Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

Annual Report **2021**

Delivering the Strategy:

Our Vision & Mission

MPI MISSION

We invest in talented people, cutting-edge research and innovation for profitable growth.

MPI VISION

Creating value in the semiconductor industry.

CARSEM – VISION

To be the preferred OSAT partner delivering assembly and test solutions to semiconductor companies worldwide.

DCI – VISION

To be the preferred partner for the supply of high quality lead frame.

CARSEM & DCI – MISSION

To grow profitably through delivery of products and services of the highest quality, innovation and an engaged work force.

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AT A GLANCE

About This Report

Malaysian Pacific Industries Berhad's Integrated Annual Report 2021 provides information of how we create value for our stakeholders and manage the material matters. This report covers our strategic and performance tracking.

REPORTING PRINCIPLES AND FRAMEWORK

The Malaysian Pacific Industries Berhad Annual Report ("MPIAR") complies with the Bursa Malaysia Securities Berhad main Market Listing Requirements and adopts guidance from the International Integrated Reporting Framework. The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

SCOPE AND BOUNDARIES

This MPIAR presents the information on the performance of value creating activities within our reporting boundaries.

It explains the relationship between the resources used, the actions taken and the value being created. It also discloses the risk for the financial and non-financial coupled with opportunities for the company to sustain its growth.

The information of this report covers all our business operations during the period from 1 July 2020 to 30 June 2021 ("FY21") unless otherwise indicated.

FORWARD-LOOKING STATEMENT AND DISCLAIMER

This report contains forward-looking statements that are subject to risks and uncertainties that could cause some variance between actual results and the expectations communicated by our forward-looking statements. These forward-looking statements should not be construed as guarantees or predictions of our Group's future performance. We make no express or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved.

We are under no obligation to update either these forward-looking statements, or the historical information presented in this report.

AT A GLANCE

Our Corporate Information

Directors

- **YBhg Datuk Kwek Leng San** *(Chairman)*
- **Mr Manuel Zarauza Brandulas** *(Group Managing Director)*
- **Ir. Dennis Ong Lee Khian**
- **YBhg Dato' Mohamad Kamarudin Bin Hassan**
- **Dr Tunku Alina Binti Raja Muhd Alias**
- **Ms Foo Ai Li**

COMPANY SECRETARIES
Ms Wong Wei Fong
Ms Zoe Lim Hoon Hwa

REGISTRAR
Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2088 8818
Fax : 03-2088 8990

REGISTERED OFFICE
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

AUDITORS
KPMG PLT
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

COUNTRY OF INCORPORATION/ DOMICILE
A public limited liability company, incorporated and domiciled in Malaysia

AT A GLANCE

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 3 November 2021 at 3.00 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 financial year ended 30 June 2021.

2. To approve the payment of Director Fees of RM462,000/- (2020: RM462,000/-) for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM72,000/- from the Sixtieth Annual General Meeting ("AGM") to the Sixty-first AGM of the Company. **Resolution 1**

3. To re-elect the following Directors pursuant to the Company's Constitution:
   (a) YBhg Datuk Kwek Leng San **Resolution 2**
   (b) Mr Manuel Zarauza Brandulas **Resolution 3**
   (c) Dr Tunku Alina Binti Raja Muhd Alias **Resolution 4**
   (d) Ms Foo Ai Li. **Resolution 5**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions:

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares

   "**THAT** subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to 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 and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) 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 allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

6. **Ordinary Resolution**
   - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") And Persons Connected With Them

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of Part A of the Circular to Shareholders dated 5 October 2021 with HLCM, GCA and persons connected with them ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 8**

7. **Ordinary Resolution**
- Proposed Renewal Of Authority For The Purchase Of Own Shares By The Company

"**THAT** subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"] and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares in the Company's issued ordinary share capital on Bursa Securities subject further to the following:

(a) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to 10% of the total number of issued shares of the Company ("Shares") for the time being;
(b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the retained profits of the Company based on its latest audited financial statements available up to the date of the transaction. (As at 30 June 2021, the audited retained profits of the Company was RM457,916,000/-); and
(c) the authority conferred by the resolution as set out in paragraphs (a) and (b) above will commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first and, in any event, in accordance with the provisions of the MMLR or any other relevant authority;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares;

AND THAT the Directors of the Company be and are hereby authorised to deal with any Shares so purchased and any existing treasury shares ("Said Shares") in the following manner:

(a) cancel the Said Shares; or
(b) retain the Said Shares as treasury shares; or
(c) retain part of the Said Shares as treasury shares and cancel the remainder; or
(d) distribute all or any of the Said Shares as dividends to shareholders; or
(e) resell all or any of the Said Shares in accordance with the relevant rules of Bursa Securities; or
(f) transfer all or any of the Said Shares for the purposes of or under an employees' share scheme; or
(g) transfer all or any of the Said Shares as purchase consideration; or
(h) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister (being the Minister charged with the responsibilities for the companies) may, by order, prescribe

and/or in any other manner as may be prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR and any other relevant authority for the time being in force; **AND THAT** the authority to deal with the Said Shares shall continue to be valid until all the Said Shares have been dealt with by the Directors of the Company." **Resolution 9**

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

8. To consider any other business of which due notice shall have been given.

By Order of the Board

Wong Wei Fong
SSM PC No. 201908001352
MAICSA 7006751

Zoe Lim Hoon Hwa
SSM PC No. 202108000147
MAICSA 7031771

Company Secretaries

Kuala Lumpur
5 October 2021

Notes:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be held in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the Broadcast Venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***

2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 27 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

3. *Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

4. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

5. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlmg@hongleong.com.my not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

Explanatory Notes:

1. *Resolution 1 - Director Fees And Directors' Other Benefits*

   Director Fees of RM462,000/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM37,000/- as well as Chairman's car benefit of up to RM35,000/-.

2. *Resolutions 2 to 5 - Re-election of Directors*

   The Nominating Committee ("NC") has considered the performance and contribution of each of the retiring Directors and have also assessed the independence of the Independent Non-Executive Directors ("IDs") seeking for re-election at the Sixtieth Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2021, the performance of each of the retiring Directors was found to be satisfactory with the retiring IDs complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   The Board has endorsed the NC's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their own re-election at the NC and Board meetings.

   The details and profiles of the Directors who are standing for re-election at the Sixtieth AGM are provided in the Board of Directors section on pages 82 to 84 of the Company's Annual Report 2021.

3. *Resolution 7 - Authority To Directors To Allot Shares*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 4 November 2020 and which will lapse at the conclusion of the Sixtieth AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

4. *Resolution 8 - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature*

   The proposed ordinary resolution, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Malaysian Pacific Industries Berhad Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

5. *Resolution 9 - Proposed Renewal Of Authority For The Purchase Of Own Shares By The Company*

   The proposed ordinary resolution, if passed, will empower the Directors to exercise the power of the Company to purchase its own shares ("Proposed Share Buyback") up to 10% of the total number of issued shares of the Company by utilising its financial resources not immediately required. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Detailed information on the Proposed Shareholders' Mandate and Proposed Share Buyback are set out in the Circular to Shareholders/ Share Buyback Statement dated 5 October 2021 which is available on the Company's website at *www.mpind.my/GeneralMeetings/Latest.asp.*

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors
   No individual is seeking election as a Director at the Sixtieth Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of the Sixtieth Annual General Meeting.

AT A GLANCE

Our Business

Malaysian Pacific Industries Berhad ("MPI") was incorporated in Malaysia under the Companies Ordinances 1940 to 1946 as a private limited company on 5 October 1962 under the name of Federal Paper Products Limited.

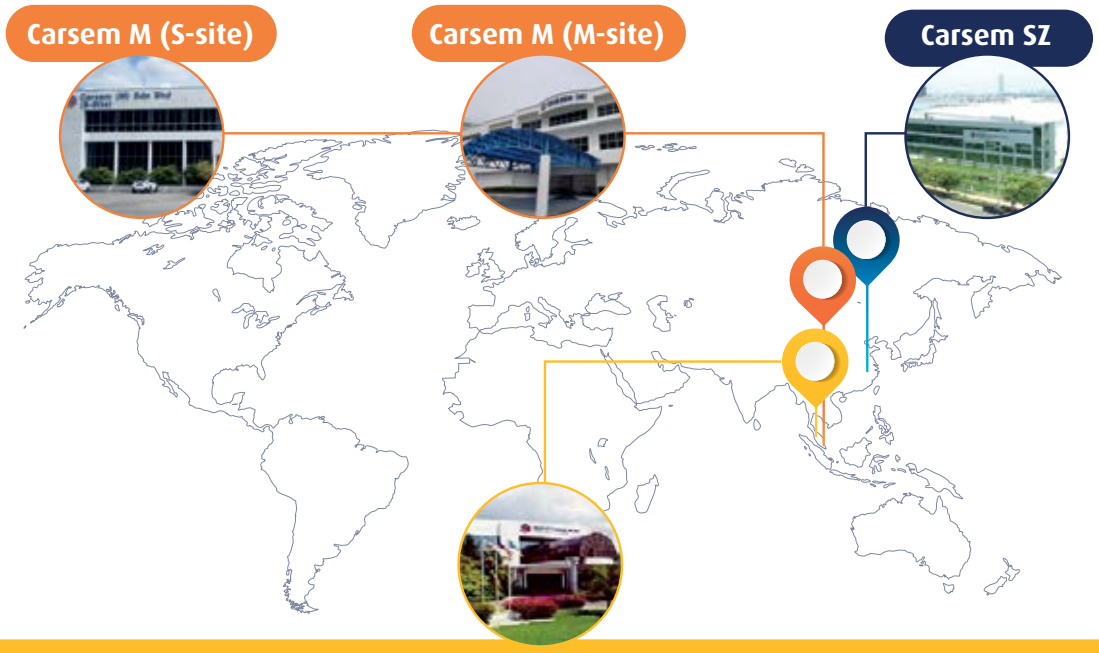
It was converted to a public company on 21 April 1969. The name was changed from Federal Paper Products Berhad to MPI on 25 May 1983 and was admitted to the Official List of the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 29 September 1983. MPI has 3 key operating subsidiaries and 4 manufacturing operations, of which three are located in Malaysia and one in China.

- Carsem (M) Sdn Bhd ("Carsem M")
- Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem SZ")
- Dynacraft Industries Sdn Bhd ("DCI")

OUR PRESENCE

Founded in 1972, Carsem is a leading provider of turnkey packaging and test services to the semiconductor industry, offering one of the largest package and test portfolios in the world. The current combined operations of Carsem M and Carsem SZ, also known as "Carsem", make it one of the largest independent semiconductor sub-contract assembly houses in the world, producing over 100 million units per week with more than 65% of this volume being shipped as fully tested products.

Carsem M has two plants located in Ipoh, Perak in Malaysia, while Carsem SZ is located in the Suzhou Industrial Park in Jiangsu province, China. Carsem is supported by a global network of sales and technical support offices in North America, Europe and Taiwan.



DCI

DCI was originally set up in 1974 as a subsidiary of a USA-based multinational company, providing semiconductor lead frame and semiconductor materials support to their IC assembly plants in the Asia Pacific region. Lead frames are used in a broad range of electronic products, such as computers, automotive components, and telecommunications. In January 1996, DCI was acquired by MPI and became a member of the Hong Leong Group. DCI operates its factories in Bayan Lepas Free Industrial Zone in Penang, Malaysia.

OUR BUSINESS
(cont'd.)

GROUP'S BUSINESS AND OPERATIONS

Malaysian Pacific Industries Berhad ("MPI") is principally an investment holding company whilst the principal activities of its subsidiaries are broadly grouped into the following:

a) Provision of outsourced semiconductor packaging and testing services (OSAT)
b) Manufacture and sale of leadframes

The key subsidiaries are as follows:

- Carsem (M) Sdn Bhd ("Carsem M") offers full turnkey solutions for leaded and leadless semiconductor packaging and test services
- Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem SZ") is a leading provider of outsourced semiconductor packaging and testing in China, focusing on the MLPMicro Leadframe Package (QFN format), flip chip and ball grid array technology
- Dynacraft Industries Sdn Bhd ("DCI") is one of the largest manufacturers of leadframes in the region

PRODUCTS & SERVICES

- widest package range in the industry from simple low pin count micro devices to the more advanced high pin counts and high value packages end-market is relatively diversified due to its wide range of integrated circuits packages
- a full range of turnkey test services for radio frequency, mixed-signal, analog, digital and power devices
- to supply to different market sectors, such as the industrial, telecommunications, information technology, consumer (including smartphone and tablet) and automotive sectors thus avoiding over-dependence on any particular sector
- overall final test services, supported by extensive R&D and failure analysis laboratories

Chairman's Statement

Dear valued shareholders,

On behalf of the Board of Directors of Malaysian Pacific Industries Berhad (the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ("FY") ended 30 June 2021 ("FY21").

As everyone is aware, the Coronavirus disease 2019 (Covid-19) pandemic has brought about many unprecedented challenges to our industry. The disrupted supply chain issue and the repeated Movement Control Orders in Malaysia posed difficulties we have to overcome to ensure our business continuity. I am glad to report that we have implemented a number of safeguards to minimise the health and safety risks for our employees, customers and community during this period with strict compliance with the guidelines from the authorities. Thus, we have managed to maintain very minimum supply disruption to our customers.

The massive shift to work from home with video calls and instant messaging replacing business and social meetings resulted in the need for more laptops and other electronic devices. The move towards a 'gig economy' like online orders and deliveries in the food and beverage industry as well as freelance work from home and increase in leisure activities such as eGaming, eSports, live streaming have also created a huge surge in demands in the semiconductor industry.

The migration to electric cars, automated driving, vehicle connectivity to mobile devices is another catalyst for growth in the use of semiconductor in the automotive industry.

The rapid transition into emerging technologies like 5G cellular networks, Artificial Intelligence, blockchain technology, robotics and autonomous transportation will also provide huge opportunities for growth in our industry.

Over the years, we have strategically positioned ourselves to take advantage of current and prospective opportunities. I am happy to report that we are in a good position to sustain our growth prospects.

In our FY ended 2021, the Group achieved a revenue of RM1.988 billion, a year-on-year revenue growth of 27%. The profit attributable to owners of the Company was RM272 million, a year-on-year growth of 78%. Our business also generated a healthy cashflow, allowing us to reinvest RM495 million for expansion and pay a dividend of RM59 million to our shareholders.

On behalf of the Board, I warmly welcome Ms Foo Ai Li who was appointed as an Independent Non-Executive Director of the Company on 1 September 2021 and I look forward to her support and contribution.

I also extend our sincere appreciation to Ms Lim Tau Kien who resigned as a Director of the Company on 1 September 2021 for her valuable guidance and contributions towards the growth of the Group. I wish her well in her future endeavours.

I would like to take this opportunity to express my heartfelt gratitude to my fellow board members for their contributions and support. I would also like to thank our management and employees for their dedication and commitment in the work that they do every day.

Last but not least, I would like to express my sincere appreciation to our customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group. I look forward to enhancing our collaborations and working relationships in the years to come.

DATUK KWEK LENG SAN
Chairman

Management Discussion and Analysis

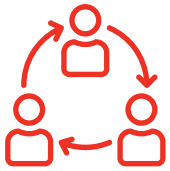
STRATEGIC REVIEW

BUSINESS ENVIRONMENT

The business performance of the Group is influenced by various factors in the environment we operate, including technology changes, competition, talents and demand volatility.

TECHNOLOGY CHANGES

Semiconductor products are highly complex because the end markets of customers' products are characterised by technological changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards, and lengthy qualifications.



COMPETITION

The outsourced assembly and test market are intensely competitive on the basis of price, quality, service and technology.

It is a highly fragmented market with competitive competition coming from the newly set-up and growing Outsourced Semiconductor Assembly & Test ("OSAT") companies and integrated device manufacturers' inhouse capacity.

TALENTS

The success of the business operations is grounded in having strong engineering talent and a reliable factory workforce. Our objective for human capital management is to recruit, develop and retain the best talent possible but the market for employees in our industry is extremely competitive.

The business must have the ability to identify, attract, retain and motivate them.

DEMAND VOLATILITY

The unsettling trade conflict between USA and China, and the COVID-19 pandemic have caused uncertainty in global economic growth. This uncertainty has affected the investors' confidence and their investment decision, the volatility of foreign currency exchange and other geo-political concerns. This industry is cyclical in nature and affected by fluctuating customer demand, typically characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity.

MANAGEMENT DISCUSSION AND ANALYSIS
STRATEGIC REVIEW
(cont'd.)

BUSINESS MODEL

Our Capital Input

For sustained value delivery, we will continue to optimize our key capital inputs.

COMPONENTS OF VALUE CREATION

PEOPLE
- Highly skilled workforce with approximately 8,000 employees
- Diverse talent pool
- Good remuneration and benefits policies for staff retention programme

RELATIONSHIP

Building relationship with
- Customers, employees, suppliers, regulators, shareholders and local communities

INTELLECTUAL
- Dedicated research and development ("R&D") team
- Professional management team
- Knowledge-based and data driven decisions

INFRASTRUCTURE AND FACILITIES
- Advanced manufacturing facilities moving towards 4th Industrial Revolution (IR4.0)
- State-of-the-art research and development ("R&D") center

NATURAL RESOURCES
- Energy
- Water
- Gas

FINANCE
- Market capitalisation more than RM8 billion
- Strong financial position with Net Assets of RM1.9 billion
- Optimised capital structure with net cash of RM902 million

MANAGEMENT DISCUSSION AND ANALYSIS
STRATEGIC REVIEW
(cont'd.)

VALUE CREATION PROCESS

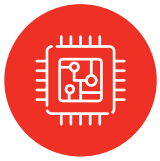
The Global Manufacturing Standards (GMS) and Global Service Standards (GSS) help us to define the critical success factors to compete in a global environment. These factors serve as areas to focus our strategies and to benchmark our practices.

The global standards are dynamic, and the attainment of these standards builds competitiveness, resilience, independence and sustainability into our businesses. The global standards are to be addressed in the strategies and action plans for each business that is considered "core".

The Group has identified four (4) aspects in which its companies must be globally competitive.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

The Group cannot be the best organization without the best people. Therefore, operating companies must recruit and develop talent to have the standard of competencies required to manage the business in a globally competitive environment. This would include Human Resources required to support the objective. The Group's Human Resource programme covers recruitment, training and development, career planning, succession planning, performance appraisal, rewards and recognition, employee welfare, compensation & benefits, among others.



TECHNOLOGY

To use technology as a means towards acquiring competitive advantage. This includes applied research and development and innovation in our products, services and processes; the effective use of data analytics as a competitive tool; positioning the company towards the Fourth Industrial Revolution.

PRODUCTS/ SERVICES

- Cost competitiveness: To be cost-efficient and to maintain cost competitiveness at global standards at all times by undertaking cost and efficiency initiatives.
- Quality: To provide quality products & services, benchmarked against the best in the world.
- Brand Value: To develop strong, reputable brands that command market recognition for its products and services.

CONTROL OF MARKET AND DISTRIBUTION

To be a major player in the market so that the Group can exercise influence on consumers, suppliers and/ or the direction/trends in the industries in which it operates. This requires an examination of how the Group can be deeply entrenched and embedded in the market to create brand equity and loyalty towards its products or services.

An "embedded market" is defined as a designated market where an operating company is physically represented either through its own network or appointed distributors/agents, has significant sustainable market share with intimate customers and market knowledge and enjoys a meaningful level of brand recognition.

MANAGEMENT DISCUSSION AND ANALYSIS
STRATEGIC REVIEW
(cont'd.)

RISK MANAGEMENT

The semiconductor industry is a highly competitive and volatile industry, which operates under constantly changing technologies and market demand. The management believes that identification and management of risks effectively is important to achieve the Group's strategic objectives.

We strive first to identify & learn about the risks posed to our businesses, and then to define the strategies to guide our efforts.

	OVERVIEW	STRATEGIES
Competition	The outsourced assembly and test market are intensely competitive on the basis of price, quality, service and technology. There are over 200 or more OSAT companies coupled with many new set-ups in China due to government funding and competition from integrated device manufacturers who have inhouse capacity.	The Group holds strong to our core value to consistently provide goods and services of the highest quality at competitive prices to our customers. However, some of our competitions have access to capital funding from their central government in the form of incentives or grants and these financial assistances could negatively impact our business and profitability if the Group fails to compete effectively.
Demand Volatility	The unsettling trade conflict between USA and China, and the COVID-19 pandemic have caused uncertainty in global economic growth. This uncertainty has affected investors' confidence and their investment decisions, volatility of foreign currency exchange and other geo-political concerns. This industry is cyclical in nature and affected by fluctuating customer demand, typically characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity.	While the Group continues to review measures to counterbalance the different cyclical demands and requirements of the market, it is difficult to predict the timing or the strength of the market demands and inventory levels which are often dynamic. This could pose a challenge for business decisions and thus, there is no assurance that the measures taken will be adequate to address such risks.

MANAGEMENT DISCUSSION AND ANALYSIS STRATEGIC REVIEW
(cont'd.)

RISK MANAGEMENT (cont'd.)

	OVERVIEW	STRATEGIES
Technology Changes	Semiconductor products are highly complex because, the end markets of customers' products are characterised by technological changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards, and lengthy qualifications. Availability of resources including capital and human resources may allow the competition to have competitive advantage.	The Group focuses on building long-term relationships with customers through developing technology roadmaps together, and utilising the Group's in-house R&D centre with dedicated production capabilities to perform product qualification, and Materials Laboratory to develop advanced materials. Although new research works are developed in anticipation of future demand, there is inherent risk in introducing new products or technology in a timely and cost-effective manner that is catered to our customer's needs. As such, it is difficult to ensure the success of these introductions.
Key management and experienced personnel changes	Human resource development is one of our 4 key tenets. Our future success depends to a large extent on the abilities and continued efforts of our directors, key management and technical personnel and on our ability to continue to identify, attract, retain and motivate them. Our business operations require specialised engineering and other talents while the market demand of such talents is extremely competitive.	We have developed human resource strategies on talent management, employee engagement and training which are central to talent retention and motivation apart from maintaining a benchmarked-driven and competitive remuneration package. However, if we are unable to attract and retain qualified employees, our business could be hindered.
Financial Risks	As a global player, we face foreign currency risk exposure including capital controls in certain countries. We carry out risk assessments on the foreign currency impact on the results of the operations, and sensitivity analysis on the re-measurement of monetary assets and liabilities on the statement of financial position which are denominated in foreign currencies.	The risk of foreign currency fluctuations are managed through various types of foreign currency hedging instruments.
Cyber Risks	Cyber risk is the risk associated with maintaining confidentiality, integrity and system availability of the Information Technology ("IT") systems. The ascent of the knowledge economy and the Digital Revolution has prompted companies to progressively advance on risk relating to data, information processing and particularly IT. Cyber-attacks can lead to commercial losses and a negative effect on business procedures.	The Group strategises to be resilient against cyber risk through embedding Cyber Security and Data Control by design across all business facets by incorporating the related standards and requirements in protecting our hardware and software and improving employee training and awareness. Assessment of the cyber risk/threat landscape is done followed by risk mitigation planning based on the Group's risk appetite and implementation of a proactive approach to manage any cyber breach before, during and after it occurs.

The Group's financial risks are set out in Note 28 under the notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS
PERFORMANCE REVIEW

BUSINESS REVIEW

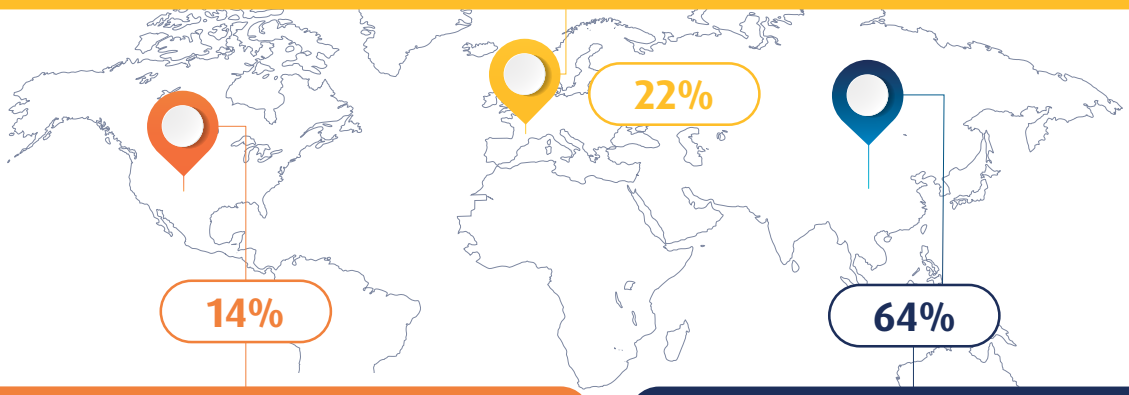
The management reviews and assesses the performance based on geographical segments by location of customers from Asia, Europe and the United States of America ("USA").

Our customers are fabless companies, integrated device manufacturers and semiconductor companies.

European market represents 22% of Group sales. The growth in Europe is driven by power management chips targeted for data server and automotive industry as the market leaders in these sectors are primarily from Europe. It is expected that the major growth driver for the automotive market will be the new and upcoming applications related to autonomous driving, Micro-Electro-Mechanical Systems (MEMS) for safety & security, smart vehicles comprising both electric vehicles (EV) and hybrid electric vehicles (HEV), powertrains and automotive power management for safer, greener and more comfortable automobiles. With the design and technology acquired for power management products, the Group will be venturing into the Automotive EV/HEV & Base Station for 5G market segments especially in the adoption of SiC & GaN wafer technology. The automotive and industrial semiconductor markets were significantly affected by COVID-19, which created sales disruption in the end market while manufacturing disruptions affected the supply chains throughout the year.

In addition, due to the recent COVID-19 outbreak, the Group foresees the demand for the server base & cloud and terminal computing i.e. demand for cloud data center will continue to grow in the coming FY. These products typically have a longer product life cycle and will cushion the volatility.

EUROPE



USA

The USA segment (14%) customer base mostly comprises multi-national corporations with design capability, in-house wafer fab and back-end facilities in production. Applications from this segment are very wide, serving across many consumers and industrial market. Continuing growth in this segment is also driven by strong engineering capability, leading technology and perfect quality performance delivered by the factory. This segment remains a very important growth area for components for connectivity, Internet of Things ("IoT") and advanced chips designed into Industry 4.0 market.

ASIA

Customers in the Asia segment (64%) focus mainly on 5G high-frequency communication technology and chipsets for smartphone components including RF FEM and power management. The on-going trade & technology war between USA and China continues to cause significant market realignment and substantial insourcing within China. The Group expects the growth in this segment to continue in the coming FY. However, as the life cycle for these products is dynamic, it will typically lead to an uneven growth rate.

MANAGEMENT DISCUSSION AND ANALYSIS PERFORMANCE REVIEW
(cont'd.)

REVIEW OF OPERATING ACTIVITIES

It has been a year of resilience and growth despite the Covid-19 pandemic. The Group reported higher revenue of RM1.99 billion against RM1.56 billion of last FY, an increment of 27% which is largely due to the robust semiconductor industry and surge in digitalisation during the current pandemic period. Consequently, the Group generated profit before tax of RM357.6 million for the FY due to the following factors:

a) Higher USD revenue contributed RM122 million to additional gross profit
b) Favourable foreign currency differences amounted to RM25 million

The Group's strong performance coupled with tightened control on capital investment had further built up the net cash position from RM826 million to RM902 million for the FY ended 30 June 2021. ("FY21") after capital expenditure of RM495 million and rewards to shareholders as dividend totalling RM59 million.

After the initial disruption of Covid-19, the impact on the semiconductor industry appeared to be more favourable than other sectors due to the surging technology demand of consumers and enterprises. All of our operating companies experienced revenue growth across wide spectrums of technologies and end-applications. We saw increasing demand in the industrial, PC, server and automotive markets, partly arising from the disruption in the supply chain where production lines were shut down in other parts of the world while all our factories were approved to operate by the local governments during the Movements Control Order (MCO) period. This is largely due to the strict adherence to the pandemic regulations and adequate preparation done by our factories and every employee in the Group.

Digitalization has permeated every sphere of our lives and the coronavirus pandemic has accelerated this trend, altering our lifestyle and giving rise to new patterns of behaviours. Digital and intelligent sensor solutions in the Smart Home and personal devices enhance the quality of life. Big data is an extremely valuable raw material enabling enterprises to mine and use data analytics for operational and security purposes. Smart power through 3rd generation semiconductor materials have transformed and alleviated technology for server farms, cloud computing and 5G rollout allowing generations to come to experience amazing access to data wherever and whenever. In the automotive market, electrification-electronics in active safety systems are increasingly developing into driver assistance systems, overall comfort features and improved energy efficiency via new battery technology.

Each of our operations have specific and focused technologies to leverage on the robust semiconductor industry. We continue to build up sales pipelines with existing and new customers aligning our technologies and capabilities with the new product offerings of those customers.

The focused technologies are:

- Carsem M
  - Advanced packages in Power Management including SIP Cu Clip
  - Leading-edge high voltage RF Power including SiC, GaN
  - MEMS for Automotive Pressure & Acceleration Sensor & IoT
  - MEMS Ceramic packages

MANAGEMENT DISCUSSION AND ANALYSIS PERFORMANCE REVIEW
(cont'd.)

- Carsem SZ
  - 5G market – RF FEM
  - WIFI 6 technology packages
  - Power Surge Protection packages
  - Power Management - Dr MOS packages
  - 3rd generation semiconductor materials packages – GaN
  - 5G Testing capabilities
- DCI
  - Advanced photoresist plating -Plate Before Etch technology
  - Roughening technology serving the 5G and power management chips

DIVIDEND

The Company declared and paid single tier dividends totalling 30 sen per share for FY21. Dividend pay-out is one of the important elements considered by the Company in enhancing its shareholder value. Earnings, capital expenditure requirements, borrowings repayment, capital adequacy, dividend yield and other relevant factors are considered by the Board in determining the actual dividend pay-out.

PROSPECTS AND OUTLOOK

There has been production disruption and demand slowdown due to the COVID-19 pandemic and trade-related uncertainties but the global semiconductor requirements remain a growing trend. As reported by the Semiconductor Industry Association, the global semiconductor market is projected to grow by 19.7% in 2021 and further 8.8% in 2022 as the automotive market continues to see chip shortages and surging digitalisation has been the catalyst for continuing growth.

