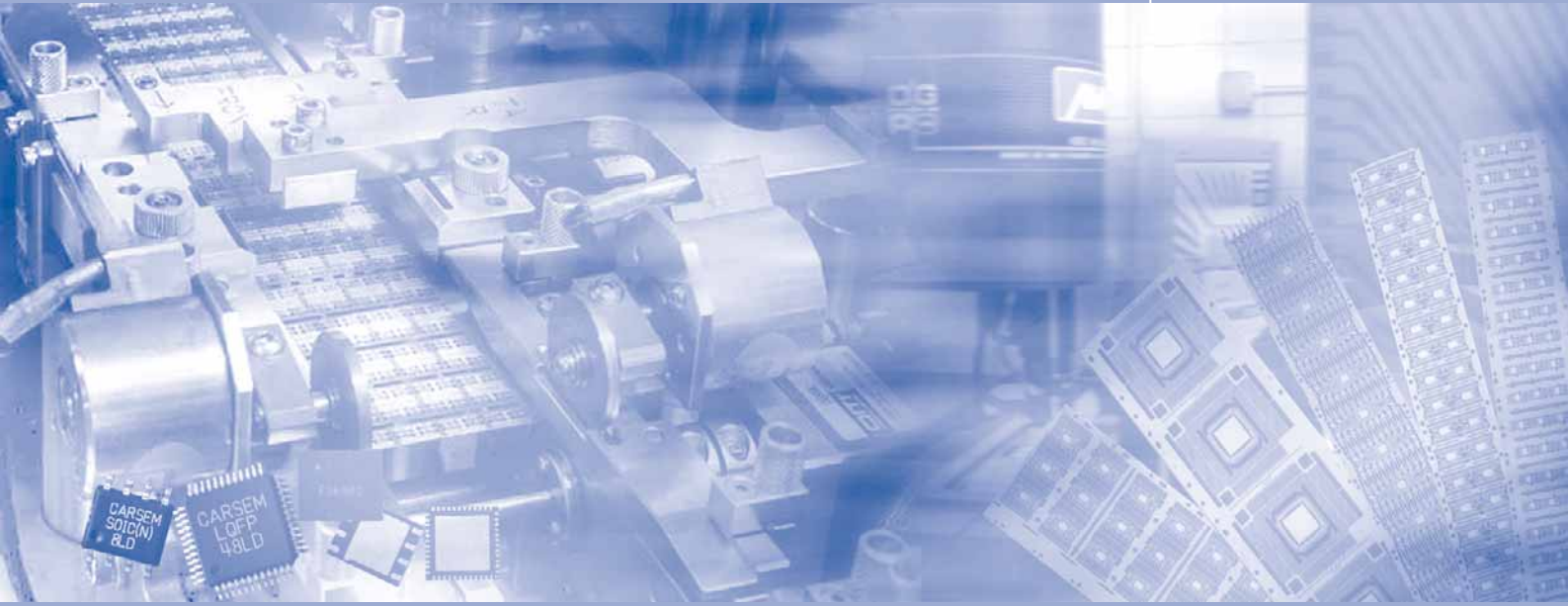


LAPORAN
TAHUNAN

2004

ANNUAL
REPORT

Malaysian Pacific Industries Berhad Laporan Tahunan 2004 Annual Report



CONTENTS

Company Profile	2
Corporate Information	3
Directors' Profile	4
Board Audit & Risk Management Committee Report	6
Notice of Annual General Meeting	8
Statement Accompanying Notice of Annual General Meeting	9
Group Financial Highlights	10
Corporate Governance and Internal Control	11
Chairman's Statement	14
Financial Statements	18
Other Information	59
Form of Proxy	

COMPANY PROFILE

profile

Malaysian Pacific Industries Berhad

("MPI") is principally an investment holding company whilst the principal activities engaged by its subsidiary companies are that of manufacturing, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers world-wide.

MPI is a public listed company and its shares are traded on the Main Board of Bursa Malaysia Securities Berhad.

CORPORATE INFORMATION

information

DIRECTORS

Mr Kwek Leng San
(Executive Chairman)

Mr David Edward Comley
(Group Managing Director)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2095 3388
Fax : 03-2095 0971

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
(formerly known as Hong Leong Nominees
Sendirian Berhad)
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

COUNTRY OF INCORPORATION / DOMICILE

A public limited liability company
incorporated and domiciled in Malaysia

DIRECTORS' PROFILE

profile

Mr Kwek Leng San

Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 49, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He was appointed as a Director of Malaysian Pacific Industries Berhad ("MPI") on 20 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993 before assuming his present position as the Executive Chairman on 20 July 1999. Presently, he is also the Executive Chairman of Guolene Packaging Industries Berhad, President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad, Group Managing Director of Camerlin Group Berhad and Managing Director of Narra Industries Berhad (formerly known as Hume Cemboard Berhad) ("Narra"). He is also the Chairman of Southern Steel Berhad and a Director of O.Y.L. Industries Bhd and Hong Leong Company (Malaysia) Berhad.

He is a member of the Executive Share Option Scheme ("ESOS") Committee, Share Transfer Committee and Board Audit & Risk Management Committee of MPI.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2004.

Mr Kwek is a brother of Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both deemed major shareholders of MPI. Mr Kwek has no conflict of interest with MPI and has no conviction for offences within the past ten years.

Mr David Edward Comley

Group Managing Director/Non-Independent

Mr David Edward Comley, aged 55, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to joining MPI as a Director and subsequently as the Group Managing Director on 16 August 1993 and 1 May 1994 respectively, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

Mr David Comley is a member of the ESOS Committee and Share Transfer Committee of MPI. He is also a Director of HLI.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2004.

Mr David Comley has no family relationship with other Directors or major shareholders of MPI, has no conflict of interest with MPI and has no conviction for offences within the past ten years.

Syed Zaid bin Syed Jaffar Albar

Non-Executive Director/Independent

Syed Zaid bin Syed Jaffar Albar, aged 50, a Malaysian, graduated with a B.A.(Hons) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 24 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

Syed Zaid was appointed to the Board of MPI on 7 July 1994. He is the Chairman of the Board Audit & Risk Management Committee of MPI. He is also a Director of Narra, Cycle & Carriage Bintang Berhad and Malaysia Building Society Berhad.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2004.

Syed Zaid has no family relationship with other Directors or major shareholders of MPI, has no conflict of interest with MPI and has no conviction for offences within the past ten years.

DIRECTORS' PROFILE

profile (cont'd)

Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 60, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM. In 1977 he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer ("CEO") in 1981 till 1999. As FMM CEO, he represented the organisation on various Government boards and committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN trade and industrial cooperation regional meetings and other international business forums. He also served as a Management Board member of EAN International located in Brussels, which oversees the world-wide commercial usage of the EAN - UCC bar codes and product numbering system.

Mr Tan was appointed to the Board of MPI on 3 July 1995 and is a member of the Board Audit & Risk Management Committee of MPI.

He is also a Director of Hong Leong Bank Berhad, Hong Leong Properties Berhad, Hong Leong Assurance Berhad and Hong Leong Finance Berhad.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2004.

Mr Tan has no family relationship with other Directors or major shareholders of MPI, has no conflict of interest with MPI and has no conviction for offences within the past ten years.

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Non-Independent

Tan Sri Asmat bin Kamaludin, aged 60, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in January 2001, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

Tan Sri Asmat was appointed to the Board of MPI on 2 February 2001. He does not sit on any committee of MPI.

He is the Non-Executive Chairman of UMW Holdings Berhad, Matsushita Electric Company (Malaysia) Berhad, Symphony House Berhad and SCOMI Group Berhad, Non-Executive Vice Chairman of YTL Cement Berhad and a Director of Carlsberg Brewery Malaysia Berhad, Shangri-La Hotels Malaysia Berhad, Lion Industries Corporation Berhad and Commerce Asset-Holding Berhad.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2004.

Tan Sri Asmat has no family relationship with other Directors or major shareholders of MPI, has no conflict of interest with MPI and has no conviction for offences within the past 10 years.

BOARD AUDIT

& risk management committee report

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Malaysian Pacific Industries Berhad ("MPI" or "the Company") has been established since 12 July 1994.

COMPOSITION

Tuan Syed Zaid bin Syed Jaffar Albar
Chairman, Independent Non-Executive Director

Mr Tan Keok Yin
Independent Non-Executive Director

Mr Kwek Leng San
Non-Independent Executive Director

SECRETARY

The Secretary to the Committee is Ms Joanne Leong Wei Yin, who is the Company Secretary of MPI.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

& risk management committee report (cont'd)

AUTHORITY

The Committee is authorised by the Board to review any activity of MPI and its subsidiaries ("the Group") within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit and external auditors are invited to attend Committee meetings. At least once a year, the Committee will have a separate session with the external auditors without the presence of executive directors.

Two (2) independent and non-executive members of the Committee shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2004, four (4) Committee meetings were held and all the meetings were attended by all the Committee members.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The Committee reviewed and approved various related party transactions carried out by the Group.

INTERNAL AUDIT

During the financial year ended 30 June 2004, the Internal Audit Department carried out its duties covering business audit, system and financial audit.

