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2005

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ANNUAL  
REPORT

Malaysian Pacific Industries Berhad Laporan Tahunan 2005 Annual Report

2005



**Malaysian Pacific Industries Berhad** (4817-U)  
A Member of the Hong Leong Group Malaysia

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# COMPANY PROFILE

## **Malaysian Pacific Industries Berhad (“MPI”)**

is principally an investment holding company whilst the principal activities engaged by its subsidiaries are that of designing, manufacturing, assembling, 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

## 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  
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

## Mr Kwek Leng San

Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 50, 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 27 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 President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad, Managing Director of Narra Industries Berhad ("Narra"), 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 2005.

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 56, 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 attended all the Board meetings of MPI held during the financial year ended 30 June 2005.

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 51, 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 2005.

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 (cont'd)

### Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 61, 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 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm. 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. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of the internationally recognised GS1 System (One Global System, formerly known as EAN International) located in Brussels, which presides over the global application of EAN - UCC bar codes and product numbering system in business and industries.

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, GuocoLand (Malaysia) Berhad (formerly known as Hong Leong Properties Berhad) and Hong Leong Assurance Berhad.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2005.

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 61, 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, 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 2005.

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.



# BOARD AUDIT & 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 2005, 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 2005, the Internal Audit Department carried out its duties covering business audit, system and financial audit.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-fourth 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 Friday, 14 October 2005 at 2.30 p.m. in order:

1. to lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2005;
2. to approve the payment of Directors’ fees of RM230,000/- to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**
3. to re-elect the following retiring directors:
  - a) Mr Kwek Leng San **(Resolution 2)**
  - b) Tuan Syed Zaid bin Syed Jaffar Albar; **(Resolution 3)**
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 4)**
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 **(Resolution 5)**

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  
22 September 2005

#### **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 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-fourth Annual General Meeting of the Company

[Pursuant to Article 115 of the Company's Articles of Association](#)

- (a) Mr Kwek Leng San; and
- (b) Tuan Syed Zaid bin Syed Jaffar Albar.

## 2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2005. 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-fourth Annual General Meeting

The Forty-fourth Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 14 October 2005 at 2.30 p.m.

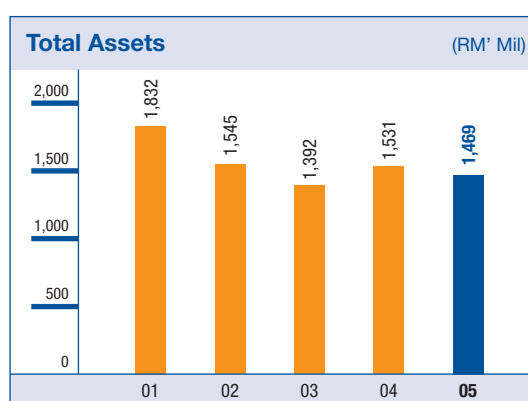
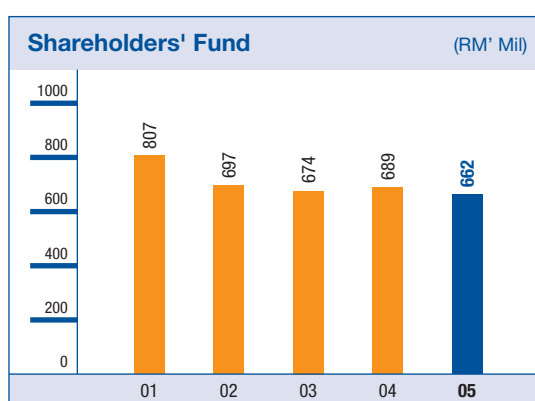
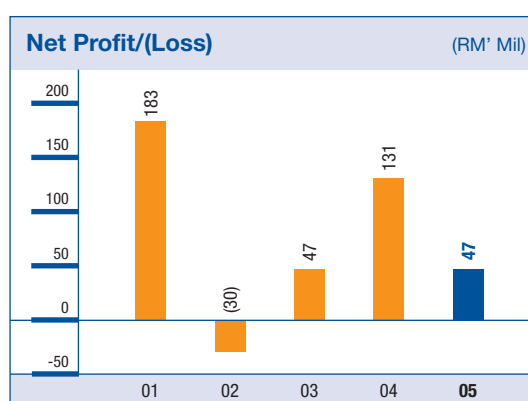
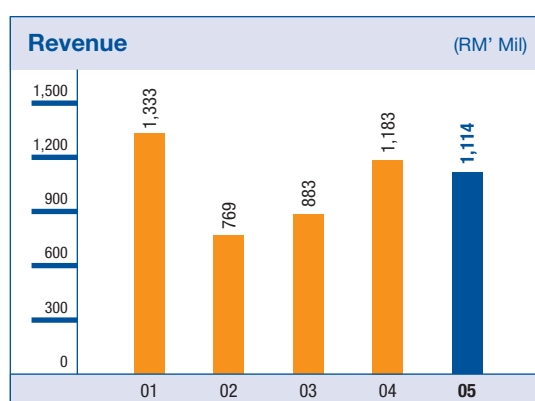
## 4. Further details of individuals who are standing for election as Directors

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



# GROUP FINANCIAL HIGHLIGHTS

(RM 'MIL)	JUNE 2001	JUNE 2002	JUNE 2003	JUNE 2004	JUNE 2005
Revenue	1,333	769	883	1,183	<b>1,114</b>
Profit/(Loss) Before Taxation	318	(18)	48	163	<b>53</b>
Net Profit/(Loss)	183	(30)	47	131	<b>47</b>
Net Earnings/(Loss) Per Share (sen)	92	(15)	23	66	<b>24</b>
Net Dividend Per Share (sen)	66	41	35	59	<b>38</b>
Shareholders' Funds	807	697	674	689	<b>662</b>
Total Assets	1,832	1,545	1,392	1,531	<b>1,469</b>
Capital Expenditure	338	115	115	277	<b>233</b>



# 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 2005.

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.



# CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

## 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.

### 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 a subsidiary) for the financial year ended 30 June 2005 is as follows:

	Fees(RM)	Other Emoluments(RM)	Total(RM)
Executive Directors	180,000	2,478,201	2,658,201
Non-Executive Directors	120,000	45,000	165,000

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

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	0	1
50,001 – 100,000	0	2
100,001 – 450,000	0	0
450,001 – 500,000	1	0
500,001 – 2,150,000	0	0
2,150,001 – 2,200,000	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.

# CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

## 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 2005. 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.

### 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.



# CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

## E. STATEMENT ON INTERNAL CONTROL (cont'd)

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 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 the 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 2005, 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

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 2005.



## FINANCIAL REVIEW

The financial year ended 30 June 2005 saw the semiconductor industry undergo another round of inventory adjustment, although this time, the downturn was nowhere near as drastic as the one that took place in 2001.