The major technology driving the long-term demand are:

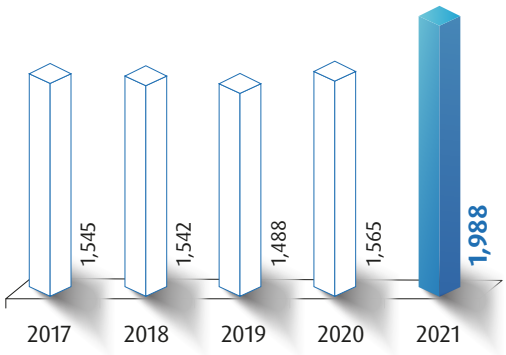
- 5G is expected to fuel the growth of the market as this technology progresses towards realisation and mass adoption.
- The increasing usage of automotive electronics, MEMS sensors designed into EVs and HEVs and safety systems will provide a push for growth in this industry.
- There will be an increase in the adoption of internet of things (IoT) devices due to the increased connectivity as people stay home for work and play.
- Apart from smartphones, the demand from wearables is expected to fuel the growth of OSAT market, as they become an integral part of people's everyday life.
- Power semiconductor modules for both high and low power applications including energy efficiency, wireless charging and power conversion devices will continue to see robust growth for 5G rollout and server markets. Another very promising portfolio of growth comes from IC devices/transistors for power surge protection, anti-electrostatics and electrical over-stress.

MANAGEMENT DISCUSSION AND ANALYSIS
PERFORMANCE REVIEW
(cont'd.)

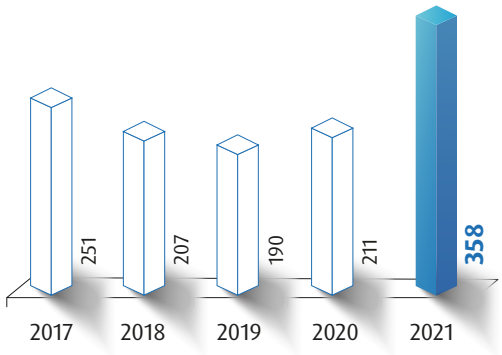
FINANCIAL HIGHLIGHTS

RM'million	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue	1,545	1,542	1,488	1,565	**1,988**
Profit before taxation	251	207	190	211	**358**
Profit attributable to owners of the company	178	142	128	153	**272**
Net earnings per share (sen)	94	75	68	80	**137**
Net dividend per share (sen)	27	29	27	27	**30**
Total equity	1,329	1,405	1,499	1,619	**1,985**
Total assets	1,631	1,696	1,708	2,010	**2,564**
Capital expenditure	129	171	195	249	**495**

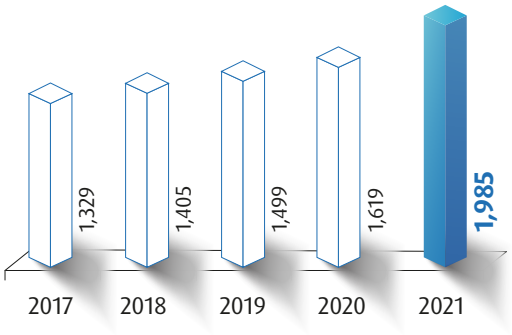
REVENUE (RM'million)
in FY



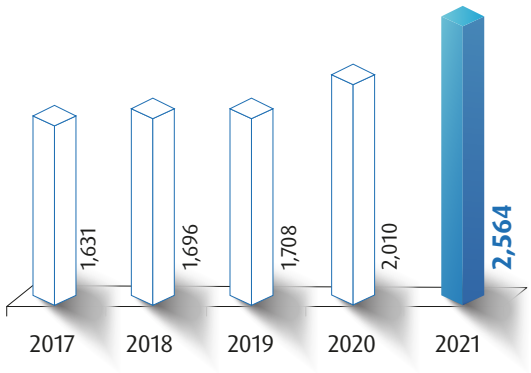
PROFIT BEFORE TAXATION (RM'million)
in FY



TOTAL EQUITY (RM'million)
in FY



TOTAL ASSETS (RM'million)
in FY



CREATE SUSTAINABLE VALUE

Sustainability Statement

This is the fourth consecutive year that the Group is reporting on sustainability performance. We believe that to grow our businesses in a sustainable manner, the commitment and involvement by our shareholders, directors, management, staff, customers, suppliers and communities are very important.

Therefore, we continue to work together with each of our stakeholders to achieve company business goals and contribute positively to the environment, economy and social system we live in.

REPORTING PERIOD

This statement covers the period for financial year from 1 July 2020 to 30 June 2021 (FY21).

ORGANISATIONAL BOUNDARY

This statement covers the following businesses in its scope:

Name of business	Location of operations	Referred to as in this statement
Carsem (M) Sdn Bhd	Ipoh, Malaysia	Carsem M
Carsem Semiconductor (Suzhou) Co., Ltd	Suzhou, China	Carsem SZ
Dynacraft Industries Sdn Bhd	Penang, Malaysia	DCI

FRAMEWORK AND STANDARDS

The preparation of this statement has been guided by the GRI sustainability reporting guidelines, and has incorporated elements of the Responsible Business Alliance ("RBA") and the relevant & applicable ESG criteria of FTSE4Good Bursa Malaysia Index.

CONTRIBUTION TO THE UN SDGs

The United Nations ("UN") Sustainable Development Goals ("SDGs") are a set of 17 goals focusing on achieving the 2030 Agenda for Sustainable Development. In line with our vision & mission, as a globally recognized leading organization, MPI is well positioned to contribute to and support the UN Sustainability Development Goals.

MPI ensures a safe, healthy and non-discriminatory workplace environment that provides a strong sense of belonging and being valued & respect to everyone - our employees, our customers, business partners and suppliers. We offer equal employment opportunities to everyone, irrespective of factors such as gender, ethnicity, nationality, etc. in line with global standards. We embrace innovation and technology development that continues to drive our businesses forward in our ongoing Industry 4.0 journey. In doing so, we take necessary steps in our businesses as well as across our value chain, to manage our environmental and social impacts in a progressive manner.

SUSTAINABILITY STATEMENT
(cont'd.)

SUSTAINABILITY APPROACH

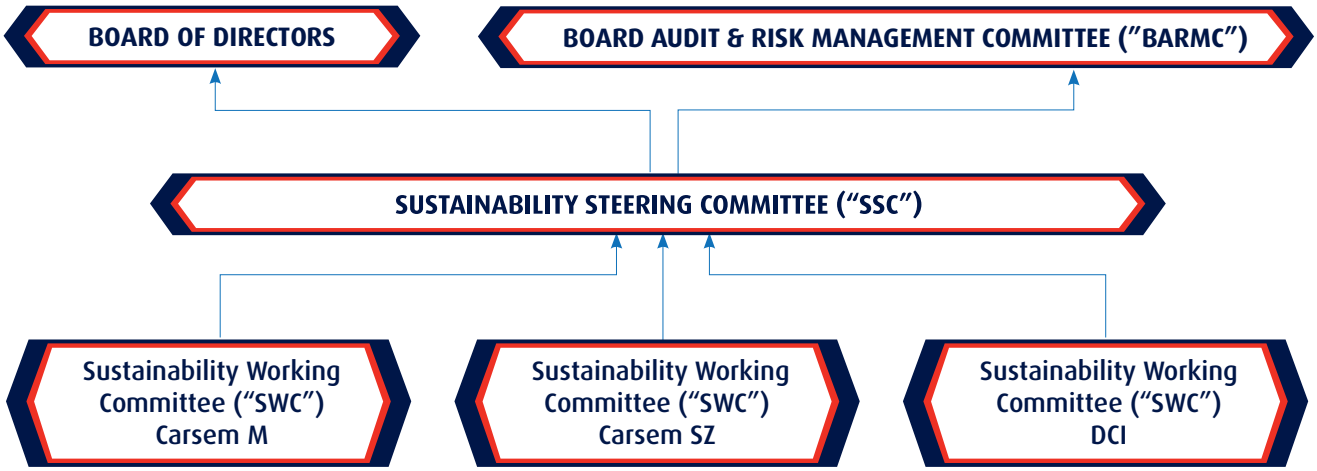
Sustainability Governance Structure

Our commitment to sustainability comes from the very top of our organization. Accountability for best practices of sustainability is in the hands of our Board of Directors which provides guidance on key business, social and environmental issues.

Our sustainability governance structure comprises the Board of Directors as the highest governing body and they play a critical role in approving sustainability and risk management framework and in deliberating on reports from the Board Audit and Risk Management Committee ("BARMC") on sustainability and risk governance issues. Led by the Group Managing Director ("GMD"), the Sustainability Steering Committee ("SSC"), acts as a bridge between the Board of Directors, BARMC, and the operating companies ("OC") which are supported by their respective Sustainability Working Committees ("SWC").

Three groups of working committees from each OC are organised according to the identified sustainability themes, and the aspects of SR based on the Global Reporting Initiative ("GRI") G4 sustainability standards. This structure enables us to continue to add value to our stakeholders in all aspects of our businesses. The teams integrate sustainability into the business strategy on a daily basis and also facilitate the Group's sustainability-related work with government and non-governmental organizations ("NGOs"), universities, technology and industry leaders. These collaborations enable us to implement sustainability best practices in areas such as product innovation, employee engagement, operations, supply chain and advocacy. MPI is committed to maintaining sound corporate governance, continuously practicing good ethics in all areas of our businesses, and complying with all laws and applicable regulations where we operate.

GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT
(cont'd.)

STAKEHOLDER ENGAGEMENT

Engaging with businesses, organizations, and people that have a stake in our business, and share our vision & commitment to sustainable future is critical to our success. Holistic and consistent stakeholder engagement strengthens our relationships and enables better decision making and delivery on our commitments.

We consider what is meaningful and valuable for our stakeholders when developing strategies, introducing new products or technologies, and setting goals to manage the social and environmental impacts of our operations. This requires a deep understanding of the needs and expectations of our stakeholders.

In order to maximize the impact of our employee/ community programs, we strive for long-term partnerships with government authorities, non-governmental organizations, customers, suppliers and other stakeholders. For instance, in the current context, we collaborated closely with the relevant government authorities as well as other parties to implement COVID-19 vaccination programs for our employees at Carsem SZ and Carsem M.

We have setup a methodical approach to assess, prioritise, and engage with our stakeholders to ensure that we have identified & considered all the relevant stakeholders to further our sustainability approach, our business strategy, thereby, realizing our Vision and Mission.

Prioritization

Our stakeholders are identified, assessed and prioritized by gauging their dynamics with our businesses and/or operations on two dimensions:

- dependence of stakeholder on the business or operations; and
- influence of stakeholder on the business or operations.

This process involves key personnel from the business and operations who frequently engage with our stakeholders. Typically, we review stakeholder prioritization on an annual basis. In FY21, no material changes were observed in our main stakeholder groups. We leverage multiple ways of engaging with our stakeholders that differ in the extent of engagement, depending on the specific areas being covered & addressed.

Wherever possible, we take necessary steps to ensure an open, accommodating and encouraging environment for all our stakeholders to share with us their focus areas of interest, and concerns. Our stakeholders can utilize many engagement channels to share their feedback, comments, concerns and views. These include Whistleblowing channel to submit grievances, confidentially & anonymously, or "e-feedback intranet portal"/ "open door policy" for employees.

SUSTAINABILITY STATEMENT
(cont'd.)

Below table spells out our key stakeholder groups, relevant engagement channels, and their concerns and interests.

	AREAS OF INTEREST/ CONCERN	ENGAGEMENT CHANNELS
Employees	• Safeguarding of human rights, health & safety, and a humane & respectful workplace environment • 'Caring & empathetic' culture, especially during this difficult pandemic • Fair remuneration practices, with competitive compensation & benefits • Opportunities for healthy career growth, upskilling, and learning & development • Appropriate management and disposal of hazardous waste	• Employee engagement survey • Communication sessions, including on financial & operational updates • Recreational events • Training • Annual performance evaluation sessions • Reward & recognition program • Scholarship/ academic excellence award • Employee union representative • 'Open door' feedback
Shareholders/ investors	• Healthy & consistent business growth, including business expansion	• Annual General Meeting • Corporate affair correspondence • Investor briefing • Ad-hoc meetings • Quarterly announcements/ meetings
Suppliers/ business partners	• Competitive prices • Fair contract practices • Continuity of business • Quality of parts/ services/ materials • Labor practices – freely chosen labor, fair wages, non-discrimination, etc. • Responsible mineral initiative	• Audits & survey • Vendor registration • Technical roadshow • Supplier's rating • Ad-hoc meetings, briefings (mostly online in FY21)
Customers	• Quality & reliable products & services with assurances • Competitive prices • On-time reliable delivery • RBA compliant operations • Uphold labor rights & standards, health & safety, respect for human rights • Compliance with local and international regulations – e.g. RoHS • New product & technology development & collaborations	• Audit & survey • Ad-hoc meetings (mostly online in FY21) • Trade roadshows convention • Technical seminar (mostly online in FY21)
Regulators	• Adherence to relevant laws & regulations • Corporate governance and compliances	• On-site inspection • Correspondence on regulations • Dialogue

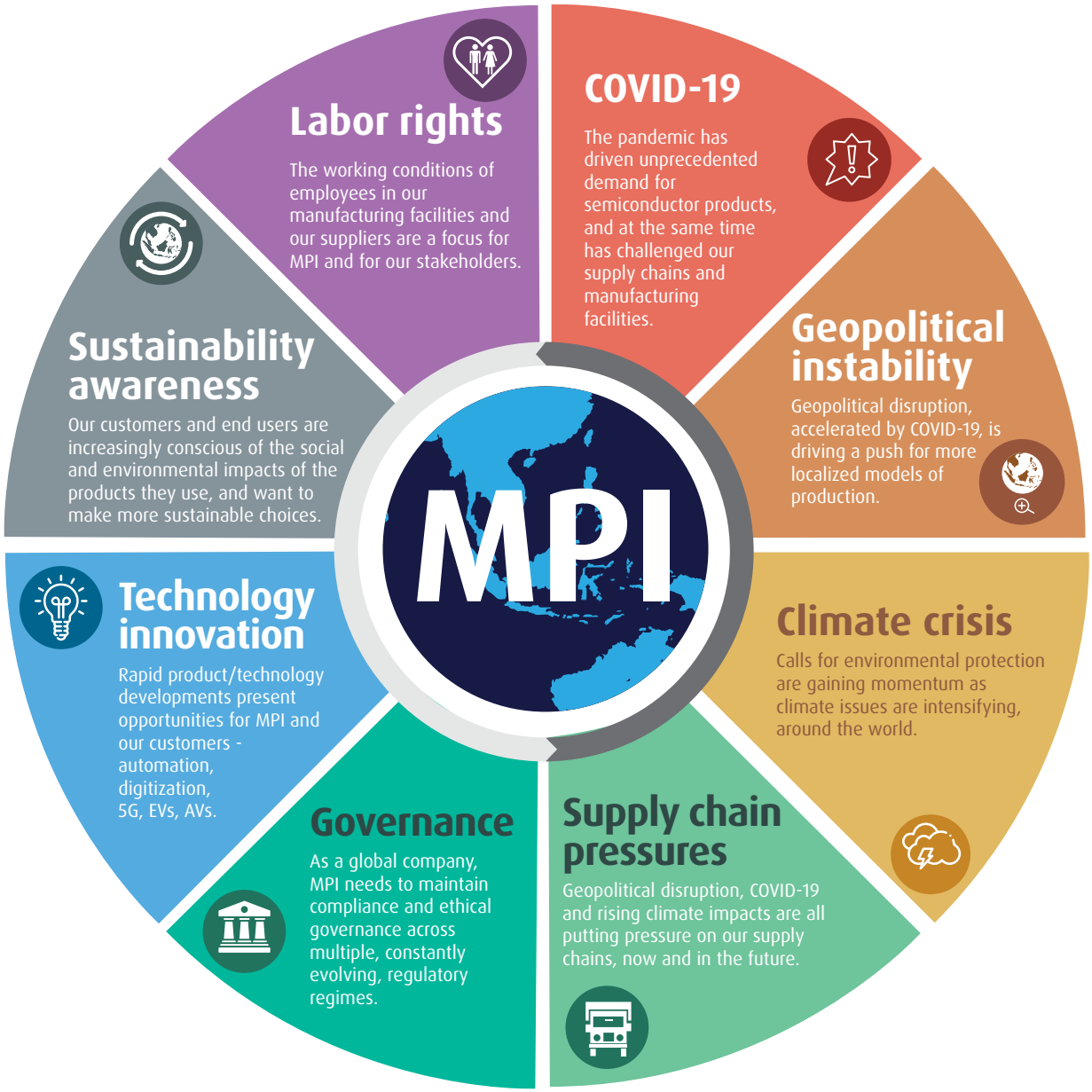
SUSTAINABILITY STATEMENT
(cont'd.)

Below table spells out our key stakeholder groups, relevant engagement channels, and their concerns and interests. (continued)

	AREAS OF INTEREST/ CONCERN	ENGAGEMENT CHANNELS
Local community	• Donations • Health, safety and environmental initiatives • Volunteering projects	• Site visit • Corporate Social Responsibility event • Volunteering programs
In-house unions	• Employee's rights • Employee welfare provided by MPI • Maintaining harmonious relationship between management and employee • Ensuring discipline, and top levels of productivity & efficiency • Proper resolution of grievances & misunderstandings	• Formal union meetings • Ad-hoc meetings
Analysts/ rating agencies	• Fair financial reporting • Transparency • Business continuity	• Quarterly analyst briefings and reports
Ministry/ local authorities	• Local community aid via contributions on community matters • Foreign workers' management	• Meetings

SUSTAINABILITY STATEMENT
(cont'd.)

OUR OPERATING CONTEXT



SUSTAINABILITY STATEMENT
(cont'd.)

SUSTAINABILITY THEMES AT MPI

We are committed to doing business in an ethical manner that leads to long-term, sustainable benefits for MPI and all of our stakeholders. Our sustainability management can be segmented into 3 clear themes, striving to be responsible and responsive in approach & purpose.

BETTER ECONOMY	BETTER ENVIRONMENT	BETTER SOCIAL
Shareholders	Energy & emissions	Employees
Suppliers	Waste	Business ethics
Customer	Water	Local communities
• We create economic value for our shareholders • We work with like-minded partners • We prioritise safety & productivity, and offer innovative solutions to our customers	• We respect the local environment • We consistently strive to lower our energy consumption and GHG emissions • We efficiently manage our waste and use natural resources with care	• We prioritise the safety & wellbeing of our people • We conduct business ethically and compete fairly • We engage with & support our communities

Each of these themes comprise of the relevant sustainability aspects, including the material aspects that may influence or be influenced by our business' value creation process, as well as the internal & external business environment. The process of identification & assessment of these sustainability aspects, and our approach towards managing these aspects and their performance is discussed in detail subsequently.

MATERIALITY ASSESSMENT

We assess our material issues annually to enhance & continually increase the maturity of our approach in managing the sustainability risks and opportunities posed to our business. This helps us in ensuring that we prioritise the issues that have the greatest impact on the economy, the society and the environment. To support our annual materiality assessment, we conduct an ongoing dialogue with our stakeholders, and also, monitor the external trends, other industries and peer company's materiality analysis and how these affect our ability to grow our business sustainably over time.

SUSTAINABILITY STATEMENT
(cont'd.)

Our systematic materiality assessment process was guided principally by the Global Reporting Initiative Standards (GRI), RBA, the ESG indicators of FTSE4Good Bursa Malaysia Index, and Bursa Malaysia Sustainability Reporting Guide and the toolkits therein.

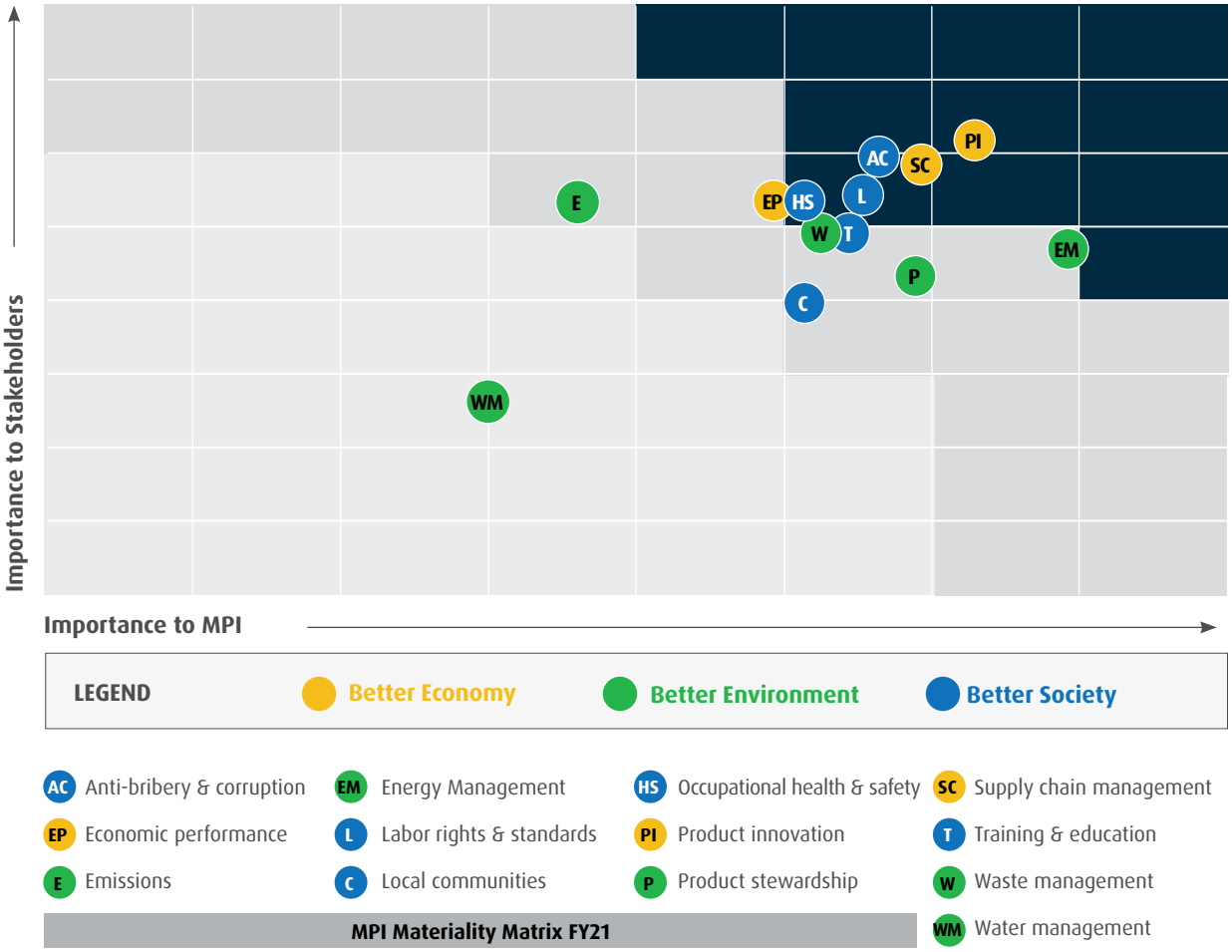
To identify all relevant sustainability aspects for our business, in conjunction with our operating context that was discussed earlier, we considered:

- The issues that matter to MPI's business performance;
- The issues that matter to MPI's stakeholders;
- The issues on which MPI currently has, or could have, an impact

This initial analysis was then refined to identify 'material' sustainability aspects, based on the

- significance of their economic, environmental, and social impact; or
- extent of their influence on the assessments and decisions of our stakeholders

Our enhanced and updated materiality matrix for FY21 is shown below.



SUSTAINABILITY STATEMENT
(cont'd.)

Outlined below are the material sustainability aspects identified for our business, mapped with our 3 sustainability themes, and the relevant capitals in the value creation process.

Sustainability themes	Material sustainability aspects	Relevant capitals
Better Economy	Economic performance	Financial
	Product innovation	Infrastructure and facilities, Intellectual
	Supply chain management	Relationship
Better Environment	Energy management	Natural resources
	Waste management	Natural resources
Better Society	Labor rights & standards	People
	Anti-bribery & corruption	Relationship
	Occupational health & safety	People
	Training & education	People

Note: Above material sustainability aspects have been mapped with the capital(s) with highest relevance, even though they may be relevant to capitals other than those mentioned here.

PERFORMANCE SNAPSHOT

45%
Women in our workforce

30% lower
Energy intensity in FY21 was substantially below FY15 baseline, as targeted

Health & Safety
Zero fatalities
Injury frequency rate amongst the lowest of peers
Safe workplace & accommodations
Vaccination of our employees

29% lower
GHG emission in FY21 was well below FY15 baseline, as targeted

Training
Thousands of hours of formal training clocked in by employees via digital mediums

29% lower
Water consumption index in FY21 was much lower than FY15 baseline, as targeted

Anti-corruption
Implemented Anti-Bribery Management System under ISO 37001:2016; audited by SIRIM

SUSTAINABILITY STATEMENT
(cont'd.)

BETTER ECONOMY

MPI has defined a drawn out objective to develop & grow the business in the prevalent dynamic industry & macroeconomic environment, in collaboration with our key partners.

In a highly competitive environment, we constantly pursue excellence in innovation, operations, and supply chain development to create & deliver economic performance and value for all our stakeholders. This further enables us to advance our strategy & expand our business in a sustainable way. Strict compliance with the applicable laws & regulations (including environmental and social) is ensured in all our business & operational activities.

ECONOMIC PERFORMANCE

The global semiconductor industry is witnessing significant tailwinds due to the surging semiconductor demand, driven by the long term technology trends, especially around 5G communications (RF), big data processing, IOT, automotive (electrification, sensors, safety) across Asia, US and EU. In addition to this, MPI continues to benefit from

- Strong sales pipeline
- Localization driven demand trends in China
- Positioning of reliable supply centre for US & EU, based out of Malaysia
- Strong cash position – allows to aggressively pursue technology/company acquisitions that will propel Carsem even further into the advanced packaging space
- Continuous productivity & quality improvements via automation

All these favourable factors augur well for sustained economic value generation by MPI. This in turn enables a healthy creation & distribution of wealth among our stakeholders. The relevant details on our financial performance, business strategies, and wealth distribution among stakeholders (corporate tax paid, dividends paid, R&D expenditure, retained earnings) are available in the **Audited Financial Statements** and in the **Supply Chain Management** (local procurement) sections of this integrated report.

PRODUCT INNOVATION

Rapid technological advancements are translating into increasingly demanding requirements for integrated circuits, such as faster design, significantly higher performance with miniaturization, etc. This requires ever increasing focus on cutting edge research & technology development in order to gain or ensure sustained competitive advantage, and to enable our customers in their pursuit of transformational technologies.

Despite the challenging year where the COVID-19 pandemic has resulted in various safety measures on social distancing that has affected people from working together in groups especially in research work and troubleshooting, we have forged on research and development activities in meeting the technical and manufacturing demands of the following 4 key focus market segments namely Radio Frequency (RF), Power Management, Micro Electro Mechanical System (MEMS) /Sensor and Automotive.

We are venturing into SiC devices, to adapt to current market trend which is growing year to year. Silicon-Carbide (SiC) devices with superior performance over traditional silicon power devices have become the prime candidates for future high-performance power electronics energy conversion.

SUSTAINABILITY STATEMENT
(cont'd.)

The main advantages of SiC devices over traditional Si devices are:

- high thermal conductivity
- low thermal expansion and excellent thermal shock resistance
- low power and switching losses
- high energy efficiency
- high operating frequency and temperature (operating up to 200°C junction)
- small die size (with the same breakdown voltage)
- intrinsic body diode (MOSFET device)
- excellent thermal management which reduces cooling requirements
- long lifetime

Traditional device packaging becomes a limiting factor in fully realizing the benefits offered by SiC power devices, and thus, improved & advanced packaging structures are required to bridge the gap between SiC devices and their applications.

Some of the technology breakthrough in the packaging solutions include:

- Higher wafer dicing cost due to slower dicing speed
- Pb free solution for high thermal conductivity with similar reliability performance compare to current PbSn solder alloy
- Higher current interconnect
- Higher voltage (prevent arching between electrodes), higher operating temperature low cost mold compound

New advanced materials and processes development to support customers for next generation of products include:

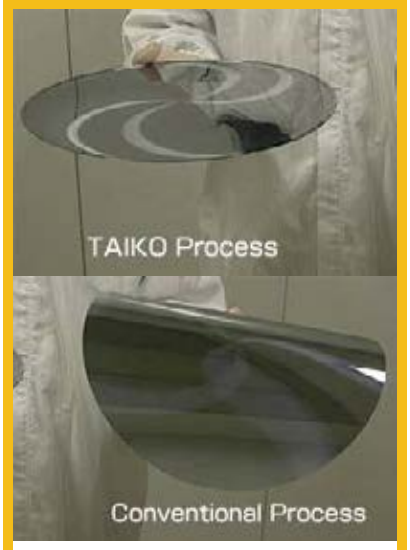
Materials

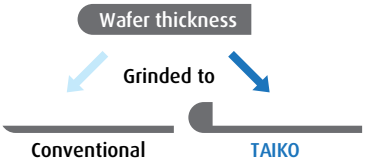
1. Sinter cooper paste for more cost effective and reliable joint lead-free solution to meet ROHS requirement
2. Molding compound with low Dk/ Df properties for 5G application

Process

1. Taiko Wafer Ring Removal Capability
2. 100x300mm lead frame strip size for Copper Clip packages
3. Traceability from singulated unit up to die level (without the need to have embedded die identification)
4. 50um thin die sawing and die attach capability
5. Step cut side wall plating
6. Heavy Al wire bonding to cater for future high current portfolio packages with SiC technology (in development)

THE PROCESSES





Introduction: The TAIKO process is a wafer back grinding method by leaving a ring (approximately 3 mm) on the wafer outer edge and thin grinds only the inner area of the backside wafer. This is to reduce the risks of wafer breakage or edge chipping for thin wafers.

SUSTAINABILITY STATEMENT
(cont'd.)

We are actively participating in customer roadshows, international seminars and conferences such as the International Electronics Manufacturing Technology and SEMICON Southeast Asia. This year, CTC was invited to present a paper on the Role of Semiconductor Packaging in today's Automotive Industries in the International Conference on Computer-Aided Design in Nanjing.

We continue to grow our Intellectual Properties which reflects the innovation and advancement of a company. This year, the Group has been working on revamping and tightening the selection criteria to ensure that our intellectual properties bring in more value for the Group. For any new invention; design/ process for patent application, we have the stringent involvement from many different level of assessment and validation to ensure the quality and cutting edge of each development of new IP. We will continue to maintain our intellectual portfolios that are still relevant in some countries where the packages and services are active.

To emphasise, we have 75 active patents worldwide, including in USA, China, & Malaysia.

The traditional manufacturing industry is progressing towards an industry transformation that is accelerated by exponentially growing technologies like intelligent robots, sensors and big data. Companies and their individual processes are adapting to this rapid change in order to enhance business performance and structurally innovate to scale the level of automation.

Over the last 4 years, the MEMS & Sensor Business Unit (MSU) has progressed on its journey towards adopting Industry 4.0 with the goal of enhancing the efficiency of its manufacturing lines using predictive Artificial Intelligence (AI).

