlement, be at the discretion of the ESOS Committee. In exercising its unfettered discretion, the ESOS Committee shall take into consideration the seniority, performance and length of service of each Employee and any other considerations deemed fit by the ESOS Committee. The decision of the ESOS Committee shall be final and binding.
- 6.4 The ESOS Committee may make more than one(1) Offer to an Employee provided that the aggregate number of Options offered to an Employee throughout the entire duration of the Scheme does not exceed his maximum entitlement.
- 6.5 Notwithstanding Bye-Laws 6.1 to 6.4 above, there should be equitable allocation to the various grades of eligible employees, such that not more than 50% of the Shares available under the Scheme should be allocated, in aggregate, to directors and senior management. The senior management includes Group Managing Director/Group General Manager, Executive Directors, Assistant General Managers and Senior Managers.
- 6.6 Notwithstanding Bye-Laws 6.1 to 6.4 above, not more than 10% of the Shares available under the Scheme should be allocated to any individual director or Employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

7. OFFER

- 7.1 During the duration of the Scheme, the ESOS Committee may at its discretion at any time and from time to time make an Offer in writing to an Employee, subject to the Employee's Maximum Entitlement. Each Offer shall be in a multiple of 1,000 Options, the minimum being 1,000 Options. The Option shall only be accepted in multiples of one thousand (1,000) Shares.
- 7.2 The ESOS Committee shall state the following particulars in the letter of Offer:-
- (a) the number of Options that are being offered to the Employee;
 - (b) the number of Shares which the Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (c) the Option Period;
 - (d) the Subscription Price; and
 - (e) the closing date for acceptance of the Offer.
- 7.3 An Offer shall be valid for a period of one(1) month from the Date of Offer ("Offer Period").
- 7.4 No Offer shall be made to any Executive Director of the Company unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

8. ACCEPTANCE

- 8.1 An Offer shall be accepted by an Employee within the Offer Period by written notice to the ESOS Committee accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.
- 8.2 The Company shall within thirty(30) days of the Date of Acceptance issue to the Employee an Option Certificate stating, inter alia, the number of Option granted, the Subscription Price and the Option Period.
- 8.3 If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon the expiry of the Offer Period.

9. NON-TRANSFERABILITY

- 9.1 An Option is personal to the Grantee and subject to the provisions of Bye-Laws 14.2 to 14.6, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.
- 9.2 An Option shall not be transferred, assigned or otherwise disposed of by the Grantee save and except in the event of the death of the Grantee as provided under Bye-Law 14.6.

10. EXERCISE OF OPTIONS

- 10.1 A Grantee shall be allowed to exercise not more than 20% of the Options granted to him each year.
- 10.2 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. All unexercised Options shall be exercisable in the last year of the Option Period or in the period allowed or approved by ESOS committee as described in Bye-Law 14. Any Options which remain unexercised at the expiry of the Option Period shall be automatically terminated.
- 10.3 A Grantee shall exercise his Option by notice in writing to the Company stating the number of Option exercised. The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.
- 10.4 Within ten(10) Market Days of receipt of such notice and payment or such other period as may be prescribed by the KLSE and subject to the Articles of Association of the Company, the Company shall allot and/or issue the relevant number of Shares, despatch a notice of allotment to the Grantee and then make an application for the quotation of the Shares, upon and subject to the provisions of the KLSE Listing Requirements and Articles of Association of the Company. The said Shares will be credited directly into the CDS account of the Grantee or his financier, as the case may be. No physical certificates will be issued.
- 10.5 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in procuring the KLSE to list the Shares subscribed for by a Grantee.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

11. SUBSCRIPTION PRICE

The price at which the Option holder is entitled to subscribe for the Shares shall be the higher of:-

- i) a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% from the weighted average market price of the Shares as shown in the daily official list issued by the KLSE for the five(5) Market Days immediately preceding the Date of Offer; or
- ii) the par value of the Shares.

subject to such adjustments as stipulated under Bye-Law 15 herein.

12. RIGHTS ATTACHING TO SHARES

The Shares to be allotted upon any exercise of the Option will upon allotment rank pari passu in all respect with the then existing issued ordinary shares of the Company except that the Shares so issued shall not rank for any dividend or other distribution declared, made or paid to shareholders which entitlement date thereof precedes the allotment date of the new Shares and will be subject to all provisions of the Articles of Association of the Company.