Against a backdrop of a weak market environment, the Group is pleased to report a turnover of RM1.114 billion for the financial year ended 30 June 2005, a 5.8% decline from the previous year.

Operating profit was RM64.1 million, 63% down from last year's RM173.3 million.

Even though profit attributable to shareholders declined 64% to RM47.5 million from last year's RM131.2 million, the Group was actually able to stay profitable throughout this difficult year.

The Group's operations continued to generate healthy cash flows during the financial year, thus, enabling the Group to pay dividends of RM108 million.

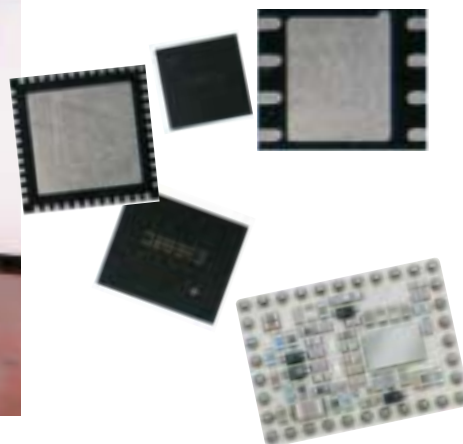


## BUSINESS REVIEW

After a strong financial year 2003/2004 when sales grew 34%, the first quarter of the financial year ended 30 June 2005 started out with some concerns, leading to a sharp 18% dip in sales in the second quarter before a moderate recovery took place in the second half of the financial year. While orders are usually slow in the summer months, the rate at which bookings decelerated caught many in the industry by surprise. Excess inventory was the main cause of this slow-down in the technology sector. During the financial year 2003/2004, the semiconductor industry had ramped-up in anticipation of strong year-end seasonal demand. However, the stock build-up was far in excess of actual



## CHAIRMAN'S STATEMENT (cont'd)



demand and once again new orders that were expected were held back as companies worked to prevent excess stock from building up. With the exception of the automotive market where demand had remained steady throughout the slowdown, the Group felt the impact from all market sectors as customers cut back their orders. The wireless sector was most badly affected due to over anticipation of mobile phone demand, especially in the China market. While electronics companies, especially in consumer products like mobile phones, game sets, flat-panel TVs and personal computers enjoyed robust sales during the festive season, much of those sales depleted stocks built earlier. We believe that as the semiconductor industry matures, the cycles will become shorter, ensuring that the dramatic downturn of 2001 will not be repeated.

Our factories had been ramping-up since the last financial year, adding people, floor-space and equipment in anticipation of growth. The sudden and swift softening of business resulted in gross factory capacity under-utilisation and under-recovery of overheads, which in turn adversely affected profits. The Group reacted quickly by implementing numerous strategic initiatives to improve operational performance and on-time delivery, to reduce costs and to shorten cycle-time. These initiatives helped to meet customers' increasingly demanding needs.

On the brighter side, most product lines saw improvement in orders during the last quarter, while test business continues to be in demand as more customers are requesting for turnkey services. The Group's MLP shipments hit a record 233 million

units during the quarter and remain the strongest growth package. The Group has also come to an agreement with Intersil, to set up a captive wafer probe and test centre in Carsem.

The Group's venture into China, Carsem Semiconductor (Suzhou) Co., Ltd., became fully operational during the third quarter. Over the year, revenue increased strongly and the operation is expected to break-even during the new financial year and become profitable thereafter.

### FUTURE DEVELOPMENTS

The Group has invested RM229 million over the past twelve months. A substantial portion of these investments went into enhancing new product capabilities, test, people skills, computer systems and research and development.

The Group's MLP product line continues to see the highest growth, having shipped 40% more units than in financial year 2003/2004. MLP shipments are expected to further increase in future quarters as more new customers come on board.

Already an industry leader in MLP technologies, Carsem is well poised to improve on this position by working on new technologies such as Clear, Power, Ultra-Thin and Mini MLPs. With the proliferation of our high-density low-cost MLP programmes and going by the high number of qualification runs that Carsem continues to receive, it is apparent that our MLPs are the preferred package and are being designed into many new applications.

## CHAIRMAN'S STATEMENT (cont'd)



Another area of high growth is in test services. Many of our customers have either already stopped or downsized their in-house test operations and now rely heavily on independent test houses. Also the emergence of many fabless companies is further raising the demand for test services. It is clear that in order to attract customers 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, too, has grown to support an extensive range of new MLP products and this growth is expected to continue in the following year. It has also made major investments in acquiring the latest industry technology to support the growing demand for nickel palladium gold lead-free plating, as the industry drives for environmentally friendly plating solutions. Dynacraft will treble its current installed capacity and will position itself to be the most competitive and technologically advanced nickel palladium gold plating supplier. The current financial year has seen its nickel palladium business grow significantly and this is expected to double in the following period. This is further complemented by the successful development and implementation of the MEP (Mould Enhancement Process), which improves the moisture sensitivity of its customers' packages, which is a key product requirement. This process can be applied to both silver plated products and lead-free nickel palladium gold products. By equipping itself with these technologies and capabilities and increasing its capacity, Dynacraft is positioning itself well to increase market

share in a number of key accounts and new customers.

This past year also saw the emergence of competitors from China. The majority of these companies compete on very low prices and have little to offer in terms of quality systems or technology. They focus on the mature packages but in time, one can expect them to expand their product offerings as they acquire more technology. Pricing pressures will continue to pose a challenge and the Group is positioning itself to meet these challenges.

### OTHER DEVELOPMENTS

Amkor Technology, Inc ("Amkor") filed a complaint with the United States International Trade Commission ("ITC") on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively "Carsem Group") of infringing claims in three of Amkor's United States patents. Following a hearing in July and August 2004, an Administrative Law Judge ("ALJ") issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.

The ITC recently issued a notice in Carsem Group's patent infringement litigation with Amkor (ITC Investigation no. 337-TA-501) that they will re-open the record to make further findings and has notified the parties that it will further extend the target



## CHAIRMAN'S STATEMENT (cont'd)

date for completion of the investigation from 21 November 2005 to 9 February 2006.

As the ALJ has already issued the Initial Determination in favour of Carsem Group, the Board is of the view that further findings should also be in Carsem Group's favour.

### PROSPECTS

As we exit the financial year, it would appear that the excess inventory that caused the pull back of the industry has sorted itself out and hereafter, orders should start matching actual market demand.

The Board believes that demands for the Group's products will very much depend on new applications, affordability and the global economic conditions. While the semiconductor industry is expected to make a stable recovery, the growth for next year is forecasted to be moderate. As such, in order for the Group to grow at a faster rate, it will have to focus on high growth areas like MLP & test services, as well as increase its market share.

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 satisfactorily in the next financial year.



### DIVIDEND

A second interim was paid during June 2005 in lieu of a final dividend. As such, the Board will not be recommending a final dividend. For the financial year, a total gross dividend of 37.5 sen per share tax exempt has been declared (Period ended 30 June 2004: 35 sen per share tax exempt, 5 sen per share less tax and special 20 sen per share tax exempt).