NOTICE OF ANNUAL GENERAL MEETING

annual general meeting

NOTICE IS HEREBY GIVEN that the Forty-third Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 18 October 2004 at 10.15 a.m. in order:

1. to receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2004;
2. to approve the payment of Directors' fees of RM170,000/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect Mr David Edward Comley, Mr Tan Keok Yin and YBhg Tan Sri Asmat bin Kamaludin, the retiring Directors;
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

Authority To Directors To Issue Shares

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."; and

6. to consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Secretary

Kuala Lumpur
25 September 2004

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**
The Ordinary Resolution, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING

STATEMENT ACCOMPANYING

notice of annual general meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors who are standing for re-election at the Forty-third Annual General Meeting of the Company

Pursuant to Article 115 of the Company's Articles of Association

- (a) Mr David Edward Comley;
- (b) Mr Tan Keok Yin; and
- (c) YBhg Tan Sri Asmat bin Kamaludin.

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2004. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 to 5 of the Annual Report.

3. Place, date and time of Forty-third Annual General Meeting

The Forty-third Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 18 October 2004 at 10.15 a.m.

4. Further details of individuals who are standing for election as Directors

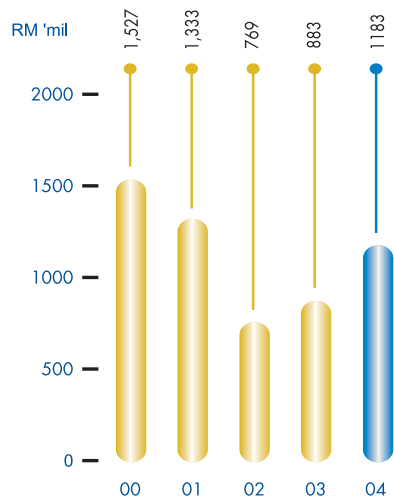
No individual is seeking election as a Director at the Forty-third Annual General Meeting of the Company.

GROUP FINANCIAL

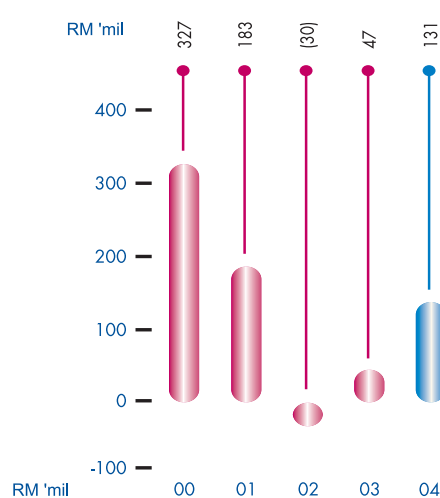
highlights

(RM 'mil)	2000	2001	2002	2003	2004
Revenue	1,527	1,333	769	883	1,183
Profit/(Loss) Before Taxation	501	318	(18)	48	163
Net Profit/(Loss)	327	183	(30)	47	131
Net Earnings/(Loss) Per Share (sen)	161	92	(15)	23	66
Net Dividend Per Share (sen)	56	66	41	35	59
Shareholders' Funds	832	807	697	674	689
Total Assets	1,990	1,832	1,545	1,392	1,531
Capital Expenditure	424	338	115	115	277

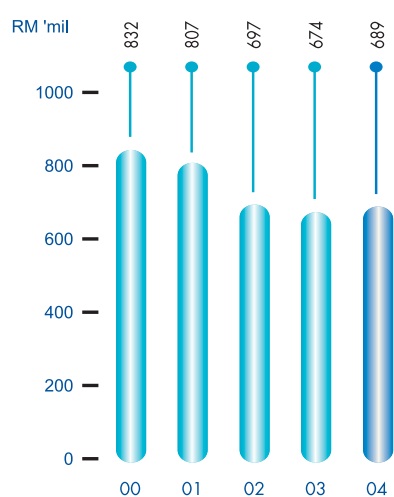
Revenue



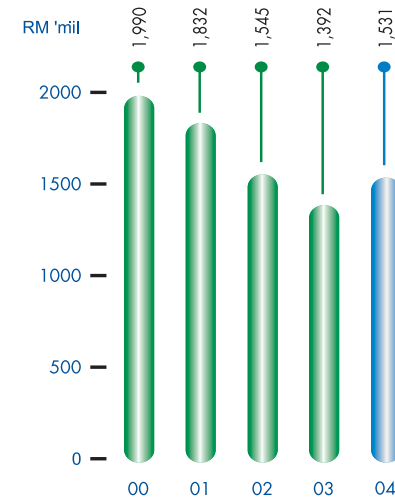
Net Profit/(Loss)



Shareholders' Funds



Total Assets



CORPORATE GOVERNANCE AND INTERNAL CONTROL

CORPORATE GOVERNANCE

and internal control

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."

~ Finance Committee on Corporate Governance

The Board of Directors has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

II Board Balance

The Board of Directors comprises five (5) directors, three (3) of whom are non-executive. Of the non-executive directors, two (2) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Board met four (4) times during the financial year ended 30 June 2004.

The Board has identified the Company Secretary of the Company to whom concerns may be conveyed, who would bring the same to the attention of the Board.

III Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

IV Appointments to the Board

The Company does not have a Nominating Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board.

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed Directors' Manual where each new director will be given a copy at the point of his appointment. The Directors' Manual highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. The new director will be given briefing on the business of the Group and regulatory issues. Directors of the Company will also be updated from time to time of any new or changes to companies and securities legislations, rules and regulations.

V Re-election

All directors are required to submit themselves for re-election every three years.

B. DIRECTORS' REMUNERATION

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

For non-executive directors, the level of remuneration reflects the level of responsibilities undertaken by them.

B. DIRECTORS' REMUNERATION (cont'd)

II Procedure

The remuneration packages of all executives of the Group including executive directors are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

III Disclosure

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2004 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	162,000	1,980,600	2,142,600
Non-Executive Directors	90,000	35,000	125,000

The number of directors whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	0	3
50,001 – 400,000	0	0
400,001 – 450,000	1	0
450,001 – 1,700,000	0	0
1,700,001 – 1,750,000	1	0

C. SHAREHOLDERS

I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

II Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

D. ACCOUNTABILITY AND AUDIT

The Board Audit & Risk Management Committee ("the Committee") was established on 12 July 1994. The financial reporting and internal control system of the Group is overseen by the Committee, which comprises a majority of non-executive directors. The primary responsibilities of the Committee are set out in the Board Audit & Risk Management Committee Report.

The Committee met four (4) times during the financial year ended 30 June 2004. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 7 of the Annual Report.

The Committee is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the Committee and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Committee meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Committee, which assesses the financial statements with the assistance of the external auditors.

D. ACCOUNTABILITY AND AUDIT (cont'd)

II Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the Committee, which determines the remuneration of the external auditors. The external auditors meet with the Committee to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

E. STATEMENT ON INTERNAL CONTROL

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist it in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures to manage these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the Committee with the responsibility to oversee the implementation of the risk management framework of the Group.

The Board, in concurrence with the Committee, has appointed a Risk Manager ("RM") to administer the risk management framework. The RM is responsible to:

- periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework;
- assess adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- periodically report to the Committee on the state of internal controls and the management of risks throughout the Group.

The Committee, assisted by the Internal Audit Department, provides oversight on the implementation of the risk management framework of the Group.

These on going processes have been in place for the financial year under review, and reviewed periodically by the Committee.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2004, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

CHAIRMAN'S STATEMENT

statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2004.

FINANCIAL REVIEW

The Group is pleased to report a turnover of RM1.18 billion for the financial year ended 30 June 2004, an increase of 34% over the previous year's turnover of RM882.5 million.

Operating profit was RM173.2 million compared with RM57.8 million a year ago. The profit attributable to shareholders was RM131.2 million, an almost threefold increase over the previous year's RM46.7 million. The Group had enjoyed nine consecutive quarters of profitability, marking a sustained return to profitability after the severe semiconductor industry downturn that started in 2001.

Earnings per share was 65.95 sen compared with 23.46 sen in financial year 2002/2003.

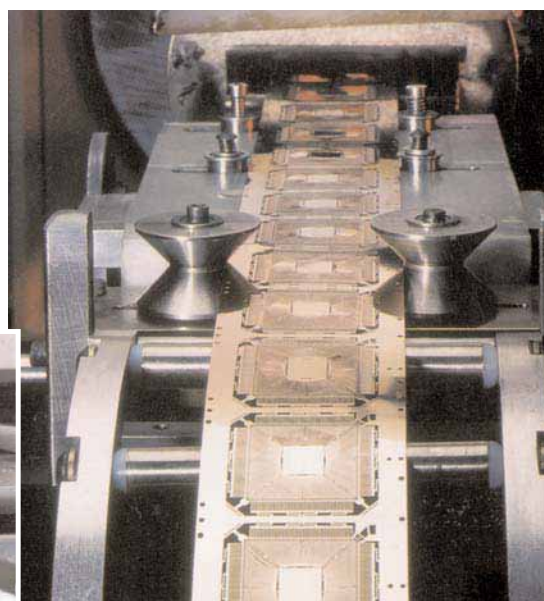
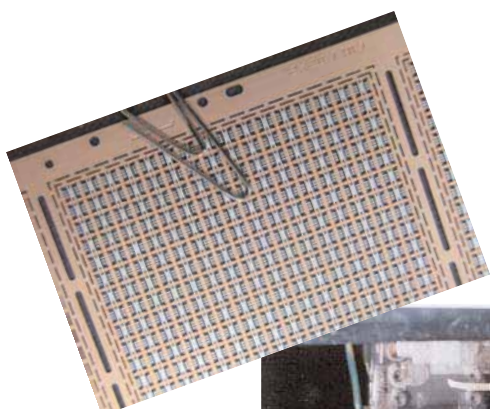
Strong cash flow enabled the Group to invest RM277 million in new plant and equipment, pay

a dividend of RM117 million and hold gearing at a healthy 30%.