MSU supports an environment where automation through AGVs and robots have reduced human dependency in the operations from Die Attach (DA) to 3rd Optical Inspection. This has not only helped MSU to get one step closer towards the primary goal of achieving Zero Defect quality but also to remain at the forefront of Industry 4.0 progression in the MEMS Sensors' design, research, packaging and manufacturing domain.

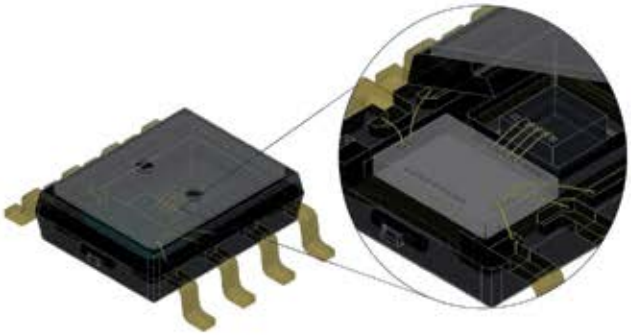
CUSTOMIZED MODULE PACKAGE	AUTOMOTIVE APPLICATIONS
	Restraint systems Vehicle dynamics systems Active suspension systems Vehicle comfort systems Engine management systems Transmission control systems

In order to ensure MSU continues its fast-paced growth in the coming years, it has grown and diversified its portfolio in many technology segments. In the automotive segment, MSU is close to launching the "system in package (SiP) & modules" for pressure sensing applications in multiple domains including automotive safety segment which remains to be the key focus of the industry.

SUSTAINABILITY STATEMENT
(cont'd.)

SAFETY RELEVANT PRESSURE SENSOR

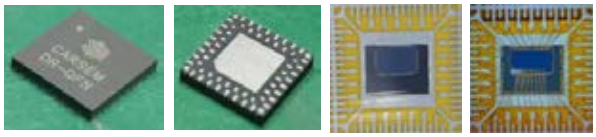
With the advent of electrical cars (EVs), MSU has focused development in optical sensors & LIDAR / RADAR as the next steps. MSU has continued to ramp its consumer portfolio with motion sensors for smartphones & human machine interface (HMI) applications. MSU was successful in ramping packages catering to the indoor air quality sensing applications in the industrial segment. There are also advanced stage developments in the hermetical & non hermetical ceramic packages, which will propel future growth. We have an array of standard and customised packages in the MEMS portfolio in the automotive, consumer and industrial sensor domains that cover a wide spectrum of applications.



Applications		
AUTOMOTIVE • Gyroscopes • Airflow Control • Air Bag Deployment • Combustion Sensing • Tire Pressure Sensing • Anti-Lock Braking System • Fuel rail Pressure Sensing • Fuel Injection and Fuel Pump Sensing • Differential Pressure Sensing for Turbochargers	**CONSUMER** • Accelerometers • Pressure Sensing • Positional Sensing • Inertial Measurement Units (IMUs)	**INDUSTRIAL** • RF-MEMs • Flow Control • Current Sensing • Magnetic Sensing • Indoor Air Quality Sensing • Pressure Monitoring & Control • Inertial Measurement Units (IMUs) • Tunnel Magnetoresistance (TMR) Sensing

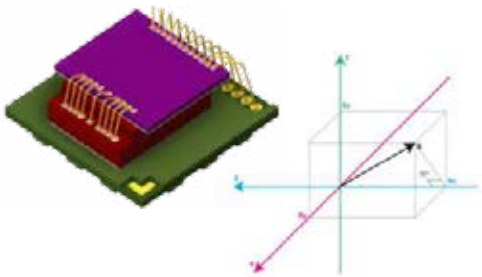
Dual Row (DR) QFN Process Development

The implementation of DR QFN is important in increasing the number of I/O while maintaining the small package footprint. DR QFN enables a high-pin count in the same package. This technology helps improve the thermal and electrical performance as well as better power dissipation.



6-Axis MEMS/IMU

The 6-axis MEMS/IMU is a specific type of motion sensor that composed of a 3-axis accelerometer and 3-axis gyroscope. This single chip solution is designed for smart use of power that can be used for smartphones, tablets, wearable, AR/VR devices, drones, robots, smart home and internet of things (IoT). Carsem is striving to meet the demanding requirements of the consumer electronics market and provide the best-inclass sensing solution.



SUSTAINABILITY STATEMENT
(cont'd.)

Quality System Certification

The Group has been maintaining the prestigious IATF 16949 and ISO 9001 Quality Management System Certification. This certification endorsed our commitment towards providing world class quality products and services in fulfilling stringent automotive as well as commercial products requirement.

This achievement is enabled by visionary leadership that consistently emphasizes and promotes the preventative solution culture in each of the manufacturing processes as early as the stage of the new product introduction till the shipment of the product to customers.

IATF 1649 Automotive Quality Management System

ISO 9001 – Quality Management System

Certificate

Standard: IATF 16949:2016 (1st edition, 2016-10-01)
Certificate Registr. No.: 01 111 028556/01
IATF Certificate No.: 0402387

Certificate Holder: Carsem (M) Sdn. Bhd. (M-Site)
Jalan Lapangan Terbang,
31350 Ipoh, Perak Darul Ridzuan,
Malaysia

With remote location(s) according to annex

Scope: Design and Manufacturing of Semiconductor Components.

Proof has been furnished by means of an audit that the requirements of IATF 16949:2016 are met.

Validity: The certificate is valid from 2021-06-01 until 2024-05-31.

Release date: 2021-06-01

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln
Germany - NRW

2-IAO-QMC01003

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Certificate

Standard: IATF 16949:2016 (1st edition, 2016-10-01)
Certificate Registr. No.: 01 111 028556/02
IATF Certificate No.: 0402393

Certificate Holder: Carsem (M) Sdn. Bhd. (S-Site)
Lot 52986, Taman Meru Industrial Estate Jelapang,
30020 Ipoh, Perak Darul Ridzuan,
Malaysia

With remote location(s) according to annex

Scope: Design and Manufacturing of Semiconductor Components

Proof has been furnished by means of an audit that the requirements of IATF 16949:2016 are met.

Validity: The certificate is valid from 2021-06-01 until 2024-05-31.

Release date: 2021-06-01

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Am Grauen Stein · 51105 Köln
Germany - NRW

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Certificate

Standard: ISO 9001:2015
Certificate Registr. No.: 01 100 028556/01

Organization: Carsem (M) Sdn. Bhd. (M-Site)
Jalan Lapangan Terbang,
31350 Ipoh, Perak Darul Ridzuan,
Malaysia

Site: c/o Carsem (M) Sdn. Bhd.
Jalan Lapangan Terbang,
31350 Ipoh, Perak Darul Ridzuan,
Malaysia

Scope: Design and Manufacturing of Semiconductor Components

Validity: Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.
The certificate is valid in conjunction with the main certificate 01 100 028556 from 2021-06-18 until 2024-06-17.

2021-06-02

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Certificate

Standard: ISO 9001:2015
Certificate Registr. No.: 01 100 028556/02

Organization: Carsem (M) Sdn. Bhd. (M-Site)
Jalan Lapangan Terbang,
31350 Ipoh, Perak Darul Ridzuan,
Malaysia

Site: c/o Carsem (M) Sdn. Bhd. (S-Site)
Lot 52986, Taman Meru Industrial Estate Jelapang,
30020 Ipoh, Perak Darul Ridzuan,
Malaysia

Scope: Design and Manufacturing of Semiconductor Components

Validity: Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.
The certificate is valid in conjunction with the main certificate 01 100 028556 from 2021-06-18 until 2024-06-17.

2021-06-02

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Am Grauen Stein · 51105 Köln

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Certificate

Standard: IATF 16949:2016 (1st edition, 2016-10-01)
Certificate Registr. No.: 01 111 028556/03
IATF Certificate No.: 0402770

Certificate Holder: Carsem Semiconductor (Suzhou) Co., Ltd.
West Shenhu Road, Industrial Park,
No. 88 Suzhou City, Jiangsu Province,
P. R. China.
215021, Jiangsu
P.R. China

With remote location(s) according to annex

Scope: Design and Manufacturing of Semiconductor Components.

Proof has been furnished by means of an audit that the requirements of IATF 16949:2016 are met.

Validity: The certificate is valid from 2021-06-02 until 2024-06-01.

Release date: 2021-06-02

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln
Germany - NRW

2-IAO-QMC01003

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Certificate

Standard: IATF 16949:2016 (1st edition, 2016-10-01)
Certificate Registr. No.: 01 111 039167
IATF Certificate No.: 0424636

Certificate Holder: Dynacraft Industries Sdn. Bhd.
255-A, Block D, Phase II,
Bayan Lepas Industrial Zone,
11900 Penang,
Malaysia

Scope: Manufacturing of Leadframes for Semiconductor Products

Excluding Product Design

Proof has been furnished by means of an audit that the requirements of IATF 16949:2016 are met.

Validity: The certificate is valid from 2021-09-14 until 2024-09-13.

Release date: 2021-09-14

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln
Germany - NRW

2-IAO-QMC01003

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Certificate

Standard: ISO 9001:2015
Certificate Registr. No.: 01 100 028556/03

Organization: Carsem (M) Sdn. Bhd. (M-Site)
Jalan Lapangan Terbang,
31350 Ipoh, Perak Darul Ridzuan,
Malaysia

Site: c/o Carsem Semiconductor (Suzhou) Co., Ltd.
No. 88, West Shenhu Road, Industrial Park,
Suzhou City, Jiangsu Province 215021,
P.R China

Scope: Design and Manufacturing of Semiconductor Components

Validity: Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.
The certificate is valid in conjunction with the main certificate 01 100 028556 from 2021-06-18 until 2024-06-17.
It remains valid subject to satisfactory surveillance audits.
This certificate information can be searched on CNCA official website http://www.cnca.gov.cn

2021-06-02

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln

TÜVRheinland® Precisely Right.

Certificate

Standard: ISO 9001:2015
Certificate Registr. No.: 01 100 039167

Certificate Holder: Dynacraft Industries Sdn. Bhd.
255-A, Block D, Phase II,
Bayan Lepas Industrial Zone,
11900 Penang,
Malaysia

Scope: Manufacturing of Leadframes for Semiconductor Products

Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.

Validity: The certificate is valid from 2021-09-28 until 2024-09-27.
First certification 2005

2021-09-22

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln

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SUSTAINABILITY STATEMENT
(cont'd.)

SUPPLY CHAIN MANAGEMENT

Governing the integrity of Supply Chain

Our suppliers are critical partners in our success, and disruptions to our supply chain are a key risk for our business. Thus, managing a sustainable and responsible supply chain with robust practices to secure stable sourcing of raw materials and services, cost competitiveness, and delivery of quality products and services is a strategic priority and critical to business continuity. Our experience during COVID-19 has underscored the value of having strong business continuity plans, including measures to ensure continuity of supply of our key inputs.

All our key direct materials suppliers, indirect material suppliers, and contractors had agreed to adhere to our Code of Conduct & Ethics by signing the letter of conformance.

The supply chain is a critical extension of MPI's value chain. We are actively involved in the sustainable development of our tier 1 suppliers and contractors to provide high quality products and services in a sustainable, ethical and responsible fashion.

The Group supply chain management procedures are guided by the industry standards per RBA code of conduct, maintaining the standard practices covering the matters of labour, health and safety, ethics, environmental and social responsibility. These practices are formalized into our CSR policy and Code of Conduct & Ethics.

As stipulated in CSR policy, we engage with suppliers and service providers whose CSR policies are aligned with the Group CSR policy through a Letter of Conformance committing compliance to the Group Code of Conduct & Ethics, upholding standards including, but not limited to,

(a) compliance with applicable laws and regulations
(b) maintaining business integrity, including anti-bribery and anti-corruption practices
(c) labour and human rights (prohibition of child labour and forced labour, ensuring a workplace free of harassment and discrimination,
(d) ensuring safety and health at workplace
(e) supporting the right to freedom of association and collective bargaining
(f) compliance with environmental laws and regulations
(g) supporting the rights to minimum wage
(h) elimination of excessive working hours
(i) fair competition conduct
(j) privacy and disclosure of information

The suppliers and contractors are required to adhere to MPI's Supplier Code of Conduct and Ethics sent to them. In order to ensure effective communication of MPI's core value and business ethics across our supply chain, the relevant codes and policies are made available in the language of communication used, i.e., English, and can be easily accessed through MPI website.

SUSTAINABILITY STATEMENT
(cont'd.)

Ongoing Engagement in the Supply Chain

We engage our suppliers to manage and minimize any actual or potential risks of non-compliance, environmental, or social issues, such as:

- labour rights and standards, including non-discrimination, safety and health standards, working hours, and freedom of association
- environmental management issues, including climate change and emissions, energy use, water use, biodiversity impacts, pollution management, waste management and reduction, resource use and integrated supply chain management
- business ethics and integrity matters, such as anti-corruption and anti-bribery

Supplier Assessment and Audit

Assessment of conformance against the RBA standards and ISO 14001 certified Environmental Management system are among the more significant supplier assessment programs. Both new suppliers and existing suppliers shall be assessed based on RBA standards and Environmental system.

Focus	Key Items	Performance Indicators	Results
RBA Standards	• Human rights • Labour standards • Working hours • Safety and Health standards • Freedom of association • Minimum wages	• Policies • Working environment • Industry accident	• Carsem SZ – 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Environmental Management System	• Water use • Energy use • Pollution • Climate change • Waste reduction • Resource use • Biodiversity impact	• Monitoring system • Improvement initiatives	• Carsem SZ – 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Ethics	• Anti-Bribery and corruption management system • Whistle blowing	• Policies • Report mechanism	• Carsem SZ – 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Conflict Mineral Management	• Conflict minerals management approach	• RBA Conflict minerals compliance	• Full compliance from 10 suppliers

We are continually enhancing our audit process to sharpen our implementation of supply chain sustainability practices and thus, manage the social & environmental supply chain impacts more effectively.

SUSTAINABILITY STATEMENT
(cont'd.)

One of the crucial supplier assessment programs in our Group is the assessment of conformance against the RBA standards that is conducted through SAQ and VAP as follows.

SAQ	VAP
• due diligence for key direct material suppliers • conducted on key direct material suppliers • target to assess & identify high-risk areas, and define potential gaps vis a vis RBA Code of Conduct • self-assessment	• audit based on RBA VAP Operations Manual 6.0 • conducted on key direct material suppliers • audit focus and frequency depend on conformance level in past audits, and overall performance against RBA standards and Group policies and standards

We have a group of 34 shared key direct material suppliers, with whom our direct material spending comprises 87% of the Group's total direct material procurement. As per our plan to audit our key direct material suppliers, we strive to cover 80% of the 34 suppliers every 2-3 years.

Below summarizes our FY21 auditing plan and performance.

Year	Target	Performance
FY19	Perform audit on 15 key direct material suppliers	Completed 100% audit
FY20	Perform audit on 18 Key Direct Material suppliers	Completed 75% audit*
FY21	Perform audit on 22 Key Direct Material suppliers	Completed 100%

Note: During FY20 and FY21, audit process was significantly impacted by the COVID-19 pandemic and movement control measures imposed by the Malaysian government. In FY21, at Carsem M, audits were conducted 'virtually' rather than 'on-site', and at Carsem SZ, we conducted on-site audits.
*During FY20, due to COVID-19 related restrictions, 75% of the total planned audits were completed.

Based on the findings from audits conducted, the suppliers were provided with the Corrective Action and Preventive Action ("CAPA") process template for completion and indication of their responses to our audit findings within 7 working days. The agreed-upon corrective actions implemented in response to our audit findings were verified by the auditors for closure. A summary of critical corrective actions arising from the audit is as below.

RBA category	Summary of corrective actions
Labour	• Set up monitoring system of excessive working hours per week • To conduct periodic inspection on hostel conditions • Set-up monitoring of gender ratio to ensure adherence to the requirements
Ethics	• Establish policy on anti-bribery & anti-corruption, and Whistleblowing • Establish policy on gift and entertainme
Environmental	• Define and label all scheduled waste containers
Occupational Safety and Health	• To display accident incidence to employees • To conduct periodic work inspection on emergency exits and evacuation pla

SUSTAINABILITY STATEMENT
(cont'd.)

Conflict Minerals Compliance

The Group continues close monitoring to prohibit our suppliers from sourcing conflict minerals and works with our suppliers to ensure that the metals are sourced from conflict free minerals in the supply chain. These metals are tin and gold. Total of 10 Direct Material suppliers are involved in supplying lead frame, gold wire and tin bar.

We obtain supplier's Smelters or Refiners (SoRs) source information certified by RMAP Conformant Smelter List. The Group conducts yearly validation that the conflict minerals in our products are from responsibly sourced conflict-free minerals. We provide updated revision to our customer via latest Conflict Mineral Reporting Template (CMRT).

Conflict Minerals – Number of Suppliers/Smelters - Carsem M

	2019	2020	2021
Number of material suppliers involved in the RBA Due Diligence Survey	12	10	10
% of involved 3TG that have completed RBA Due Diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	15	11	11

Conflict Minerals – Number of Suppliers/Smelters - Carsem SZ

	2019	2020	2021
Number of material suppliers involved in the RBA Due Diligence Survey	17	19	23
% of involved 3TG that have completed RBA Due Diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	12	12	12

Conflict Minerals Inquiry Results - Carsem M

	GOLD	TIN
Number of smelters	4	6
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Inquiry Results - Carsem SZ

	GOLD	TIN
Number of smelters	8	4
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Management Approach

Conflict Mineral Management Requirement	We seek our suppliers to be diligent in assessment and validation of their supply chains and encourage them to only source for conflict-free smelters
Reasonable Country of Origin Inquiry (RCOI)	We identify suppliers who contains 3TG *metals in our supply chain through CMRT
Independent Private-Sector Audit (IPSA)	We undertake an Independent Private Sector Audit (IPSA) of our Conflict Minerals Report in compliance with the requirements in the SEC Conflict Minerals Final Rule and subsequent SEC Guidance

SUSTAINABILITY STATEMENT
(cont'd.)

Supply Chain Overview

The Group believes in promoting and contributing to local economy through procurement activities. Our supply chain is divided into following categories according to procurement type: raw materials, equipment, facility/engineering contractors and service-oriented outsourcers. Among these, the raw material suppliers have more significant impact on our daily operations and manufacturing.

In FY21, there were a total of 1,212 suppliers supplying materials, equipment and services to the Group. Direct materials accounted for 82% of the total spend on purchasing.

Direct material spending on local suppliers (excluding CAPEX), FY21				
	Carsem M	Carsem SZ	DCI	Overall MPI
Local Procurement	79%	58%	18%	65%

Note: local – refers to Malaysia for Carsem M and DCI, and China for Carsem SZ

New Supplier Screening

As part of quality system management and our Business Continuity Plan ("BCP"), all new suppliers are to undergo a stringent due diligence process conducted by the Quality Assurance and/ or Procurement Department.

New direct material suppliers of the Group are required to be assessed via the SAQ while cross-functional team members from the Quality Assurance, Procurement, Engineering and Technology departments conduct on-site audits on these new suppliers based on VAP.

Supplier Quarterly Rating

To safeguard the integrity of our supply chain, regular assessments are performed on our suppliers, considering amongst others, pricing, quality, delivery, services and continuous improvement initiative. Total of 32 suppliers in 1HF and increased to 36 suppliers in 2HF from Direct and Packing material categories were rated. The purchase values of these suppliers are above 80% of total annual purchase of the specific category. The goal is to maintain all suppliers rated grade B and above.

Below is the Quarterly Rating Performance for FY20 and FY21.

Q1 (July – Sep'19)	Q2 (Oct – Dec'19)	Q3 (Jan – Mar'20)	Q4 (Apr – June'20)
Grade	**Grade**	**Grade**	**Grade**
A – 2 suppliers	A – 1 supplier	A – 4 suppliers	A – 19 suppliers
B – 24 suppliers	B – 27 suppliers	B – 27 suppliers	B – 11 suppliers
C – 1 supplier	C – 0 supplier	C – 1 supplier	C – 2 suppliers
Q1 (July – Sep'20)	**Q2 (Oct – Dec'20)**	**Q3 (Jan – Mar'21)**	**Q4 (Apr – June'21)**
Grade	**Grade**	**Grade**	**Grade**
A – 22 suppliers	A – 18 supplier	A – 26 suppliers	A – 28 suppliers
B – 9 suppliers	B – 12 suppliers	B – 9 suppliers	B – 10 suppliers
C – 1 supplier	C – 2 supplier	C – 1 supplier	C – 0 suppliers

Scoring Matrix

GRADE	POINTS	RATING
A	>85%	Excellent
B	65%-84%	Good
C	55% - 64%	Average
D	<55%	Poor

Fair Procurement Practices

The Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and are in the best interests of the Group, prohibiting price fixing and void of collusion. Our policy seeks to maintain confidentiality and prevent conflicts of interest in transaction with our suppliers.

SUSTAINABILITY STATEMENT
(cont'd.)

BETTER ENVIRONMENT

MPI is principally an investment holding company, whilst the principal activities in which its subsidiaries engage are those of manufacturing, assembling, testing and selling of integrated circuits, semiconductor components and lead frame to customers world-wide. MPI stewards recognize the need to firmly establish its business activities in maintaining a safe and healthy environment in the pursuance of sustainable economic growth.

The MPI Group fully embraces an Environmental Sustainability Strategy involving mitigation of climate change related risks, management of scarce resources responsibly through reduction recycling/reuse programs, and engagement of our supply chain in green initiatives. We are fully aware that as part of global family, climate changes and natural resources impact everyone.

Governance

Our commitment for mitigating climate change risks remains steadfast. Our approach towards management of climate change risk is driven by a clear governance structure. Each MPI factory has a Safety, Health and Environmental Committee led by Factory General Manager with members comprising ESH (Environmental, Safety and Health), Department Management Representative and Employee Representatives. The committee meets regularly to review wide range of topics relating to safety, environmental indices, and audits. The committee also endorses energy conservation plans, and monitors execution and implementation indices. The plans and indices are then reviewed in Senior Leadership Team Meetings chaired by the Group Managing Director.

Environmental Management System

Our environmental management systems are aligned with ISO14001 and the RBA Code of Conduct. All our operating sites are fully certified with ISO 14001:2015 and are regularly assessed by independently appointed audit bodies. Our annual Environmental Management System (EMS) review with the Senior Leadership Team covers a range of topics, as outlined below.

- Context of Organization
  - EMS risk category & criteria (actual and potential risks)
  - Internal & external issues
  - Needs & expectations of relevant stakeholders
- Environmental policy and Environment aspect (assessment of risk and opportunity using EASI List)
- Environmental objectives & planning
- Compliance obligation & evaluation of compliance, based on local legal requirements. Currently, our operating sites at Malaysia and China adhere to below outlined environmental laws & regulations.

SUSTAINABILITY STATEMENT
(cont'd.)

Malaysia (applicable to Carsem M and DCI)	China (applicable to Carsem SZ)
EQA (Clean Air) Regulation 2014	Environmental Protection Law of the People's Republic of China
EQA (Industrial Effluent) Regulation 2009	Water Pollution Prevention and Control Law of the People's Republic of China
EQA (Scheduled Waste) Regulation 2005	Atmospheric Pollution Prevention and Control Law of the People's Republic of China
EQA (Sewage) Regulation 2009	Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise
EQA (Halon Management) Regulation 1999	Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes
EQA (Control Emission – Diesel Engines) Regulation 1996	Soil Pollution Prevention and Control Law of the People's Republic of China
	Cleaner Production Promotion Law of the People's Republic of China
	Energy Conservation Law of the People's Republic of China

- Competency Registration with Legal Authorities
- Emergency preparedness & response
- Internal Audit
  - Monitoring & measurement: Air monitoring, water monitoring, boundary noise monitoring
- Continual improvement

To address & adapt to climate change, MPI continues to undertake innovation strategies focusing on process improvements. MPI's key focus remains on below areas

- **Energy management, and GHG emissions (carbon footprint) reduction:**
  Power plants transform coal, gas or other renewable energy into electricity. Electricity is zero emission at point of use. 98% of MPI's source of emissions[1] are from Scope 2 (usage of electricity and steam). Therefore, we are exploring specific programs to achieve energy efficiency in equipment selection, and embark on IT driven smart analytics for more efficient electricity usage. These programs focus on energy efficient equipment usage and long-term plan for usage of renewable energy (SOLAR or other initiatives). 2% of MPI's Green House Gas (GHG) emissions are from Scope 1 activities. These include, for instance, emissions from diesel usage by delivery tankers & boilers, and from industrial gases and refrigerants. To minimize the overall emissions from our operations and move towards zero emissions, we will continue to plan programs to manage the impact from these Scope 1 emissions.

- **Water management:**
  The main source of water used in our industrial facilities for sawing & plating processes is the piped water supply from local authorities. We have defined specific programs to drive efficient use of water resources through recycling and reuse.

- **Waste management:**
  Our priority is to recycle and reuse in order to reduce the need for treatment or disposal of wastes. All waste is disposed responsibly in compliance with the relevant laws & regulations at our operating sites.

- **Supply chain environmental sustainability:**
  We continue to work with our suppliers, and encourage & emphasize to them to adopt green practices in their operations, so as to improve & manage the climate change impact across the supply chain.

[1] MPI currently tracks GHG emissions associated with Scope 1 and 2.

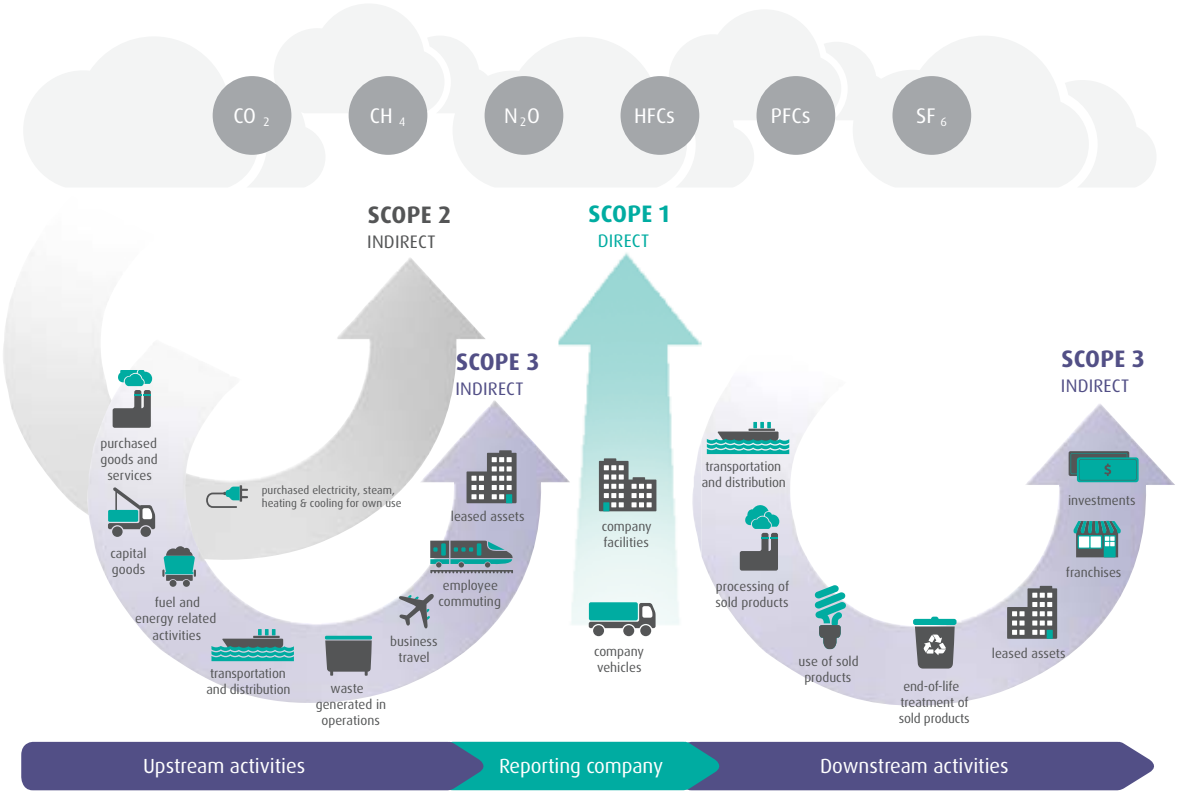
SUSTAINABILITY STATEMENT
(cont'd.)

We constantly engage with our key stakeholders (such as customers, employees, suppliers, government authorities, etc.) to manage our environmental sustainability journey. We ensure that all communications and commitments are actively channelled across all relevant stakeholders to develop strategies and manage implementation with the purpose of mitigating and reducing risks to the environment, and to use natural resources responsibly.

All stakeholders (including, and not limited to employees, customers, contractors/ suppliers) are to comply with the Group Code of Conduct and Ethics that emphasises on compliance with applicable laws and regulations. Any violations or breaches to the Group's environmental standards can be reported via the Group's Whistle Blowing Hotline or email to barmcchair@mpind.my.

EMISSIONS

GHG



Source: https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance

Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organization's scope 1 and 2 boundary. The scope 3 emissions for one organization are the scope 1 and 2 emissions of another organization.

SUSTAINABILITY STATEMENT
(cont'd.)

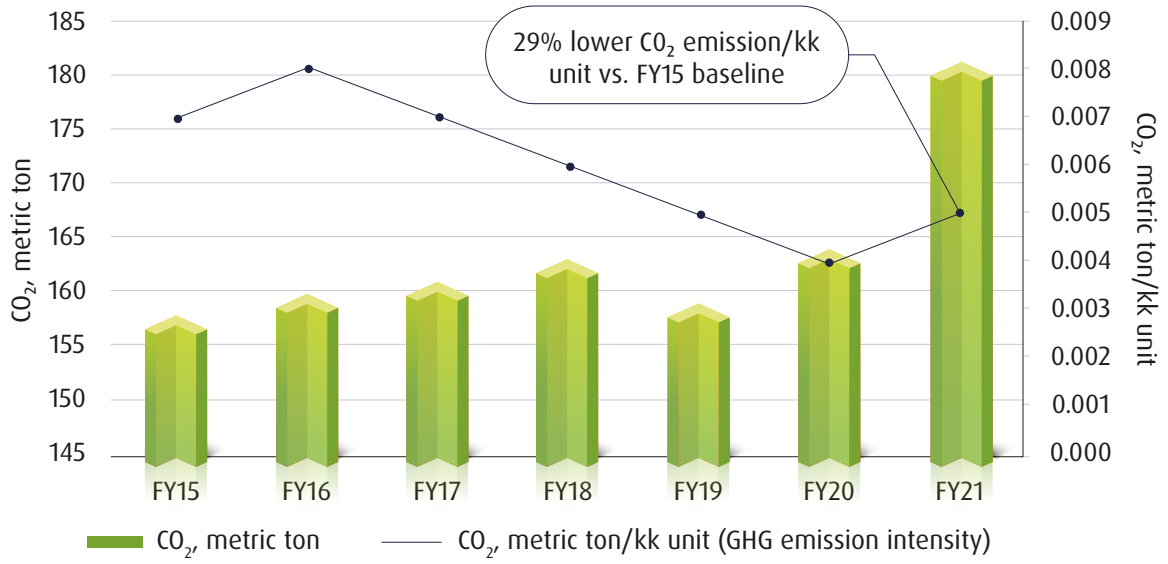
GHG emissions reduction

More than 98% of total GHG emissions[2] from all of MPI's operations are attributable to Scope 2 (indirect GHG emissions associated with the purchase of electricity, steam).