13. HOLDING OF SHARES

The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS account.

14. TERMINATION OF EMPLOYMENT

14.1 Subject to Bye-Laws 14.2 to 14.5, an Option which has not been exercised by the Grantee shall be automatically terminated in the following circumstances:-

- (a) termination of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be automatically terminated on the day the Grantee notifies his employer of his resignation or on the Grantee's last day of employment, whichever is the earlier; and
- (b) bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction.

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THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 14.2 A Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise any Options held by him upon termination of employment with the Group in the following circumstances:-
- (a) retirement upon or after attaining the age in accordance with the Company's retirement policy; or
 - (b) retirement before the age specified under the above said retirement policy, with the consent of his employer; or
 - (c) ill health, injury or disability; or
 - (d) retrenchment; or
 - (e) transfer to any company outside the Group at the direction of the Company; or
 - (f) any other circumstances as may be determined by the ESOS Committee from time to time.
- 14.3 Applications under Bye-Law 14.2 shall be made:-
- (a) in a case where paragraph 14.2(a), (b) or (f) is applicable, before the Grantee's last day of employment. The Grantee may exercise Options at any time before his last day of employment subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee before the Grantee's last day of employment, any Option held by the Grantee on his last day of employment shall be automatically terminated;
 - (b) in a case where paragraph 14.2(c) is applicable, within one(1) month after the Grantee notifies his employer of his resignation due to ill health, injury or disability. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated;
 - (c) in a case where paragraph 14.2(d) is applicable, within one(1) month after the Grantee is notified that he will be retrenched or, where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, within one(1) month after he accepts such offer. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated; and
 - (d) in a case where paragraph 14.2(e) is applicable, within one(1) month after the Grantee is notified that he will be transferred to a company outside the Group. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 14.4 The ESOS Committee shall consider applications under Bye-Law 14.2 on a case to case basis and may in its discretion approve or reject any application in whole or in part without giving any reasons therefore and may impose any term and condition in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the relevant Option Period and subject to the provisions of Bye-Law 10. Any Option in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of Bye-Law 14.3 or on the date of the ESOS Committee's decision, whichever is the later.
- 14.5 In the event that the ESOS Committee receives an application under Bye-Law 14.2 after the expiry of the relevant period under Bye-Law 14.3, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under Bye-Law 14.4. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Grantee and such Options shall be exercisable:-
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of Bye-Law 10 as applicable in respect of such terminated Options; and
 - (c) at the Subscription Price applicable in respect of such terminated Options.
- 14.6 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Options, the following provisions shall apply:-
- (a) such Options may be exercised by the legal or personal representative of the Grantee ("Representative"):-
 - (i) within twelve(12) months after the Grantee's death ("Permitted Period"); or
 - (ii) within the Option Periodwhichever expires first.
 - (b) In the event that the Option Period expires before the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options;
 - (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the ESOS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the ESOS Committee before the expiry of the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated;

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- (ii) the ESOS Committee shall consider such applications on a case to case basis and may in its discretion approve or reject an application in whole or in part without giving any reasons therefore and may impose any term and condition in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of Bye-Law 10. Any Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the ESOS Committee's decision, whichever is the later;
- (iii) in the event that the ESOS Committee receives an application after the expiry of the Permitted Period, the ESOS Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the ESOS Committee's discretion and powers under sub-paragraph (ii) above. In the event that the ESOS Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable:-
 - (aa) within such period as may be stipulated in the Offer which shall not exceed the Option Period of those Options which were terminated pursuant to sub-paragraph (i) above;
 - (bb) in accordance with the provisions of Bye-Law 10; and
 - (cc) at the Subscription Price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

14.7 The provisions of Bye-Law 14.5 and Bye-Law 14.6(c)(iii) constitute exceptions to the provision of Bye-Law 5.1 and Bye-Law 11.