### APPRECIATION

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



# Financial Statements

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# DIRECTORS' REPORT

for the financial year ended 30 June 2005

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 2005.

## 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	Company
	RM'000	RM'000
Net profit for the year	47,478	75,161

## 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 28 December 2004 in respect of the financial year ended 30 June 2005; and
- (ii) a second interim dividend of 22.5 sen per share tax exempt amounting to RM44,756,644 on 16 June 2005 in respect of the financial year ended 30 June 2005.

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 Kwek Leng San and Tuan Syed Zaid bin Syed Jaffar Albar retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT (cont'd)

for the financial year ended 30 June 2005

## 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 RM	Number of ordinary shares/ new shares to be issued arising from the exercise of options/ convertible unsecured loan stocks*			
		At 1.7.2004	Acquired	Sold	At 30.6.2005
<b>Interests of Mr Kwek Leng San in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	0.50	1,550,000	-	-	1,550,000
	-	650,000*	-	400,000 <sup>v</sup>	250,000*
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Credit Berhad	1.00	-	600,000	-	600,000
Camerlin Group Berhad	1.00	197,000 <sup>^</sup>	-	197,000	-
	-	84,913* <sup>^</sup>	-	84,913*	-
<b>Interest of Mr David Edward Comley in:</b>					
Malaysian Pacific Industries Berhad	0.50	262,000	-	262,000	-
	-	400,000*	-	400,000 <sup>v</sup>	-
<b>Interest of Mr Tan Keok Yin in:</b>					
Camerlin Group Berhad	1.00	10,000 <sup>^</sup>	-	-	10,000

### Legend:

<sup>v</sup> The unexercised options to subscribe for shares pursuant to the Executive Share Option Scheme lapsed on 24 December 2004.

<sup>^</sup> Shareholding as at 6 April 2005 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 (cont'd)

for the financial year ended 30 June 2005

## 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 fulltime 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 1.7.2004	Options granted	Options lapsed	Options exercised	Balance at 30.6.2005
Option price of RM25.62	28.12.1999	3,683,200	-	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	-	-
		4,226,700	-	4,226,700	-	-

The balance of the unexercised options granted under the Company's ESOS have lapsed on 24 December 2004.

# DIRECTORS' REPORT (cont'd)

for the financial year ended 30 June 2005

## 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.

There was no share buyback from the open market during the financial year. As at 30 June 2005, 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 2005 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.



# **DIRECTORS' REPORT** (cont'd)

for the financial year ended 30 June 2005

## **OTHER STATUTORY INFORMATION** (cont'd)

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.

## **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,  
16 August 2005



# BALANCE SHEETS

as at 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	<b>1,026,376</b>	1,009,934	<b>621</b>	19
<b>INVESTMENTS</b>	4	<b>693</b>	4,663	<b>490,891</b>	487,139
<b>INTANGIBLE ASSETS</b>	5	<b>16,676</b>	18,839	-	-
<b>OTHER ASSETS</b>	6	<b>4,125</b>	62,678	<b>4,125</b>	62,678
<b>CURRENT ASSETS</b>					
Inventories	7	<b>61,026</b>	68,468	-	-
Trade and other receivables	8	<b>177,939</b>	202,208	<b>11,761</b>	2,700
Tax recoverable		<b>8,378</b>	12,749	<b>4,927</b>	7,087
Cash and bank balances	9	<b>173,449</b>	151,615	<b>58,518</b>	25,194
		<b>420,792</b>	435,040	<b>75,206</b>	34,981
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	<b>199,540</b>	205,049	<b>1,269</b>	1,568
Borrowings (unsecured)	11	<b>129,916</b>	328,149	<b>42,183</b>	128,244
Provision	12	<b>6,800</b>	-	-	-
Taxation		-	10	-	-
		<b>336,256</b>	533,208	<b>43,452</b>	129,812
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<b>84,536</b>	(98,168)	<b>31,754</b>	(94,831)
		<b>1,132,406</b>	997,946	<b>527,391</b>	455,005
<b>SHARE CAPITAL AND RESERVES</b>					
Share capital	13	<b>104,942</b>	104,942	<b>104,942</b>	104,942
Reserves	14	<b>720,576</b>	747,693	<b>476,004</b>	475,438
Treasury shares, at cost		<b>(163,620)</b>	(163,620)	<b>(163,620)</b>	(163,620)
		<b>661,898</b>	689,015	<b>417,326</b>	416,760
<b>MINORITY SHAREHOLDERS' INTERESTS</b>		<b>236,916</b>	235,577	-	-
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Borrowings (unsecured)	11	<b>224,204</b>	39,666	<b>109,820</b>	38,000
Retirement benefits	15	<b>506</b>	586	<b>245</b>	245
Deferred taxation	16	<b>8,882</b>	33,102	-	-
		<b>233,592</b>	73,354	<b>110,065</b>	38,245
		<b>1,132,406</b>	997,946	<b>527,391</b>	455,005

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2005.

The notes set out on pages 30 to 54 form an integral part of, and should be read in conjunction with, these financial statements

# INCOME STATEMENTS

for the financial year ended 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>REVENUE</b>	17	<b>1,114,402</b>	1,183,363	<b>89,793</b>	132,546
<b>OPERATING PROFIT</b>	17	<b>64,070</b>	173,324	<b>80,035</b>	129,479
Interest expense		(17,047)	(14,967)	(10,711)	(11,714)
Interest income		6,340	4,973	2,758	1,223
<b>PROFIT BEFORE TAXATION</b>		<b>53,363</b>	163,330	<b>72,082</b>	118,988
Taxation	19	28,899	22,248	3,079	(1,812)
<b>PROFIT AFTER TAXATION</b>		<b>82,262</b>	185,578	<b>75,161</b>	117,176
Minority interests		(34,784)	(54,395)	-	-
<b>NET PROFIT FOR THE YEAR</b>		<b>47,478</b>	131,183	<b>75,161</b>	117,176
Basic earnings per ordinary share (sen)	20	23.87	65.95		
Dividends per ordinary share (sen)	21	37.50	58.60		

The notes set out on pages 30 to 54 form an integral part of, and should be read in conjunction with, these financial statements

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2005

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
<b>At 1 July 2003</b>		104,942	249,952	70	(3,629)	486,684	(163,620)	674,399
Net profit for the year		-	-	-	-	131,183	-	131,183
Dividends	21	-	-	-	-	(116,567)	-	(116,567)
Transfer to capital redemption reserve		-	-	140	-	(140)	-	-
<b>At 30 June 2004 / 1 July 2004</b>		104,942	249,952	210	(3,629)	501,160	(163,620)	689,015
Net profit for the year		-	-	-	-	47,478	-	47,478
Dividends	21	-	-	-	-	(74,595)	-	(74,595)
Transfer to capital redemption reserve		-	-	100	-	(100)	-	-
<b>At 30 June 2005</b>		<b>104,942</b>	<b>249,952</b>	<b>310</b>	<b>(3,629)</b>	<b>473,943</b>	<b>(163,620)</b>	<b>661,898</b>