	FY15	FY16	FY17	FY18	FY19	FY20	FY21
CO_2, metric ton	158	160	161	163	159	164	181
CO_2, metric ton/ kk unit (GHG emission intensity)	0.007	0.008	0.007	0.006	0.005	0.004	0.005
KPI Target	To achieve 15% reduction in GHG emission intensity (CO_2 e/ kk unit) with FY15 as baseline						
% reduction/ increase with respect to baseline	Baseline	14%	0%	-14%	-29%	-43%	-29%

Note:
1. *All kWh consumption figures are captured from local electricity utility company billing. CO_2 emission is computed based on EPA Greenhouse Gases Equivalent Calculator.*
2. *Above reflects emissions associated with our electricity usage, which is the dominant majority (97%) in our Scope 2 emissions. Remaining is attributable to our steam usage. This reflects a consolidated picture of the emissions from all our sites.*

GHG emissions basis CO_2 metric ton, MPI



We measure our emission management performance by monitoring our GHG emission intensity, using FY15 as the baseline for target setting. Our target is to achieve 15% reduction in GHG emission intensity in order to improve the operational efficiency in terms of GHG produced for each unit produced. We track GHG emission intensity on an annual basis. In FY21, a continued surge in semiconductor industry demand led to expansion & further increase in capacity utilization across all our operational facilities. This translated into an increase in energy consumption resulting in higher net CO_2 emissions. Despite this, as a result of continued actions aimed at improving energy efficiency, we still outperformed in our achievement of GHG emission intensity goal. With reference to FY15 baseline, MPI achieved a reduction of 29% in FY21.

Having met the CO_2 index goal consistently over past few years, as part of our continuous improvement plans, we aim to revise the KPI goal, going forward, to reflect our ongoing commitment for climate change management

[2] MPI currently tracks GHG emissions associated with Scope 1 and 2.

SUSTAINABILITY STATEMENT
(cont'd.)

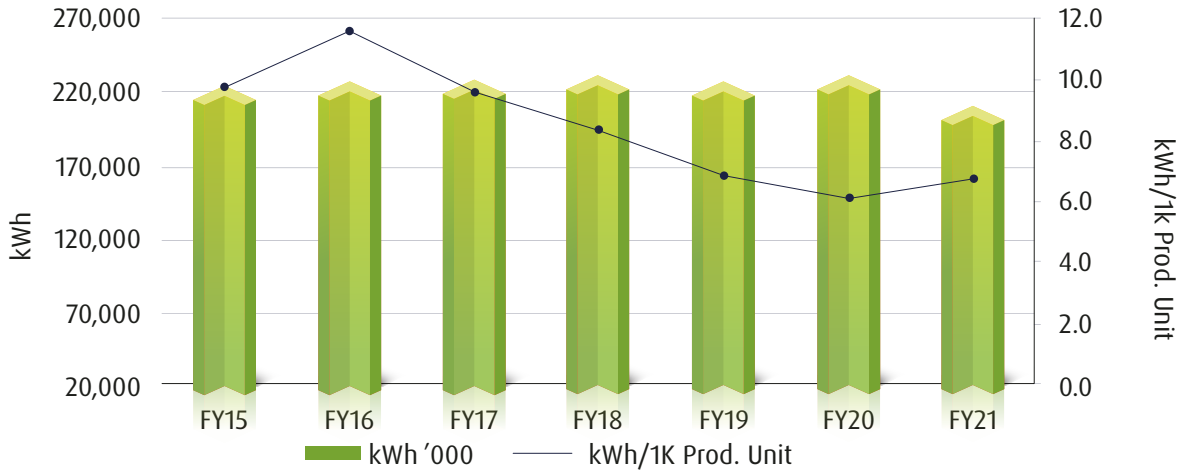
ENERGY MANAGEMENT

MPI's sole energy source is electricity purchased from the local power provider. The combined energy consumption in all MPI factories is in the range of 220,000 MWh per year. Each year, all our facilities define & implement specific programs to improve our overall energy efficiency. We have set multilayer goals focused on improving our operational efficiency. We have set a goal of reducing our annual energy consumption per K units produced (kWh/k units) index by 10%.

Our targeted energy efficiency programs have proven to be very effective. We've succeeded in achieving continuous reduction of kWh/k units index for four consecutive years now (from FY17 till FY20) with an annual reduction of 10-15%. We continue to strategize & implement new programs aimed at further improvements.

In FY21, the Covid-19 pandemic had impacted the operational efficiency of our factories due to manpower restrictions. It has caused an upward trend of kWh/k units. Although this increase in index was inevitable, our energy efficiency programs helped in minimizing the impact of the increase to less than 12%.

Energy Consumption, MPI



	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Energy Index kWh/k unit	9.7	11.5	9.6	8.3	6.8	6.1	6.7
Reduction/increase with respect to baseline	Baseline	1.9	-0.1	-1.4	-2.9	-3.6	-2.9
% reduction/increase with respect to baseline	Baseline	20%	-1%	-14%	-30%	-37%	-30%

Note:

1. *In Malaysia, the energy index is verified by REEM (Registered Energy Manager) and submitted to local Energy Body (Suruhanjaya Tenaga Malaysia)*
2. *In China, the energy index is verified by Certified Energy Management Engineer and submitted to local energy officer (SIP Economic Development Board)*

SUSTAINABILITY STATEMENT
(cont'd.)

Energy and GHG emissions related initiatives

We are taking consistent steps to improve our energy efficiency by replacing old machinery with more energy efficient equipment and infrastructure. Here are some of the highlights from our noteworthy programs that are deployed & planned:

Energy efficient compressors at Carsem (M) factory site in Ipoh

a. Energy efficient compressors with VSD

We continue to invest in energy efficient compressors with VSD at all our facilities. We completed a successful program at Carsem M. With a new ZR250 VSD air compressor, combined heat recovery is installed while replacing one 300kw Centrifugal Type Air Compressors and one 49kw heater. This projected started in FY20 and was completed in FY21. Further, replacement of 1-unit energy efficient chillers for air conditioning is in progress and is expected to be completed in FY22.

At Carsem SZ, we installed 2 sets of 600RT VSD chillers, and 2 sets of 400KW VSD air compressors in FY21 to improve the energy efficiency.

b. Nitrogen plant setup (for diesel usage reduction)

MPI factories use Nitrogen Gas in their operational process. Nitrogen is delivered in liquid nitrogen form using tankers that use diesel. On an average, there are 40-60 tanker delivery trips to our facilities per month. In FY21, Carsem M (S-site factory) completed a partnership with Nitrogen Gas supplier to set up a Nitrogen generation plant at its site. This reduced the requirement for delivery trips by tankers, thereby, reducing the usage of diesel. For commissioning in FY22, the construction of a third Nitrogen plant is in progress to increase the nitrogen capacity to 1,850m^3/hour.

Nitrogen generation plant at Carsem (M) factory site


Boiler replacement with heat pump at DCI factory in Penang

Moreover, we have another program planned for FY22, at the DCI factory in Penang to replace boiler with heat pump. This will eliminate the use of diesel and replace it with zero emission electricity.

SUSTAINABILITY STATEMENT
(cont'd.)

WATER MANAGEMENT

Although none of our factories are located at water stressed sites, conservation of water and reduction in usage of natural resources remains a key priority.

Our strategy on efficient use of water resources revolves around recycle and reuse programs. We continue to prioritize the investments to enable these programs to reduce usage of natural resources (mainly water).

In line with our strategy, we continue to define & implement water conservation projects across all of our operational facilities. We improve the execution & outcome by adopting best practices through shared learning and benchmarking across sites. See some key highlights of these projects below.

a. **Reclaim Reverse Osmosis Reject Water (this is a by-product of water purification)**
We completed it in FY19 at Carsem M factory (M-site), and extended it further by implementing it at another Carsem M factory (S-site) in FY21.

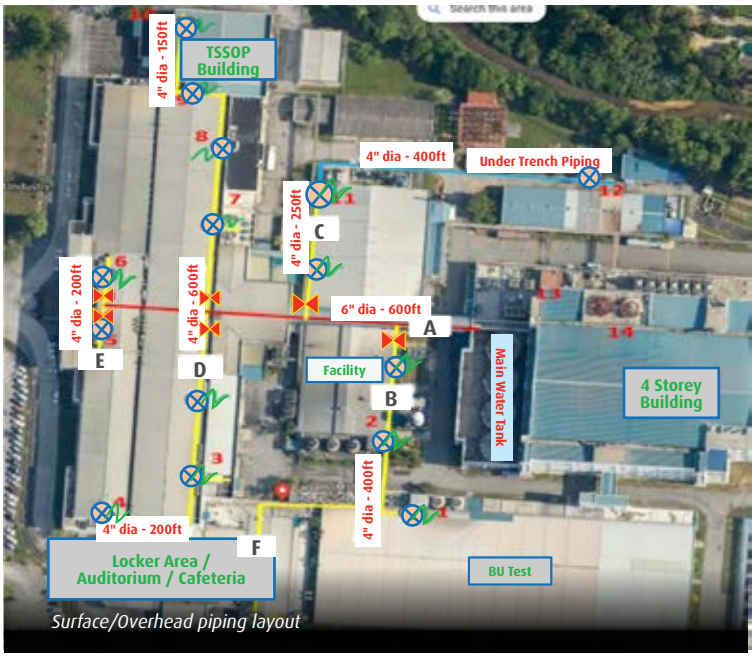
Reverse osmosis (RO) system is used to treat incoming piped city water before supplying to the next process of ion exchange to produce final deionized (DI) water. About 74% of municipal supplied piped water passes through RO system as good permeate water, while remaining 26% is rejected & discharged as waste water. There is opportunity to reclaim the 26% RO or 70 GPM reject water.


Storage Tanks of Treated Water

b. **Recycling Sawing Process Water (this is by-product of sawing process)**
We completed it at Carsem M factory (M-site) in FY19, and extended it to Carsem SZ facility in FY21. We have further planned to implement it at Carsem M factory (S-site) in FY22.

Wafer sawing process used about 80GPM of DI water and is discharged after use. This high purity DI water can be treated and reused for another process that required lower purity DI water. The resulted savings is 80GPM water.

SUSTAINABILITY STATEMENT
(cont'd.)



Surface/Overhead piping layout

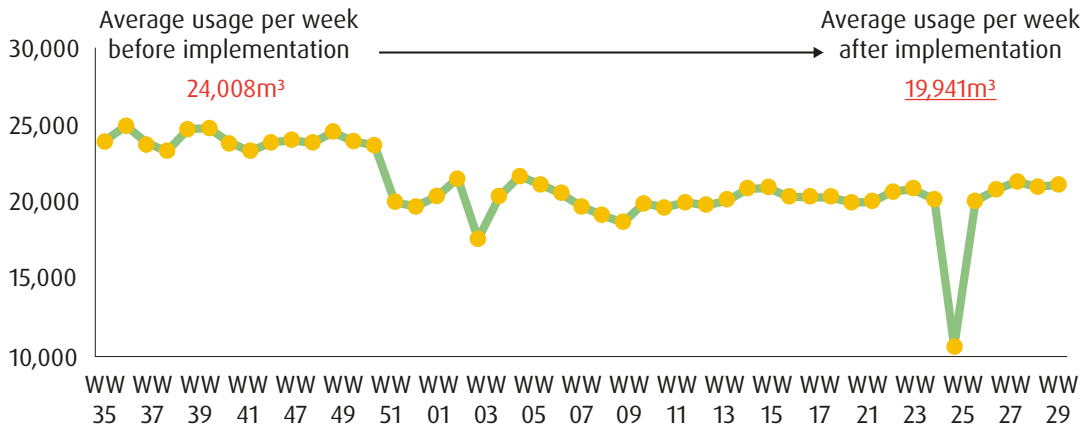
Legend		Quantity
	6" Poly pipe	approx 600 ft
	4" Poly pipe	approx 2100 ft
	4" PVC pipe/Under trench	approx 400 ft
	2" Poly pipe to existing tank	approx 300 ft
	Distribution point 2" Gate Valve	15 point
	Isolation Valve (butterfly valve)	6
123	Sub Water tank	12

c. **Conservation of water by replacing aging underground piping to surface piping at Carsem M (S-site)**
Our objective was to prevent water wastage due to aging underground piping. This project entailed laying of new surface/ overhead water piping infrastructure to enable easy identification & rectification of any potential leakage. We achieved a significant reduction in water usage – by an average of 4,000m³ per week or 48,000m³ per year.

Also, Carsem SZ completed the recycling of sawing process water system in FY21. With the system installed, there is 600T water savings per day.

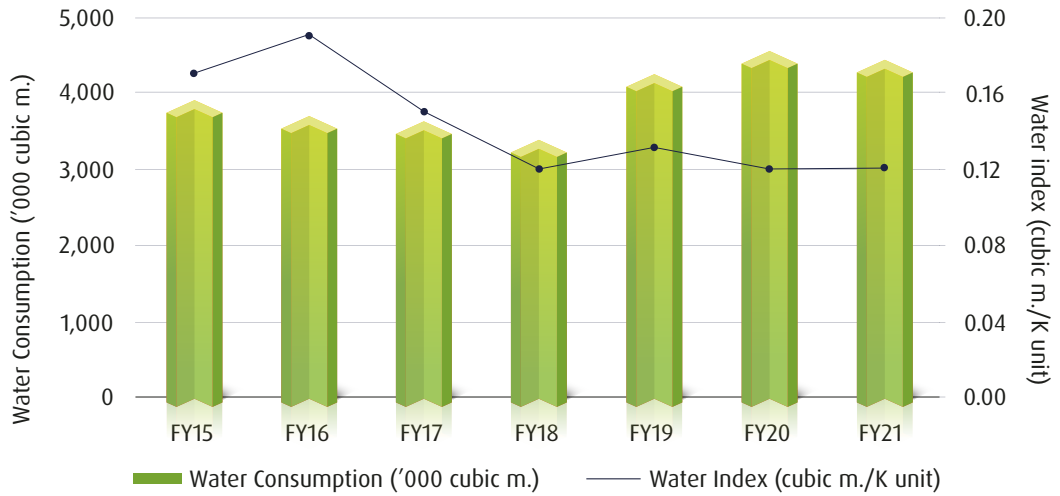
Main water source for all our facilities is piped water supplied by local water authorities. The water is further treated to produce the high purity deionized (DI) water required for our manufacturing process. FY21 saw increased capacity & utilization across all MPI facilities that required additional water usage. Despite this, our water conservation programs helped in reducing water usage in FY21 as compared to that in FY20. Our water usage dropped by another 2% in FY21. This was a remarkable achievement, especially considering that Covid-19 pandemic had induced manpower restrictions and negatively impacted our operational efficiency.

Weekly main water usage (m³)



SUSTAINABILITY STATEMENT
(cont'd.)

Water Consumption, MPI



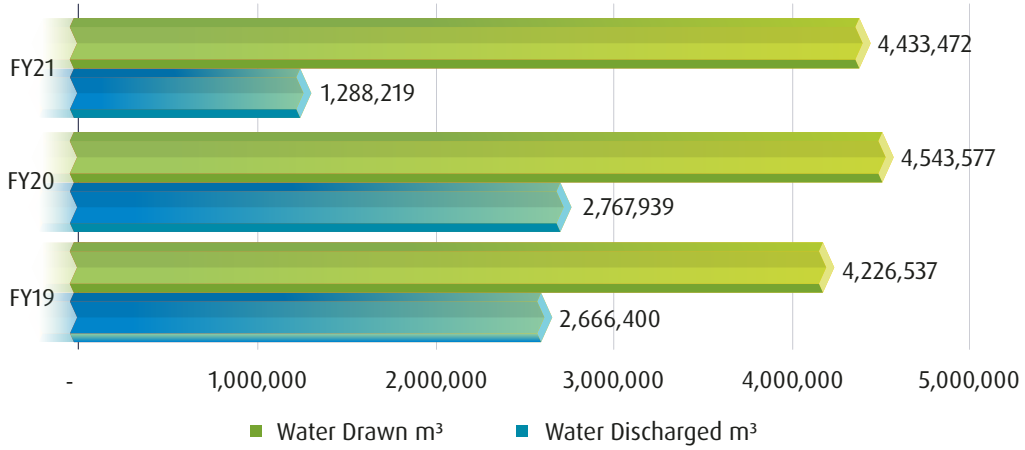
	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Water Consumption (meter³)	3,896,475	3,693,437	3,601,768	3,366,020	4,226,537	4,543,577	4,433,472
Water Index (m³/K unit)	0.17	0.19	0.15	0.12	0.13	0.12	0.12
Water Index reduction/increase with respect to baseline (m³/K unit)	Baseline	0.02	-0.02	-0.05	-0.04	-0.05	-0.05
% reduction/increase with respect to baseline	Baseline	12%	-12%	-29%	-24%	-29%	-29%

A comparison of water consumption and water discharged for past 3 years indicates the success & effectiveness of our water recycling programs. Our water drawn (usage) reduced in FY21 despite higher production demand. Water discharged also reduced significantly in FY21. These are contributed by the water recycling and reuse activities implemented at MPI facility.

Note that

- Municipal water is the source of water drawn at all our operating facilities
- Final water discharge from all our operating facilities is to municipal drainage system

Water Conservation, MPI



Note: Water drawn (usage) data is as per local water authority billing. Water discharged comprises of treated water, tracked using water discharge meters.

SUSTAINABILITY STATEMENT
(cont'd.)

WASTE MANAGEMENT

Being a semiconductor manufacturing company, our facilities generate wastes & effluents from our processes that are treated in compliance with regulatory requirements prior to discharge. These are typically comprised of effluents, hazardous and non-hazardous wastes.

Effluents management

For Carsem SZ and Carsem Ipoh, effluents typically comprise of the water used for cleaning, cooling, and for other purposes in the operational processes such as sawing, cutting, plating. For DCI, effluents refer to the water used in etch process, plating process, facility and also wastewater treatment plant.

Our operations lead to generation of wastewater that can be harmful to the environment, and water bodies, if it is discharged without treatment. This is because the wastewater generated may comprise of metals, toxic chemicals, organic and inorganic compounds.

All of our operating sites strictly comply with the locally applicable laws and regulations related to effluents and wastewater discharge. These are

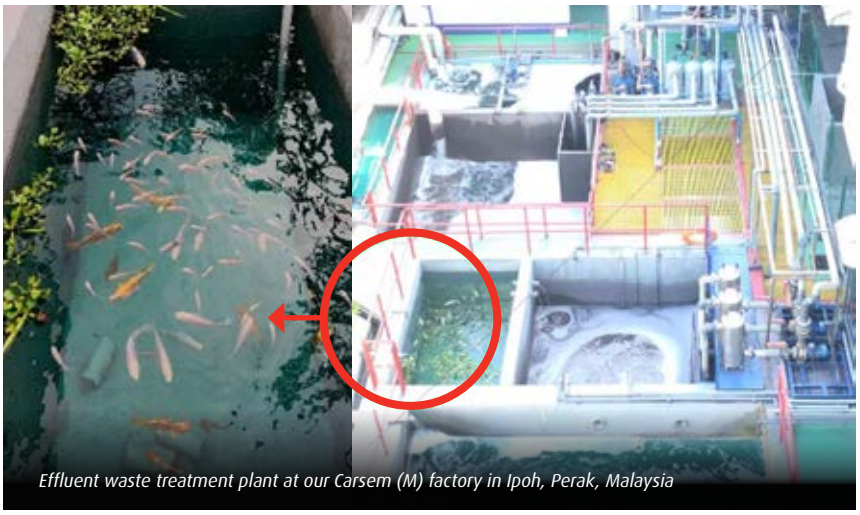
- EQA (Industrial Effluent) Regulation 2009 in Malaysia
- Water Pollution Prevention and Control Law of the People's Republic of China, Integrated Wastewater Discharge Standard (GB8978-1996) of China

Note that the discharged water at all our facilities is inclusive of treated water. The information on water drawn, water discharged, and water consumption is disclosed in the "Water Management" section.

Recently upgraded waste treatment plant at the DCI factory in Penang

All our factories are installed with real time water quantity discharge monitoring. Pursuant to local legal requirements, Carsem SZ factory installed the real time monitoring and measurement system, which has been connected to Suzhou environmental monitoring centre to monitor the waste water discharge volume and pollutants concentration. The waste water and air emissions treatment facility are allocated operating budget above RM4 million annually. Refurbishment and upgrade of waste treatment effluent plants are also carried out regularly to ensure that they are always operating efficiently. In FY21, DCI factory upgraded its waste treatment plant at a cost of above RM3 million. This is a confirmation of MPI's commitment for responsible waste management.

Fishes were reared in the final discharge at our effluent waste treatment plant at Carsem M facility in Ipoh (Perak, Malaysia), affirming good waste management (see image below)



Effluent waste treatment plant at our Carsem (M) factory in Ipoh, Perak, Malaysia

All MPI factories are ISO14001:2015 certified and MPI management is committed to go beyond compliance of the Environmental Quality Act (EQA).

SUSTAINABILITY STATEMENT
(cont'd.)

Hazardous and non-hazardous waste

Owing to its negative implications for the environment, and health & safety of our employees and the wider community, appropriate hazardous waste management is a key priority for us. Hazardous wastes are either treated at in-house waste treatment plant to comply with EQA or disposed as scheduled waste that must be handled, treated and disposed of properly, according to the Scheduled Waste Regulations. All our operating facilities are fully aligned with the strict local laws & regulations pertaining to the hazardous waste management. We have deployed necessary steps to setup stringent procedures and policies, in compliance with locally applicable laws & regulations, for safe storage & handling, management, and disposal of hazardous waste including e-waste, in collaboration with carefully assessed & selected licensed waste contractors.

Regular audits by regulatory bodies are conducted at all our operating sites to ensure appropriate local regulatory compliance of waste management measures. Similarly, we conduct regular audits on our waste contractors to ensure their local regulatory compliance (environment, health & safety).

Waste Recycling

A big part of waste management is to recycle the waste generated. Waste is segregated by types - hydroxide sludge, copper or metal waste and e-Waste. The various types of wastes are diverted to government authorized recycling companies to be recycled for other use. All the hazardous wastes that are not treated by the in-house waste treatment facility, and not recycled are disposed through a waste disposal company registered with local authority. Quantity of wastes are tracked and reported to legal authority as required.

The definitions & classifications of hazardous and non-hazardous waste differ based on the nature of business as well as country-specific laws & regulations. Accordingly, our facilities under Carsem SZ, Carsem M, and DCI strictly adhere to the applicable definitions and regulations to their operations. They also collect the correspondingly relevant data, and analyse it to define & implement the waste management practices and initiatives aimed at specifically managing or reducing waste generated at their sites.

Thus, the waste management in this statement has been covered for each of our businesses separately.

Summary of waste generated for each of our businesses is outlined below separately in comprehensive detail with clear segmentation.

Carsem M

- **Hazardous waste:** mainly electrical and electronic waste (e-waste), spent solvents, spent cleaning solutions, sludge from wastewater treatment plant, and spent cyanide solutions
- **Non-hazardous waste:** mainly domestic trash, such as paper, cardboard, plastic, etc.
- **E-waste:** Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl. This constitutes a substantial portion of our waste.

SUSTAINABILITY STATEMENT
(cont'd.)

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).

WASTE RECYCLING & RECOVERY
Carsem M

HAZARDOUS WASTE RECYCLING
recycling rate of total hazardous waste generated*

100%
hazardous waste recycled in FY21

E-WASTE RECOVERY
% of e-waste recovered

100%	100%	100%
FY21	FY20	FY19

Note: *waste reused is also considered as recycled

Waste generated (MT) *1MT = 1,000 kg*					Waste directed to disposal	Waste diverted from disposal
		FY19	FY20	FY21	FY21	FY21
Hazardous waste	e-waste	171	138	176	0	176
	Other hazardous waste	221	164	243	0	243
	Total	**393**	**302**	**419**	**0**	**419**
Non-hazardous waste	**Total**	**437**	**446**	**448**	**341**	**107**
Grand total		**830**	**748**	**866**	**341**	**525**

SUSTAINABILITY STATEMENT
(cont'd.)

FY21	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	0	Preparation for reuse	199
	Landfilling	0	Recycling	220
	Other disposal operations (physical/chemical treatment)	0	Other recovery options	0
	Total	**0**	**Total**	**419**
Non-hazardous waste	Incineration	0	Preparation for reuse	0
	Landfilling	341	Recycling	107
	Other disposal operations	0	Other recovery options	0
	Total	**341**	**Total**	**107**
Grand Total		**341**		**525**

Note:
1. *All figures are rounded*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

Carsem SZ

- **Hazardous waste:** refers to the solid waste (including effluents) with hazardous characteristics that is included in the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards and identification methods prescribed by the state
- **Non-hazardous waste:** in general, there is no formal definition, and all waste other than hazardous waste is considered to be non-hazardous
- **E-waste:** refers to the waste from electrical and electronic products, electrical and electronic equipment & their parts, components and articles, and substances managed as e-waste, as required by environmental and relevant departments, including scrap equipment, products, semi-finished products and offcut during industrial production. e-waste with hazardous characteristics is identified as per the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards, and identification methods prescribed by the state. These include products or equipment containing lead-acid accumulator, cadmium-nickel accumulator, mercury switches, cathode ray tubes, PCB capacitors, etc.

These definitions are as per the

- Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (2020 Revision) - issuing authority is the Standing Committee of the National People's Congress
- National hazardous waste inventory (2021 version) - issuing authority is the state council Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste - issuing authority is the State Administration of Environmental Protection

SUSTAINABILITY STATEMENT
(cont'd.)

Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste - issuing authority is the State Administration of Environmental Protection

WASTE RECYCLING & RECOVERY
Carsem SZ

HAZARDOUS WASTE RECYCLING
recycling rate of total hazardous waste generated*

5%

hazardous waste recycled in FY21

Note: *waste reused is also considered as recycled

Waste generated (MT) 1MT = 1,000 kg					Waste directed to disposal	Waste diverted from disposal
		FY19	FY20	FY21	FY21	FY21
Hazardous waste	e-waste	0.2	0.2	0.3	0.3	0
	Other hazardous waste	438	372	566	539	27
	Total	**438**	**373**	**566**	**539**	**27**
Non-hazardous waste	e-waste	18	25	36	0	36
	Other non-hazardous waste	181	179	262	99	163
	Total	**198**	**204**	**298**	**99**	**199**
Grand total		**636**	**577**	**864**	**638**	**226**

SUSTAINABILITY STATEMENT
(cont'd.)

FY21	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	10	Preparation for reuse	0
	Landfilling	0	Recycling	11
	Other disposal operations (physical/chemical treatment)	529	Other recovery options	16
	Total	**539**	**Total**	**27**
Non-hazardous waste	Incineration	99	Preparation for reuse	0
	Landfilling	0	Recycling	199
	Other disposal operations	0	Other recovery options	0
	Total	**99**	**Total**	**199**
Grand Total		**638**		**226**

Note:
1. *All figures are rounded*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

DCI

- **Hazardous waste:** mainly comprises of cupric chloride from etching machines, silver from plating machines, chemical waste from mold-prep machine, metal hydroxide from wastewater treatment plant
- **Non-hazardous waste:** mainly domestic trash, such as paper, cardboard, plastic, copper waste from etching process in operation, etc.
- There is no e-waste generated at DCI

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).

WASTE RECYCLING & RECOVERY
DCI

HAZARDOUS WASTE RECYCLING
recycling rate of total hazardous waste generated*

48%

hazardous waste recycled in FY21

Note: *waste reused is also considered as recycled

SUSTAINABILITY STATEMENT
(cont'd.)

Waste generated (MT) *1MT = 1,000 kg*				**Waste directed to disposal**	**Waste diverted from disposal**
	FY19	**FY20**	**FY21**	**FY21**	**FY21**
Hazardous waste	3,146	2,553	2,998	1,556	1,442
Non-hazardous waste	245	272	256	126	130
Grand total	**3,391**	**2,825**	**3,253**	**1,682**	**1,572**

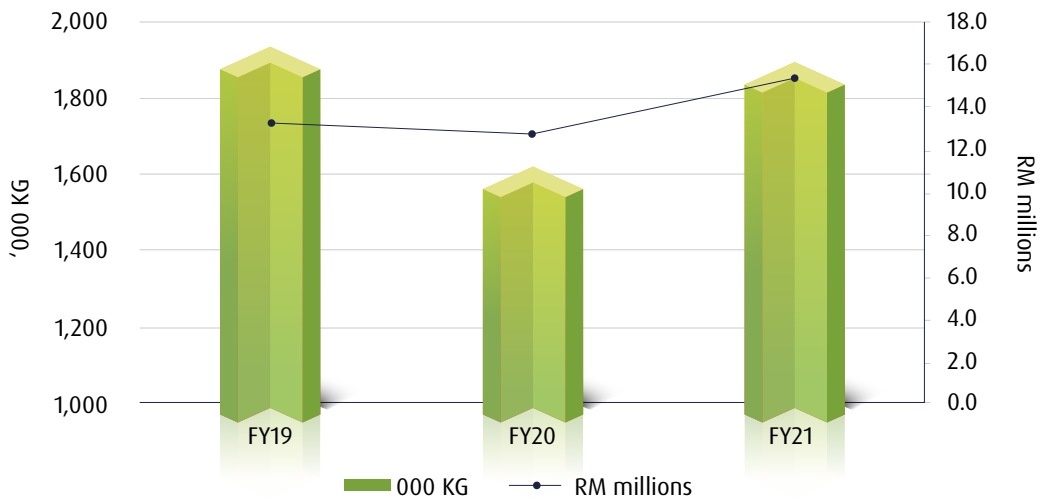
FY21	**Directed to disposal (MT)****		**Diverted from disposal (MT)***	
Hazardous waste	Incineration	0	Preparation for reuse	0
	Landfilling	0	Recycling	0
	Other disposal operations (physical/chemical treatment)	1,556	Other recovery options	1,442
	Total	**1,556**	**Total**	**1,442**
Non-hazardous waste	Incineration	0	Preparation for reuse	1
	Landfilling	0	Recycling	0
	Other disposal operations	126	Other recovery options	129
	Total	**126**	**Total**	**130**
Grand Total		**1,682**		**1,572**

Note:
1. *All figures are rounded*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

Aligned with the **UN SDG12, Responsible Consumption and Production**, we take the necessary steps for e-waste recovery, wherever applicable, that comprises of valuable materials such as gold, aluminium, silver, and copper. This enables us to not only contribute to the broader objectives of ethical & sustainable disposal, but also to better manage market supply.