15. ALTERATION OF CAPITAL

15.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company may cause such adjustment to be made to:-

- (a) the number of Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option; and/or
- (b) the Subscription Price

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment. Where it is decided that no adjustments will be made, such decision must be made known to all the Grantees. Where it is decided that an adjustment will be made but it is not practicable to ensure that all Grantees are given the same proportion of the issued capital, the Company must, in such circumstances, seek a waiver from the SC, together with justifications.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to Bye-Law 15.1:-
- (a) any adjustment to the Subscription Price shall be rounded up to the nearest one(1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Shares; and
 - (b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.
- 15.3 Bye-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-
- (a) an issue of Shares pursuant to the exercise of Options under the Scheme; or
 - (b) an issue of securities as consideration for an acquisition; or
 - (c) an issue of securities as a private placement; or
 - (d) an issue of securities as a special issue approved by the relevant governmental authorities; or
 - (e) a purchase by the Company of its own Shares pursuant to Section 67A of the Companies Act, 1965. In this event, the following provisions shall apply:-
 - (i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than 10% of the issued capital of the Company after such cancellation, the ESOS Committee shall not make any further Offers; and
 - (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than 10% of the issued capital of the Company after such cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 10% of the issued capital of the Company after such cancellation.
- 15.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, Bye-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Bye-Law 15.1 is applicable, but Bye-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Bye-Law 15.1 is not applicable as described in Bye-Law 15.3.

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THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

- 15.5 An adjustment pursuant to Bye-Law 15.1 shall be made at the following times:-
- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the date of entitlement in respect of such issue; or
 - (b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the ESOS Committee shall give notice in writing to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

- 15.6 All adjustments must be confirmed in writing by an approved company auditor, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor to the effect that in the opinion of such auditor, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this Bye-Law, an approved company auditor shall have the meaning given in Section 8 of the Companies Act, 1965.

16. TAKE-OVERS AND MERGERS

In the event of an offer being made for Shares under the Malaysian Code on Take-Overs and Mergers, 1998 and such offer being declared unconditional, the following provisions shall apply:-

- (a) a Grantee shall be entitled to exercise all or any of the Options held by him as at the date of such offer being declared unconditional, within a period of six(6) months after such date and in accordance with the provisions of the Bye-Laws. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six(6) months; and
- (b) if during the said period of six(6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Shares under the provisions of the Companies Act, 1965 and gives notice to the Grantee that he intends to exercise such rights on a specific date ("Specified Date"), the Grantee shall be entitled to exercise all or any of the Options held by him until the expiry of the said period of six(6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of the Bye-Laws. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six(6) months or on the Specified Date, whichever is the earlier.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

17. DIVESTMENT FROM GROUP

- 17.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:-
- (a) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment within a period of six(6) months from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of the Bye-Laws. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period; and
 - (b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.
- 17.2 For the purposes of Bye-Law 17.1, a company shall be deemed to be divested from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Companies Act, 1965.

18. WINDING UP

All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

19. DURATION AND TERMINATION OF SCHEME

- 19.1 The Scheme shall come into force upon obtaining the following approvals:-
- (a) the SC;
 - (b) the KLSE for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options;
 - (c) the shareholders of the Company in general meeting;
 - (d) the fulfilment of any conditions attached thereto and upon the adviser submitting to the SC the following additional requirements:-
 - (i) Final copy of the Bye-Laws of the Scheme; and
 - (ii) Confirmation letter from the adviser confirming that the Company:
 - (aa) has fulfilled the SC's conditions of approval for the Scheme and that the Bye-Laws do not contravene the Guidelines on Employee Share Option Schemes as stipulated under the "Policies and Guidelines on Issue/Offer of Securities ("Issues Guidelines"); and
 - (bb) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed therein.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

The date of the confirmation letter submitted by the adviser would signify the effective date for the launch/implementation of the Scheme ("Effective Date"). The scheme shall be in force for a duration of five(5) years from the Effective Date. The Company may, if the Board and the ESOS Committee deem fit, extend the Scheme for another five(5) years. Such extended Scheme shall be implemented in accordance with the terms of the Bye-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty(30) days prior to the expiry of the Scheme.