BUSINESS REVIEW

The past year had seen strong consumer spending in America, China, Japan and to a lesser extent Europe, resulting in a year of exceptional growth for the electronics industry. The computer industry benefited as improved profitability gave companies the confidence to replace and upgrade hardware. The inventory of cellphones, one of the major causes of the last downturn, had been reduced and the introduction of new models with new features resulted in substantial growth for this sector.

An important outcome from the last downturn was the reduction of costs throughout the supply chain leading to significant reductions in the selling prices of consumer



CHAIRMAN'S STATEMENT

statement (cont'd)

electronic goods. The past year had seen the consumer electronics market become as significant as the computer and cellphone markets. The automotive industry continues to grow albeit at a more modest rate.

Carsem (M) Sdn Bhd ("Carsem") achieved a year-on-year revenue growth of 40%. The quantities of the traditional, leaded packages had recovered to levels higher than before the downturn and the market acceptance and growth of the company's new product, Micro Leadframe Package ("MLP"), had been encouraging. Carsem's electrical Test business continued to grow at a greater pace than its other products as more of Carsem's customers outsource this operation. Carsem completed the construction of a four-storey factory, which was started in year 2000 and put on hold during the downturn. Two floors had been facilitated and became operational in May 2004.

Dynacraft Industries Sdn Bhd ("Dynacraft"), the Group's leadframe design and manufacturing arm, achieved an annual growth of 19% and continued with major transformations in all aspects of its business, repositioning the company towards outperforming the leadframe industry. These efforts include sustained operational improvements achieved through key

programmes such as total productive maintenance, team-building and driving towards lean manufacturing concepts, executed by a young but experienced management team, resulting in improved balance sheet and healthy cashflow indices.

The strategic challenges to the business, such as cycle-time and inventory reduction were being addressed through a supply chain management approach. In addition, customer needs, competitiveness, reduced manufacturing cost, new technologies, equipment and improved products continued to be further enhanced and intensified.

FUTURE

The Group had invested RM274 million into property, plant and equipment over the past twelve months with the majority being spent on assembly, Test and further research into the MLP range of products. The Group's MLP product line continued to see the highest growth, shipping 620 million units this year, compared with 148 million in the financial year ended 30 Jun 2003, making Carsem one of the largest producers of MLPs in the world.



CHAIRMAN'S STATEMENT

statement (cont'd)



Carsem continues to lead the industry in MLP technologies and while most of the current products are for the cell-phone and disc-drive markets, Carsem is working on a variety of MLP applications for opto, power and multi-chip integration applications. The launching of the high-density, low-cost MLP programme ensures that Carsem is well placed to gain market share going forward.

Another area of high growth is in Test services. Many of Carsem's customers had either exited or downsized their in-house Test operations and are now relying heavily on independent Test houses. Also the emergence of many fabless companies is pushing the demand for Test services even higher. It is clear that in order to win business today, one has to provide a complete assembly and Test turnkey solution. With its continuous focus and investments into Test, the Group is well positioned for this business.

Dynacraft is now supporting a wide range of leadframes for MLP packages and had successfully developed the M.E.P., "Mould Enhancement Process", to improve its customers' package "moisture sensitivity levels". This will be complemented by further improvements on their "Lead-free, Pre-plated" leadframe technology, which is anticipated to be

an industry standard in the next few years. Its success in developing and promoting this technology had paved the way for it to increase its market share with a number of key customers.

Moving forward, Dynacraft will increase its installed capacity and capability for each products to meet market demands and open up its product portfolio to provide a "one stop shop" concept to its expanding customer base.

OTHER DEVELOPMENTS

The Group's expansion into The People's Republic of China is progressing well. The factory building was completed in February 2004 and the delivery, installation and qualification of equipment for the first phase of production had been completed. Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou") has 200 employees, most of whom had completed their training in Carsem's factories in Malaysia. There had been a growing number of customer visits to the Carsem Suzhou's factory and to date, three customer qualifications had been successfully completed. Production is expected to start in September 2004 and the official opening ceremony is scheduled for 23 September 2004.

CHAIRMAN'S STATEMENT

statement (cont'd)

In November 2003, a complaint was filed by Amkor Technology, Inc., against Carsem with the U.S.A. International Trade Commission ("ITC"), alleging infringement of three of its Micro Lead Frame patents. Carsem will vigorously defend its right to use the technology it has developed. The ITC trial was completed in August and is awaiting judgment due in November 2004.

PROSPECTS

The Board expects the Group to further benefit from the continuing trend of outsourcing activities as customers move to downsize their internal assembly and Test capacities in efforts to reduce cost and cycle time.

Solid business fundamentals, an experienced management team, a strong balance sheet, healthy cash flows and being a leader in new packaging and leadframe technologies will ensure that the prospects of the Group remain sound.

Barring any unforeseen circumstances, the Board expects the Group to perform better in the next financial year.

DIVIDENDS

The Board is not recommending a final dividend. For the financial year ended 30 June 2004, a total gross dividend of 35 sen per share tax exempt, 5 sen per share less tax and a special interim dividend of 20 sen per share tax exempt had been declared (Period ended 30 June 2003: 21.5 sen tax exempt, 18.5 sen per share less tax).

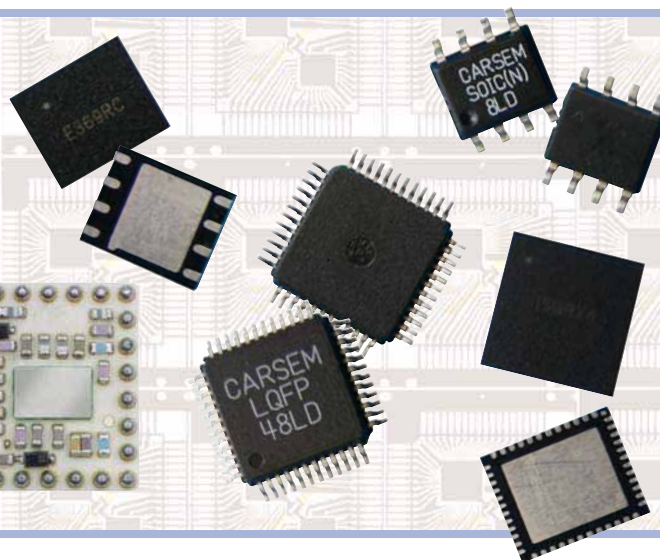
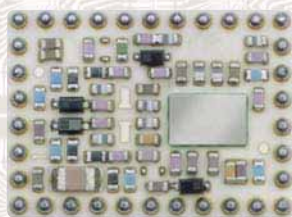
APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to each and every staff of the Group for their contributions, commitments and dedication to the Group.

Our appreciation also goes to our valued customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group.

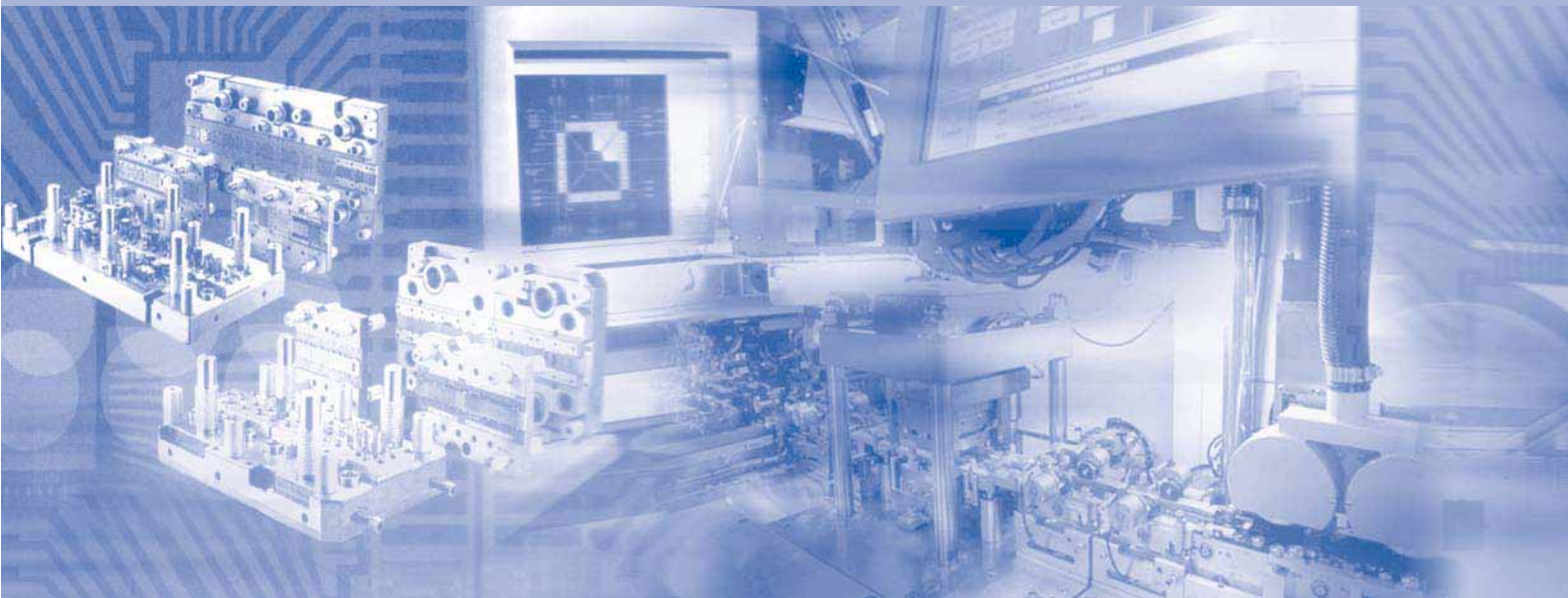
KWEK LENG SAN
Chairman

Kuala Lumpur
26 August 2004



FINANCIAL STATEMENTS

statements



Directors' Report	19
Balance Sheets	24
Income Statements	25
Statements of Changes in Equity	26
Cash Flow Statements	27
Notes to the Financial Statements	29
Statement by Directors	57
Statutory Declaration	57
Report of the Auditors	58

DIRECTORS' REPORT

report for the financial year ended 30 June 2004

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2004.