The recycling of wastes not only reduces disposal to landfills, but also translates into monetary benefits. Below is the summary of scrap sales for MPI group for past 3 years.

Recycled Waste (from scrap), MPI



SUSTAINABILITY STATEMENT
(cont'd.)

Waste Reduction and Management Initiatives

At all our sites, we continue to develop programs to reduce, reuse and/or recycle our resources and materials.

At Carsem SZ, we continue to develop programs to reduce, reuse and/or recycle our resources and materials. Together with our suppliers we work to reuse clip, carrier, rock reel, carton box that has resulted in reducing approximately 10 tons of waste per year. Similarly, partnering with our customers to reuse trays has helped cut plastic consumption by about 10 tons per year.

At DCI, we initiated & implemented a range of programs towards proper waste reduction & management, as outlined below

- Our design team enhanced the lead frame design by maximizing copper width, thereby minimizing copper wastage
- We converted the high running stocks from narrow to wider copper width to increase productivity & reduce copper wastage
- In plating, we control the thickness to minimize precious metal (gold & silver) wastage. This is supported by our internal system to re-claim precious metal from drag-out rinse bath
- In etching, we reduce copper scrap & increase productivity by combining all samples with similar thickness and running them together
- As part of our recycling programs, we've been using aluminium and plastic spool to roll up copper instead of paper spool
- We encourage use of recycled paper for copying/ printing activities, and have reduced multiple invoicing on the same lot in our back-end operations
- We ship out our finished goods using recycle plastic casing & vacuum foam tray for our local customers
- We regularly monitor our equipment air consumption, and have shut down one-unit compressor as part of our electricity consumption reduction program
- We upgraded our semi auto filter press and IETS system to generate more metal hydroxide to ensure that the water discharged from our facility complies with the local government rules & regulations

Over & above, improvements in waste management can be achieved by creating awareness & empowering people so they act responsibly in our daily workplace activities and interactions. This entails promotion of 'paperless' activities, proper use of recycle bins, and avoidance of excessive or preventable trash.

PRODUCT STEWARDSHIP

We understand our responsibility in delivering products & services to our stakeholders, especially our direct customers, through safe, quality, qualified and ethical manufacturing methods & processes. Wherever practicable, we deploy a 'lifecycle thinking' in our product & technology development to meet the evolving & demanding needs of our customers, while duly assessing the related safety & ethical considerations. In doing so, we refer to the consideration in RBA Code of conduct as well as to the Restriction of Hazardous Substances (RoHS) directive on the hazardous substances listed therein.

Pertaining to our products & services, we ensure strict compliance with all the laws & regulations, and specific customer requirements at all our operating facilities. For instance, our Carsem SZ facility utilizes plating process, and is located in Taihu Lake basin. This makes it essential for us to comply with Regulations of Jiangsu province on Water Pollution Prevention and Control in Taihu Lake (2018), which pertains to plating related discharge and emission standards.

SUSTAINABILITY STATEMENT
(cont'd.)

Outlining below the key regulations, and specific customer requirements, along with our activities & practices on the same:

- **Compliance with ISO 14001 and ISO 45001**
  All our operating sites strictly comply with ISO 14001 and ISO 45001, along with the adoption of all related standards.

- **Compliance with European Union Restriction of Hazardous Substances ("RoHS") Directive, which sets limitations on the use of ten substances, including lead, mercury, Cadmium, Chromium VI, PBB, PBDE, DEHP, BBP, DBP, DIBP**
  - Through analysis report conducted on a yearly basis, the compliance to RoHS is measured. Compliance to RoHS is determined based on an annual assessment, including verification of documents such as declaration letter, Certificate of Compliance ("CoC") and Safety Data Sheet ("SDS")
  - We obtain undertakings from our suppliers that they will comply with RoHS by communicating with them and facilitating their own compliance. Our suppliers are required to perform self-assessment using our assessment checklist, on a yearly basis
  - For all the supplied products, test reports and certificates of conformance are also obtained from suppliers

- **Regulations of Jiangsu Province on Water Pollution Prevention and Control in Taihu Lake (2018)**
  Through zero-discharge wastewater treatment facilities, Carsem SZ is equipped to fulfil the specific requirement on wastewater free of Nitrogen "N", and Phosphorus "P".

- **Emission standard of pollutants for electroplating GB21900-2008**
  At Carsem SZ, we continue to ensure proper treatment of wastewater and air emissions from plating process by developing wastewater treatment and exhaust gas treatment facilities. Third parties monitor these facilities, and measure the wastewater discharge and air emissions from plating process, on a half-yearly basis.

- **EQA (Clean Air) Regulation 2014, EQA (Industrial Effluent) Regulation 2009**
  At Carsem M and DCI, accredited third party monitoring of water discharge and exhaust discharge from scrubbers is conducted and submitted to local authorities. The Malaysian Department of Environment (DOE) also conducts regular checks to ensure compliance.

- **Restriction on the use of hazardous substances, including lead and lead compound**
  Carsem M has achieved third party certification on the Sony Green Partner.

- **ISO/TS16949**
  All of our operating sites practice continuous improvement and perform periodic internal audits of all manufacturing related functions.

- **ISO 9001**
  All of our operating sites demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

SUSTAINABILITY STATEMENT
(cont'd.)

BETTER SOCIETY

At MPI, we view all development to be dependent on the exhibition of human capital. Therefore, the employees are our top priority. We also strongly believe that by contributing to society, we will be able to accomplish multitude of objectives. With the effective execution of the underneath key aspects, we expect that our business will keep prospering in a responsible & sustainable manner.

TRAINING & EDUCATION

EMBRACING A 'LEARNER' MINDSET

Education is an important part of our employee engagement strategy. Our employees often need to learn skills through the training programs. We're continuously looking for ways to identify and support the growth of employees who are seeking to learn new skills.

OUR TRAINING

TRAINING HOURS
formal training hours for employees

2020	2021 Jan-Jun
80,372	68,356

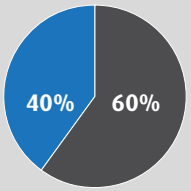
TRAINING HOURS PER EMPLOYEE
average formal training hours per employee

2020	2021 Jan-Jun
10.4	8.0

NUMBERS OF CERTIFICATION
formal technical* certifications for employees

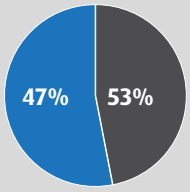
2020	2021 Jan-Jun
151,264	76,097

TRAINING TYPES CONDUCTED
numbers of trainings by types



2020

253



2021 Jan-Jun

106

- **Non-technical**
  Finance, HR, Managerial, Personal development, Leadership, Supply chain
- ***Technical**
  Machine/Process/Equipment training, IT/programming/multimedia/software, Quality & productivity, ESH, Technical engineering, Quality reliability assurance, Statistical process control

SUSTAINABILITY STATEMENT
(cont'd.)

MPI employees connected virtually as COVID-19 restrictions made it difficult to run trainnings in-person.

Refreshing our approach & preparing for new normal

In 2020, Covid-19 restrictions made it difficult to run in-person trainings. Consequently, we accelerated our drive towards new ways of working with our internal & external training partners to deliver e-training by leveraging platforms such as MS Teams, Zoom and internal training systems. While initially it entailed numerous challenges, with these multimedia resources, hard work from trainers and healthy support from participants, we successfully conducted a number of virtual training sessions.

As a result, despite the Covid-19 induced constraints, we are clocking more training hours. The success of this realignment is reflected in the high number of total and average training hours/ employee in the first half of 2021 compared to those in 2020, when the pandemic began.

During Covid-19, we were able to conduct soft skill training as well as technical training. We worked with training providers to conduct many webinars focusing on learning around the pillars of personal growth, productivity & well-being - self-improvement, computer lessons, health talk, and so on. We continued our focus on HRDF training for employees at all levels. Encouraging a 'learner' mindset, it was emphasized that learning is no longer restricted to the classroom or face-to-face training.

To encourage and cultivate lifelong learning, all employees are enabled to register themselves for free courses via the e-learning hub: HRDF e-Latih webinar link that is launched by HRDF (Human Resource Development Fund). This has been very well received with healthy participation. Typically, we adopt a 70-20-10 approach, where employees learn 70% of their knowledge from on-the-job training & assignments, 20% from coaching & mentoring, and the remaining 10% from structured training, such as digital and classroom learning. Most of the training time uses practical & hands-on methods to equip our employees with adequate job knowledge and improve their competency. We continued our efforts to ensure that our employees are equipped with the latest knowledge and skills by enrolling them for relevant training. Consequently, we focused more on technical training & certification by using internal training system. Employees can access the certifications at anytime and anywhere. Over the years, we have consistently increased the number of technical programs and certifications on offer.

SUSTAINABILITY STATEMENT
(cont'd.)

LEARNING AND DEVELOPMENT (L&D) PROGRAM

Graduate Development Program (GDP) – Youth Development

Enabling the future generation to prosper & meet their needs in a key tenet of sustainability. As part of our learning & development, and community focused initiatives, this entails offering learning opportunities to youth to hone their skills & equip them with relevant industry experience. Our Graduate Development Program (GDP) is committed to the development of various talent training projects, comprehensive training and guidance, so that outstanding graduates can quickly grow into the backbone of the company and become the reserve candidates for middle-level leaders. For the company to attract highquality talents, ensure the smooth introduction of new engineering research and development projects, to achieve the company's sustainable development and rapid growth of profitability, lay a solid foundation.

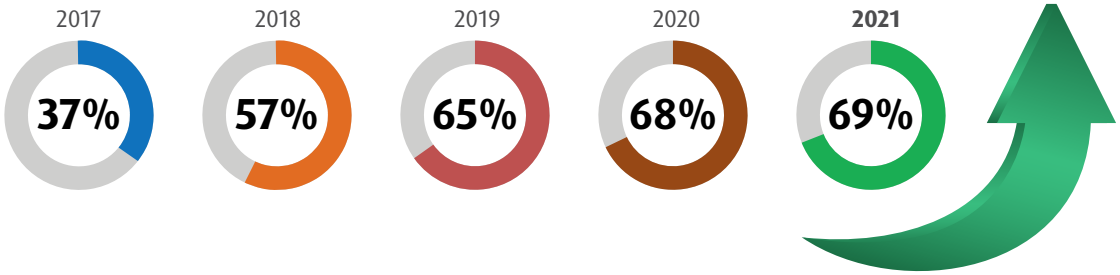
As the cradle of talent management and reserve, it plays an important role, which fully demonstrates the concept of MPI focusing on talent training. Despite the impact of pandemic to the industry, MPI has never stop nurturing and developing our fresh graduates. Development program has always been the top priority to them as they are the future pipeline to the industry. As pandemic strikes, some of our training especially soft skills related has to go on virtually instead of face to face however for technical/ machine related, the training resume in our production line.

Embark on Versatile and Cross-Training Workforce

The Group sets out on the versatile and cross-trained workforce with the plan to have an adaptable multi-talented workforce. The employee can fill in for the absent co-workers and can quickly increase the labour capacity and productivity in any operation. The cross training embarked based on process similarity or bottleneck process. Employees are continually learning new skills that help them to adjust to changes in the production, boost up their morale and encourage employee retention. Throughout the years, the percentage of achievement for versatile and multi-skilled shopfloor workers has been increased from 37% to 69% from FY17 to FY21.

SUSTAINABILITY STATEMENT
(cont'd.)

VERSATILE & CROSSTRAIN (%)



Talent Management - Succession Planning

MPI continuously develops talent and promotes internal leaders who are able to lead the group to the next phase.

Our succession planning focuses on the senior management position as well as the critical technical positions. Critical position is defined as a position that would have a significant impact on the organization. Hence, critical position is a position that cannot be left vacant for long.

The 9 Box Talent Assessment Grid is used to identify where existing employees currently are and identify the strategies to develop their capabilities. It is very helpful in identifying high performers, key players and succession candidates.

We are also monitoring the continuous succession plan for critical position in DCI. Critical position is referring to position which is required to comply with government rules and regulations.

We will send the related competent person to attend the training to ensure they are continuous certified and continue improve their skill related to their area. The category of critical position in DCI referring:

1. Certificate Environmental Professional in Industrial Effluent Treament System Operation (CePIETSO)	5. Radiation Protection Officer (RPO)
2. Certificate Environmental Professional in Scrubber Operation (CePSO)	6. Chargemen BO
3. Certificate Environmental Professional in Schedule Waste Management (CePSWaM)	7. Competent for Confine Space
4. Safety and Health Officer (SHO)	8. Boiler Man

SUSTAINABILITY STATEMENT
(cont'd.)

SKILLS DEVELOPMENT

Sistem Latihan Dual National (SLDN) Program

To support the government initiatives on Technical & Vocational Education and Training (TVET), Carsem Malaysia has collaborated with Malaysian Investment Development Authority (MIDA) and Advanced Technology Training Center (ADTEC) Taiping to train up 20 apprentices by year 2025.

The apprentices will undergo 4 months theory training at ADTEC; and 8 months practical training at Carsem M. Apprentices who successfully complete the SLDN program, will be awarded with Malaysia Skills Certificate Level 3 (SKM 3) by Malaysia Department of Skills Development.

Recognition of Prior Experiential Learning (RPEL) Program

Recognition of Prior Experiential Learning (RPEL) Program enables workers to get recognition on their skills, knowledge and experience gained through working and learning according to the level determined by the Department of Skills Development (DSD).

Carsem has successfully registered 17 pax for Microelectronics under RPEL program, and they have completed and passed their final assessment in April 2021. Due to very good response received, another batch with 50 pax are in queue and will complete in 2021 as well. It is also one of the re-skilling and up-skilling program for our employees.

Training Award

Carsem SZ won the "**2020 Advanced Group for Safety Training**" of Suzhou Industrial Park in 2021-Jan. Carsem SZ implements and maintains an effective occupational health and safety training system to prevent potential safety hazards.

In FY21, Carsem SZ organized 32 batches of safety training and epidemic prevention training (including work resumption training, first aids training, firefighting training, supervisor & line leader safety training, Industrial injury prevention training, chemical control & waste management training etc.), with more than 2,200 employees involved.

In addition, Carsem SZ Training Center has also been awarded the title of "**Employee Training Base**" demonstration site in Suzhou Industrial Park in 2020. The selection of the demonstration sites was initiated by the Suzhou Industrial Park Government and SIP Unions, and selected ten enterprises once a year.

After obtaining this demonstration site, Carsem SZ can take priority to participate in various government-organized training, subsidy applications and competitions, including government-subsidized education promotion program, school-enterprise cooperation, enterprise vocational skill level certification, high-skilled training subsidy applications, etc.

At present, Carsem SZ have 7 employees participated in the education promotion program, by applying for universities and majors designated by the government, employees can receive 20%-50% tuition subsidies after graduation.

SUSTAINABILITY STATEMENT
(cont'd.)

LABOR RIGHTS & STANDARDS

Respecting human rights while advancing workforce diversity, engagement and inclusion

Our approach is guided by the **UN Guiding Principles on Business and Human Rights, GRI standards, and Responsible Business Alliance (RBA) Code of Conduct**. We are committed to respecting human rights as set out in the UN Universal Declaration of Human Rights and the **International Labour Organization Declaration on Fundamental Principles and Rights at Work**. Our commitment to human rights is embedded into our existing frameworks and processes, applicable to all employees, suppliers and third parties, such as HLMG (Hong Leong Manufacturing Group) Code of Conduct and Ethics. The Supplier Code of Conduct and Ethics includes specific labour and human rights expectations for suppliers and third parties. The responsibility for human rights issues lies with the CSR/RBA Management System Organisation, which is led by our Group Managing Director, Manuel Zarauza. Respecting and safeguarding human rights is among MPI's top priorities.

All our employees receive relevant training on human rights issues, which typically includes information on respecting & compliance to human rights in the course of our business operations as stipulated within the Code of Ethics.

In particular, the managers responsible for the security units are sensitized with the compliance processes in the respect. Security personnel are also informed about our requirements and instructions for respecting human rights in line with our wide procurement guidelines.

Employees and external informers can use various channels, such as e-Feedback intranet portal, feedback box or the whistle-blower system, and the Skip Level platform to report suspected human rights violations and obtain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights.

No human rights violations were reported during FY21 at any of our operations. In fact, Carsem SZ was awarded "The Most Socially Responsible Enterprise in Suzhou Industrial Park in 2020" by the Suzhou Industrial Park Management Committee. It reflects the continued emphasis we put on actively fulfilling our social responsibilities, and our commitment to operating with integrity, caring for our employees, innovating for quality, protecting the environment, and on public welfare.

SUSTAINABILITY STATEMENT
(cont'd.)

LABOR RIGHTS

Free chosen employment

We strictly prohibit any use of forced, bonded or indentured labor, involuntary prison labor, slavery or trafficking of persons at all times. There is no unreasonable restriction of employees' freedom of movement. We don't withhold employees' original government-issued identification, passports, work permits, travel documents, or education certificates. All workers are given employment agreement that clearly conveys the conditions of employment in a language they understand.

Freedom of association

We respect the rights of employees to associate freely, to decide whether they wish to join labor unions or not, and to seek representation in accordance with relevant laws and regulations in the regions we operate. Unions are accessible to workers at all of our operating sites.

Child labor

We take an active stand and unconditionally prohibit child labor. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.

Wages & benefits

Compensation paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. These should be paid in timely manner.

Humane treatment

We practice absolute zero tolerance towards any kind of harsh and inhumane treatment or threat of any such treatment. These include any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers. The relevant disciplinary policies and procedures in support of these are clearly defined and communicated to workers.

Non-discrimation/Non-harassment

We take the necessary steps to ensure a workplace that is free of harassment and unlawful discrimination. We assign central importance to fair working conditions and employee rights, and reject all form of discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training.

Working hours

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury & illness. We take steps to ensure that our employees do not perform work exceeding the maximum hours allowed by the local law. Moreover, we take actions to reduce excessive working hours, and support exceeding minimum wage by allowing our employees to perform overtime. In doing so, we comply with the respective local laws across all our facilities.

SUSTAINABILITY STATEMENT
(cont'd.)

Our People

For the successful execution of our strategy and for sustaining our long-term business performance, our people are vital.

OUR PEOPLE

EMPLOYEES
total global workforce

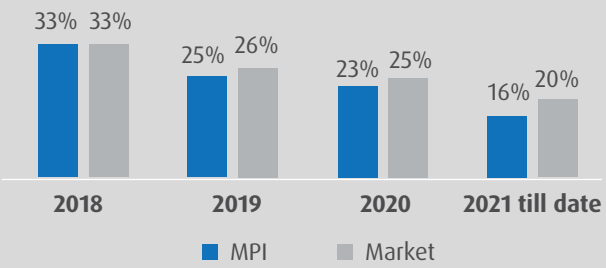
10,746
employees at June 30, 2021

FEMALE EMPLOYEES
% of female employees in workforce

45%
female employees

"Women represent 10-25% of the semiconductor workforce across all roles and functions." - GSA, Accenture

ATTRITION
average attrition rate %



Continued reduction in employee turnover in a challenging environment

Consistently lower employee turnover than that for overall market

Source: MPI data, MIS, Suzhou Industrial Park Semiconductor and Electronic Association

We provide consistent opportunities to accelerate the development of our employees, grow & strengthen our leadership capabilities, improve diversity, and enhance employee engagement. All this contributes to high motivation & performance levels of our employees.

Similar to FY20, in FY21, we continued to work hard to assist in the battle against Covid-19, and support our people in various ways. Our aim remains to continue to become a more competitive & streamlined organization that is agile and better able to respond to customers.

In FY21, we continued to ensure that all our employees are trained to improve their knowledge and awareness around labor practices through specific programs & seminars. These are organized in-house and/or in collaboration with relevant authorities (e.g., JTK, labor office, etc.). We ensure communication of our commitments and provisions of the RBA Code of Conduct through several channels to all our employees globally. All the training & communication material, is translated & made available in relevant languages – English, Bahasa, and Chinese.

SUSTAINABILITY STATEMENT
(cont'd.)

Moreover, we have put in place several mechanisms that allow our employees to engage with management, raise concerns and report instances of potential non-compliance. These include Whistleblowing, manual and e-feedback form, employee survey, daily briefing sessions, open-door policy, and many more. Our managers undergo appropriate training to handle any reports or instances of non-compliance with our values, including bullying or harassment. Our controls encourage two-way communication, and allow employees to share their thoughts anytime without any restrictions. Our Mentor-Mentee program allows our employees to share & escalate any wrongful acts to their respective mentors, and further to the relevant parties.

Workforce Diversity

Our approach is to focus on hiring, development and retention of top talent. We firmly believe that embedding the elements of diversity & inclusion in our manner of doing business provides us a deep understanding of the needs of our people, suppliers, customers and other partners. A diverse workforce, enabled by an inclusive & caring environment that nurtures and respects diverse people, is a manner to enhance our business performance. We continue to attract, develop and promote more women in our workforce by creating a culture of respect and inclusion, with a healthy proportion of women in leadership positions. In fact, the proportion of female employees in our workforce is significantly higher than the semiconductor industry average.

We are an employer of choice, evident from the significantly low attrition rate vs. the market on a consistent basis. We seek to eliminate exclusion of disabled people and ensure disability inclusiveness remains a priority for global business leaders. Moreover, from time to time, we also engage contractors or temporary staff in specific projects based on requirements. Contractors or temporary staff constituted 13% of our workforce in 2020, and accounted for 11% in 2021 till date. Further, we provide equal opportunity to local population from various ethnicities, and expatriates to join our organization at different positions. While growing our business, we are mindful of taking the community forward with us. We do this by consistently engaging & enabling the local communities in various ways, including economically.

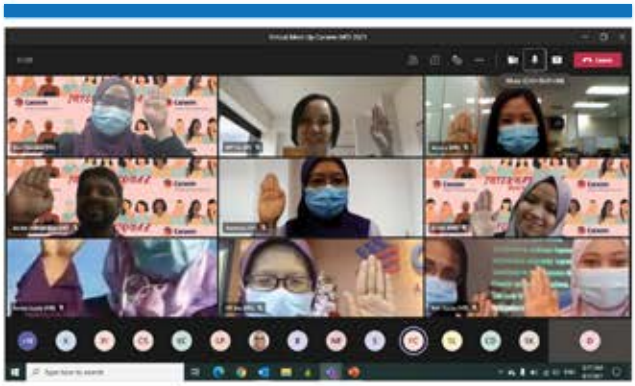
SUSTAINABILITY STATEMENT
(cont'd.)

Employee Engagement

MPI has been able to leverage the power of technology and connectivity in order to continue to organize activities and fulfill the duty to strengthen the bonding & unity among the employees at various levels.

In conjunction with National day, Carsem organized a Photography contest for employees to display their creativity, talent, and teamwork.

Carsem awarded 41 students with the Academic Excellence award. Due to new norms and to abide SOPs set by MOH, our top management presented only to their respective proud parents.



A virtual session was organized via Microsoft Teams to commemorate Women's Day to appreciate all diligent women employees for their achievement and great support. An inspiring and encouraging speech was given by Head of HR followed by General Managers.

Senior government officials from the Malaysian Embassy in China and the Consulate General of Shanghai visited Carsem SZ operations, taking note of our product applications, technology innovations and R&D planning, continuous improvement culture based on quality zero defects, strategic development, and investment planning over the next five years.

SUSTAINABILITY STATEMENT
(cont'd.)

The Group continued to motivate employees by organizing various activities to bring joy and encouragement for the employees during the week of festive seasons and also in conjunction with Valentines' day.

Distributions of gift bags, red packets, flowers, giving out sweets and lucky draws on festival seasons for our multi-racial employees in respect of their culture and nationalities.

DCI has organised donation events during festive season to Gan EnZhi Home and Autism day school, Pusat Harian Harapan Bakti.

SUSTAINABILITY STATEMENT
(cont'd.)

Carsem SZ Business Continuity Plan ("BCP") & actions were well implemented and helped prevent & control the impact of COVID-19.

As a motivation for the employees for their support and achievement, the company had organized some team building activities such as 10km cross running events and various outings.

Apart from outdoor activities, Carsem SZ has organized some in-house competitions such as core strengthening plank exercise competition and karaoke competitions to enhance employees' satisfaction to show their talents and skills.

Carsem SZ Union and HR Dept. visited the public rental housing of the employees during the Spring festival to distribute holiday gifts and sent holiday greetings.

In January 2021, Carsem SZ has organised the Customer Appreciation Dinner 2020 to express the gratitude and appreciation to the customers that have been supporting our business throughout 2020. The dinner was also held to enhance the understanding and relationship between the company and its customers.

SUSTAINABILITY STATEMENT
(cont'd.)

The Group is working to do its part to provide technology and resources to the employees to stay connected via social media, a gateway to communication.

Considering that communication reach is crucial in the prevailing circumstances, we stretched our communication channels through several initiaves such as using digital platforms like Telegram.

Through this, every employee could obtain instant updates that are helpful for the superiors, supervisors as well the Company to implement, to brief or notify any relevant matters effectively.

We ensure communication is shared via Carsem HR Info specifically on COVID-19 related matters, including to those without email access.

A direct link and the QR code for Telegram group whereby the employees could access upon installing Telegram app into their respective mobiles.

As large number of our employees began working from home, a dedicated and supportive IT team worked around the clock to keep our system running and made improvements to help everyone to continue to work efficiently and stay connected.

Carsem SZ has created a WeChat group which has been well received by HL IGP president, GMD, CFO, customers and all employees. It is an interactive communication platform to share the company's culture, its leadership, generates a positive mind and team spirit. Many articles have been shared and it has attracted more than 3,000 followers. Articles and positive messages from employees are being shared. They have adopted brand new changes to promote company culture and foster team spirit via Carsem News.

SUSTAINABILITY STATEMENT
(cont'd.)

OCCUPATIONAL HEALTH & SAFETY

SAFEGUARDING EMPLOYEE WELLBEING

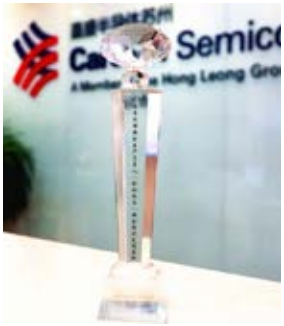
Our CSR policy and Occupational Health and Safety Policy clearly outline the standards we strictly adhere to for ensuring a safe & healthy workplace environment for our employees.

Award-winning health & safety

In recognition of the hard work & diligence to ensure a safe & secure workplace environment for all our employees, we received outstanding recognitions, in FY21. Employee welfare is our utmost priority in normal times, and has assumed even more significance in these turbulent times.

(Carsem M) received 2021 Silver Stevie® award for the "Most Exemplary Employer for COVID-19 Response", and 2021 Silver award for "Best Crisis Management and Leadership" by "Human Resources Online".

(Carsem SZ) Excellent Enterprise award, by Suzhou Industrial Park.



(Carsem SZ) Excellent enterprise - Safety training, by SIP Jinjihu Lake Administration committee Safety Bureau.

Governance

We have setup dedicated health & safety working committees at each of our operating sites. Each health & safety committee comprises of management and worker representatives, with a dedicated health & safety manager. The responsibilities and authorities for relevant roles of OH&S management are assigned and communicated at all levels. Worker representatives consult and participate in OH&S affairs through specific forums held on a periodic basis, and contribute with their efforts. These health & safety working committees take responsibility of overseeing & daily monitoring of the health & safety management at each of the operating sites, including risk assessment, risk management, compliance, audits and investigations, complaint resolution, grievance addressal, as well as the deployment of specific initiatives. At each of our operating sites, the health & safety standards are adopted in compliance with accredited international standards. The occupational safety and health management systems at our operating sites are exhibited below:

Our businesses	Locations	Occupational Health and Safety Management Systems
Carsem SZ	Suzhou, China	ISO 45001:2018
Carsem M	Ipoh, Malaysia	ISO 45001:2018
DCI	Penang, Malaysia	ISO 45001:2018

Risk management

Our approach towards managing occupational health & safety risk is driven by the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") review that is done at least once in a year and as & when required. This is led by the respective health & safety working committees at each operating site along with management and worker representatives. This proactive approach helps in identification of hazards and operational risks. The issues identified from HIRARC review are reported & assessed to define actions aimed at elimination of hazards and reduction of OH&S risks. All such actions are duly documented, executed and reviewed by the health & safety working committees in the periodic meetings.

SUSTAINABILITY STATEMENT
(cont'd.)

Training & awareness

Our approach to promoting health & safety awareness at all of our workplaces is driven by ongoing training programs. These comprise of

- General training: aimed at creating awareness and educating employees about health & safety issues – occupational and non-occupational. These include preventive measures for COVID-19
- Customized training: aimed at specific work activities, related health & safety risks, and towards various employee groups

At each site, the training program & plan is reviewed periodically to ensure that it incorporates the changes in operational, regulatory & industry aspects, as well as our health & safety performance.

In FY21, we conducted trainings across below areas:

- Hazards identification, risk assessment, risk control
- Safety data sheet
- Chemical handling & spillage
- First aid and CPR
- Precursor chemical management
- On the Job Training for New Hires
- X-ray handling
- Emergency response team
- Hearing loss
- Contractors safety
- Fire risk
- Forklift driving
- Hearing conservation program

In FY21, amidst the ongoing pandemic situation, online & virtual training sessions became the order of the day at our operating sites. These included employees' recertification, competency training, new equipment training by technical specialist, etc. This enabled us to minimize and prevent interruption to employees' training, certification and awareness programs. We conducted several virtual sessions with the relevant authorities and specialists to ensure high awareness of COVID-19 matters, among our employees. In specific cases where the trainer was required to be on-site to provide technical support & guidance, all necessary preventive & control measures with respect to COVID-19 were strictly complied with, by all involved parties.

Employee accommodation

Holistic employee well-being is strongly related with their working as well as living conditions. So, in addition to the steps we take for workplace health & safety, we take necessary actions to provide hygienic, safe & healthy accommodations for our employees. These are in strict compliance with The Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446).

Our employee accomodations are duly audited and certified by the Labour department under the Ministry of Human Resources.

SUSTAINABILITY STATEMENT
(cont'd.)

Health and safety performance

The Management and Safety Committee at all our operating sites continues to emphasise safety awareness via safety training, briefings and placing safety warning signs/ labels. Other initiatives conducted to strengthen our safety environment include on-site chemical and personal protective equipment management and storage, workplace inspection, management walkabout/ visits machinery and work instruction and inspection, radiation monitoring and spot audits.

We are pleased to share that there were no reported incidents of occupational illness and fatality at any of our operations, during FY21.

Our health & safety performance monitoring also entails tracking of injury frequency rate data, to guide our approach & define timely actions.