- 19.2 Offers can only be made during and not after the duration of the Scheme.
- 19.3 The Company in general meeting may at any time by ordinary resolution terminate the Scheme. Prior to the termination, the Company must satisfy all of the following conditions:-
- (a) To obtain the approval of the SC for the termination of the Scheme;
 - (b) To obtain the consent of its shareholders at a general meeting, wherein at least a majority of the shareholders present should vote in favour of the termination; and
 - (c) To obtain the written consent of all option-holders who have yet to exercise their Options, either in part or in whole.
- 19.4 In the event of termination of the Scheme, the following provisions shall apply:-
- (a) no further Offers shall be made by the ESOS Committee from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained;
 - (b) all Offers which have yet to be accepted shall automatically lapse from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained; and
 - (c) all outstanding Options shall be automatically terminated from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained.
- 19.5 In seeking to obtain the approval of the SC and the consent of shareholders and option-holders for the termination of the Scheme, the Company must provide sufficient information on the following matters:-
- (a) Reasons for the termination;
 - (b) Whether or not the termination of the Scheme would be in the best interest of the Company; and
 - (c) Any other information that would justify termination of the Scheme.
- 19.6 The Company may establish a new employee share option scheme after the expiry or upon the termination of the Scheme. However, the new scheme shall be subject to the approval of the SC.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

20. ADMINISTRATION

- 20.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these Bye-Laws, administer the Scheme and regulate the ESOS Committee's own proceedings in such manner as it shall think fit.
- 20.2 Without limiting the generality of Bye-Law 20.1, the ESOS Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme.
- 20.3 The Board shall have power at any time and from time to time to rescind the appointment of any person appointed to the ESOS Committee as it shall deem fit.
- 20.4 The ESOS Committee shall comprise persons from the Board and/or senior management of the Company.

21. AMENDMENT

- 21.1 Any subsequent modifications or amendments to the Bye-Laws shall be made and proposed by the ESOS Committee and approved by the Board. Such modification and amendment do not need the prior approval of the SC. However, the Company is required to submit to the SC each time a modification or amendment is made, a confirmation letter that the modification or amendment does not contravene any of the provision of the ESOS Guidelines.
- 21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these Bye-Laws provided that no addition, amendment or deletion shall be made to these Bye-Laws which would:-
- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by Bye-Law 4.1; or
 - (c) provide an advantage to any Grantee or group of Grantees or all Grantees.

22. INSPECTION OF ACCOUNTS

All Grantees are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company at 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang during the usual business hours.

23. SCHEME NOT A TERM OF EMPLOYMENT

The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Employee.

THE BYE-LAWS OF THE PROPOSED ESOS (Cont'd)

24. NO COMPENSATION FOR TERMINATION

No Employee shall be entitled to any compensation for damages arising from the termination of any Options pursuant to the provisions of these Bye-Laws.

25. DISPUTES

Any disputes arising hereunder shall be referred to the decision of the external auditors for the time being of the Company acting as experts and not as arbitrators, whose decision shall be final and binding in all respects, provided that no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these Bye-Laws.

26. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of Options, shall be borne by the Company.

27. ARTICLES OF ASSOCIATION

In the event of a conflict between any of the provisions of these Bye-Laws and the Articles of Association of the Company, the Articles of Association shall prevail.

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FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. MATERIAL LITIGATION

Save as disclosed below, PIE and/or its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors have no knowledge of any proceeding pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially affect the position or business of the Company and/or its subsidiaries:-

- (a) On 26 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 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 judgement sum.
- (b) PIESB has issued a notice of demand on 1 April 2002 to 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 wrongful breach of contract to purchase goods and wrongful set-off of payment. Xircom Operations (M) Sdn.Bhd. has since approached PIESB to negotiate for an amicable settlement of the claims by PIESB and the Board is of the opinion that there is a fair chance that both parties will reach an agreement on the settlement of the sum claimed by PIESB.

3. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by PIE Group within the past two(2) years preceding the date of this Circular.

4. CONSENT

The written consent of AmMerchant Bank to the inclusion in this Circular of its name in the form and context in which it appears has been given and has not been subsequently withdrawn before the issue of this Circular.

FURTHER INFORMATION (Cont'd)

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company following the publication of this Circular from Mondays to Fridays (except public holidays) during business hours up to and including the date of the EGM:-

- (a) the Memorandum and Articles of Association of PIE;
- (b) the audited accounts of PIE for the two(2) financial years ended 31 December 2000 and 31 December 2001 and the unaudited six(6) months results for the period ended 30 June 2002;
- (c) the Bye-Laws of the Proposed ESOS;
- (d) the relevant cause papers in respect of material litigation referred to in Section 2 above; and
- (e) the letter of consent referred to in Section 4 above.