Note 13    Note 14    Note 14    Note 14    Note 14

\* 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
<b>At 1 July 2003</b>		104,942	249,952	224,877	(163,620)	416,151
Net profit for the year		-	-	117,176	-	117,176
Dividends	21	-	-	(116,567)	-	(116,567)
<b>At 30 June 2004/ 1 July 2004</b>		104,942	249,952	225,486	(163,620)	416,760
Net profit for the year		-	-	75,161	-	75,161
Dividends	21	-	-	(74,595)	-	(74,595)
<b>At 30 June 2005</b>		<b>104,942</b>	<b>249,952</b>	<b>226,052</b>	<b>(163,620)</b>	<b>417,326</b>

Note 13    Note 14    Note 14

\* Non-distributable

The notes set out on pages 30 to 54 form an integral part of, and should be read in conjunction with, these financial statements



# CASH FLOW STATEMENTS

for the financial year ended 30 June 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flow from operating activities</b>				
Profit before taxation	53,363	163,330	72,082	118,988
Adjustments for:				
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,863	-	-
Depreciation	211,976	201,400	174	68
Dividend income	(431)	(402)	(89,793)	(132,546)
Gain on disposal of property, plant and equipment	(685)	(276)	-	(120)
Gain on disposal of investment	(8,271)	(7,988)	-	-
Interest expense	17,047	14,967	10,711	11,714
Interest income	(6,340)	(4,973)	(2,758)	(1,223)
Property, plant and equipment written off	3,749	3,931	-	12
Provision/(Write back) for retirement benefits	35	(3,705)	-	(65)
Provision for early separation	6,800	-	-	-
Operating profit/(loss) before working capital changes	279,406	368,447	(9,584)	(3,172)
Changes in working capital:				
Inventories	7,442	(21,423)	-	-
Trade and other receivables	82,822	(104,761)	58,862	(61,955)
Trade and other payables	(5,509)	20,795	(299)	198
Cash generated from/(used in) operations	364,161	263,058	48,979	(64,929)
Taxation received/(paid)	9,040	(915)	6,666	-
Interest expense paid	(17,047)	(14,967)	(10,711)	(11,714)
Interest income received	6,340	4,973	2,758	1,223
Dividend received	431	402	88,366	129,720
Retirement benefits paid	(115)	(301)	-	-
<b>Net cash generated from operating activities</b>	<b>362,810</b>	<b>252,250</b>	<b>136,058</b>	<b>54,300</b>

The notes set out on pages 30 to 54 form an integral part of, and should be read in conjunction with, these financial statements

# CASH FLOW STATEMENTS (cont'd)

for the financial year ended 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flow from investing activities</b>					
Proceeds from disposal of property, plant and equipment		1,024	1,105	-	135
Purchase of property, plant and equipment	A	(230,767)	(226,557)	(776)	-
Purchase of additional shares in subsidiaries		-	-	(13,752)	(22,845)
Redemption of redeemable preference shares by a subsidiary		-	-	10,000	14,000
Proceeds from disposal of investments		12,241	58,866	-	-
<b>Net cash used in investing activities</b>		<b>(217,502)</b>	<b>(166,586)</b>	<b>(4,528)</b>	<b>(8,710)</b>
<b>Cash flow from financing activities</b>					
(Repayments)/Net proceeds of borrowings		(12,157)	83,668	(13,533)	32,934
Dividend paid to minority shareholders of subsidiaries		(33,445)	(48,950)	-	-
Dividend paid to shareholders of the Company (Advance to)/Repayment from subsidiaries		(74,595)	(116,567)	(74,595)	(116,567)
Repayment of finance lease		(2,569)	(298)	-	-
<b>Net cash used in financing activities</b>		<b>(122,766)</b>	<b>(82,147)</b>	<b>(97,498)</b>	<b>(68,633)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,542</b>	<b>3,517</b>	<b>34,032</b>	<b>(23,043)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>150,904</b>	<b>147,387</b>	<b>24,483</b>	<b>47,526</b>
<b>Cash and cash equivalents at end of year</b>		<b>173,446</b>	<b>150,904</b>	<b>58,515</b>	<b>24,483</b>

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	173,449	151,615	58,518	25,194
Bank overdrafts (Note 11)	(3)	(711)	(3)	(711)
	<b>173,446</b>	<b>150,904</b>	<b>58,515</b>	<b>24,483</b>

## Note on the consolidated cash flow statement

A. During the year, the Group acquired property, plant and equipment with an aggregate cost of RM232,506,000 (2004: RM230,313,000) of which RM1,739,000 (2004: RM3,756,000) was acquired by means of finance lease arrangement.

The notes set out on pages 30 to 54 form an integral part of, and should be read in conjunction with, these financial statements

# NOTES TO 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.

### (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%



# NOTES TO 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.



# NOTES TO 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.

A provision for Early Separation Programme is recognised when the Company has approved a detailed and formal plan, and the scheme has either commenced or has been made known to parties concerned.

### (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.

#### (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 (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 recognized 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:

	2005	2004
1USD	RM3.80	RM3.80
1SGD	RM2.25	RM2.22
100JPY	RM3.44	RM3.51
1SWF	RM2.97	RM2.92
1EUR	RM4.60	RM4.60
1RMB	RM0.46	RM0.46



# NOTES TO 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 (cont'd)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Finance leases

Leases in which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

## 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:

Names of Subsidiaries	Country of Incorporation	Effective Interest		Principal Activities
		2005 %	2004 %	
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 Holdings Limited	Bermuda	100	100	Investment holding
+#@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 agent
*Dyna-Craft Industries, Inc.	USA	100	100	Dormant
#MPI (BVI) Limited	British Virgin Islands	100	100	Investment holding and trading in securities

\* 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.