Injury frequency rate for industrial accidents, MPI		
FY19	FY20	FY21
1.00	0.97	1.03

All our operating sites are actively involved in internal & external OH&S campaigns to meet our objective of reducing workplace accidents. Each year, Carsem M joins the Workplace Accident-Free Week (WAFEW). In fact, in FY21, Carsem M stood at third place out of a total of 81 participating companies in the WAFEW Workplace Innovation Competition. At all our operating sites, continued HIRARC assessments in line with ISO 45001:2018 help us identify further risks and opportunities in the existing practices. Every incident is investigated by the respective site's committee and corrective actions are taken. As far as practicable, engineering control solutions are implemented to prevent recurrence. Audits are done to ensure compliance to safety procedures. This has led to consistent improvements in health & safety, and made our processes & machineries safer. Moreover, active involvement by entire operations in the 5S Kaizen program has further contributed to prevention of accidents.

The COVID-19 pandemic has been relentlessly affecting the health and economy of the world. The safety of our people is our number one priority at MPI. We recognize the human rights responsibilities of business in navigating the COVID-19 crisis, and so, we have taken every measure to keep workers safe, meeting or exceeding the recommendations of the government authorities and local requirements. The best practice measures taken at our facility in Suzhou, China, at the beginning of the pandemic, have been shared across all our other operating facilities in Malaysia. As a result, MPI has been able to maintain the demands of increased production and distribution in the current COVID-19 environment as well as safeguard the rights and safety of workers in our facilities. As this report was being compiled in mid-2021, many parts of the world were still facing continued or resurgent infections and cases continued to soar. Since early 2020, MPI has rolled out measures across our organization to ensure the safety of our employees, business partners and customers, as well as support affected communities while striving to maintain quality products & services, with minimal disruptions. These efforts are summarized below.

SUSTAINABILITY STATEMENT
(cont'd.)

PROTECTING OUR WORKFORCE

In FY21, we further stepped up our efforts as our health & safety teams equipped staff and businesses with guidance to remain operational in a responsible way. We updated our guidance materials throughout the year and shared information continuously with all relevant stakeholders. To mitigate risks and flatten the COVID-19 infection curve, our actions have been guided by four key principles:

1. Monitoring high standards of hygiene and safe practices in the workplace, and at worker accomodations
2. Reduction, if not elimination of transmission among employees
3. A work-from-home wherever possible mentality
4. Ensuring preservation of life and safety of employees, their families, our business partners, our customers and communities, as well as continuity of our operation.

Some of the key prevention & precaution measures taken include:

- Implementation of strict Standard Operating Procedures including physical distancing, usage of personal protection equipment, health monitoring, travel declarations and deferment of all events requiring physical attendance
- A travel policy either restricting or banning employees from business or leisure travel
- Activation of split operations teams between offices, alternate sites and work from home
- Accelerated implementation of flexible work policies and practices that enable mobile working, and rollout of necessary technology infrastructure
- Reconfigured operations with reduced hours and workforce strength while ensuring processes & protocols are intact
- Established 24/7 Emergency Support team and issued regular advisories via emails and other digital mediums as telegram
- Constant virtual learning and employee engagement initiatives to promote mental, physical, emotional and performance fitness. Counsellors were also made available to staff for emotional support

Throughout the COVID-19 crisis, our teams have worked together, and put forward a huge number of bottom-up suggestions for how to manage safety.

MPI continues to maintain enhanced protocols at our facilities - temperature check, distribution of face masks, hand sanitizer, disinfecting every surface (common areas, production areas, hostel rooms, buses) where any risk may exist, social distancing, multiple mobile clinics in the factory.

SUSTAINABILITY STATEMENT
(cont'd.)

- Vaccination
  - o We are actively supporting the efforts of the government to vaccinate majority of the population. At Carsem SZ, by end of July 2021, nearly 86% of our employees had been vaccinated in our ongoing vaccination program
  - o During July-August 2021, continuing with our employee vaccination program, after Suzhou, we initiated it for our Carsem M employees. This vaccination program was a part of the Program Imunisasi Industri COVID-19 kerjasama Awam-Swasta (PIKAS), assisting the Malaysian government's efforts to accelerate vaccination across the country. We were the first company in Perak state to be on such a vaccination drive for its employees. Through this focused 6-day vaccination program, we successfully vaccinated over 5,000 of our employees with both the doses.

Covid-19 Vaccination for our Carsem SZ & Carsem M employees.

In addition to maintaining a healthy & safe workplace, we strengthened our focus further on ensuring safe living environment (hostel accommodations) for the overall wellbeing of our employees.

In combating with Covid-19 pandemic, we continuously engaged with relevant local authorities. In Malaysia, for instance, these include MOH/KKM, police, fire department, DOSH, JTK and MITI. The main objective is to ensure complete alignment & compliance to the government (MKN) SOPs for the safety of all stakeholders.

SUSTAINABILITY STATEMENT
(cont'd.)

Employee dormitory audit by Labor office. *Satisfactory outcome of MITI's periodic enforcement check.*

Health and safety monitoring & support

We offer healthcare benefits and access to quality healthcare services to our employees to support them in managing occupational and non-occupational health & safety. These include access to medical treatment from panel clinics, frequent health screenings, and regular health & safety talks.

Recently, we expanded our medical facilities by engaging HLA and MiCare as Third Party Administrator (TPA). This increases the number of panel clinics to an even higher number, and enables Carsem M employees to nationwide access any clinic, which is registered under MiCare. An in-house clinic at Carsem M is staffed with seasoned medical personnel to provide medical consultation and treatment to our employees.

Incident response and reporting

OH&S Policies and Management system have been setup to guide employees on the steps to take in the event of incidents, including accidents, and to provide a structured & accessible platform for reporting of potentially or actually unsafe acts or workplace conditions, including conditions arising from unsafe or unhealthy work conditions and processes. In the event of incidents, employees are required to prioritise their own safety, removing themselves from situations where they believe could cause injury or ill health, followed by that of others. Subsequently, they are required to immediately report to their designated Safety & Health department (ESH) or persons-in-charge for further emergency responses to be undertaken. First Responder (ERT) is established and trained to handle incidences within their skills and experience. Contact to 3rd party assistance such as nearby hospitals, fire service department, etc. shall be established, using the contact details that are readily accessible at the security emergency command centre (security front office). Periodic emergency testing is conducted and audited by relevant parties, including the internal and external auditors, customers and authorities.

All incidents shall be properly reported and documented, followed by investigations and determination of action plans. The implementation of action plans will be monitored and shall be updated to the Health & Safety Working Committee and the site HSC chairman (the General Manager) before the case can be closed. Necessary changes shall be made to the HIRARC assessment and internal SOP to include improvement actions, after the incidents.

According to the established policies and procedures, and governed by the principles of the Whistleblowing Policy, the Group does not retaliate against genuine responses and reporting of incidents, including the employee's removal of himself/ herself from work position to protect his/ her own safety or health. Serious violations or breaches of the Company's health & safety policies and procedures can also be reported, confidentially and anonymously, via the Group's Whistleblowing Policy.

SUSTAINABILITY STATEMENT
(cont'd.)

LOCAL COMMUNITIES

We realize that our activities and initiatives can impact the communities in which we operate. We engage with and support the communities through tangible and relevant initiatives. We review our community & social contribution initiatives on an annual basis to ensure proper alignment between the evolving requirements of the community & our supporting contributions. This entails identification of key community investment areas that we can influence effectively, and are in line with our strategic priorities such as talent identification & development, education, local employment creation, supporting the underprivileged, and programs that promote health, safety, security, civic activities, and sports & recreation. In doing so, we take note of results of our engagements with government, municipal bodies and local communities. We encourage active volunteering by our employees in initiatives that lead to better bonding with the wider community & overall welfare. Though in FY21, with the prevalent COVID-19 situation, our volunteering initiatives were constrained in order to protect the safety & health of our employees as well as the community.

Local employment

Enabling development of the local community & economy by hiring locally is a key focus area in our overall 'community engagement' approach. We view it as a win-win solution for our business as well as for the local community.

% of local hires amongst employees		
Our businesses	**Senior management**	**Non-senior management**
Carsem M	78%	80%
Carsem SZ	86%	78%
DCI	88%	100%

Note: local – refers to Perak State for Carsem M, Penang state for DCI, and Jiangsu province for Carsem SZ.

Empowering the underprivileged

We understand that empowering & supporting the underprivileged or less privileged members of our community is in the interests of our business. With this mindset, we encourage recruitment of people from various backgrounds such as single mothers, school dropouts, or from rural areas. We offer specific certificate programs to school dropouts, that allow selected individuals to work & study short courses. We continue to look for ways to improve the effectiveness of such initiatives.

Children's education

The UN Convention on the Rights of the Child affirms that every child has a right to education. MPI and the wider Hong Leong Group are in total alignment with the children's right to quality education. MPI has played an active part in the Hong Leong Group's initiatives such as Group Scholarship Award, Academic Excellence Awards, etc., that are aimed at supporting children's education.

Under Group Scholarship Award, children of our employees who have shown remarkable achievements in their public examinations & higher studies are offered scholarships for pursuing further studies. Similarly, the Academic Excellence Award is directed towards our employees' children who have performed well in their UPSR/ PT3/ SPM and STPM public examinations. They're rewarded monetarily as well as with a certificate of excellence. Our intention is to provide motivation to deserving children and ease the financial burden of their parents to some extent.

Community welfare, and security

In FY21, we took proactive measures to support the community we live in. Our team at Carsem SZ, actively participates in several activities organized by Suzhou Industrial Park Semiconductor and Electronics Association. In FY21, our employees donated unused clothes to the needy people as part of a drive to ease the ongoing difficulties for the underprivileged section of the society.

Further, Carsem Ipoh, Malaysia donated computers to PDRM (Ipoh District Police) with an objective of enabling better infrastructure for frontline security personnel.

SUSTAINABILITY STATEMENT
(cont'd.)

ANTI-BRIBERY & CORRUPTION

Leading ethically & transparently

MPI has implemented Anti-Bribery Management System under ISO 37001:2016. Carsem has gone through the required audit conducted by the Standard and Industrial Research Institute of Malaysia (SIRIM) QAS International and completed Stage 1 and Stage 2.

Audit Stage	Description	Results
1	The objective is to determine the adequacy of the client's management system documentation and readiness to proceed to the Stage 2 Audit	✓
2	The objective is to evaluate the management system implementation and its effectiveness across the business	✓


CERTIFICATE


CERTIFICATE

Upon completion of Stage 2 Audit, SIRIM QAS International has certified that Malaysian Pacific Industries Berhad (including Carsem M) has implemented Anti-Bribery Management Systems and complied with ISO 37001: 2016.

The scope of the certification is Anti-Bribery Management Systems for design, assembly and testing of semiconductor devices and corporate support services.

SUSTAINABILITY STATEMENT
(cont'd.)

Code of Conduct and Ethics

The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code").

The HLMG Code serves as guiding principles in the day-to-day activities of the Group and reminds employees to maintain at all times the highest standards of conduct and to always demonstrate professional and personal integrity in the conduct of business activities and in dealings with stakeholders, customers, colleagues and regulators.

The HLMG Code is applicable to:

- All employees who work in the Group across the jurisdictions in which the Group operates – including but not limited to permanent, part-time and temporary employees; and
- Any other persons permitted to perform duties or functions within the Group – including but not limited to contract and agency staff.

As the HLMG Code forms part of the terms and conditions of employment, employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business and professional activities.

The HLMG Code is available on the corporate website at www.mpind.my.

Risk Assessment and Management

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

The Board exercises its oversight of risk management and internal control through the Board Audit & Risk Management Committee ("BARMC") which meets on a quarterly basis and supported by an adequately resourced Group Internal Audit ("IA") Department ("GIAD").

Management is accountable to the Board for the risk management and internal control system and for the implementation of processes to identify, evaluate, monitor and report risks and controls.

The Group's system of risk management and internal control is designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management.

In addition, for bribery and corruption risks, the Group adopts MS ISO 37001:2016 (Anti-Bribery Management System) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 to prevent, detect and respond to bribery and corruption risks. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

On an on-going basis, each operating company's chief executive and authorised risk owners have clear accountabilities to monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers, maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks, and prepare risk management report on a quarterly basis for reporting to the BARMC.

Key business risks and risks exceeding tolerance levels would be escalated to the BARMC and if necessary, to the Board for deliberation. The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

SUSTAINABILITY STATEMENT
(cont'd.)

Anti-Bribery and Corruption Policy

With the adoption of MS ISO 37001:2016 as the Group's Anti-Bribery and Corruption Management System, the Board has approved an Anti-Bribery and Corruption Policy ("ABC Policy") which is part of the Group's commitment to conducting business ethically in compliance with the Malaysian Anti-Corruption Commission Act 2009 and all applicable anti-bribery and corruption laws of every country in which the Group operates. All employees, directors (executive and non-executive) and any person who performs services for and on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group are required to adhere to the ABC Policy.

ABC policy provides a strong framework to prevent its employees, directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities.

The ABC Policy is publicly available on the corporate website and it outlines the Group is committed to conduct business dealings with highest level of integrity and ethics and to comply fully with applicable laws and regulation requirements on anti-bribery and corruption.

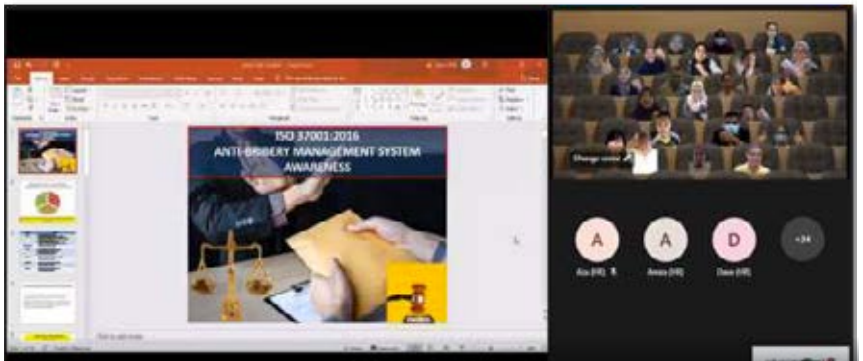
Report of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

Awareness and Training

The Group has conducted awareness and training including e-learning programme for all the employees of the Group on anti-bribery and anti-corruption.

The awareness and training are in the following form:

- Yearly e-Learning and e-Test;
- Yearly training package via 1Point Lesson and e-Training Slide;
- Quarterly briefing through Department Briefing Session; and
- Quarterly email circular and TV display on ABC important highlights



Virtual training sessions were conducted at MPI on anti-bribery and anti-corruption

Pursuant to the Hong Leong Manufacturing Group Self-Declaration Policy, all employees are required to submit an annual declaration on their compliance with the HLMG Code and the ABC Policy. New employees are required to make the self declaration upon joining.

Whistleblowing

The group has put in place a Whistleblowing Policy and it applies to all employees of the Group as part of the Group's commitment to promote and maintain high standards of transparency, accountability and ethics in the conduct of its business and operations. It provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. There is an established process for reporting to provide a confidential and safe avenue to disclose any suspected, attempted or actual acts of bribery and corruption within the Group. The Whistleblowing Policy is published on the corporate website.

The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

SUSTAINABILITY STATEMENT
(cont'd.)

AWARDS

Several Best Supplier Awards for its excellent & dedicated assembly business support.

Carsem M has won the 'Best Supplier Award' from ADI for its excellent and dedicated assembly business support.

Carsem SZ was honoured to be awarded and gained recognition by the SIP government for:

- The Best Social Responsibility Enterprises
- Best Innovation Employer
- Outstanding Economic Contribution Award
- Pioneer Employer for fighting with Covid-19
- Popular Employer for College student

2020 Outstanding Economic Contribution Award from SIP.

Best employer selection by SIP Government and coordinated by SIP HR.

Carsem SZ won both "Y2020 Pioneer employer for fighting Covid-19 pandemic" and "Y2020 the most popular employer for College Students" from SIP Government.

GOVERNANCE

Board of Directors

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent
Age 66, Male, Singaporean

Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering). He also holds a Master of Science (Finance) from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek is the Chairman of Malaysian Pacific Industries Berhad ("MPI"). He was appointed to the Board of Directors ("Board") of MPI on 27 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. He is a member of the Nominating Committee of MPI.

He is the Chairman of Hong Leong Industries Berhad, Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) and Southern Steel Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation, both public companies.

MR MANUEL ZARAUZA BRANDULAS

Group Managing Director/ Non-Independent
Age 50, Male, Spanish

Mr Manuel Zarauza Brandulas graduated from University of Westminster, London with a Bachelor of Business BA (Honours) in Finance and Marketing. He also holds a Master of Business Administration from University of Bath, United Kingdom ("UK") and a Master in Leadership and Organisation from Instituto de la Empresa, Madrid.

Mr Manuel Zarauza has over 25 years of working experience across various manufacturing sectors. He started his career in Siemens before joining Osram Opto Semiconductors as Vice President, Worldwide Sales. Subsequently, he moved to Seoul Semiconductor as Managing Director in Seoul, Korea.

Mr Manuel Zarauza joined HLMG Management Co Sdn Bhd, a related company, as its Managing Director in April 2015, a position he held until August 2016. Subsequently, he was appointed as Group Managing Director of MPI on 8 August 2016. He does not sit on any committee of MPI.

IR. DENNIS ONG LEE KHIAN

Non-Executive Director/ Independent
Age 66, Male, Malaysian

Ir. Dennis Ong Lee Khian graduated from University of Swinburne, Australia with a Bachelor of Civil Engineering and is registered as a Professional Engineer with Practising Certificate with the Board of Engineers Malaysia.

He is a Fellow of the Institution of Engineers, Malaysia, a Fellow of the ASEAN Academy of Engineering and Technology, a Fellow of the Institution of Engineers, Australia and a Chartered Professional Engineer under the National Professional Engineers Register, Australia.

Ir. Dennis Ong started his career in Shell Malaysia in 1981. He held various senior management positions in Shell's downstream businesses in Malaysia as well as the ASEAN countries and Hong Kong. He was the Managing Director of Shell Timur Sdn Bhd prior to his retirement from Shell Malaysia. Ir. Dennis Ong held directorships in Shell Malaysia Trading Sdn Bhd, Champ Distributors Sdn Bhd, Lubetech Sdn Bhd, Assar Chemical Dua Sdn Bhd and was the Chairman of the Board for UMW Pennzoil Distributors Sdn Bhd.

In 2011, Ir. Dennis Ong joined the School of Engineering of Monash University, Malaysia as a senior lecturer managing the Engineering Leadership Program and lecturing the units on Project Management and Professional Practice until December 2018. He is currently a member of the Industry Advisory Panel for Monash Civil Engineering Department.

Ir. Dennis Ong was appointed to the Board of MPI on 17 November 2014. He is the Chairman of the Board Audit & Risk Management Committee of MPI.

BOARD OF DIRECTORS
(cont'd.)

YBHG DATO' MOHAMAD KAMARUDIN BIN HASSAN

Non-Executive Director/ Independent
Age 66, Male, Malaysian

Dato' Mohamad Kamarudin Bin Hassan graduated from University of Malaya with a Bachelor of Economics (Honours) (Majoring in Business Administration) and also holds a Master of Business Administration (Majoring in Finance) from Oklahoma City University, United States of America ("USA").

Dato' Mohamad Kamarudin began his career with the Administrative and Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1987, he was placed in the Ministry of International Trade and Industry (MITI) where he had served in various divisions of the Ministry. From 1992 to 1994, he was posted to the Malaysian Embassy in Washington DC, USA, as an Economic Counselor. Subsequently, in January 2006, Dato' Mohamad Kamarudin was seconded to Malaysia External Trade Development Corporation (MATRADE) as Deputy Chief Executive Officer, a post he held until his retirement on 1 September 2013.

Dato' Mohamad Kamarudin was appointed to the Board of MPI on 19 March 2015. He is a member of the Board Audit & Risk Management Committee and Nominating Committee of MPI.

He is a director of Duopharma Biotech Berhad and Muhibbah Engineering (M) Berhad, companies listed on the Main Market of Bursa Securities and ManagePay Systems Berhad, a company listed on the ACE Market of Bursa Securities.

DR TUNKU ALINA BINTI RAJA MUHD ALIAS

Non-Executive Director/ Independent
Age 57, Female, Malaysian

Dr Tunku Alina Binti Raja Muhd Alias graduated from University of Malaya with a Bachelor of Law. She also holds a Master in Law (LLM) (Corporate and Commercial Law) from King's College, UK, and a PhD in Islamic Finance, International Centre for Education in Islamic Finance, Malaysia.

Dr Tunku Alina started her career as a Legal Assistant with Skrine & Co ("Skrine") in February 1987. After working for 5 years with Skrine, she started and co-established a legal firm known as 'Wong Lu Peen & Tunku Alina' in April 1992 and served as the Managing Partner until December 2011. Subsequently, she was appointed as Consultant of the firm until to date.

She has more than 25 years of experience in leading business and community development, client negotiation, legal consultation, dispute resolution and goal setting and specialises in managing clients' compliance and regulatory aspects for investments and development of properties in Malaysia and abroad.

Dr Tunku Alina was appointed to the Board of MPI on 18 January 2018. She is the Chairman of the Nominating Committee of MPI.

She is a director of IJM Corporation Berhad, Batu Kawan Berhad and Nestle (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities. She is also a director of Chemical Company of Malaysia, Harps Holdings Berhad, Raja Alias Foundation and Yayasan CCM, all public companies.

BOARD OF DIRECTORS
(cont'd.)

MS FOO AI LI

Non-Executive Director/ Independent
Age 45, Female, Malaysian

Ms Foo Ai Li graduated from Lincoln University, New Zealand with a Bachelor of Commerce (Accounting) and is a Chartered Accountant with the Institute of Chartered Accountants Australia and New Zealand, and the Malaysian Institute of Accountants.

Ms Foo joined Shell Malaysia in 2002 after 3 years of external audit exposure. She served in the Singapore regional treasury centre for 5 years, after which she was appointed as the Finance Manager in Sell Refining Company (FOM) Berhad, accountable for statutory reporting, governance, hydrocarbon and management accounting. In 2012, she was moved to hold a global role overseeing 300 staff in Shell's Finance Operations managing revenue billing for the Royal Dutch Shell Group. Thereafter, Ms Foo was appointed as the General Manager, Finance in Shell MDS Sdn Bhd accountable for the finance and governance function for manufacturing and marketing. Her last position in the energy industry was as the Chief Financial Officer of Hengyuan Refining Company Berhad (formerly Shell Refining Company (FOM) Berhad) from 2016 to 2019. Ms Foo is presently attached to CDC Consulting Sdn Bhd providing advisory work. She is also an active volunteer at a non-governmental organisation which focuses on holistic education.

She was appointed to the Board of MPI on 1 September 2021 and is a member of the Board Audit & Risk Management Committee of MPI.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan, a major shareholder of MPI. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of MPI.
2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with MPI.
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.
4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview Statement, Risk Management And Internal Control in the Annual Report.

GOVERNANCE

Key Senior Management

MR ERIC CHEAH WING KET

Chief Financial Officer, Malaysian Pacific Industries Berhad
Age 55, Male, Malaysian

Mr Eric Cheah Wing Ket is a qualified Chartered Accountant with the Malaysian Institute of Certified Public Accountants. He is also a member of the Malaysian Institute of Accountants.

Mr Eric Cheah has vast experience of more than 30 years acquired mainly from large-scale semiconductor manufacturing operations and international auditing firm. He forged his early career with KPMG Malaysia where he led many audit assignments of private and public listed companies in specialised industries and has been involved in various corporate exercises including due diligence and investigation. In 1994, Mr Eric Cheah joined Carsem Group where he held various senior financial positions over a period of 12 years covering financial management, taxation, treasury, risk management and restructuring exercise.

Mr Eric Cheah is the Chief Financial Officer of Malaysian Pacific Industries Berhad ("MPI") since 1 February 2006, a senior management position overseeing both the Malaysian and overseas operations in the United States of America ("USA"), Europe and China in financial management, business strategy development including sustainability programmes, anti-bribery and corruption management system. He also has been actively involved in employee coaching and mentoring across various levels of management.

MR INDERJEET SINGH A/L PERTAP SINGH

General Manager, Carsem (M) Sdn Bhd, S-site
Age 52, Male, Malaysian

Mr Inderjeet Singh A/L Pertap Singh graduated from University of Leicester, United Kingdom with a Bachelor of Electrical & Electronic Engineering.

Mr Inderjeet Singh started his career with Carsem (M) Sdn Bhd ("Carsem") as a fresh Process Engineer in September 1991. He was involved in various engineering and operational functions in Carsem and has consolidated and improved the productivity of a production line. He was promoted as Operation Manager in 2008.

Mr Inderjeet Singh held various management position within Carsem Group prior to his appointment as General Manager of Carsem, S-site on 1 September 2011.

MS SHARON KO MEI WAN

General Manager, Carsem (M) Sdn Bhd, M-site
Age 49, Female, Malaysian

Ms Sharon Ko Mei Wan graduated from University of Waikato, New Zealand with a Bachelor of Science & Technology in Computer Science & Physics (double major). She also holds a Master of Science and Technology (First Class Honours) in Physics. She is a full American Field Scholar and New Zealand Government Scholar.

Ms Sharon Ko joined Carsem in 2006. She has over 23 years of diversified experience in the semiconductor and electronics industry. Ms Sharon Ko started her career in semiconductor manufacturing with Siemens Components (Advanced Technology) Sdn Bhd (now known as Infineon Technologies (Malaysia) Sdn Bhd). Subsequently, she joined National Semiconductor Sdn Bhd where she held various senior management positions in development, technical research, engineering and manufacturing operations.

Ms Sharon Ko is the inventor of 11 international patents (including 9 USA patents & 1 European patent) in the area of semiconductor technology and manufacturing. In 2004, she was awarded 'Malaysia's Best Employee' presented personally by the then Prime Minister of Malaysia.

Ms Sharon Ko was appointed as General Manager of Carsem, M-site on 1 September 2011.

KEY SENIOR MANAGEMENT
(cont'd.)

MR LEE CHOE KHEAN

General Manager,
Carsem Semiconductor (Suzhou) Co., Ltd
Age 54, Male, Malaysian

Mr Lee Choe Khean graduated from Northern University of Malaysia with a Bachelor of Public Administration.

Mr Lee started his career in National Semiconductor Sdn Bhd as Production Executive in 1991. Subsequently, he joined Carsem in 1992 where he moved from production control planning to logistics. Mr Lee has built up his solid foundation in the area of production control, planning and scheduling, covering both assembly and test as well as materials management during his first 10 years in Carsem. In 2004, Mr Lee was transferred to Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou") as its Senior Supply Chain Manager. The last 12 years of his challenges in the start-up of Carsem Suzhou have broadened his management scope in the entire semiconductor industry.

Mr Lee was appointed as General Manager of Carsem Suzhou on 15 August 2015.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of MPI.
2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with MPI.
3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

GOVERNANCE

Corporate Governance Overview Statement, Risk Management 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 ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (3) key principles of the Malaysian Code on Corporate Governance 2017 ("MCCG"), namely board leadership and effectiveness, effective audit and risk management, and integrity in corporate reporting and meaningful relationship with stakeholders.

The Corporate Governance Report 2021 of the Company in relation to this statement is published on the Company's website at www.mpind.my ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and broad strategies, overseeing and evaluating the conduct of the Group's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and chief executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

A. Roles And Responsibilities Of The Board (cont'd.)

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Group and tracking compliance and business progress.

Independent Non-Executive Directors ("ID" or "IDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises six (6) Directors, four (4) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The policy includes the following:

- The board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the board.
- The board shall include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. In line with gender diversity, there are two (2) women Directors on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2021, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

C. Board Committees

Board Committees have been established by the Board to assist in the discharge of its duties.

- **BARMC**

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") are set out in the Board Audit & Risk Management Committee Report in the Annual Report.

  The TOR of the BARMC are published on the Website.

- **NC**

  The NC was established on 29 April 2013 and its TOR are published on the Website.
  The NC has been re-constituted as follows:

  Dr Tunku Alina Binti Raja Muhd Alias
  Chairman, Independent Non-Executive Director
  (Re-designated as Chairman with effect from 1 September 2021)

  YBhg Datuk Kwek Leng San
  Non-Independent Non-Executive Director

  YBhg Dato' Mohamad Kamarudin Bin Hassan
  Independent Non-Executive Director
  (Appointed with effect from 1 September 2021)

  Ir. Dennis Ong Lee Khian
  Independent Non-Executive Director
  (Resigned with effect from 1 September 2021)

  (i) New Appointments

  All candidates to the Board are assessed by the NC prior to their appointments, taking into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, independence and time commitment, before they are recommended to the Board for approval. The Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

  In evaluating any new appointment of senior management ("SM"), the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability. SM positions are awarded based on qualifications, experience and potential.

  In the case of chief executive, the NC will take into account the candidate's knowledge and experience in the industry, market and segment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

C. Board Committees (cont'd.)

- **NC (cont'd.)**

(ii) Re-election

The nomination and approval process for re-election of directors shall be as follows:

• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The Chairman, Directors and Chief Executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, and for IDs, their continued independence.

(iii) Removal

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

(iv) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of Directors for Board Committees	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, Chief Executive and CFO on an annual basis ("Annual Board Assessment"). For newly appointed chairman, directors, chief executive and chief financial officer, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one (1) year of service.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

C. Board Committees (cont'd.)

- **NC (cont'd.)**

  The NC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions.

  The NC met twice during FY ended 30 June 2021 ("FY 2021") where all the NC members attended the meetings.

  The NC discharged its duties in accordance with its TOR during FY 2021. The NC considered and reviewed the following:

  - Nominating Committee Charter, policies on Board Composition, Directors' Training and Board Diversity, and revised Independence of Directors Policy;
  - Nominating Committee Report;
  - composition of the Board and Board Committees;
  - mix of skills, professional qualification, experience and other qualities of Directors including gender, ethnicity and age balance;
  - independence of IDs and their tenure;
  - training undertaken by Directors and recommendation of training programmes for Directors; and
  - re-election of Director.

The NC has also considered and recommended to the Board for approval, the appointment of Ms Foo Ai Li as an Independent Non-Executive Director of the Company, the resignation of Ms Lim Tau Kien after serving more than 8 years as an Independent Non-Executive Director of the Company, and the re-constitution of BARMC and NC.

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2021. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- **Remuneration Committee ("RC")**

  The Company does not have a RC. The Board is of the view that it is not necessary for the Company to establish a RC for the time being given the current size of the Board. The Board as a whole functions as the RC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

D. Remuneration

The Group's remuneration scheme for executive directors ("EDs") and Key SM ("Key SM") is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked 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.

The level of remuneration of non-executive directors reflects the scope of responsibilities and commitment undertaken by them.

The remuneration packages of EDs and Key SM are reviewed by the entire Board. EDs and Key SM shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. The Board, in assessing and reviewing the remuneration packages of EDs and Key SM, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director is set out in the Corporate Governance Report which is published on the Website.

Hong Leong Manufacturing Group adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances, performance-based variable pay, long term incentives, benefits and other employees' programmes.

The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in, delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.