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P.I.E. INDUSTRIAL BERHAD

(424086-X)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 2 December 2002 at 9.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED EMPLOYEE SHARE OPTION SCHEME (“PROPOSED ESOS”)

“THAT, subject to the approval-in-principle of the Kuala Lumpur Stock Exchange (“KLSE”) for the listing of and quotation for the new ordinary shares of RM1.00 each (“ordinary shares”) to be issued hereunder and the approvals of other relevant authorities, the Directors be and are hereby authorised to:-

- (a) establish and administer the Proposed ESOS, to be known as the “P.I.E. Industrial Berhad Employee Share Option Scheme” in accordance with the Bye-Laws of the Proposed ESOS as contained in the Circular dated 15 November 2002, for the benefit of executive directors and eligible employees of the Company and its subsidiaries (“Group”);
- (b) give effect to the Proposed ESOS with full power to assent to any modifications and/or amendments as may be required by the relevant authorities;
- (c) make the necessary applications to the KLSE and do all other things necessary for the listing of and quotation for the new ordinary shares of the Company which shall from time to time be allotted and issued pursuant to the Proposed ESOS;
- (d) allot and issue new ordinary shares of the Company from time to time during the duration of the Proposed ESOS to executive directors and eligible employees of the P.I.E. Industrial Berhad Group pursuant to their exercise of options under the Proposed ESOS provided that the total number of ordinary shares to be issued under the Proposed ESOS shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time or such additional number of Shares that may be permitted by the SC during the duration of the Proposed ESOS. Such new ordinary shares shall upon allotment rank pari passu in all respect with the then existing issued ordinary shares of the Company except that the ordinary shares so issued shall not rank for any dividend or other distribution declared, made or paid to shareholders which entitlement date thereof precedes the allotment date of the new Shares and will be subject to all provisions of the Articles of Association of the Company.
- (e) modify and/or amend the Proposed ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the Bye-Laws of the Proposed ESOS; and
- (f) otherwise do all such acts and enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give effect to the Proposed ESOS.”

**ORDINARY RESOLUTION 2
PROPOSED ALLOCATION OF OPTIONS TO MUI CHUNG MENG, NON-INDEPENDENT,
MANAGING DIRECTOR**

“THAT, conditional upon the passing of Ordinary Resolution 1 above, the Company be and is hereby authorised specifically to offer and grant to Mui Chung Meng, Non-Independent, Managing Director, options to subscribe for up to a maximum of 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Proposed ESOS, subject always to any adjustments which may be made in accordance with the provisions of the Bye-Laws governing and constituting the Proposed ESOS.”

**ORDINARY RESOLUTION 3
PROPOSED ALLOCATION OF OPTIONS TO CHEN, CHIH-WEN, NON-INDEPENDENT,
EXECUTIVE DIRECTOR**

“THAT, conditional upon the passing of Ordinary Resolution 1 above, the Company be and is hereby authorised specifically to offer and grant to Chen, Chih-Wen, Non-Independent, Executive Director, options to subscribe for up to a maximum of 360,000 new ordinary shares of RM1.00 each in the Company pursuant to the Proposed ESOS, subject always to any adjustments which may be made in accordance with the provisions of the Bye-Laws governing and constituting the Proposed ESOS.”

By Order Of The Board

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

Penang
15 November 2002

Notes:-

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

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

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

P.I.E. INDUSTRIAL BERHAD

(424086-X)
(Incorporated in Malaysia)

FORM OF PROXY

Number of shares held

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 the Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11 Lebu Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai on 2 December 2002 at 9.00 a.m.

I/We hereby indicate with an "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)

	FOR	AGAINST
ORDINARY RESOLUTION 1 - Proposed Employee Share Option Scheme		
ORDINARY RESOLUTION 2 - Proposed Allocation of Options to Mui Chung Meng, Non-Independent, Managing Director		
ORDINARY RESOLUTION 3 - Proposed Allocation of Options to Chen, Chih-Wen, Non-Independent, Executive Director		

Signature of Member:

Signed this:

Number of shares held:

Notes:-

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

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

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