# Subsidiary not audited by KPMG.

@ Subsidiary is consolidated based on unaudited financial statements. The subsidiary's latest audited financial statements is for the year ended 31 December 2004. 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 (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Long term leasehold land and building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Cost</b>					
At 1 July 2004	5,419	198,695	1,936,148	79,095	2,219,357
Additions	-	13,377	179,738	39,391	232,506
Disposals	-	-	(3,214)	-	(3,214)
Write off	-	-	(37,472)	-	(37,472)
Reclassification	-	52,017	15,286	(67,303)	-
<b>At 30 June 2005</b>	<b>5,419</b>	<b>264,089</b>	<b>2,090,486</b>	<b>51,183</b>	<b>2,411,177</b>
<b>Accumulated depreciation</b>					
At 1 July 2004	3,356	63,072	1,142,995	-	1,209,423
Charge for the year	-	12,409	199,567	-	211,976
Disposals	-	-	(2,875)	-	(2,875)
Write off	-	-	(33,723)	-	(33,723)
<b>At 30 June 2005</b>	<b>3,356</b>	<b>75,481</b>	<b>1,305,964</b>	<b>-</b>	<b>1,384,801</b>
<b>Net book value</b>					
<b>At 30 June 2005</b>	<b>2,063</b>	<b>188,608</b>	<b>784,522</b>	<b>51,183</b>	<b>1,026,376</b>
At 30 June 2004	2,063	135,623	793,153	79,095	1,009,934
Depreciation charge for the year ended 30 June 2004	-	7,378	194,022	-	201,400

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Equipment and motor vehicles RM'000
<b>Cost</b>	
At 1 July 2004	280
Additions	776
Disposals	(6)
<b>At 30 June 2005</b>	<b>1,050</b>
<b>Accumulated depreciation</b>	
At 1 July 2004	261
Charge for the year	174
Disposals	(6)
<b>At 30 June 2005</b>	<b>429</b>
Net book value	
<b>At 30 June 2005</b>	<b>621</b>
At 30 June 2004	19
Depreciation charge for the year ended 30 June 2004	68

Included in property, plant and equipment of the Group are plant and machinery acquired under finance lease agreements with a net book value of RM2,342,000 (2004: RM3,618,000) and interest capitalised at a rate of 3.62% (2004: NIL) per annum of RM176,000 (2004: RM NIL).

The building of a subsidiary is situated on land held under a long term operating lease (Note 23).



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 4. INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Long term				
Quoted investments in shares, at cost:				
Related companies				
Outside Malaysia	-	3,970	-	-
	-	3,970	-	-
Unquoted investments in shares, at cost:				
Subsidiaries	-	-	528,211	524,459
Less: Impairment losses	-	-	(38,013)	(38,013)
	-	-	490,198	486,446
Other investments	693	693	693	693
	693	693	490,891	487,139
	693	4,663	490,891	487,139
<b>Market value of quoted investments in shares:</b>				
Related companies				
Outside Malaysia	-	10,373	-	-
Other company				
In Malaysia	1,636*	1,414*	-	-
	1,636	11,787	-	-

\* 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 (cont'd)

## 5. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
<b>Cost</b>			
<b>At 1 July 2004/ 30 June 2005</b>	<b>36,722</b>	<b>2,400</b>	<b>39,122</b>
<b>Cumulative amortisation</b>			
At 1 July 2004	18,783	1,500	20,283
Amortisation charge for the year	1,863	300	2,163
At 30 June 2005	20,646	1,800	22,446
<b>At cost less cumulative amortisation</b>			
<b>At 30 June 2005</b>	<b>16,076</b>	<b>600</b>	<b>16,676</b>
At 30 June 2004	17,939	900	18,839
Amortisation charge for the year ended 30 June 2004	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).

The balance of the unexercised options granted under the Company's ESOS have lapsed on 24 December 2004.

## 7. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
<b>At cost</b>		
Raw materials	31,140	29,911
Work-in-progress	10,151	10,581
Finished goods	12,019	20,017
Consumable spares	7,716	7,959
	<b>61,026</b>	<b>68,468</b>



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	159,854	188,065	-	-
Amount due from:				
Subsidiaries	-	-	11,722	2,352
Related companies	100	2	-	-
Other debtors	4,209	4,312	29	24
Deposits	4,667	1,984	5	5
Prepayments	9,109	7,845	5	319
	177,939	202,208	11,761	2,700

### Group

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

### Company

The amount due from subsidiaries is non-trade, unsecured and has no fixed term of repayments. The amount is interest free other than a loan to a subsidiary amounting to RM11,400,000 whereby interest is charged from 2.95% to 4.09% (2004: Nil).

## 9. CASH AND BANK BALANCES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with:				
Licensed banks	82,016	84,670	15,320	11,000
Licensed finance companies	5,000	43,600	5,000	11,000
Discount house	75,602	3,000	37,666	3,000
	162,618	131,270	57,986	25,000
Cash and bank balances	10,831	20,345	532	194
	173,449	151,615	58,518	25,194

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and bank balances	43,327	13,372	20,235	12,565

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 10. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	70,480	75,846	-	-
Amount due to:				
- Subsidiaries	-	-	138	328
- Related companies	406	209	-	-
Consumables, tooling and transport purchases	23,147	25,375	-	-
Property, plant and equipment purchases	63,298	46,473	-	-
Accruals - operating expenses	8,687	14,742	1,131	1,190
Accruals - staff cost	30,392	29,460	-	-
Others	3,130	12,944	-	50
	<b>199,540</b>	205,049	<b>1,269</b>	1,568

### 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.

## 11. BORROWINGS (UNSECURED)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current				
Term loans	57,379	58,272	42,180	2,533
Bank overdrafts	3	711	3	711
Bonds	-	125,000	-	125,000
Bankers acceptances	62,644	142,375	-	-
Finance lease	2,290	1,791	-	-
Revolving credits	7,600	-	-	-
	<b>129,916</b>	328,149	<b>42,183</b>	128,244
Non-current				
Term loans	223,867	38,000	109,820	38,000
Finance lease	337	1,666	-	-
	<b>224,204</b>	39,666	<b>109,820</b>	38,000
	<b>354,120</b>	367,815	<b>152,003</b>	166,244



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 11. BORROWINGS (UNSECURED) (cont'd)

Finance lease liabilities are payable as follows:

	<----- 2005 ----->			<----- 2004 ----->		
	Payments RM'000	Interest RM'000	Principal RM'000	Payments RM'000	Interest RM'000	Principal RM'000
<b>Group</b>						
Less than one year	2,290	-	2,290	1,791	-	1,791
Between one and five years	337	-	337	1,666	-	1,666
	<b>2,627</b>	<b>-</b>	<b>2,627</b>	<b>3,457</b>	<b>-</b>	<b>3,457</b>

The finance lease arrangement is interest free.

### Group

The term loans are repayable in varying instalments and at various dates from the financial years 2006 to 2010 (2004 - 2005 to 2009). The term loans bear interest from 3.42% to 4.31% (2004 - 2.13% to 2.38%) per annum. The term loans are denominated in US Dollars.

The bank overdraft bears interest of 3.6% (2004 - 3.6%) per annum.

The bankers' acceptances bear interest from 2.96% to 3.00% (2004 - 1.37% to 2.00%) per annum.

### Company

The term loans bear interest from 4.11% to 4.31% (2004 - 2.13% to 2.38%) per annum and are repayable in varying instalments and at various dates from the financial years 2006 to 2009 (2004 - 2005 to 2009). The term loans are denominated in US Dollars. The bank overdraft bears interest of 3.6% (2004: 3.6%).

### Group and Company

The bonds in the previous year bore interest at 8.50% per annum.