Principal activities

The Company is an investment holding company, whilst the principal activities of the subsidiaries are as stated in Note 2 to the financial statements. There have been no significant changes in these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year	131,183	117,176

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:-

- (i) a first interim dividend of 15 sen per share tax exempt amounting to RM29,837,763 on 24 December 2003 in respect of the financial year ended 30 June 2004; and
- (ii) a second interim dividend of 20 sen per share tax exempt and 5 sen per share less tax and a further special interim dividend of 20 sen per share tax exempt amounting to RM86,728,431 on 23 June 2004 in respect of the financial year ended 30 June 2004.

The Directors do not recommend any final dividend for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:-

Mr Kwek Leng San (Executive Chairman)
Mr David Edward Comley (Group Managing Director)
Tuan Syed Zaid bin Syed Jaffar Albar
Mr Tan Keok Yin
YBhg Tan Sri Asmat bin Kamaludin

In accordance with Article 115 of the Company's Articles of Association, Mr David Edward Comley, Mr Tan Keok Yin and YBhg Tan Sri Asmat bin Kamaludin retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

report for the financial year ended 30 June 2004 (cont'd)

Directors' interests

No Director holding office at the end of the financial year had any beneficial interest in the ordinary shares and/or options/convertible unsecured loan stocks of the Company and/or its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except as follows:-

	Nominal value per share	Number of ordinary shares/ New shares to be issued arising from the exercise of options/ convertible unsecured loan stocks*			
		At 1.7.2003	Acquired	Sold	At 30.6.2004
Interests of Mr Kwek Leng San in:-					
Hong Leong Company (Malaysia) Berhad	RM1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	RM0.50	1,550,000	-	-	1,550,000
	-	650,000*	-	-	650,000*
Malaysian Pacific Industries Berhad	RM0.50	315,000	-	-	315,000
HLG Capital Berhad	RM1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	RM1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120#	-	-	209,120
Interest of Mr David Edward Comley in:-					
Malaysian Pacific Industries Berhad	RM0.50	262,000	-	-	262,000
	-	400,000*	-	-	400,000*
Interest of Tuan Syed Zaid bin Syed Jaffar Albar in:-					
HLG Capital Berhad	RM1.00	105,000	-	105,000	-

Legend:

Shareholding as at 6 April 2004 as the corporation became a related corporation.

Directors' benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for Tuan Syed Zaid bin Syed Jaffar Albar, who may be deemed to derive a benefit by virtue of the provision of legal services to related corporations.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

report for the financial year ended 30 June 2004 (cont'd)

Executive share option scheme ("ESOS" or "Scheme")

The shareholders of the Company approved the implementation of the Scheme at the Extraordinary General Meeting held on 11 December 1999. On 12 November 2002, shareholders approved a proposal to extend the duration of the Scheme for an additional period of 5 years from 24 December 2004 up to and including 23 December 2009 and amended the Bye-Laws of the Scheme to inter alia incorporate revisions to the Securities Commission Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Company to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

The main features of the ESOS are, inter alia, as follows:-

- 1) Eligible executives are those executives (including full time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full time executive directors have been approved by the shareholders of the Company in a general meeting.
- 2) The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
- 3) The Scheme shall be in force for a period of ten (10) years from 24 December 1999.
- 4) The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50.
- 5) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
- 6) The options granted to eligible executives will lapse when they are no longer in employment of the Group.

The movements in the Company's unissued ordinary shares under the ESOS during the financial year are as follows:-

	Number of unissued ordinary shares of RM0.50 each under the ESOS					
	Offer date	Balance at 1.7.2003	Options granted	Options lapsed/cancelled	Options exercised	Balance at 30.6.2004
Option price of RM25.62	28.12.1999	3,705,200	-	22,000	-	3,683,200
Option price of RM42.35	17.04.2000	252,500	-	-	-	252,500
Option price of RM22.97	15.11.2000	291,000	-	-	-	291,000
		4,248,700	-	22,000	-	4,226,700

Share capital and debenture

There were no changes in the issued and paid-up capital of the Company and the Company has not issued any debenture during the financial year under review.

DIRECTORS' REPORT

report for the financial year ended 30 June 2004 (cont'd)

Share capital and debenture (cont'd)

There was no share buyback from the open market during the financial year. As at 30 June 2004, the total number of shares bought back was 10,966,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:-

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report there does not exist:-

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Pursuant to Section 168(8) of the Companies Act, 1965, the Registrar of Companies has granted an order authorising Carsem Semiconductor (Suzhou) Co., Ltd to continue its financial year end of 31 December, which does not coincide with that of Malaysian Pacific Industries Berhad, its holding company, in accordance with and as required by the Accounting Law of its country of incorporation.

DIRECTORS' REPORT

report for the financial year ended 30 June 2004 (cont'd)

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur,
26 August 2004

BALANCE SHEETS

sheets as at 30 June 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	1,009,934	939,308	19	114
INVESTMENTS	4	4,663	55,541	487,139	478,294
INTANGIBLE ASSETS	5	18,839	21,002	-	-
OTHER ASSETS	6	62,678	-	62,678	-
CURRENT ASSETS					
Inventories	7	68,468	47,045	-	-
Trade and other receivables	8	202,208	160,125	2,700	18,424
Tax recoverable		12,749	11,339	7,087	6,072
Cash and bank balances	9	151,615	157,397	25,194	47,526
		435,040	375,906	34,981	72,022
CURRENT LIABILITIES					
Trade and other payables	10	208,506	137,780	1,568	1,370
Borrowings (unsecured)	11	326,358	118,116	128,244	5,066
Taxation		10	253	-	-
		534,874	256,149	129,812	6,436
NET CURRENT (LIABILITIES)/ASSETS		(99,834)	119,757	(94,831)	65,586
		996,280	1,135,608	455,005	543,994
SHARE CAPITAL AND RESERVES					
Share capital	12	104,942	104,942	104,942	104,942
Reserves	13	747,693	733,077	475,438	474,829
Treasury shares, at cost		(163,620)	(163,620)	(163,620)	(163,620)
		689,015	674,399	416,760	416,151
MINORITY SHAREHOLDERS' INTERESTS		235,577	230,132	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings (unsecured)	11	38,000	171,873	38,000	127,533
Retirement benefits	14	586	4,592	245	310
Deferred taxation	15	33,102	54,612	-	-
		71,688	231,077	38,245	127,843
		996,280	1,135,608	455,005	543,994

The financial statements were approved and authorised for issue by the Board of Directors on 26 August 2004.

The notes set out on pages 29 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENTS

statements for the financial year ended 30 June 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
REVENUE	16	1,183,363	882,522	132,546	218,788
OPERATING PROFIT	16	173,324	57,878	129,479	265,519
Interest expense		(14,967)	(17,905)	(11,714)	(12,221)
Interest income		4,973	7,580	1,223	4,958
PROFIT BEFORE TAXATION		163,330	47,553	118,988	258,256
Taxation	18	22,248	19,733	(1,812)	(14,039)
PROFIT AFTER TAXATION		185,578	67,286	117,176	244,217
Minority interests		(54,395)	(20,619)	-	-
NET PROFIT FOR THE YEAR		131,183	46,667	117,176	244,217
Basic earnings per ordinary share (sen)	19	65.95	23.46		
Dividends per ordinary share (sen)	20	58.60	34.82		

The notes set out on pages 29 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CHANGES IN EQUITY

of changes in equity for the financial year ended 30 June 2004

Group	Note	Share capital RM'000	Share premium* RM'000	Capital redemption reserve*# RM'000	Exchange fluctuation reserve* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2002		104,942	249,952	-	(4,637)	510,359	(163,620)	696,996
Elimination of currency translation differences on liquidation		-	-	-	1,008	(1,008)	-	-
Net gains and losses not recognised in the income statement		-	-	-	1,008	(1,008)	-	-
Net profit for the year		-	-	-	-	46,667	-	46,667
Dividends	20	-	-	-	-	(69,264)	-	(69,264)
Transfer to capital redemption reserve		-	-	70	-	(70)	-	-
At 30 June 2003		104,942	249,952	70	(3,629)	486,684	(163,620)	674,399
Net profit for the year		-	-	-	-	131,183	-	131,183
Dividends	20	-	-	-	-	(116,567)	-	(116,567)
Transfer to capital redemption reserve		-	-	140	-	(140)	-	-
At 30 June 2004		104,942	249,952	210	(3,629)	501,160	(163,620)	689,015
		Note 12	Note 13	Note 13	Note 13	Note 13		

* - Non-distributable

- The capital redemption reserve represents a transfer from the revenue reserve arising from the redemption of redeemable preference shares by a subsidiary.