E. Independence

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an ID should not exceed a cumulative term of nine (9) years and upon completion of the nine (9) years, an ID may continue to serve on the board subject to the director's re-designation as a non-independent director. It further states that in the event the board wishes to retain an ID who has served a cumulative term of nine (9) years and above, shareholders' approval shall be annually sought with justification. In the event the board wishes to retain an ID who has served a cumulative term of twelve (12) years and above, shareholders' approval shall be annually sought through a two-tier voting process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

E. Independence (cont'd.)

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. The ID Policy states that the tenure of an ID shall not exceed a cumulative term of nine (9) years from the date of his or her first appointment in the Company.

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

Currently, the tenure of all the IDs on the Board does not exceed nine (9) years.

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, among others, financial and corporate information, significant operational, financial and corporate issues, updates on the 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 qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and practising certificates issued by CCM. The Company Secretaries support the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

F. Commitment (cont'd.)

The Board met five (5) times for FY 2021 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	5/5
Mr Manuel Zarauza Brandulas	5/5
Ms Lim Tau Kien	5/5
Ir. Dennis Ong Lee Khian	5/5
YBhg Dato' Mohamad Kamarudin Bin Hassan	5/5
Dr Tunku Alina Binti Raja Muhd Alias	5/5

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which includes overview of business, finance and corporate, is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme except for Ms Foo Ai Li who was appointed to the Board after FY 2021.

The Company organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance/accounting, legal and regulatory framework, risk management, internal control, information technology, cyber security, anti-bribery and corruption management, environmental, social and governance (ESG), industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2021, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and SM of the Company.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

F. Commitment (cont'd.)

During FY 2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Accelerated Digital Transformation of Legacy Companies
- Anti-Fraud and Corruption
- Anti-Money Laundering (AML) 2001: Risk, Challenges, Governance & Transparency in Managing Business and Compliance
- Audit Committee's Guide to COSO 2013 and Internal Controls
- Battling the Crisis: the Role of the GLCs
- Blockchain for Trust, Transparency and Efficiency
- BNM Expectation on Shariah Governance Policy 2019
- Board and Audit Committee Priorities 2021
- Budget 2021 – Paving the Way towards a Resilient Future
- Bursa Fraud Risk Management
- Challenges of Investing in Asia during the COVID Crisis
- Circular Economy and Sustainability Strategies
- Climate Action: the Board's Leadership in Greening the Financial Sector
- Corporate Restructuring & Turnaround for Company Directors
- Corporate Restructuring Navigating the Corporate Workout Wave
- Corporate Strategy beyond the Crisis Accelerated Digital Transformation of Legacy Companies
- Dealing with Employee Poor Performance
- Digital Leadership and Communication during Turbulent Times
- Digital Plantations & Optimisation for High Yields
- Directors Guide to Crisis Management and Leadership during Crisis
- Directors Guide to Governance, Risk and Compliance (GRC)
- Directors Guide to Risk Maturity Framework
- Emerging Opportunities Fund
- Engagement for FTSE4Good Bursa Malaysia Index
- Environmental, Social and Corporate Governance (ESG) – Practical and Operational Considerations
- Establishing An Empowered Audit Committee
- Fraud Risk Management Workshop
- Global Investment Strategy on Relocation and Expansion - What Major Asean Countries Are Offering
- Governance and ERM, including MCCG 2017 Considerations
- Implementing Amendments in the Malaysian Code on Corporate Governance
- IR40 and the Developing World – Digital Dividend Or Digital Divide?
- IR40 Outlook in Malaysia and around the Region
- Malaysian Code of Corporate Governance 2021
- Market Rhythm 2020: Recovering From COVID-19
- MASB Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know
- Mega Trends and Digital Disruption in Banking, Insurance and Stockbroking
- Navigating through COVID-19: Now, Next and Beyond
- Navigating Through Uncertain Times: An Investor's Guide to Making Informed Decisions
- Never Lose Another Pitch
- New Normal: Fast Forward with Flexibility
- Oils and Fats International Congress 2021
- On Board: the Insider's Guide to Surviving Life in the Boardroom
- Oxford Leading Sustainable Corporations Program
- Positive Climate Actions By Business Advantage
- Preparing for Corporate Provision (New Section 17A of MACC Act 2009): Anti-Bribery and Corruption Awareness
- Preparing the Board for a Post-COVID World
- Primer on Climate Governance
- Recovery through Innovation: ePolicies and Transformation Initiatives Across the Region
- Risk Appetite, Tolerance & Board Oversight
- Risk Management Information Technology (RMIT) and Cybersecurity
- Risk, Strategy and Governance - How Integrated Thinking Can Support Boards in Creating Long-Term Value
- Risks: a Fresh Look from the Board's Perspective
- Strategic ERM: a Primer for Directors
- Shariah Training: Cash Waqf
- Sustainable and Responsible Investment (SRI) 2021: Paving the Way for Profitability Through Sustainability
- The Future of the Workplace Post COVID-19
- The Modern Board Architecture
- The Net Zero Journey: What Board Members Need to Know
- The Regenerative Business of the Future
- Turnaround and Restructuring: the Banker's Perspective: Debt and Operational Restructuring
- Vision 2020 - the Pandemic Digital Tipping Point and What to Expect in 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

G. Strengthening CG Culture

- **Code of Conduct and Ethics**

  The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of business and professional activities.

  The HLMG Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which the Group operates – including but not limited to permanent, part-time and temporary employees; and
  - any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff.

- **Anti-Bribery and Corruption Policy**

  The Group has adopted ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

  Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- **Whistleblowing Policy**

  The Company has a Whistleblowing Policy and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all IDs. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Group Internal Audit Department ("GIAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks, operational audits to identify opportunities for operational improvement, and also ensure compliance with standard operating procedures of the Group.

Investigation or special review will be carried out at the request of the BARMC and SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd.)

I. Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility In Financial Reporting

The MMLR require the directors to prepare a statement explaining the board of directors' responsibility for preparing the annual audited financial statements and the Companies Act 2016 requires the directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Company for the FY.

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2021 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

III. Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") provides an overview of the system of internal controls and risk management framework of the Group.

- **Responsibility of the Board**

  The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets. The Board adopts MS ISO 31000:2010 as its risk management framework.

  Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the GIAD in this role.

- **Risk Management Framework**

  For FY 2021, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:
  - establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
  - identify risks in relation to the objectives of every business function of the Group's operating companies;
  - identify emerging risks faced by the Group in the operating environment of its various industries;
  - assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
  - evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
  - record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd.)

III. Risk Management and Internal Control (cont'd.)

- **Risk Management Framework (cont'd.)**

  For bribery and corruption risks, the Group has adopted the Anti-Bribery Management System ("ABMS") under the ISO 37001:2016 and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks. During FY 2021, Malaysian Pacific Industries Berhad and its subsidiary, Carsem (M) Sdn Bhd, have been certified for ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

  Further, on an ongoing basis, each operating company's chief executive and authorised risk owners have clear accountabilities to:

  - monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers;
  - maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks; and
  - prepare risk management reports on a quarterly basis for reporting to the BARMC.

- **System of Internal Controls**

  The key elements of the Group's system of internal controls are described below:
  - A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  - Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
  - Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
  - Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
  - Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk and control assurance framework, provide the breadth in risk and control assurance, and demonstrate management's commitment to effective risk management.
  - Risk-based internal audits carried out by the GIAD focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2021 covered human resources learning and development, overtime management and equipment rental management.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities, and also the management of risks throughout the Group.

- **Management and Decision-Making Processes**

  The internal control and risk management processes of the Group are in place for FY 2021 and up to the date of approval of the SORMIC for inclusion in the annual report, and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd.)

III. Risk Management and Internal Control (cont'd.)

- **Management and Decision-Making Processes (cont'd.)**

  The Board has received assurance from the GMD and CFO that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

- **Review of the SORMIC by External Auditors**

  Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2021 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- **Board's Opinion**

  The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, KPMG PLT. The appointment of external auditors and their fees are recommended by the BARMC. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the MIA, KPMG PLT rotates its Engagement Partner and Engagement Quality Control Review Partner once every seven (7) years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors meet with the BARMC to:

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

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of SM.

For FY 2021, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

The Company has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Website after release to Bursa.

B. Shareholders

I. Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, corporate governance reports, circulars to shareholders, 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.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

Shareholders can access the Company's information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. A summary of the key pertinent matters discussed at the AGM is published on the Website.

In addition, shareholders and investors can have a channel of communication with the GMD to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

Name	: Mr Manuel Zarauza Brandulas
Tel No.	: 05-312 3333
Fax No.	: 05-312 5333
Email address	: IRelations@mpind.my

II. 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 attend and vote on all resolutions. Directors, Key SM and the external auditors are also available to respond to shareholders' queries during the AGM.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 4 November 2020 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said AGM physically at the broadcast venue to engage with shareholders and address issues of concern raised by the shareholders. Questions from the shareholders, which were raised prior to and during the meeting as well as the Company's response to the same were shared with all shareholders during the question and answer session at the virtual AGM. Key pertinent matters discussed during the AGM are also published on the Website.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

This Corporate Governance Overview Statement, Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors.

GOVERNANCE

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

The composition of the Committee has been re-constituted as follows:

Ir. Dennis Ong Lee Khian
Chairman, Independent Non-Executive Director
(Re-designated as Chairman with effect from 1 September 2021)

YBhg Dato' Mohamad Kamarudin Bin Hassan
Independent Non-Executive Director

Ms Foo Ai Li
Independent Non-Executive Director
(Appointed with effect from 1 September 2021)

Ms Lim Tau Kien
Independent Non-Executive Director
(Resigned with effect from 1 September 2021)

SECRETARY

The Secretary(ies) to the Committee shall be the Company Secretary(ies) of MPI.

AUTHORITY

The Committee is authorised by the Board of Directors ("Board") to review any activity of the Group within its Terms of Reference ("TOR"), details of which are available on the Company's website at www.mpind.my. The Committee 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. Recommendations and decisions may also be taken by way of Circular Resolutions. 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, risk manager, Group Managing Director and senior management may attend Committee meetings, at the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each Committee meeting, the Chairman of 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

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2021 ("FY 2021") was carried out by the Nominating Committee ("NC"). The NC and the Board are satisfied that the Committee and its members had carried out their duties in accordance with the Committee's TOR.

During FY 2021, five (5) Committee meetings* were held and the attendance of the Committee members was as follows:

Members	Attendance
Ms Lim Tau Kien	5/5
Ir. Dennis Ong Lee Khian	5/5
YBhg Dato' Mohamad Kamarudin bin Hassan	5/5

* including the Anti-Bribery and Corruption Management System ("ABCMS") Governing Body Review Meeting

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

ACTIVITIES (cont'd.)

The Committee carried out the following key activities during FY 2021:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised.
- Met with the external auditors and discussed the audit plan 2021 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impacts on the results of the Group and discussed applicable accounting and auditing standards.
- Discussed with the external auditors the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed the impact of the COVID-19 pandemic in preparing the financial statements of the Group for the FY 2021 and the external auditors' audit focus.
- Reviewed the impact of the COVID-19 pandemic on the businesses of the Group and the challenges ahead.
- Reviewed and recommended to the Board for approval the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2021 are stated in the notes to the financial statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, 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.
- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's findings and recommendations.
- Received and deliberated on the whistleblowing reports and decided on further steps to be taken.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the Policy and Procedures of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public
- Reviewed the proposed mandate for RRPT with various related parties prior to the Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to the Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

ACTIVITIES (cont'd.)

- Acted as Governing Body of ABCMS and reviewed the Governing Body Report comprised of ABCMS activities, progress updates on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Reviewed and recommended to the Board for approval the Hong Leong Manufacturing Group Gift and Entertainment Policy and revision thereto, Hong Leong Manufacturing Group Business Continuity Policy, and revised Hong Leong Manufacturing Group ABCMS Manual.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were eleven (11) staff in the GIAD during FY 2021 and the total cost incurred by the GIAD amounted to RM2,115,840.

The purpose, authority, scope, independence and responsibilities of IA function are provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, led by the Head of IA, reports to the Committee which has the authority to decide among others the appointment and removal, scope of work, and performance evaluation of the IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from the Association of Certified Fraud Examiners, the United States of America ("USA"), Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The GIAD supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations; usage of assets and resources; and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the GIAD for FY 2021 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2021 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an ongoing basis.

The GIAD applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures; and is committed to continuously monitoring and improving the IA function.

The Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes as disclosed in Note 3 to the financial statements.

There have been no significant changes in these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	271,819	31,632
Non-controlling interests	53,704	-
	325,523	31,632

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 13 and Note 23 to the financial statements.

DIVIDENDS

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

(i) a first interim single tier dividend of 10 sen per share amounting to RM19,889,642 in respect of the financial year ended 30 June 2021 on 24 December 2020; and

(ii) a second interim single tier dividend of 20 sen per share amounting to RM39,779,284 in respect of the financial year ended 30 June 2021 on 29 June 2021.

The Directors do not recommend a final dividend for the financial year ended 30 June 2021.

DIRECTORS' REPORT
(cont'd.)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

YBhg Datuk Kwek Leng San, Chairman
Mr Manuel Zarauza Brandulas, Group Managing Director
Ms Lim Tau Kien
Ir. Dennis Ong Lee Khian
YBhg Dato' Mohamad Kamarudin Bin Hassan
Dr Tunku Alina Binti Raja Muhd Alias

The names of directors of subsidiaries and their remuneration details are set out in the subsidiaries' statutory financial statements and the said names and details are deemed incorporated herein by such reference and made a part thereof.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2021 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

		Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	Nominal value per share	At 1.7.2020	Acquired	Sold	At 30.6.2021
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,544,167	44,167(3)	-	2,588,334
		88,333*	-	44,167*(3)	44,166*
Malaysian Pacific Industries Berhad	(1)	1,334,167	74,167(3)	300,000	1,108,334
		148,333*	-	74,167*(3)	74,166*
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)	(1)	3,921,600	-	-	3,921,600
		2,017,142#	-	-	2,017,142#
Interest of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	483,334	383,334(3)	440,900	425,768
		716,666*	80,000*	383,334*(3)	413,332*

DIRECTORS' REPORT
(cont'd.)

DIRECTORS' INTERESTS (cont'd.)

		Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	Nominal value per share	At 1.7.2020	Acquired	Sold	At 30.6.2021
Shareholdings in which Director has indirect interests					
Interest of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	22,500(2)	-	22,500(2)	-

Note:

Following the internal restructuring carried out on 16 April 2021, the following corporations are no longer regarded as related corporations of Malaysian Pacific Industries Berhad pursuant to Section 7 of the Companies Act 2016. Accordingly, the interests of YBhg Datuk Kwek Leng San in the following corporations are no longer required to be recorded in the Register of Directors' Shareholdings of the company pursuant to Section 59 of the Companies Act 2016:

1. Guoco Group Limited
2. The Rank Group Plc

Legend:

(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.
(2) Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.
(3) Vesting of shares.

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 fees, remuneration, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 27.2 to the financial statements or the 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.

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.

ISSUE OF SHARES AND DEBENTURES

There were no issue of shares and debentures of the Company during the financial year.

DIRECTORS' REPORT
(cont'd.)

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Malaysian Pacific Industries Berhad and its subsidiaries) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, *inter alia*, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM57,711 and the apportioned amount of the said premium paid by the Company was RM9,824.

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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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;

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading;

(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.

DIRECTORS' REPORT
(cont'd.)

OTHER STATUTORY INFORMATION (cont'd.)

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Pursuant to Section 247(7) of the Companies Act 2016, 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 the Company, its ultimate holding company, in accordance with and as required by the local regulations of its country of incorporation.

AUDITORS

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 30 August 2021

Statement of Financial Position

AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Property, plant and equipment	4	1,051,200	716,967	10	129
Right-of-use assets	5	38,844	42,921	-	-
Investment properties	6	28,790	29,709	-	-
Investments	7	46	46	432,133	432,133
Total non-current assets		1,118,880	789,643	432,143	432,262
Inventories	9	170,226	117,118	-	-
Trade and other receivables	10	285,509	262,127	61	43
Tax recoverable		3,815	5,600	-	35
Cash and cash equivalents	11	985,988	835,231	217,032	230,471
Total current assets		1,445,538	1,220,076	217,093	230,549
TOTAL ASSETS		2,564,418	2,009,719	649,236	662,811
Equity attributable to owners of the Company					
Share capital	12	352,373	352,373	352,373	352,373
Reserves	13	1,509,133	1,192,350	457,813	473,382
Treasury shares		(163,816)	(163,816)	(163,816)	(163,816)
		1,697,690	1,380,907	646,370	661,939
Non-controlling interests		287,045	238,233	-	-
TOTAL EQUITY		1,984,735	1,619,140	646,370	661,939
LIABILITIES					
Loans and borrowings	15	12,856	-	-	-
Deferred tax liabilities	8	898	816	-	-
Lease liabilities		23,721	23,858	-	-
Total non-current liabilities		37,475	24,674	-	-
Loans and borrowings	15	70,708	9,250	-	-
Lease liabilities		1,588	2,735	-	-
Trade and other payables, including derivatives	16	444,320	328,998	2,854	872
Current tax liabilities		25,592	24,922	12	-
Total current liabilities		542,208	365,905	2,866	872
TOTAL LIABILITIES		579,683	390,579	2,866	872
TOTAL EQUITY AND LIABILITIES		2,564,418	2,009,719	649,236	662,811

The notes on pages 118 to 178 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue					
- Sale of goods	17	1,984,752	1,558,139	-	-
- Dividend income	17	3,737	6,461	47,137	49,861
Cost of sales		(1,602,978)	(1,301,181)	-	-
Gross profit		385,511	263,419	47,137	49,861
Distribution expenses		(19,905)	(19,753)	-	-
Administrative expenses		(55,535)	(47,962)	(16,142)	(3,982)
Other operating income		63,703	36,052	603	216
Other operating expenses		(15,108)	(22,123)	(191)	(26)
Results from operations		358,666	209,633	31,407	46,069
Finance income	18	2,533	3,719	490	814
Finance costs	19	(3,575)	(1,890)	(1)	(1)
Profit before taxation	20	357,624	211,462	31,896	46,882
Taxation	21	(32,101)	(32,708)	(264)	(213)
Profit for the year		325,523	178,754	31,632	46,669
Profit attributable to:					
Owners of the Company		271,819	152,989	31,632	46,669
Non-controlling interests		53,704	25,765	-	-
		325,523	178,754	31,632	46,669
Basic/Diluted earnings per ordinary share (sen)	22	137.36	80.42		
Profit for the year		325,523	178,754	31,632	46,669
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		25,627	7,360	-	-
- Cash flow hedge		347	(497)	-	-
Total other comprehensive income for the year	23	25,974	6,863	-	-
Total comprehensive income for the year		351,497	185,617	31,632	46,669
Total comprehensive income attributable to:					
Owners of the Company		297,750	160,016	31,632	46,669
Non-controlling interests		53,747	25,601	-	-
		351,497	185,617	31,632	46,669

The notes on pages 118 to 178 are an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
Group	**Share capital RM'000**	**Other reserve RM'000**	**Hedging reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Reserve for own shares RM'000**	**Executive share scheme reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 July 2019	352,373	30,042	(140)	75,425	(52,771)	5,385	(163,816)	1,022,713	1,269,211	230,021	1,499,232
Other comprehensive income/(expense)											
- foreign currency translation differences	-	-	-	7,360	-	-	-	-	7,360	-	7,360
- cash flow hedge	-	-	(333)	-	-	-	-	-	(333)	(164)	(497)
Profit for the year	-	-	-	-	-	-	-	152,989	152,989	25,765	178,754
Total comprehensive Income/(expense) for the year	-	-	(333)	7,360	-	-	-	152,989	160,016	25,601	185,617
Contributions by and distributions to owners of the Company:											
- Dividends (Note 24)	-	-	-	-	-	-	-	(51,409)	(51,409)	(18,600)	(70,009)
- Share-based payment	-	-	-	-	-	3,089	-	-	3,089	1,211	4,300
- ESS trust shares vested	-	-	-	-	3,173	(4,149)	-	976	-	-	-
Total transactions with owners of the Company	-	-	-	-	3,173	(1,060)	-	(50,433)	(48,320)	(17,389)	(65,709)
Transfer to other reserve	-	8,304	-	-	-	-	-	(8,304)	-	-	-
At 30 June 2020	352,373	38,346	(473)	82,785	(49,598)	4,325	(163,816)	1,116,965	1,380,907	238,233	1,619,140
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13		Note 13			

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021
(cont'd.)

	Attributable to owners of the Company										
	Non-distributable							Distributable			
Group	**Share capital RM'000**	**Other reserve RM'000**	**Hedging reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Reserve for own shares RM'000**	**Executive share scheme reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 July 2020	352,373	38,346	(473)	82,785	(49,598)	4,325	(163,816)	1,116,965	1,380,907	238,233	1,619,140
Other comprehensive income											
- foreign currency translation differences	-	-	-	25,627	-	-	-	-	25,627	-	25,627
- cash flow hedge	-	-	304	-	-	-	-	-	304	43	347
Profit for the year	-	-	-	-	-	-	-	271,819	271,819	53,704	325,523
Total comprehensive Income for the year	-	-	304	25,627	-	-	-	271,819	297,750	53,747	351,497
Contributions by and distributions to owners of the Company:											
- Dividends (Note 24)	-	-	-	-	-	-	-	(59,469)	(59,469)	(18,600)	(78,069)
- Share-based payment	-	-	-	-	-	2,496	-	-	2,496	947	3,443
- ESS trust shares vested	-	-	-	-	2,901	(4,087)	-	1,186	-	-	-
- Disposal of trust shares	-	-	-	-	43,858	-	-	32,148	76,006	12,718	88,724
Total transactions with owners of the Company	-	-	-	-	46,759	(1,591)	-	(26,135)	19,033	(4,935)	14,098
Transfer to other reserve	-	12,150	-	-	-	-	-	(12,150)	-	-	-
At 30 June 2021	352,373	50,496	(169)	108,412	(2,839)	2,734	(163,816)	1,350,499	1,697,690	287,045	1,984,735
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13		Note 13			

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021
(cont'd.)

	← Non-distributable				→ Distributable	
Company	**Share capital RM'000**	**Reserve for own shares RM'000**	**Executive share scheme reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2019	352,373	(11,788)	502	(163,816)	491,145	668,416
Profit/Total comprehensive income for the year	-	-	-	-	46,669	46,669
Contributions by and distributions to owners of the Company:						
- Dividends (Note 24)	-	-	-	-	(53,408)	(53,408)
- Share-based payment	-	-	262	-	-	262
- ESS trust shares vested	-	380	(373)	-	(7)	-
Total transactions with owners of the Company	-	380	(111)	-	(53,415)	(53,146)
At 30 June 2020/1 July 2020	352,373	(11,408)	391	(163,816)	484,399	661,939
Profit/Total comprehensive income for the year	-	-	-	-	31,632	31,632
Contributions by and distributions to owners of the Company:						
- Dividends (Note 24)	-	-	-	-	(59,654)	(59,654)
- Share-based payment	-	-	287	-	-	287
- ESS trust shares vested	-	382	(400)	-	18	-
- Disposal of trust shares	-	10,645	-	-	1,521	12,166
Total transactions with owners of the Company	-	11,027	(113)	-	(58,115)	(47,201)
At 30 June 2021	352,373	(381)	278	(163,816)	457,916	646,370
	Note 12	Note 13	Note 13		Note 13	

The notes on pages 118 to 178 are an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities					
Profit before taxation		357,624	211,462	31,896	46,882
Adjustments for:					
Depreciation of property, plant and equipment		193,486	173,545	119	121
Depreciation of right-of-use assets		4,679	4,755	-	-
Depreciation of investment properties		919	930	-	-
Dividend income from unquoted subsidiaries		-	-	(43,400)	(43,400)
Dividend income from other investments					
- Recognised in revenue		(3,737)	(6,461)	(3,737)	(6,461)
- Recognised in other operating income		(6,751)	(8,639)	-	-
Finance costs		3,575	1,890	1	1
Interest income		(2,533)	(3,719)	(490)	(814)
Fair value loss on financial instruments designated as hedging instruments		117	111	-	-
Gain on disposal of property, plant and equipment		(243)	(140)	-	-
Property, plant and equipment written off		10	-	-	-
Share-based payment		3,443	4,300	287	262
Unrealised loss/(gain) on foreign exchange		12,680	(4,925)	-	-
Operating profit/(loss) before changes in working capital		563,269	373,109	(15,324)	(3,409)
Inventories		(53,606)	(11,117)	-	-
Trade and other receivables		(37,944)	(66,926)	(18)	699
Trade and other payables		116,028	133,818	1,982	86
Cash generated from/(used in) operations		587,747	428,884	(13,360)	(2,624)
Tax paid		(30,034)	(22,957)	(217)	(248)
Finance costs paid		(3,575)	(1,890)	(1)	(1)
Interest income received		2,533	3,719	490	814
Dividends received		10,488	15,100	47,137	49,861
Net cash from operating activities		567,159	422,856	34,049	47,802

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021
(cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		244	304	-	-
Purchase of property, plant and equipment		(494,881)	(249,090)	-	-
Receipt of government grant		-	14,472	-	-
Net cash used in investing activities		(494,637)	(234,314)	-	-
Cash flows from financing activities					
Dividends paid to owners of the Company		(59,469)	(51,409)	(59,654)	(53,408)
Dividends paid to non-controlling shareholder of a subsidiary company		(18,600)	(18,600)	-	-
Repayments of borrowings	(ii)	(22,749)	(23,343)	-	-
Drawdown from borrowings	(ii)	94,239	32,593	-	-
Proceeds from disposal of trust shares		88,724	-	12,166	-
Payment of lease liabilities	(i),(ii)	(1,786)	(10,245)	-	-
Net cash generated from/(used in) financing activities		80,359	(71,004)	(47,488)	(53,408)
Net change in cash and cash equivalents		152,881	117,538	(13,439)	(5,606)
Effect of exchange rate fluctuation on cash held		(2,124)	4,307	-	-
Cash and cash equivalents as at beginning of year		835,231	713,386	230,471	236,077
Cash and cash equivalents at end of year		985,988	835,231	217,032	230,471

(i) Cash outflows for leases as a lessee

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Included in net cash from operating activities:				
Payment relating to short-term leases	16,223	6,670	-	-
Interest paid in relation to lease liabilities	1,272	1,415	-	-
Included in net cash from financing activities:				
Payment of lease liabilities	1,786	10,245	-	-
Total cash outflows for leases	19,281	18,330	-	-

(ii) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 July 2019 RM'000	Drawdown RM'000	Repayments RM'000	Acquisition of new lease RM'000	Other changes RM'000	At 30 June 2020 RM'000
Loans and borrowings	-	32,593	(23,343)	-	-	9,250
Lease liabilities	36,357	-	(10,245)	316	165	26,593
Total liabilities from financing activities	36,357	32,593	(33,588)	316	165	35,843

Group	At 1 July 2020 RM'000	Drawdown RM'000	Repayments RM'000	Acquisition of new lease RM'000	Other changes RM'000	At 30 June 2021 RM'000
Loans and borrowings	9,250	94,239	(22,749)	-	2,824	83,564
Lease liabilities	26,593	-	(1,786)	523	(21)	25,309
Total liabilities from financing activities	35,843	94,239	(24,535)	523	2,803	108,873

Notes to the Financial Statements

1. CORPORATE INFORMATION

Malaysian Pacific Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur

Principal place of business
Jalan Lapangan Terbang
31350 Ipoh
Perak Darul Ridzuan

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 comprise the Company, its subsidiaries and special purpose entities (together referred to as "the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2021 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiaries are as disclosed in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, other than those disclosed in Note 2.2.

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.1 Basis of preparation (cont'd.)

There are no significant areas of estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

(i) Note 5 – Extension options and incremental borrowing rate in relation to leases

The management applied significant judgement whether it is reasonably certain to exercise the extension options. The management also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases.

(ii) Note 10 – Trade and other receivables

The management reviews the adequacy of allowance for impairment losses for trade and other receivables. The review requires management to apply judgement and assumptions to determine the recoverable amount of these trade and other receivables.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand ("RM'000"), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(a) Basis of consolidation (cont'd.)

(ii) Business combinations (cont'd.)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10, Consolidated Financial Statements, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(k)(iii) is amalgamated with the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(a) Basis of consolidation (cont'd.)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange fluctuation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(b) Foreign currency (cont'd.)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial asset (cont'd.)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial asset (cont'd.)

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2.2(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial liabilities (cont'd.)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(iv) Hedge accounting (cont'd.)

(a) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(iv) Hedge accounting (cont'd.)

(b) Cash flow hedge (cont'd.)

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(c) Financial instruments (cont'd.)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 - 50 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(e) Leases (cont'd.)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(e) Leases (cont'd.)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(f) Investment property

Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.2(d).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(f) Investment property (cont'd.)

Investment property carried at cost (cont'd.)

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 10 - 50 years for buildings and improvements. Leasehold land is depreciated over the lease term.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(i) Impairment (cont'd.)

(i) Financial assets (cont'd.)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(i) Impairment (cont'd.)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expense

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(j) Equity instruments (cont'd.)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares or reserve for own shares in the statements of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable reserves.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in retained earnings.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(iii) Share-based payment transactions

The Group operates equity-settled share-based compensation plans for the employees of the Group under the Malaysian Pacific Industries Berhad's Executive Share Scheme ("ESS").

In connection with the ESS, trusts have been set up and are administered by an appointed trustee ("ESS Trusts"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the ordinary shares of MPI from the open market for the ESS Trusts ("ESS Trust Shares").

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(k) Employee benefits (cont'd.)

(iii) Share-based payment transactions (cont'd.)

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings as applicable. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

The fair value of the share options or grant offers is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trust Shares are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserve for own shares. Dividends received by the ESS Trusts are eliminated against the Company's dividend payment.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognise revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(m) Revenue and other income (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss, except for interest income arising from temporary investment of borrowing taken specifically for the purpose of obtaining an qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs (see Note 2.2 (o)).

(iv) Rental income

Rental income from investment property are recognised in profit or loss on a straight-line basis over the term of the lease.