## 12. PROVISION

	<b>Group</b>
	<b>2005</b>
	<b>RM'000</b>
Balance brought forward	-
Provision during the year	6,800
Balance carried forward	6,800

The provision is in respect of an Early Separation Programme which is open to all eligible employees of a subsidiary and is strictly on a voluntary basis. The exercise is part of the long term strategies to create employment opportunities for promotion of existing employees and new talents in the Group. The closing date for application for the programme was on 23 June 2005. The Group is expected to incur this liability in the next financial year.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 13. SHARE CAPITAL

	Group and Company			
	2005		2004	
	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 2005, the total number of shares bought back was 10,966,000 (2004 - 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 (2004 - Nil).

## 14. RESERVES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 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	310	210	-	-
Retained profits	473,943	501,160	226,052	225,486
	720,576	747,693	476,004	475,438

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 2005 if paid out as dividends.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 15. EMPLOYEE BENEFITS

### Retirement benefits

Movement in the net liability

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net liability at 1 July	586	4,592	245	310
Provision/ (Write back)	35	(3,705)	-	(65)
Benefits paid	(115)	(301)	-	-
Net liability at 30 June	506	586	245	245

### Share option plan

The Group offers vested share options, without payment, to eligible executives (including fulltime 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	
	2005	2004
Outstanding at 1 July	4,226,700	4,248,700
Lapsed	(4,226,700)	(22,000)
Outstanding at 30 June	-	4,226,700

Terms of the options outstanding at 30 June:

Expiry date	Exercise price RM	Number	
		2005	2004
24 December 2004	25.62	-	3,683,200
24 December 2004	42.35	-	252,500
24 December 2004	22.97	-	291,000
		-	4,226,700

## 16. DEFERRED TAXATION

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

	Group	
	2005 RM'000	2004 RM'000
Deferred tax liabilities	8,882	33,102

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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 16. DEFERRED TAXATION (cont'd)

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

	Group	
	2005 RM'000	2004 RM'000
Accelerated capital allowance	14,381	35,127
Other deductible temporary differences	(3,595)	(2,025)
Provision	(1,904)	-
	<b>8,882</b>	<b>33,102</b>
No deferred tax is recognised for the following items:		
Deductible temporary differences	10,559	757
Unutilised tax losses	3,030	3,030
	<b>13,589</b>	<b>3,787</b>

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.

## 17. OPERATING PROFIT

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue</b>				
Sales of goods	1,113,971	1,182,961	-	-
Dividends	431	402	89,793	132,546
	<b>1,114,402</b>	<b>1,183,363</b>	<b>89,793</b>	<b>132,546</b>
<b>Cost of sales</b>				
Sales of goods	(954,798)	(925,990)	-	-
Gross profit	159,604	257,373	89,793	132,546
Distribution costs	(17,176)	(16,552)	-	-
Administration expenses	(67,257)	(69,493)	(1,484)	(1,323)
Other operating expenses*	(21,032)	(6,988)	(8,867)	(1,861)
Other operating income	9,931	8,984	593	117
<b>Operating profit</b>	<b>64,070</b>	<b>173,324</b>	<b>80,035</b>	<b>129,479</b>

\* Included in other operating expenses of the Group and Company are remuneration expenses in respect of ESOS of the Group amounting to RM8,850,000 (2004 - RM1,861,000).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 17. OPERATING PROFIT (cont'd)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Profit before taxation is arrived at after charging/(crediting):</b>				
Allowance for slow moving inventories	2,742	1,541	-	-
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,863	-	-
Auditors' remuneration				
Holding company auditors				
- current year	96	106	17	17
- overprovision in prior years	(10)	-	-	-
- other services	20	-	-	-
Other auditors				
- current year	22	22	-	-
- (over)/ underprovision in prior year	(6)	4	-	-
- other services	-	8	-	-
Depreciation	211,976	201,400	174	68
Directors' remuneration				
Fees	300	250	230	170
Other emoluments				
- current year	2,523	2,016	401	386
- overprovision in prior years	-	(178)	-	(178)
Gain on disposal of property, plant and equipment	(685)	(276)	-	(120)
Gain on disposal of investments	(8,271)	(7,988)	-	-
Gain on foreign exchange - realised	(2,871)	(1,148)	(593)	(6)
Gross dividends from:				
Unquoted subsidiaries	-	-	(89,793)	(132,533)
Unquoted investments	-	(13)	-	(13)
Investments quoted in Malaysia	(20)	(215)	-	-
Investments quoted outside Malaysia	(411)	(174)	-	-
Interest expense				
- Term loan/bonds	14,451	13,115	10,232	11,587
- Others	2,596	1,852	479	127
Property, plant and equipment written off	3,749	3,931	-	12
Provision for early separation	6,800	-	-	-
Provision/ (Write back) for retirement benefits	35	(3,705)	-	(65)
Rental expense on property, plant, equipment and office	3,578	3,014	52	53
Rental income	(284)	(154)	-	-
Research and development expenditure	13,793	9,816	-	-

The estimated monetary value of Directors' benefits-in-kind is RM64,000 (2004 - RM46,000).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 18. EMPLOYEES INFORMATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs	278,919	260,833	199	121

The number of employees of the Group and Company (excluding directors) at the end of the year was 11,165 (2004 - 11,936) and 2 (2004 - 2) respectively. Staff costs include contributions to Employees' Provident Fund of the Group and Company of RM23,619,000 (2004 - RM21,093,000) and RM18,000 (2004 - RM18,000) respectively and remuneration expenses in respect of ESOS of the Group amounting to RM8,850,000 (2004 - RM1,861,000).

## 19. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current taxation				
Malaysia				
- Current year	127	319	1,427	2,826
- Overprovision in prior years	(4,806)	(1,129)	(4,506)	(1,014)
Outside Malaysia				
- Current year	-	72	-	-
	(4,679)	(738)	(3,079)	1,812
Deferred taxation	(24,220)	(21,510)	-	-
	(28,899)	(22,248)	(3,079)	1,812
<b>Reconciliation of tax expense</b>				
Profit before taxation	53,363	163,330	72,082	118,988
Taxation at Malaysian statutory tax rate of 28% (2004 - 28%)	14,942	45,732	20,183	33,316
Non-deductible expenses	12,017	8,934	4,959	3,835
Losses not available for set off	4,929	1,842	-	-
Tax exempt income	(2,826)	(2,668)	(23,715)	(34,286)
Capital gain not subject to tax	-	-	-	(39)
Tax incentives	(31,438)	(39,835)	-	-
Effect of temporary differences reversing in pioneer period	(24,220)	(35,332)	-	-
Deferred tax assets not recognized during the year	2,745	-	-	-
Others	(242)	208	-	-
	(24,093)	(21,119)	1,427	2,826
Overprovision in prior years	(4,806)	(1,129)	(4,506)	(1,014)
Taxation	(28,899)	(22,248)	(3,079)	1,812

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 20. 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 RM47,478,000 (2004 - RM131,183,000) by the number of ordinary shares outstanding during the financial year of 198,918,419 (2004 - 198,918,419).