Company	Note	Share capital RM'000	Share premium* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2002		104,942	249,952	49,924	(163,620)	241,198
Net profit for the year		-	-	244,217	-	244,217
Dividends	20	-	-	(69,264)	-	(69,264)
At 30 June 2003/ 1 July 2003		104,942	249,952	224,877	(163,620)	416,151
Net profit for the year		-	-	117,176	-	117,176
Dividends	20	-	-	(116,567)	-	(116,567)
At 30 June 2004		104,942	249,952	225,486	(163,620)	416,760
		Note 12	Note 13	Note 13		

* - Non-distributable

The notes set out on pages 29 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

statements for the financial year ended 30 June 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flow from operating activities				
Profit before taxation	163,330	47,553	118,988	258,256
Adjustments for:				
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,863	-	-
Depreciation	201,400	200,564	68	86
Dividend income	(402)	(1,268)	(132,546)	(218,788)
Gain on disposal of investment	(7,988)	-	-	-
Gain on disposal of investment in a subsidiary	-	-	-	(56,000)
Gain on liquidation of a subsidiary	-	-	-	(353)
Interest expense	14,967	17,905	11,714	12,221
Interest income	(4,973)	(7,580)	(1,223)	(4,958)
(Gain)/Loss on disposal of property, plant and equipment	(276)	622	(120)	-
Property, plant and equipment written off	3,931	3,028	12	-
(Write back)/Provision for retirement benefits	(3,705)	1,140	(65)	-
Operating profit/(loss) before working capital changes	368,447	264,127	(3,172)	(9,536)
Changes in working capital:				
Inventories	(21,423)	3,669	-	-
Trade and other receivables	(104,761)	46,266	(61,955)	57,298
Trade and other payables	24,253	(77,945)	198	(1,277)
Cash generated from/(used in) operations	266,516	236,117	(64,929)	46,485
Taxation paid	(915)	(22,854)	-	-
Interest expense paid	(14,967)	(17,905)	(11,714)	(12,221)
Interest income received	4,973	7,580	1,223	4,958
Dividend received	402	1,268	129,720	205,498
Retirement benefits paid	(301)	(626)	-	-
Net cash generated from operating activities	255,708	203,580	54,300	244,720

CASH FLOW STATEMENT

statements for the financial year ended 30 June 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	1,105	2,717	135	-
Purchase of property, plant and equipment	(230,313)	(88,956)	-	-
Purchase of additional shares in subsidiaries	-	(54,000)	(22,845)	(285,000)
Proceeds from disposal of investment in a subsidiary	-	-	-	126,000
Proceeds from liquidation of a subsidiary	-	-	-	353
Redemption of redeemable preference shares by a subsidiary	-	-	14,000	7,000
Proceeds from disposal of investments	58,866	-	-	-
Net cash used in investing activities	(170,342)	(140,239)	(8,710)	(151,647)
Cash flow from financing activities				
Net proceeds/(repayments) of borrowings	83,668	(35,534)	32,934	(33,569)
Dividend paid to minority shareholders of subsidiaries	(48,950)	(83,645)	-	-
Dividend paid to shareholders of the Company	(116,567)	(69,264)	(116,567)	(69,264)
Repayment from/(Advance to) subsidiaries	-	-	15,000	(5,949)
Proceeds from shares issued to minority shareholders of subsidiaries	-	114,000	-	-
Net cash used in financing activities	(81,849)	(74,443)	(68,633)	(108,782)
Net increase/(decrease) in cash and cash equivalents	3,517	(11,102)	(23,043)	(15,709)
Cash and cash equivalents at beginning of year	147,387	158,489	47,526	63,235
Cash and cash equivalents at end of year	150,904	147,387	24,483	47,526

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and bank balances	151,615	157,397	25,194	47,526
Bank overdrafts (Note 11)	(711)	(10,010)	(711)	-
	150,904	147,387	24,483	47,526

The notes set out on pages 29 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements

1. Summary of significant accounting policies

The accounting policies of the Group and the Company are consistent with those adopted in the previous years. In addition, the Group and the Company adopted MASB 29, Employee Benefits in the current financial year ended 30 June 2004.

Apart from the inclusion of the new policy and extended disclosures where required by the new standard, there is no material effect on these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra-group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.

Minority shareholders' interest consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

(c) Property, plant and equipment and depreciation

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land and capital work-in-progress are not amortised. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The principal annual rates used are as follows:-

Leasehold land	Over period of lease between 50 to 90 years
Buildings	5%
Building improvement	10%
Plant, equipment and motor vehicles	10% - 50%

the financial statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(d) Investments

Long term investments other than in subsidiaries are stated at cost. An allowance is made when Directors are of the view that there is a diminution in their value which is other than temporary.

Investments in subsidiaries are stated at cost in the Company less impairment loss where applicable.

(e) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Negative goodwill in relation to the acquisition of subsidiary companies is netted off against the goodwill and the net amount is amortised over a period of twenty years.

(f) Inventories

Inventories are valued at the lower of cost determined on the weighted average basis and net realisable value. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and the estimated cost necessary to make the sale.

(g) Receivables

Trade and other receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

(h) Impairment

The carrying amount of the Group's assets other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on the revalued assets, in which case the reversal is taken to equity.

the financial statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(i) Liabilities

Borrowings and trade and other payables are stated at cost.

(j) Taxation

Taxation in the income statement comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(k) Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(l) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the period in which the associated services are rendered by the employees.

(ii) Defined contribution plans

The Company and its subsidiaries made contributions to the statutory pension scheme as required by the law. Such contributions are recognised as an expense in the income statement as and when incurred.

During the current financial year, the Group and the Company discontinued the defined contribution scheme ("Scheme") for its eligible executives which was administrated by the Hong Leong Group Executive Retirement Benefit Fund following the cessation of the Scheme on 31 December 2003.

(iii) Defined benefit plan

The Group and the Company operate an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MASB 29, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(iv) Equity and equity related compensation benefits

Executive share option scheme

The Group's Executive Share Option Scheme ("ESOS") allows the eligible executives to acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled, from time to time, to accept financial assistance from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the Company's shares from the open market for the purposes of this trust. The financial assistance given to the trustee to purchase the Company's shares for the purpose of the ESOS is recorded as "Other assets" in the balance sheet.

Remuneration expenses which are computed using the average purchase price (net of dividends received from the shares held) less the options price or the market price (whichever is lower), are recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and deposits with banks that are not pledged for any purposes, after deducting bank overdrafts.

(o) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

Assets and liabilities of subsidiary companies in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the end of the financial year and the results of foreign subsidiary companies are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at the average rate, are taken to reserves.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2004	2003
1 USD	RM3.80	RM3.80
1 SGD	RM2.22	RM2.16
100 JPY	RM3.51	RM3.22
1 SWF	RM2.92	RM2.80
1 EURO	RM4.60	RM4.32
1 RMB	RM0.46	RM0.46

the financial statements (cont'd)

1. Summary of significant accounting policies (cont'd)

(p) Derivative financial instruments

The Group uses derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement upon realisation.

(q) Revenue recognition

(i) Goods sold

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised in the income statement on accrual basis.

(r) Expenses

(i) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the income statement as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over a period of ten years on a straight-line basis.

(ii) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

(iii) Financing costs

All interest and other costs incurred in connection with borrowings are expensed to income statement as incurred.

(s) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Companies in the Group

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Malaysian Pacific Industries Berhad are shown below:-

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2004 %	2003 %	
Subsidiary Companies				
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacture and test of semiconductor devices and electronic components
+ Carsem Semiconductor Sdn Bhd	Malaysia	70	70	Dormant
@# Carsem Semiconductor (Suzhou) Co., Ltd.	The People's Republic of China	100	100	Design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacture and sale of leadframes
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
+* Carsem Inc.	USA	70	70	Semiconductor devices' and electronic components' marketing agents
* Dyna-Craft Industries, Inc.	USA	100	100	Dormant
* Carsem Holdings Limited	Bermuda	100	-	Investment holding
# MPI (BVI) Limited	British Virgin Islands	100	100	Investment trading
Techad Sdn Bhd	Malaysia	-	100	Wound up

* These subsidiaries are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.

+ Sub-subsidiary companies.

Subsidiary company not audited by KPMG.

@ The subsidiary is consolidated based on unaudited financial statements. The subsidiary's latest audited financial statements is for the year ended 31 December 2003. The financial year-end of this subsidiary is 31 December as required under the local regulations in its country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

3. Property, plant and equipment

Group	Long term leasehold land and building improvement RM'000	Freehold land and buildings RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2003	169,415	5,419	1,777,466	67,162	2,019,462
Additions	29,301	-	226,990	20,495	276,786
Disposals	(106)	-	(14,672)	-	(14,778)
Write off	-	-	(62,113)	-	(62,113)
Reclassification	85	-	8,477	(8,562)	-
At 30 June 2004	198,695	5,419	1,936,148	79,095	2,219,357
Accumulated depreciation					
At 1 July 2003	55,800	3,356	1,020,998	-	1,080,154
Charge for the year	7,378	-	194,022	-	201,400
Disposals	(106)	-	(13,843)	-	(13,949)
Write off	-	-	(58,182)	-	(58,182)
At 30 June 2004	63,072	3,356	1,142,995	-	1,209,423
Net book value					
At 30 June 2004	135,623	2,063	793,153	79,095	1,009,934
At 30 June 2003	113,615	2,063	756,468	67,162	939,308
Depreciation charge for the year ended 30 June 2003	7,035	-	193,529	-	200,564

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

3. Property, plant and equipment (cont'd)

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2003	546
Disposals	(242)
Write off	(24)
At 30 June 2004	280
Accumulated depreciation	
At 1 July 2003	432
Charge for the year	68
Disposals	(227)
Write off	(12)
At 30 June 2004	261
Net book value	
At 30 June 2004	19
At 30 June 2003	114
Depreciation charge for the year ended 30 June 2003	86

Included in a subsidiary's long term leasehold land is a piece of land with a net book value of RM2,614,000 (2003: RM2,644,000) which is in the process of being transferred to the subsidiary company's name. The building of a subsidiary is situated on land held under a long term operating leases (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

4. Investments

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Long term				
Quoted investments in shares, at cost:				
Related companies				
In Malaysia	-	50,878	-	-
Outside Malaysia	3,970	3,970	-	-
	3,970	54,848	-	-
Unquoted investments in shares, at cost:				
Subsidiaries	-	-	524,459	515,614
Less: Impairment losses	-	-	(38,013)	(38,013)
Other investments	693	693	486,446	477,601
	693	693	487,139	478,294
	4,663	55,541	487,139	478,294
Market value of quoted investments in shares:				
Related companies				
In Malaysia	-	51,339	-	-
Outside Malaysia	10,373	8,540	-	-
Other company				
In Malaysia	1,414*	-	-	-
	11,787	59,879	-	-

* The Malaysian quoted shares were distributed to the Group, arising from the capital distribution by a related company on the basis of three (3) ordinary shares in the Malaysian quoted shares for every ten (10) ordinary shares held in the related company by the Group. As a result, the shares have no carrying value.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

5. Intangible assets

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
Cost			
At 1 July 2003/ 30 June 2004	36,722	2,400	39,122
Cumulative amortisation			
At 1 July 2003	16,920	1,200	18,120
Amortisation charge for the year	1,863	300	2,163
At 30 June 2004	18,783	1,500	20,283
At cost less cumulative amortisation			
At 30 June 2004	17,939	900	18,839
At 30 June 2003	19,802	1,200	21,002
Amortisation charge for the year ended 30 June 2003	1,863	300	2,163

6. Other assets

The other assets of the Group and Company for the current year comprise of financial assistance given to a trustee to acquire the Company's shares in relation to the Executive Share Option Scheme ("ESOS") as disclosed in Note 1(m)(iv).

7. Inventories

	Group	
	2004 RM'000	2003 RM'000
Raw materials	29,911	17,443
Work-in-progress	10,581	8,613
Finished goods	20,017	14,375
Consumable spares	7,959	6,614
	68,468	47,045

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

8. Trade and other receivables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	188,067	142,811	-	-
Less: Allowance for doubtful debts	(2)	(2)	-	-
	188,065	142,809	-	-
Amount due from:				
- Subsidiary	-	-	2,352	17,352
- Related companies	2	-	-	-
Other receivables, deposits and prepayments	14,141	17,316	348	1,072
	202,208	160,125	2,700	18,424

Company

The amount due from a subsidiary is non-trade, unsecured and has no fixed term of repayments. No interest was charged during the year (2003: 2.85%).

Group

The amount due from related companies are non-trade, unsecured, interest free and have no fixed term of repayments.

Included in other receivables, deposits and prepayments is prepayment for capital expenditure amounting to RM832,000 (2003: RM6,200,000).

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

9. Cash and bank balances

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits with:				
Licensed banks	84,670	66,737	11,000	11,000
Licensed finance companies	43,600	6,000	11,000	6,000
Others	3,000	29,000	3,000	29,000
	131,270	101,737	25,000	46,000
Cash and bank balances	20,345	55,660	194	1,526
	151,615	157,397	25,194	47,526

Included in deposits and bank balances are the following balances with a related company arising from normal business transactions:-

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and bank balances	13,372	14,104	12,565	6,130

10. Trade and other payables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	75,846	58,848	-	-
Amount due to:				
- Subsidiaries	-	-	328	-
- Related companies	209	222	-	-
Consumables, tooling and transport purchases	25,375	16,234	-	-
Property, plant and equipment purchases	46,473	25,788	-	-
Accruals - operating expenses	14,742	29,105	1,190	1,220
Accruals - staff cost	29,460	861	-	-
Others	16,401	6,722	50	150
	208,506	137,780	1,568	1,370

Group

The amounts due to related companies are unsecured, have no fixed terms of repayment and are interest free.

Company

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and are interest free.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

11. Borrowings (unsecured)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current				
Term loans	58,272	49,402	2,533	5,066
Bank overdrafts	711	10,010	711	-
Bonds	125,000	-	125,000	-
Bankers' acceptances	142,375	58,704	-	-
	326,358	118,116	128,244	5,066
Non-current				
Term loans	38,000	46,873	38,000	2,533
Bonds	-	125,000	-	125,000
	38,000	171,873	38,000	127,533
	364,358	289,989	166,244	132,599

Group

The term loans are repayable in varying instalments and at various dates from the financial years 2005 to 2009 (2003: 2003 to 2004). The term loans bear interest from 2.13% to 2.38% (2003: 2.28% to 4.88%) per annum. Included in term loans are foreign currency term loans amounting to RM96.3 million (2003: RM96.3 million).

The bank overdrafts bear interest of 3.6% (2003: 2.18% to 7.00%) per annum.

The bankers' acceptances bear interest from 1.37% to 2.00% (2003: 2.26% to 2.98%) per annum.

Company

The term loans bear interest from 2.13% to 2.38% (2003: 2.31% to 2.88%) per annum and are repayable in varying instalments and at various dates from the financial years 2005 to 2009 (2003: 2003 to 2004). The term loans are denominated in foreign currency. The bank overdraft bears interest of 3.6%.

Group and Company

The bonds are repayable in December 2004 and bear interest at 8.50% per annum.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

12. Share capital

	Group and Company			
	2004		2003	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance at 1 July/30 June	209,884	104,942	209,884	104,942

As at 30 June 2004, the total number of shares bought back was 10,966,000 (2003: 10,966,000) ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The average price paid for the shares bought back was RM14.92 per ordinary share. There was no share buyback from the open market during the financial year (2003: Nil).

13. Reserves

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Reserves consist of				
Share premium	249,952	249,952	249,952	249,952
Exchange fluctuation reserve	(3,629)	(3,629)	-	-
Capital redemption reserve	210	70	-	-
Retained profits	501,160	486,684	225,486	224,877
	747,693	733,077	475,438	474,829

The capital redemption reserve represents a transfer from the revenue reserve arising from the redemption of redeemable preference shares by a subsidiary.

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all its retained profits at 30 June 2004 if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

14. Employee benefits

Retirement benefits

Movement in the net liability

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Net liability at 1 July	4,592	4,078	310	310
(Write back)/Provision	(3,705)	1,140	(65)	-
Benefits paid	(301)	(626)	-	-
Net liability at 30 June	586	4,592	245	310

Share option plan

The Group offers vested share options, without payment, to eligible executives (including full time executive directors) of the Group who have been confirmed in service on the date of offer. Movements in the number of share options held by employees are as follows:

	Number	
	2004	2003
Outstanding at 1 July	4,248,700	4,510,700
Lapsed	(22,000)	(262,000)
Outstanding at 30 June	4,226,700	4,248,700

Terms of the options outstanding at 30 June:

Expiry date	Exercise price RM	Number	
		2004	2003
23 December 2004	25.62	3,683,200	3,705,200
23 December 2004	42.35	252,500	252,500
23 December 2004	22.97	291,000	291,000
		4,226,700	4,248,700

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

15. Deferred taxation

The amounts, determined after appropriate offsetting, are as follows:

	Group	
	2004 RM'000	2003 RM'000
Deferred tax liabilities	33,102	54,612

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group	
	2004 RM'000	2003 RM'000
Accelerated capital allowance	35,127	55,806
Allowances	(2,025)	(1,194)
	33,102	54,612
No deferred tax is recognised for the following items:		
Deductible temporary differences	4,319	6,684
Unutilised tax losses	3,030	3,030
	7,349	9,714

The deductible temporary differences and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

16. Operating profit

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue				
Sales of goods	1,182,961	881,254	-	-
Dividends	402	1,268	132,546	218,788
	1,183,363	882,522	132,546	218,788
Cost of sales				
Sales of goods	(925,990)	(767,556)	-	-
Gross profit	257,373	114,966	132,546	218,788
Distribution costs	(16,552)	(14,322)	-	-
Administration expenses	(69,493)	(39,102)	(1,323)	(2,021)
Other operating expenses	(6,988)	(5,895)	(1,861)	(7,599)
Other operating income	8,984	2,231	117	56,351
Operating profit	173,324	57,878	129,479	265,519
Profit before taxation is arrived at after charging/(crediting):-				
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,863	-	-
Auditors' remuneration				
Holding company auditors				
- current year	106	103	17	17
- other services	-	14	-	14
Other auditors				
- current year	22	9	-	-
- underprovision in prior year	4	-	-	-
- other services	8	22	-	-
Bad debts recovered	(48)	-	-	-
Depreciation	201,400	200,564	68	86
Directors' remuneration				
Fees	252	252	170	170
Other emoluments				
- current year	2,016	1,646	386	386
- overprovision in prior years	(178)	(481)	(178)	(481)
(Gain)/Loss on disposal of property, plant and equipment	(276)	622	(120)	-
Gain on disposal of investments	(7,988)	-	-	-
Gain on disposal of investment in a subsidiary	-	-	-	(56,000)
Gain on foreign exchange - realised	(1,148)	(575)	(6)	(9)

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

16. Operating profit (cont'd)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gain on liquidation of a subsidiary	-	-	-	(353)
Gross dividends from:				
- Unquoted subsidiaries	-	-	(132,533)	(218,788)
- Unquoted investments in Malaysia	(13)	-	(13)	-
- Quoted investments in Malaysia	(215)	(1,092)	-	-
- Quoted investment outside Malaysia	(174)	(176)	-	-
Interest expense				
- Term loan/bonds	13,115	16,640	11,587	12,098
- Others	1,852	1,265	127	123
Insurance claim on consequential loss of profit	-	(271)	-	-
Property, plant and equipment written off	3,931	3,028	12	-
Rental expense on property, plant, equipment and office	3,014	1,768	53	59
Research and development expenditure	9,816	9,838	-	-
Write back for doubtful debts	-	(121)	-	-
(Write back)/Provision for retirement benefits	(3,705)	1,140	(65)	-
Write down of amount due from a subsidiary	-	-	-	7,598
Write down of inventories	1,541	305	-	-

The estimated monetary value of Directors' benefits-in-kind is RM46,000 (2003: RM91,000).