### Diluted earnings per ordinary share

There is no dilution in the Group's earnings per ordinary share at 30 June 2005 as the options have expired on 24 December 2004.

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

## 21. DIVIDENDS

	Group and Company	
	2005 RM'000	2004 RM'000
Ordinary		
First interim:		
15 sen per share tax exempt paid on 28 December 2004 (2004 - 15 sen per share tax exempt)	29,838	29,838
Second interim:		
22.5 sen per share tax exempt paid on 16 June 2005 (2004 - 20 sen per share tax exempt and 5 sen per share less tax)	44,757	46,945
Special interim:		
Nil (2004 - 20 sen per share tax exempt)	-	39,784
	74,595	116,567

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 22. 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.

Business segments	Semiconductor		Investment holdings		Consolidated	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Total revenue</b>	<b>1,113,971</b>	1,182,961	<b>431</b>	402	<b>1,114,402</b>	1,183,363
Segment result	<b>66,126</b>	168,972	<b>(2,056)</b>	4,352	<b>64,070</b>	173,324
Interest expense					<b>(17,047)</b>	(14,967)
Interest income					<b>6,340</b>	4,973
Profit before taxation					<b>53,363</b>	163,330
Taxation					<b>28,899</b>	22,248
Minority interests					<b>(34,784)</b>	(54,395)
<b>Net profit for the year</b>					<b>47,478</b>	131,183
<b>Segment assets</b>	<b>1,334,958</b>	1,360,312	<b>120,396</b>	95,000	<b>1,455,354</b>	1,455,312
<b>Unallocated assets</b>					<b>13,308</b>	75,842
<b>Total assets</b>					<b>1,468,662</b>	1,531,154
<b>Segment liabilities</b>	<b>407,174</b>	405,209	<b>152,003</b>	166,244	<b>559,177</b>	571,453
<b>Unallocated liabilities</b>					<b>10,671</b>	35,109
<b>Total liabilities</b>					<b>569,848</b>	606,562
Capital expenditure	<b>231,730</b>	276,786	<b>776</b>	-	<b>232,506</b>	276,786
Depreciation and amortisation	<b>213,965</b>	203,495	<b>174</b>	68	<b>214,139</b>	203,563
Non-cash expenses other than depreciation and amortisation	<b>10,549</b>	3,919	-	12	<b>10,549</b>	3,931



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 23. COMMITMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment:				
Authorised but not contracted for	50,047	103,842	-	-
Authorised and contracted for	38,098	105,489	-	762
	88,145	209,331	-	762
Lease commitments:				
Commitments under operating leases:				
Expiring within one year	962	871	-	-
Expiring between one to five years	3,855	3,625	-	-
Expiring after five years	42,208	43,375	-	-
	47,025	47,871	-	-

### Group

The Group has lease commitments of RM906,000 (2004: RM871,000) 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 expire 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 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

## 24. HOLDING COMPANIES

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

## 25. RELATED PARTIES

The Company has controlling related party relationships with its holding companies 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:

- 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 ("Mr Kwek LS"), a Director of the Company, is a brother of Tan Sri Quek. HLCM is a person connected with Tan Sri Quek and Mr Kwek LS;
- 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; and
- 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 25. RELATED PARTIES (cont'd)

Significant transactions with related parties are as follows:

Transactions	Related parties	Group	
		2005 RM'000	2004 RM'000
a) Purchase of air-conditioners, air ventilation systems, compressors and related products	Subsidiary of O.Y.L.	152	254
b) Rental of shared office space	HLA	52	53
c) Receipt of insurance and insurance broking services	HLA and BIB	6,778	6,538
d) Receipt of corporate office support services	Subsidiary of HLI	712	639
e) Receipt of group management and/or support services	Subsidiary and an associated company of HLCM	6,229	6,759
f) Payment for usage of the Hong Leong logo and trademark	HLCM	15	15
g) Interest income	HLB and its subsidiary	3,702	3,117

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 of the Company, on terms not more favourable to the related parties than those generally available to/from the public and are not detrimental to the minority shareholders.

## 26. 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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 26. FINANCIAL INSTRUMENTS (cont'd)

### Interest rate risk

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

### Liquidity risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their 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.

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

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.

	2005				2004			
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
<b>Group</b>								
<b>Financial assets</b>								
Deposits with financial institutions	2.55	162,618	162,618	-	2.74	131,270	131,270	-
<b>Financial liabilities</b>								
Borrowings - floating rate	3.89	288,850	288,850	-	2.56	96,272	96,272	-
Borrowings - fixed rate	-	-	-	-	8.50	125,000	125,000	-
Bankers' acceptances	3.00	62,644	62,644	-	1.60	142,375	142,375	-
<b>Company</b>								
<b>Financial assets</b>								
Deposits with financial institutions	2.63	57,986	57,986	-	2.92	25,000	25,000	-
Amount due from a subsidiary	4.01	11,400	11,400	-	-	-	-	-
<b>Financial liabilities</b>								
Borrowings - floating rate	4.26	152,000	152,000	-	2.37	40,533	40,533	-
Borrowings - fixed rate	-	-	-	-	8.50	125,000	125,000	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 26. 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	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Quoted investments in shares				
- Malaysia	-	1,636	-	1,414
- Outside Malaysia	-	-	3,970	10,373
	-	1,636	3,970	11,787
Other assets	4,125	4,125	62,678	59,653
<b>Financial liabilities</b>				
Bonds	-	-	125,000	126,870

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

The fair value of the bonds in the previous year was determined by discounting the relevant cash flows using 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 2005 is as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Forward foreign exchange contracts	44,071	517,752	130	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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 27. CONTINGENT LIABILITIES

Amkor Technology, Inc (“Amkor”) filed a complaint with the United States International Trade Commission (“ITC”) on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively “Carsem Group”) of infringing claims in three of Amkor's United States patents. Following a hearing in July and August 2004, an Administrative Law Judge (“ALJ”) issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.

The ITC recently issued a notice in Carsem Group's patent infringement litigation with Amkor (ITC Investigation no. 337-TA-501) that they will re-open the record to make further findings and has notified the parties that it will further extend the target date for completion of the investigation from 21 November 2005 to 9 February 2006.

As the ALJ has already issued the Initial Determination in favour of Carsem Group, the Board is of the view that further findings should also be in Carsem Group's favour.

## 28. SIGNIFICANT EVENT DURING THE YEAR

The Company had, on 4 March 2005, entered into a Transfer of Shareholding Agreement with Carsem Holdings Limited (“Carsem Holdings”), a wholly-owned subsidiary of the Company, incorporated in Bermuda, to transfer its entire interest in Carsem Semiconductor (Suzhou) Co., Ltd, another wholly-owned subsidiary of the Company, incorporated in The People's Republic of China, to Carsem Holdings, for a consideration to be satisfied by the issue and allotment of 15,000,000 new ordinary shares of USD1.00 each in Carsem Holdings at par, credited as fully paid-up, to the Company (“Transfer”).