17. Employees information

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Staff costs	260,833	211,621	121	188

The number of employees of the Group and Company (excluding directors) at the end of the year was 11,936 (2003: 10,071) and 2 (2003: 2) respectively. Staff costs include contributions to Employees' Provident Fund of the Group and Company of RM21,093,000 (2003: RM12,233,000) and RM18,000 (2003: RM18,000) respectively and remuneration expenses in respect of ESOS of the Group amounting to RM1,861,000 (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

18. Taxation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current taxation				
Malaysia				
- Current year	319	48	2,826	13,289
- (Over)/Under provision in prior years	(1,129)	427	(1,014)	750
Outside Malaysia				
- Current year	72	-	-	-
	(738)	475	1,812	14,039
Deferred taxation	(21,510)	(20,208)	-	-
	(22,248)	(19,733)	1,812	14,039

Reconciliation of tax expense	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	163,330	47,553	118,988	258,256
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	45,732	13,315	33,316	72,312
Non-deductible expenses	8,934	7,796	3,835	4,727
Pre-operating losses not available for set off	1,842	-	-	-
Tax exempt income	(2,668)	(863)	(34,286)	(47,972)
Capital gain not subject to tax	-	-	(39)	(15,778)
Tax incentives	(39,835)	(22,164)	-	-
Effect of unabsorbed capital allowances previously not recognised	-	(20,000)	-	-
Effect of temporary differences reversing in pioneer period	(35,332)	-	-	-
Deferred tax assets not recognised during the year	-	828	-	-
Others	208	928	-	-
	(21,119)	(20,160)	2,826	13,289
(Over)/Under provision in prior years	(1,129)	427	(1,014)	750
Taxation	(22,248)	(19,733)	1,812	14,039

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

19. Earnings per ordinary share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group profit after taxation and minority shareholders' interests of RM131,183,000 (2003: RM46,667,000) by the number of ordinary shares outstanding during the financial year of 198,918,419 (2003: 198,918,419).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share as the fair value of the ordinary shares for the year ended 30 June 2004 is lower than the exercise price of the options. Therefore, no consideration for adjustment in the form of an increase in the number of shares has been used in calculating the potential dilution of its earnings per ordinary share. Similarly, the Group had no dilution in its earnings per ordinary share at 30 June 2003 due to the same reason.

20. Dividends

	Group and Company	
	2004 RM'000	2003 RM'000
Ordinary		
First interim:		
15 sen per share tax exempt paid on 24 Dec 2003 (2003: 15 sen per share tax exempt)	29,838	29,838
Second interim:		
20 sen per share tax exempt paid on 23 June 2004 (2003: 6.5 sen per share tax exempt)	39,784	12,930
5 sen per share less tax paid on 23 June 2004 (2003: 18.5 sen per share less tax)	7,161	26,496
Special interim:		
20 sen per share tax exempt paid on 23 June 2004 (2003: nil)	39,784	-
	116,567	69,264

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

21. Segmental information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises two main business segments namely semiconductor and investment holding.

Geographical segments

There is no segmental analysis by geographical location as the Group's operations are principally located in Malaysia and the customer base does not reflect the actual location of the end customers. The exports are principally to the United States of America, Asia Pacific and European countries.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

21. Segmental information (cont'd)

Business segments	Semiconductor		Investment holdings		Consolidated	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Total revenue	1,182,961	881,254	402	1,268	1,183,363	882,522
Segment result	168,972	59,148	4,352	(1,270)	173,324	57,878
Interest expense					(14,967)	(17,905)
Interest income					4,973	7,580
Profit before taxation					163,330	47,553
Taxation					22,248	19,733
Minority interests					(54,395)	(20,619)
Net profit for the year					131,183	46,667
Segment assets	1,360,312	1,256,126	95,000	123,080	1,455,312	1,379,206
Unallocated assets					75,842	12,551
Total assets					1,531,154	1,391,757
Segment liabilities	405,209	297,804	166,244	132,599	571,453	430,403
Unallocated liabilities					35,109	56,823
Total liabilities					606,562	487,226
Capital expenditure	276,786	114,744	-	-	276,786	114,744
Depreciation and amortisation	203,495	202,641	68	86	203,563	202,727
Non-cash expenses other than depreciation and amortisation	3,919	3,028	12	-	3,931	3,028

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

22. Commitments

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment:				
Authorised but not contracted for	103,842	17,929	-	-
Authorised and contracted for	105,489	58,032	762	-
	209,331	75,961	762	-
Lease commitments:				
Commitments under operating leases:				
Expiring within one year	871	697	-	-
Expiring between one to five years	3,625	3,590	-	-
Expiring after five years	43,375	44,281	-	-
	47,871	48,568	-	-

Group

The Group has lease commitments of RM871,391 per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expires on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 1999, 2004, 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

23. Holding companies

The immediate and ultimate holding companies are Hong Leong Industries Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

24. Related parties

The Company has controlling related party relationships with its holding company and subsidiaries.

The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:-

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

24. Related parties (cont'd)

- i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a deemed major shareholder of the Company through Hong Leong Industries Berhad ("HLI"). YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San, a Director of the Company, is a brother of Tan Sri Quek. HLCM is a person connected with Tan Sri Quek and Mr Kwek Leng San;
- ii) Hong Leong Assurance Berhad ("HLA") and Hong Leong Bank Berhad ("HLB") are subsidiaries of HLCM;
- iii) O.Y.L. Industries Bhd ("O.Y.L.") is an associate of HLCM;
- iv) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected with YBhg Tan Sri Dato Zaki bin Tun Azmi, a Director of certain related companies of HLCM.

Significant transactions with related parties are as follows:

Transactions	Related parties	Group	
		2004 RM'000	2003 RM'000
a) Purchase of air- conditioners, compressors, air ventilation systems, heavy equipment and spare parts	Subsidiary company of HLI and subsidiary company of O.Y.L.	254	123
b) Rental of office space	HLA	53	60
c) Receipt of insurance and insurance broking services	HLA and BIB	6,538	6,579
d) Receipt of corporate office support services	Subsidiary company of HLI	639	614
e) Receipt of group management and/or support services	Subsidiary and associated companies of HLCM	6,774	2,601
f) Interest income	HLB and its subsidiary	3,117	1,223
	Subsidiary company of HLI	-	2,744

The related party transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group and the Company, on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

the financial statements (cont'd)

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, liquidity and currency risk arise in the normal course of the Group and the Company's business. The Directors of the Group and the Company will consider and evaluate the risk management of the Group and the Company periodically.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group and the Company's accounting policies in relation to derivative financial instruments are set out in Note 1(p).

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company manage its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

Liquidity risk

The Group and the Company actively manage its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet its working capital requirements.

Foreign currency risk

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US dollars which Ringgit Malaysia is presently pegged against.

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

25. Financial instruments (cont'd)

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Effective interest rate %	2004			Effective interest rate %	2003		
		Total RM'000	Within 1 year RM'000	1-5 years RM'000		Total RM'000	Within 1 year RM'000	1-5 years RM'000
Financial assets								
Deposits with financial institutions	2.74	132,046	132,046	-	2.89	101,737	101,737	-
Financial liabilities								
Borrowings - floating rate	2.56	96,983	96,983	-	2.28	106,285	106,285	-
Borrowings - fixed rate	8.50	125,000	125,000	-	8.50	125,000	-	125,000
Bankers' acceptances	1.60	142,375	142,375	-	2.30	58,704	58,704	-
Company								
Financial assets								
Deposits with financial institutions	2.92	25,000	25,000	-	2.88	46,000	46,000	-
Amount due from subsidiaries	-	-	-	-	2.85	17,352	17,352	-
Financial liabilities								
Borrowings - floating rate	2.37	41,244	41,244	-	2.26	7,599	7,599	-
Borrowings - fixed rate	8.50	125,000	125,000	-	8.50	125,000	-	125,000

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

25. Financial instruments (cont'd)

Fair values

Recognised financial instruments

The carrying amounts of financial assets and liabilities approximate fair value except for the following:-

Group	2004		2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Quoted investments in shares				
- Malaysia	-	1,414	50,878	51,339
- Outside Malaysia	3,970	10,373	3,970	8,540
	3,970	11,787	54,848	59,879
Other assets	62,678	59,653	-	-
Financial liabilities				
Bonds	125,000	126,870	125,000	131,036

The fair value of quoted securities is their quoted bid price at the balance sheet date.

For bonds, fair value has been determined by discounting the relevant cash flows using current interest rates for similar bonds at the balance sheet date.

Unrecognised financial instruments

The contracted amount of financial instruments not recognised in the balance sheet as at 30 June 2004 is as follows:-

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Forward foreign exchange contracts	517,752	182,434	152,590	-

All the above forward foreign exchange contracts mature within 1 year.

There is no significant difference between the fair values and the contracted amount of the forward foreign exchange contracts.

26. Contingent liabilities

During the year, at the request of a competitor of Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. ("the Carsem respondents"), an investigation was initiated by the United States International Trade Commission ("ITC") and a civil lawsuit was filed by the competitor against the Carsem respondents for alleged patent infringement in respect of certain packaged products which the Carsem respondents imports and sells in the United States.

As at the balance sheet date, no decision has been rendered yet in respect of the ITC investigation and the civil lawsuit has been stayed pending the outcome of the ITC investigation. ITC is precluded by statute from awarding any monetary damages and as at balance sheet date, there is insufficient information to estimate the amount of any liability that the Carsem respondents could face in the civil action if they do not prevail.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

27. Significant events during the year

During the year, Techad Sdn Bhd ("Techad"), a wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The Liquidator of Techad had, on 27 March 2004, convened a Final Meeting to conclude the liquidation. Techad was dissolved on 2 July 2004 and consequently ceased to be a subsidiary of the Company.

28. Comparative figures

The following comparatives have been reclassified to conform with the current year's presentation.

Group	As restated RM'000	As previously stated RM'000
Balance sheet		
Trade and other payables	137,780	196,484
Borrowings	118,116	59,412
Cash flow statement		
Trade and other payables	(77,945)	6,547
Purchase of property, plant and equipment	(88,956)	(114,744)
Net repayment of loans/bonds	(35,534)	(94,238)
Segmental information		
Segment assets		
- Semiconductor	1,256,126	1,166,268
- Investment holdings	123,080	55,541
Unallocated assets	12,551	169,948
Segment liabilities		
- Semiconductor	297,804	199,118
- Investment holdings	132,599	-
Unallocated liabilities	56,823	288,108
Company		
Cash flow statement		
Trade and other receivables	57,298	51,349
Repayment from/(Advance to) subsidiaries	(5,949)	-

STATEMENT BY DIRECTORS

STATEMENT

by directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 24 to 56 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2004 and of the results of their operations and cash flow for the year ended on that date.

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur,
26 August 2004

STATUTORY DECLARATION

STATUTORY

declaration pursuant to Section 169(16) of the Companies Act, 1965

I, SOO KAH PIK, being the officer primarily responsible for the financial management of Malaysian Pacific Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 24 to 56 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed SOO KAH PIK in Ipoh on 26 August 2004.

SOO KAH PIK

BEFORE ME:

S. JAGJIT SINGH, PJK.

Pesuruhjaya Sumpah
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

REPORT

of the auditors to the members of Malaysian Pacific Industries Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 24 to 56. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 30 June 2004 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 2 to the financial statements and we have considered their financial statements and the auditors' reports thereon and we have also considered the financial statements of Carsem Inc., Dyna-Craft Industries, Inc. (incorporated in the United States of America) and Carsem Holdings Ltd. (incorporated in Bermuda), which are not required to be audited in their respective countries of incorporation.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number : AF 0758

Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang

Partner

Approval Number : 2012/11/04(J)

Kuala Lumpur,
26 August 2004

OTHER INFORMATION

information

1. Properties Held As At 30 June 2004

Location	Tenure	Existing use	Acquisition date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2004 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak	20 Apr 2074	Factory Building & Office Building	21 Sep 1998	158,297	8-29	11,291
Jalan Lapangan Terbang 30720 Ipoh Perak	15 Aug 2081	Factory Building & Office Building	21 Sep 1998	64,469	6-16	15,614
Jalan Lapangan Terbang 30720 Ipoh Perak	23 May 2082	Factory Building & Office Building	21 Sept 1998	19,849	8-16	1,851
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Industrial Land - Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	17,779
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Factory Building & Office Building	07 Apr 1989	45,680	10	5,484
Jalan Lapangan Terbang 30720 Ipoh Perak	06 Nov 2063	Leasehold vacant land	07 Nov 2003	66,812	-	1,303
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak	29 Oct 2091	Factory Building & Office Building	30 Oct 1992	1,348,704	13	82,439
Plot 73021, Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021, The People's Republic of China.	01 Jan 2052	Factory Building & Office Building	30 Apr 2002	430,550	1	28,546
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory Building & Office Building	18 Jun 1995	257,000	10	24,325
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Factory Building & Office Building	18 Jun 1995	105,000	5	17,749
4060, Norbatrol Ave, Murrysville, Pennsylvania USA	Freehold	Factory Building & Office Building	22 Jan 1996	52,000	39	2,063

OTHER INFORMATION

information (cont'd)

2. Analysis of Shareholdings As At 30 August 2004

Class of Share : Ordinary share of RM0.50 each

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2004

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	175	4.73	3,906	0.00
100 – 1,000	1,749	47.28	1,303,010	0.66
1,001 – 10,000	1,343	36.31	4,680,122	2.35
10,001 – 100,000	302	8.16	9,689,016	4.87
100,001 – less than 5% of issued shares	129	3.49	71,632,818	36.01
5% and above of issued shares	1	0.03	111,609,547	56.11
	3,699	100.00	198,918,419	100.00

List of Thirty Largest Shareholders As At 30 August 2004

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	111,609,547	56.11
2. Employees Provident Fund Board	8,177,500	4.11
3. Valuecap Sdn Bhd	4,049,000	2.04
4. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (MPIB)	3,848,600	1.94
5. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	2,798,100	1.41
6. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	2,503,000	1.26
7. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	2,190,100	1.10
8. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,864,600	0.94
9. Citicorp Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	1,759,400	0.88
10. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	1,614,500	0.81
11. HSBC Nominees (Asing) Sdn Bhd - Pictet Targeted Fund FCP	1,603,150	0.81

OTHER INFORMATION

information (cont'd)

2. Analysis of Shareholdings As At 30 August 2004 (cont'd)

List of Thirty Largest Shareholders As At 30 August 2004 (cont'd)

Name of Shareholders	No. of Shares	%
12. Hong Leong Assurance Berhad	1,376,600	0.69
13. HSBC Nominees (Tempatan) Sdn Bhd - Prudential Dynamic Fund	1,355,000	0.68
14. Pertubuhan Keselamatan Sosial	1,252,900	0.63
15. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,117,000	0.56
16. Citicorp Nominees (Asing) Sdn Bhd - Stichting Pensioenfonds Voor De Gezondheid Geestelijke En Maatschappelijke Belangen	1,088,100	0.55
17. RHB Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	1,023,500	0.51
18. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	1,020,000	0.51
19. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	1,000,000	0.50
20. Lembaga Tabung Haji	945,100	0.48
21. Citicorp Nominees (Asing) Sdn Bhd - Stichting Shell Pensioenfonds	800,000	0.40
22. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	800,000	0.40
23. Universal Trustee (Malaysia) Berhad - SBB Crystal Equity Fund	800,000	0.40
24. BHLB Trustee Berhad - Prugrowth Fund	775,000	0.39
25. Assets Nominees (Tempatan) Sdn Bhd - HLCM Capital Sdn Bhd	735,000	0.37
26. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	731,000	0.37
27. HSBC Nominees (Tempatan) Sdn Bhd - Prudential Dana Dinamik	700,000	0.35
28. Universal Trustee (Malaysia) Berhad - SBB High Growth Fund	679,400	0.34
29. Cimsec Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	671,000	0.34
30. Mayban Nominees (Tempatan) Sdn Bhd - RHB Dynamic Fund	623,600	0.31
	159,510,697	80.19

OTHER INFORMATION

information (cont'd)

2. Analysis of Shareholdings As At 30 August 2004 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2004 are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
1. YBhg Tan Sri Quek Leng Chan	53,500	0.03	113,977,609*	57.30*
2. Hong Leong Industries Berhad	111,609,547	56.11	-	-
3. Hong Leong Company (Malaysia) Berhad	-	-	113,977,609+	57.30+
4. HL Holdings Sdn Bhd	-	-	113,977,609*	57.30*
5. Hong Realty (Private) Limited	-	-	113,977,609*	57.30*
6. Hong Leong Investment Holdings Pte Ltd	-	-	113,977,609*	57.30*
7. Kwek Holdings Pte Ltd	-	-	113,977,609*	57.30*
8. Mr Kwek Leng Beng	-	-	113,977,609*	57.30*
9. Mr Kwek Leng Kee	-	-	113,977,609*	57.30*
10. Davos Investment Holdings Private Limited	-	-	113,977,609*	57.30*
11. Mr Quek Leng Chye	150,000	0.07	113,977,609*	57.30*
12. Employees Provident Fund Board	10,252,700	5.15	-	-

Notes:

* Deemed interest through Hong Leong Company (Malaysia) Berhad

+ Deemed interest through subsidiary companies

3. Directors' Interests As At 30 August 2004

Subsequent to the financial year-end, there is no change, as at 30 August 2004, to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 20 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. Material Contracts

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad.



Malaysian Pacific Industries Berhad (4817-U)

A member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____

of _____

being a member/members of MALAYSIAN PACIFIC INDUSTRIES BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-third Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 18 October 2004 at 10.15 a.m. and at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To receive the audited financial statements and reports		
2. To approve the payment of Directors' fees		
3. To re-elect the following Directors: (a) Mr David Edward Comley (b) Mr Tan Keok Yin (c) YBhg Tan Sri Asmat bin Kamaludin	(a) (b) (c)	(a) (b) (c)
4. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration		
5. As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this day of 2004

Number of Shares held

Signature(s) of Member(s)

Notes:

1. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.