The Transfer was completed on 30 June 2005.

## 29. COMPARATIVE FIGURES

Comparatives in respect of leases have been reclassified to conform with the current year's presentation.

## 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 25 to 54 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 2005 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,  
16 August 2005

## 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 25 to 54 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 Kuala Lumpur on 16 August 2005.

**SOO KAH PIK**

BEFORE ME:

**S. MASOHOOD OMAR**  
Pesuruhjaya Sumpah  
Commissioner for Oaths



# 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 25 to 54. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2005 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) the 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. We have also considered the financial statements of Carsem Inc., Dyna-Craft Industries, Inc. (incorporated in the United States of America) and Carsem Holdings Limited (incorporated in Bermuda), which are not required to be audited in their respective countries of incorporation, and Carsem Semiconductor (Suzhou) Co., Ltd. (whose latest audited financial statement is for the year ended 31 December 2004 as required under the local regulation in its country 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: 2012/11/06(J)

Kuala Lumpur,  
16 August 2005



# OTHER INFORMATION

## 1. PROPERTIES HELD AS AT 30 JUNE 2005

Location	Tenure	Existing use	Acquisition date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2005 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak	20 Apr 2074	Factory Building & Office Building	21 Sep 1998	158,297	9-30	10,299
Jalan Lapangan Terbang 30720 Ipoh Perak	15 Aug 2081	Factory Building & Office Building	21 Sep 1998	64,469	7-17	15,619
Jalan Lapangan Terbang 30720 Ipoh Perak	23 May 2082	Factory Building & Office Building	21 Sep 1998	19,849	9-17	1,710
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Industrial Land-Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	18,319
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Factory Building & Office Building	07 Apr 1989	45,680	11	4,968
Jalan Lapangan Terbang 30720 Ipoh Perak	06 Nov 2063	Leasehold vacant land	07 Nov 2003	66,812	-	1,305
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Factory Building & Office Building	30 Oct 1992	1,348,704	14	86,776
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	2	66,413
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory Building & Office Building	18 Jun 1995	257,000	11	24,709
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Factory Building & Office Building	18 Jun 1995	105,000	6	17,218
Plot 15, Bayan Lepas, Pulau Pinang	22 Feb 2065	Factory Building & Office Building	24 Feb 2005	174,243	-	3,715
4060, Norbatrol Ave, Murrysville, Pennsylvania, USA	Freehold	Factory Building & Office Building	22 Jan 1996	52,000	40	2,063



## OTHER INFORMATION (cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005

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 2005

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	182	5.54	4,277	0.00
100 – 1,000	1,550	47.23	1,126,553	0.57
1,001 – 10,000	1,187	36.17	3,965,558	1.99
10,001 – 100,000	251	7.65	8,386,310	4.22
100,001 – less than 5% of issued shares	111	3.38	73,826,174	37.11
5% and above of issued shares	1	0.03	111,609,547	56.11
	3,282	100.00	198,918,419	100.00

#### List of Thirty Largest Shareholders As At 30 August 2005

Names 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	9,217,700	4.63
3. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	6,029,900	3.03
4. Valuecap Sdn Bhd	5,086,700	2.56
5. Pertubuhan Keselamatan Sosial	3,067,400	1.54
6. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	2,863,000	1.44
7. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	2,834,400	1.42
8. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	2,503,000	1.26
9. Citicorp Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	2,345,500	1.18
10. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	1,994,500	1.00
11. HSBC Nominees (Asing) Sdn Bhd - Pictet Targeted Fund FCP	1,735,050	0.87
12. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	1,700,900	0.86
13. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	1,507,000	0.76

## OTHER INFORMATION (cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005 (cont'd)

#### List of Thirty Largest Shareholders As At 30 August 2005 (cont'd)

Names of Shareholders	No. of Shares	%
14. Hong Leong Assurance Berhad	1,295,800	0.65
15. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,174,200	0.59
16. Takaful Nasional Sdn Berhad	1,094,900	0.55
17. HSBC Nominees (Tempatan) Sdn Bhd - Prudential Dynamic Fund	1,048,000	0.53
18. Malaysia National Insurance Berhad	967,000	0.49
19. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	882,500	0.44
20. Universal Trustee (Malaysia) Berhad - SBB High Growth Fund	867,200	0.44
21. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	813,600	0.41
22. HSBC Nominees (Asing) Sdn Bhd - Fidelity Funds Malaysia	801,000	0.40
23. Citicorp Nominees (Asing) Sdn Bhd - Stichting Shell Pensioenfond	794,300	0.40
24. Assets Nominees (Tempatan) Sdn Bhd - HLCM Capital Sdn Bhd	735,000	0.37
25. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	731,000	0.37
26. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	719,000	0.36
27. HSBC Nominees (Tempatan) Sdn Bhd - Prudential Dana Dinamik	700,000	0.35
28. Citicorp Nominees (Asing) Sdn Bhd - Stichting Pensioenfond Voor De Gezondheid Geestelijke En Maatschappelijke Belangen	694,400	0.35
29. Cimsec Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	671,000	0.34
30. SBB Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	664,600	0.33
	167,148,097	84.03



## OTHER INFORMATION (cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005 (cont'd)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2005 are as follows:

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. YBhg Tan Sri Quek Leng Chan	53,500	0.03	113,896,809*	57.26*
2. Hong Leong Industries Berhad	111,609,547	56.11	-	-
3. Hong Leong Company (Malaysia) Berhad	-	-	113,896,809+	57.26+
4. HL Holdings Sdn Bhd	-	-	113,896,809*	57.26*
5. Hong Realty (Private) Limited	-	-	113,896,809*	57.26*
6. Hong Leong Investment Holdings Pte Ltd	-	-	113,896,809*	57.26*
7. Kwek Holdings Pte Ltd	-	-	113,896,809*	57.26*
8. Mr Kwek Leng Beng	-	-	113,896,809*	57.26*
9. Mr Kwek Leng Kee	-	-	113,896,809*	57.26*
10. Davos Investment Holdings Private Limited	-	-	113,896,809*	57.26*
11. Mr Quek Leng Chye	150,000	0.08	113,896,809*	57.26*
12. Employees Provident Fund Board	14,665,200	7.37	-	-

#### Notes:

\* Indirect interest through Hong Leong Company (Malaysia) Berhad

+ Indirect interest through subsidiaries

### 3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2005

Subsequent to the financial year-end, there is no change, as at 30 August 2005, to the Directors' interests in the ordinary shares and/or 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 21 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-fourth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 14 October 2005 at 2.30 p.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":

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To re-elect Mr Kwek Leng San as a Director		
3.	To re-elect Tuan Syed Zaid bin Syed Jaffar Albar as a Director		
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 ..... 2005

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.