(n) Government grants

Government grants are recognised by deducting the grant in arriving at the carrying amount of the assets when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(o) Borrowing costs (cont'd.)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume conversion of any dilutive potential ordinary shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(t) Fair value measurement (cont'd.)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, Leases – *Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Statement of compliance (cont'd.)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 July 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

3. COMPANIES IN THE GROUP

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

Name of subsidiary	Country of incorporation	Effective interest		Principal activities
		2021 %	2020 %	
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacturing services of semiconductor packaging and testing
Carsem Holdings Limited #	Bermuda	100	100	Investment holding
• Carsem Holdings (HK) Limited #	Hong Kong	100	100	Sale and marketing of semi conductor devices and electronic components and investment holding
• Carsem Semiconductor (Suzhou) Co., Ltd #	The People's Republic of China	100	100	Manufacturing services of semiconductor packaging and testing
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacturing and sale of leadframes
Carter Resources Sdn Bhd	Malaysia	70	70	Investment holding
• Carsem Inc. #	United States of America	70	70	Marketing agent for semiconductor devices and electronic components
Technoplex Realty Sdn Bhd	Malaysia	100	100	Dormant

Notes:

- • Sub-subsidiary companies.
- # The financial statements of these subsidiary companies are not audited by KPMG PLT, Malaysia or other member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings/ Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost				
At 1 July 2019	385,875	3,298,667	11,385	3,695,927
Additions	1,877	234,468	12,745	249,090
Receipt of government grant	-	(14,472)	-	(14,472)
Disposals	(42)	(25,586)	-	(25,628)
Write-off	-	(74)	-	(74)
Transfers	423	4,411	(4,834)	-
Currency translation differences	689	7,287	-	7,976
At 30 June 2020/ 1 July 2020	388,822	3,504,701	19,296	3,912,819
Additions	37,936	444,599	12,346	494,881
Disposals	-	(1,565)	-	(1,565)
Write-off	(118)	(499)	-	(617)
Transfers	6,093	4,862	(10,955)	-
Currency translation differences	8,524	77,574	-	86,098
At 30 June 2021	441,257	4,029,672	20,687	4,491,616
Accumulated depreciation and impairment losses				
At 1 July 2019				
Accumulated depreciation	265,958	2,743,239	-	3,009,197
Accumulated impairment losses	-	33,576	-	33,576
	265,958	2,776,815	-	3,042,773
Charge for the year	12,577	160,968	-	173,545
Disposals	(42)	(25,227)	-	(25,269)
Write-off	-	(74)	-	(74)
Reversal of impairment losses	-	(195)	-	(195)
Currency translation differences	342	4,730	-	5,072
At 30 June 2020/1 July 2020				
Accumulated depreciation	278,835	2,883,636	-	3,162,471
Accumulated impairment losses	-	33,381	-	33,381
	278,835	2,917,017	-	3,195,852
Charge for the year	12,678	180,808	-	193,486
Disposals	-	(1,564)	-	(1,564)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Group	Buildings/ Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Write-off	(118)	(489)	-	(607)
Currency translation differences	3,538	49,711	-	53,249
At 30 June 2021				
Accumulated depreciation	294,933	3,112,102	-	3,407,035
Accumulated impairment losses	-	33,381	-	33,381
	294,933	3,145,483	-	3,440,416
Carrying amounts				
At 1 July 2019	119,917	521,852	11,385	653,154
At 30 June 2020/1 July 2020	109,987	587,684	19,296	716,967
At 30 June 2021	146,324	884,189	20,687	1,051,200

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	605
Accumulated depreciation	
At 1 July 2019	355
Charge for the year	121
At 30 June 2020/1 July 2020	476
Charge for the year	119
At 30 June 2021	595
Carrying amounts	
At 1 July 2019	250
At 30 June 2020/1 July 2020	129
At 30 June 2021	10

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

5. RIGHT-OF-USE ASSETS

Group	Land RM'000	Buildings RM'000	Plant and equipments RM'000	Total RM'000
At 1 July 2019	39,609	1,869	5,702	47,180
Addition	316	-	-	316
Depreciation	(2,633)	(888)	(1,234)	(4,755)
Derecognition	-	(4)	-	(4)
Currency translation differences	15	-	-	15
Remeasurement of lease liabilities	-	-	169	169
At 30 June 2020/ At 1 July 2020	37,307	977	4,637	42,921
Addition	-	523	-	523
Depreciation	(2,633)	(791)	(1,255)	(4,679)
Derecognition	-	(4)	-	(4)
Currency translation differences	142	-	-	142
Remeasurement of lease liabilities	(44)	-	(15)	(59)
At 30 June 2021	34,772	705	3,367	38,844

The Group leases the above items for original lease term ranging from 1 to 99 years, with an option to renew certain leases after that date.

5.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to two years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of exercise of extension options %
2021			
Buildings	1,053	105	Nil
2020			
Buildings	1,055	196	Nil

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

5. RIGHT-OF-USE ASSETS (cont'd.)

5.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

6. INVESTMENT PROPERTIES

	Group RM'000
Leasehold land and building	
Cost	
1 July 2019/30 June 2020/1 July 2020/30 June 2021	46,283
Accumulated depreciation	
1 July 2019	
Accumulated depreciation	15,572
Accumulated impairment losses	72
	15,644
Charge for the year	930
At 30 June 2020/1 July 2020	
Accumulated depreciation	16,502
Accumulated impairment losses	72
	16,574
Charge for the year	919
At 30 June 2021	
Accumulated depreciation	17,421
Accumulated impairment losses	72
	17,493
Carrying amounts	
At 1 July 2019	30,639
At 30 June 2020/1 July 2020	29,709
At 30 June 2021	28,790

Investment properties comprise of leasehold buildings that is leased to third parties.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

6. INVESTMENT PROPERTIES (cont'd.)

The followings are recognised in profit or loss in respect of investment properties:

	Group	
	2021 RM'000	**2020 RM'000**
Lease income	8,001	7,240
Direct operating expenses		
- income generating investment properties	1,200	1,152

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

Group	**2021 RM'000**
Less than one year	9,525
One to two years	9,525
Two to three years	7,144
Total undiscounted lease payments	26,194

	2020 RM'000
Less than one year	7,541
One to two years	8,446
Two to three years	8,446
Three to four years	6,335
Total undiscounted lease payments	30,768

6.2 Fair value information

Fair value of investment property is categorised as Level 3 as follows:

	2021 RM'000	**2020 RM'000**
Leasehold land and building	70,000	70,000

Level 3 fair values have been determined by Directors' valuation using sales comparison approach. Sales price of comparable properties are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/decrease if expected value per square feet of recent sales and listing of similar properties were higher/lower.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

7. INVESTMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares in subsidiaries, at cost	-	-	432,087	432,087
Equity instrument at fair value through other comprehensive income designated upon initial recognition	46	46	46	46
	46	46	432,133	432,133

The subsidiary companies and their principal activities are disclosed in Note 3 of the financial statements.

7.1 Non-controlling interest in subsidiary

The subsidiary that has material non-controlling interests ("NCI") is as follows:

	Carsem (M) Sdn Bhd	
	2021 RM'000	2020 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Carrying amount of NCI	282,161	233,613
Profit allocated to NCI	46,661	26,137

Summarised financial information before intra-Group elimination

	Carsem (M) Sdn Bhd	
	2021 RM'000	2020 RM'000
Statement of financial position		
Total assets	1,142,784	976,781
Total liabilities	(189,467)	(151,917)
Net assets	953,317	824,864
Statement of profit or loss and other comprehensive income for the year		
Profit for the year	155,535	87,125
Total comprehensive income	190,453	97,096
Statement of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	147,525	76,466
Dividends paid to NCI	18,600	18,600

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

8. DEFERRED TAXATION

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Property, plant and equipment	-	-	(800)	(1,517)	(800)	(1,517)
Right-of-use assets	-	-	(6,803)	(7,757)	(6,803)	(7,757)
Lease liabilities	6,074	6,382	-	-	6,074	6,382
Other items	713	2,076	(82)	-	631	2,076
Tax assets/(liabilities)	6,787	8,458	(7,685)	(9,274)	(898)	(816)
Set off of tax	(6,787)	(8,458)	6,787	8,458	-	-
Net tax liabilities	-	-	(898)	(816)	(898)	(816)

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

Movement in temporary differences during the year

Group	**At 1 July 2019 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 23) RM'000**	**At 30 June 2020/ 1 July 2020 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 23) RM'000**	**At 30 June 2021 RM'000**
Property, plant and equipment	(2,611)	1,094	-	(1,517)	717	-	(800)
Right-of-use assets	-	(7,757)	-	(7,757)	954	-	(6,803)
Lease liabilities	-	6,382	-	6,382	(308)	-	6,074
Other items	529	1,375	172	2,076	(1,363)	(82)	631
	(2,082)	1,094	172	(816)	-	(82)	(898)

9. INVENTORIES

	Group	
	2021 RM'000	**2020 RM'000**
Raw materials	101,809	65,103
Work-in-progress	42,913	22,503
Finished goods	14,138	20,526
Consumable spares	11,366	8,986
	170,226	117,118
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,497,203	1,129,611

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	266,389	233,526	-	-
Less: Allowance for impairment losses	(8,847)	(8,217)	-	-
	257,542	225,309	-	-
Other receivables	11,887	22,217	-	-
Deposits	1,348	1,750	5	5
Prepayments	14,732	12,851	56	38
	285,509	262,127	61	43

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits with licensed banks	335,000	603,800	-	229,600
Cash and bank balances	344,530	231,431	1,060	871
Investment in money market fund	306,458	-	215,972	-
	985,988	835,231	217,032	230,471

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits, bank balances and liquid investment	707,208	613,032	217,018	230,457

12. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued ordinary shares:				
At beginning of year/end of year	209,884	352,373	209,884	352,373

As at year end, the total number of shares bought back was 10,988,000 (2020: 10,988,000) ordinary shares which are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

13. RESERVES

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Other reserve	13.1	50,496	38,346	-	-
Hedging reserve	13.2	(169)	(473)	-	-
Exchange fluctuation reserve	13.3	108,412	82,785	-	-
Reserve for own shares	13.4	(2,839)	(49,598)	(381)	(11,408)
Executive share scheme reserve	13.5	2,734	4,325	278	391
Retained earnings		1,350,499	1,116,965	457,916	484,399
		1,509,133	1,192,350	457,813	473,382

Note 13.1
Other reserve comprises mainly of capital reserve, which represents a transfer from revenue reserve to capital reserve by a subsidiary as required by the relevant regulations of its country of incorporation.

Note 13.2
Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge related to hedged transactions that have not yet occurred.

Note 13.3
Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 13.4
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(k)(iii). As at 30 June 2021, the total number of shares held by the ESS Trusts at the Group level was 494,264 (2020: 8,292,597 shares, inclusive of 8,333 shares which are in the process of being transferred to the eligible executive).

At the Group level, during the financial year:
a) a total of 7,284,264 MPI Shares held in the ESS Trust were disposed to its immediate holding company at market price.
b) a total of 505,736 (2020: 555,736) existing ordinary shares in the Company held in the ESS Trusts was transferred to the eligible executives arising from the vesting of free MPI shares.

As at 30 June 2021, the total number of MPI Shares held by the ESS Trusts at the Company level was 35,766 (2020: 1,078,966 shares, including the 8,333 shares mentioned above).

Note 13.5
Executive share scheme reserve represents the corresponding share-based payments expense related to the Group's Executive Share Scheme as stated in Note 2.2(k)(iii).

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

14. EMPLOYEE BENEFITS

Executive Share Scheme ("ESS")

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme ("ESOS") which was implemented on 8 March 2013 ("Effective Date") have been renamed as ESS. The ESS would be in force for a period of 10 years from the Effective Date.

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

(i) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.

(ii) The aggregate number of shares comprised in:

(a) exercised options;
(b) unexercised options;
(c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
(d) outstanding grants;
(e) completed grants; and
(f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting;

shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

(iii) The option price shall not be at a discount of more than 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.

(iv) The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares in the Company (unless otherwise adjusted); transfer of existing shares; or a combination of both new shares and existing shares.

(v) At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the total number of issued ordinary shares (excluding treasury shares) of the Company, must not exceed the Maximum Aggregate.

(vi) The options offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the By-Laws of the ESS.

14. EMPLOYEE BENEFITS (cont'd.)

Executive Share Scheme ("ESS") (cont'd.)

ESOS

During the previous financial years, conditional incentive share options ("Options") were granted to certain eligible executives of the Group as follows:

- The Company or MPI granted Options over 1,000,000 ordinary shares in MPI ("MPI Shares") at an exercise price of RM4.30 per MPI Share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), a wholly-owned subsidiary of the Company, all of which had lapsed.

- Carsem (M) Sdn Bhd ("Carsem"), a 70% subsidiary of the Company, granted Options over 7,900,000 MPI Shares at an exercise price of RM2.61 per MPI Share to certain eligible executives, all of which had lapsed.

- Dynacraft Industries Sdn Bhd ("DCI"), a wholly-owned subsidiary of the Company, granted Options over 1,700,000 MPI Shares at an exercise price of RM5.78 per MPI Share ("DCI Options") to certain eligible executives, out of which, DCI Options over 200,000 MPI Shares were vested and 80,000 MPI Shares in the ESS Trust were transferred to a DCI Option holder during the financial year ended 30 June 2019 arising from the exercise of DCI Options. The remaining DCI Options over 1,620,000 MPI Shares had lapsed.

- Carsem granted Options over 4,100,000 MPI Shares at an exercise price of RM7.92 per MPI Share ("Carsem Options") to certain eligible executives subject to the achievement of certain performance criteria by the Carsem Option holders over the option performance period ("Carsem Option Period"). An option of 300,000 MPI Shares lapsed due to resignation of eligible executives. At the end of the Carsem Option Period, the performance targets had been achieved. A total of 805,500 MPI Shares were granted, free of consideration ("free MPI Shares"), to Carsem Option holders in lieu of the outstanding Carsem Options over 3,800,000 MPI Shares. Accordingly, the Carsem Options over 3,800,000 MPI Shares had ceased to be valid.

- MPI granted Options over 75,000 MPI Shares and 250,000 MPI Shares, at the exercise price of RM7.92 per MPI Share ("MPI Options") to an eligible executive of Carsem Inc., a 70% subsidiary of the Company, and Carsem Suzhou respectively, subject to the achievement of certain performance criteria by the MPI Option holders over the option performance period ("MPI Option Period"). An option of 75,000 MPI Shares lapsed due to resignation of the eligible executive of Carsem Inc. At the end of the MPI Option Period, the performance targets had been achieved. A total of 53,000 free MPI Shares were granted to a MPI Option holder in lieu of the outstanding MPI Options over 250,000 MPI Shares. Accordingly, the MPI Options over 250,000 MPI Shares had ceased to be valid.

There were no grant or vesting of Options granted to eligible executives (including directors and chief executives) of the Group during the financial year ended 30 June 2021.

Since the commencement of the ESS, the Group had granted a total of 15,025,000 Options, out of which, 200,000 Options had been vested, 80,000 Options had been exercised and 4,050,000 Options had ceased to be valid. The aggregate Options granted to directors/chief executives (including a past director/chief executive) of the Group amounted to 7,150,000 Options. No Options remain outstanding as at 30 June 2021. The actual percentage of total Options granted to directors (including a past director) and senior management of the Group was 4.98% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

14. EMPLOYEE BENEFITS (cont'd.)

Executive Share Scheme ("ESS") (cont'd.)

ESGS

During the previous financial years, Carsem granted 1,459,900 free MPI Shares to eligible executives of the Group and 569,969 of the said free MPI Shares had been vested. During the financial year ended 30 June 2021, Carsem granted 80,000 free MPI Shares to an eligible executive of the Group. A total of 469,969 free MPI Shares were vested and accordingly, 469,969 MPI Shares held by Carsem ESS Trust were transferred to the eligible executives. 499,962 of the said free MPI Shares granted remain outstanding as at 30 June 2021.

During the previous financial year, MPI granted 107,300 free MPI Shares to eligible executives of Carsem Suzhou and 35,767 of the said free MPI Shares had been vested. During the financial year ended 30 June 2021, MPI granted 4,000 free MPI Shares to an eligible executive of Carsem Suzhou. A total of 35,767 free MPI Shares had been vested and 35,767 MPI Shares held in the MPI ESS Trust were transferred to eligible executives. 39,766 of the said free MPI Shares granted remain outstanding as at 30 June 2021.

Since the commencement of the ESS, a total of 1,651,200 free MPI Shares had been granted, out of which 1,111,472 had been vested with 539,728 free MPI Shares remaining outstanding as at 30 June 2021. The aggregate of MPI Shares granted to directors/chief executives amounted to 1,362,300 free MPI Shares, out of which, 921,536 free MPI Shares had been vested, with 440,764 free MPI Shares remaining outstanding. The actual percentage of total free MPI Shares granted to a director/senior management of the Group was 0.81% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2021.

The aggregate allocation of Options and MPI Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

Value of employee services received for issue of share options/grant

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Recognised in profit or loss				
Granted in 2017	424	817	-	-
Granted in 2019	168	157	-	-
Granted in 2020	2,141	594	254	262
Granted in 2021	710	2,732	33	-
	3,443	4,300	287	262

(i) Options – Weighted average fair value and assumptions

	2020
Weighted average fair value at grant date	2.04
At grant date:	
Weighted average share price	RM8.06
Weighted average exercise price	RM7.92
Expected volatility (weighted average volatility)	30.93%
Option life (expected weighted average life)	4 years
Weighted average expected dividends	3.76%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.69%

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

14. EMPLOYEE BENEFITS (cont'd.)

Executive Share Scheme ("ESS") (cont'd.)

ESGS (cont'd.)

Value of employee services received for issue of share options/grant (cont'd.)

(ii) Shares Grant

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Value of employee services received	3,443	4,300	287	262
Weighted average fair value at grant date	RM33.43	RM10.79	RM33.43	RM10.79

15. LOANS AND BORROWINGS

	Group	
	2021 RM'000	2020 RM'000
Current (unsecured)		
Bankers' acceptances	-	1,250
Term loan	70,708	8,000
	70,708	9,250
Non-current (unsecured)		
Term loan	12,856	-
	83,564	9,250

The term loans of the Group are unsecured and subject to interest ranging from 3.35% - 3.85% (2020: 3.15% to 3.20%).

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables		146,212	114,228	-	-
Amounts due to:					
- Related companies	16.1	4,936	3,770	-	-
- Subsidiary	16.2	-	-	2,071	95
Other payables		175,141	106,926	181	206
Accrued expenses		117,232	102,959	602	571
Derivative used for hedging					
- Forward exchange contracts		799	1,115	-	-
		444,320	328,998	2,854	872

Note 16.1
Amounts due to related companies are non-trade, unsecured, interest free and repayable on demand.

Note 16.2
Amount due to subsidiary is non-trade, unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

17. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	1,984,752	1,558,139	-	-
Other revenue				
- Dividend income	3,737	6,461	47,137	49,861
Total revenue	1,988,489	1,564,600	47,137	49,861

17.1 Disaggregation of revenue

	Asia		USA		Europe		Total	
Group	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Major products and service								
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes	1,260,862	1,006,617	283,073	214,633	440,817	336,889	1,984,752	1,558,139
Timing and recognition								
At a point in time	1,260,862	1,006,617	283,073	214,633	440,817	336,889	1,984,752	1,558,139
Revenue from contracts with customers	1,260,862	1,006,617	283,073	214,633	440,817	336,889	1,984,752	1,558,139
Other revenue	3,737	6,461	-	-	-	-	3,737	6,461
Total revenue	1,264,599	1,013,078	283,073	214,633	440,817	336,889	1,988,489	1,564,600

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

17. REVENUE (cont'd.)

17.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.
Timing of recognition or method used to recognised revenue	Revenue is recognised when the control of the goods are transferred to the customers.
Significant payment terms	Credit period of 30 - 60 days from invoice date.
Variable element in consideration	Revision of selling price due to fluctuation of commodity prices.
Obligation for returns or refunds	Obligation for returns if goods are required for reworks.
Warranty	Not applicable.

18. FINANCE INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	2,533	3,719	490	814

19. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense on lease liabilities	1,272	1,415	-	-
Other finance costs	2,303	475	1	1
	3,575	1,890	1	1

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

20. PROFIT BEFORE TAXATION

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Other than those disclosed elsewhere in the financial statements, profit before taxation is arrived at after charging/(crediting):					
Auditors' remuneration					
Holding company's auditors					
- Statutory audits		191	183	34	32
- Other services		6	37	3	3
Other auditors					
- Statutory audits		67	62	-	-
- Other services		22	20	-	-
Material expenses/(income)					
Allowance for slow moving inventories		1,884	3,918	-	-
Fair value loss on financial instruments designated as hedging instruments		117	111	-	-
Dividend income from other investments		(6,751)	(8,639)	-	-
Personnel expenses (including key management personnel):					
- Wages, salaries and others		386,055	351,776	-	-
- Contributions to Employees Provident Fund		60,513	49,221	-	-
- Share-based payment		3,443	4,300	287	262
(Gain)/Loss on foreign exchange					
- Realised		(25,899)	16,320	-	-
- Unrealised		12,680	(4,925)	-	-
Research and development expenditure		51,199	37,859	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	16,223	6,670	-	-
Net gain on impairment of financial instruments					
Financial assets at amortised cost		(630)	(386)	-	-

Note a

The Group leases buildings, plant and equipment and motor vehicles with contract terms less than 1 year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

21. TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
Malaysian				
- Current year	13,210	12,313	276	248
- Prior years	(7,250)	(1,260)	(12)	(35)
Overseas				
- Current year	28,332	26,129	-	-
- Prior years	(2,191)	(3,380)	-	-
	32,101	33,802	264	213
Deferred taxation				
- Current year	-	(1,094)	-	-
	32,101	32,708	264	213

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	357,624	211,462	31,896	46,882
Taxation at Malaysian statutory tax rate of 24%	85,830	50,751	7,655	11,252
Difference of tax rate in foreign jurisdiction	(14,794)	(9,786)	-	-
Non-deductible expenses	3,509	11,209	3,934	963
Tax exempt income (Note 21.1)	(30,165)	(17,144)	(11,313)	(11,967)
Others	(2,838)	2,318	-	-
	41,542	37,348	276	248
Overprovision in prior years	(9,441)	(4,640)	(12)	(35)
	32,101	32,708	264	213

Note 21.1

A subsidiary of the Company has been granted 100% pioneer tax exemption on the statutory income for 10 years beginning year of assessment 30 June 2015 in respect of the approved business by the Malaysian Investment Development Authority under the Income Tax (Exemption) (No. 11) Order 2006 [P.U. (A) 112/2006] of the Income Tax Act, 1967.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM271,819,000 (2020: RM152,989,000) by the weighted average number of ordinary shares outstanding during the financial year of 197,887,887 (2020: 190,247,250) as follows:

	2021 '000	2020 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	209,884	209,884
Less:		
- Treasury shares held at beginning of year	(10,988)	(10,988)
- Trust shares held at beginning of year	(8,284)	(8,840)
	190,612	190,056
Effect of Trust Shares vested and disposed	7,276	191
Weighted average number of ordinary shares outstanding during the year	197,888	190,247
Basic earnings per ordinary share (sen)	137.36	80.42

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial years as there is no dilutive effect from the potential ordinary shares.

23. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2021			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	25,627	-	25,627
Cash flow hedge			
- Gain arising during the year	312	(59)	253
- Reclassification adjustments for transactions recognised in profit or loss	117	(23)	94
	429	(82)	347
	26,056	(82)	25,974

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

23. OTHER COMPREHENSIVE INCOME (cont'd.)

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2020			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	7,360	-	7,360
Cash flow hedge			
- Loss arising during the year	(780)	199	(581)
- Reclassification adjustments for transactions recognised in profit or loss	111	(27)	84
	(669)	172	(497)
	6,691	172	6,863

24. DIVIDENDS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
First interim				
10.0 sen per share single tier (2020: 10.0 sen per share single tier)	19,789	19,006	19,882	19,779
Second interim				
20.0 sen per share single tier (2020: 17.0 sen per share single tier)	39,680	32,403	39,772	33,629
	59,469	51,409	59,654	53,408

Dividends received by the ESS Trusts for the Group and the Company amounting to RM200,000 (2020: RM2,293,000) and RM15,139 (2020: RM294,064) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(k)(iii).

25. OPERATING SEGMENTS

The Group's operating and reportable segments are geographical segments by location of customers. For each geographical segment by location of customers, the Board of Directors reviews internal management reports on at least a quarterly basis. The Group's reportable segments are as follows:

- Asia
- The United States of America ("USA")
- Europe

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

25. OPERATING SEGMENTS (cont'd.)

These segments are engaged in manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.

Segment profit

Performance is measured based on segment profit before interest income, finance costs and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence no disclosure is made on segment liabilities.

	Asia		USA		Europe		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Segment profit	243,224	143,365	47,721	26,913	77,973	35,522	368,918	205,800
Included in the measure of segment profit are:								
Revenue from external customers	1,260,862	1,006,617	283,073	214,633	440,817	336,889	1,984,752	1,558,139
Depreciation and amortisation	136,762	120,432	24,777	23,144	37,416	35,522	198,955	179,098

Reconciliations of reportable segment profit

	2021 RM'000	2020 RM'000
Profit		
Reportable segments	368,918	205,800
Non-reportable segments	(10,252)	3,833
Interest income	2,533	3,719
Finance costs	(3,575)	(1,890)
Consolidated profit before taxation	357,624	211,462

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

25. OPERATING SEGMENTS (cont'd.)

Reconciliations of reportable segment profit (cont'd.)

	2021		2020	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Reportable segments	1,984,752	198,955	1,558,139	179,098
Non-reportable segments	3,737	129	6,461	132
Total	1,988,489	199,084	1,564,600	179,230

Geographical information

Revenue of the Group by geographical location of the customers is as follows:

	Revenue	
	2021 RM'000	2020 RM'000
Ireland	143,991	83,097
Taiwan	251,808	211,483
Malaysia	265,480	224,596
USA	283,073	214,633
Singapore	317,168	287,898
The People's Republic of China	361,286	242,581
Others	361,946	293,851
	1,984,752	1,558,139

Non-current assets (except for financial assets) of the Group by geographical location of the assets are as follows:

	Non-current assets	
	2021 RM'000	2020 RM'000
Malaysia	420,323	379,365
The People's Republic of China	698,502	410,217
Others	9	15
	1,118,834	789,597

Major customer

During the financial year, revenue from one customer (2020: one customer) amounting to RM244,182,000 (2020: RM212,402,000) contributed to more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

26. COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
Property, plant and equipment:		
Contracted but not provided for	204,485	24,214

27. RELATED PARTIES

27.1 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 major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM, and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee.

Significant transactions with related parties are as follows:

			Group	
	Transactions	Related party	2021 RM'000	2020 RM'000
(a)	Rental of properties	Subsidiary and associated companies of HLCM	57	69
(b)	Receipt of services	Subsidiary and associated companies of HLCM	1,948	74
(c)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	16,065	11,552
(d)	Payment for usage of the Hong Leong logo and trade mark	Subsidiary and associated companies of HLCM	21	22

			Company	
	Transactions	Related party	2021 RM'000	2020 RM'000
(a)	Employee benefit	Subsidiary	12,391	95

Significant balances with related parties at the reporting date are disclosed in Note 16 to the financial statements.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

27. RELATED PARTIES (cont'd.)

27.2 Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company.

The fees, remuneration and other benefits of the Directors of the Company are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive Directors				
Remuneration and other benefits	6,742	7,787	-	-
Non-Executive Directors				
Fees*	502	502	462	462

* This includes fee for a Director which has been assigned in favour of the Company where the Director is appointed.

The estimated monetary value of benefit-in-kind of the Directors of the Company are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive Directors	297	244	-	-
Non-Executive Directors	28	28	28	28
	325	272	28	28

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")

(b) Financial assets measured at amortised cost ("FAAC")

(c) Financial liabilities measured at amortised cost ("FLAC")

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
2021				
Financial assets				
Group				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	270,777	270,777	-	-
Cash and cash equivalents	985,988	985,988	-	-
	1,256,811	1,256,765	46	-
Company				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	5	5	-	-
Cash and cash equivalents	217,032	217,032	-	-
	217,083	217,037	46	-
Financial liabilities				
Group				
Trade and other payables, including derivatives	444,320	443,521	-	799
Loans and borrowings	83,564	83,564	-	-
	527,884	527,085	-	799
Company				
Trade and other payables	2,854	2,854	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.1 Categories of financial instruments (cont'd.)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI-EIDUIR RM'000	Derivatives used for hedging RM'000
2020				
Financial assets				
Group				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	249,276	249,276	-	-
Cash and cash equivalents	835,231	835,231	-	-
	1,084,553	1,084,507	46	-
Company				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	5	5	-	-
Cash and cash equivalents	230,471	230,471	-	-
	230,522	230,476	46	-
Financial liabilities				
Group				
Trade and other payables, including derivatives	328,998	327,883	-	1,115
Loans and borrowings	9,250	9,250	-	-
	338,248	337,133	-	1,115
Company				
Trade and other payables	872	872	-	-

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) arising from:				
Financial assets measured at amortised cost	16,492	9,922	4,227	7,275
Financial liabilities measured at amortised cost	8,984	(5,137)	(1)	(1)
	25,476	4,785	4,226	7,274

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

28.3.1 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts. The Company's exposure to credit risk arises principally from advances to subsidiaries and bank balances. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the 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.

At the reporting 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.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographic region was:

	2021 RM'000	2020 RM'000
Ireland	20,514	12,949
USA	29,153	26,682
Taiwan	30,517	26,009
Malaysia	31,263	36,428
Singapore	46,900	50,314
Others	99,195	72,927
	257,542	225,309

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.1 Credit risk (cont'd.)

Receivables (cont'd.)

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the ECL of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 30 June 2021.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
2021			
Current (not past due)	197,861	-	197,861
Past due 1 - 30 days	65,252	(5,571)	59,681
Past due 31 - 60 days	3,025	(3,025)	-
Past due 61 - 90 days	508	(508)	-
Past due more than 90 days	(257)	257	-
	266,389	(8,847)	257,542
2020			
Current (not past due)	167,582	-	167,582
Past due 1 - 30 days	62,479	(4,752)	57,727
Past due 31 - 60 days	1,901	(1,901)	-
Past due 61 - 90 days	1,445	(1,445)	-
Past due more than 90 days	119	(119)	-
	233,526	(8,217)	225,309

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.1 Credit risk (cont'd.)

Receivables (cont'd.)

Movements in the allowance for impairment in respect of trade receivables

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

Group	2021 RM'000	2020 RM'000
Balance at beginning of year	8,217	7,831
Impairment loss recognised	630	386
Balance at end of year	8,847	8,217

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Expected credit loss of other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents of the Group and the Company are placed with licensed financial institutions which are mainly placed with a related company licensed financial institutions as disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.1 Credit risk (cont'd.)

Cash and cash equivalents (cont'd.)

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk.

Outstanding forward exchange contract

Forward exchange contracts are entered into with licensed banks with good credit rating. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

28.3.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.2 Liquidity risk (cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2021							
Group							
Non-derivative financial liabilities							
Loans and borrowings	83,564	3.35 – 3.85	85,577	71,846	13,731	-	-
Lease liabilities	25,309	5.00	31,592	1,675	1,337	14,407	14,172
Trade and other payables	443,521	-	443,521	443,521	-	-	-
Derivative financial liabilities							
Forward exchange contracts							
Outflow	799	-	261,351	261,351	-	-	-
Inflow	-	-	(260,552)	(260,552)	-	-	-
	553,193		561,489	517,841	15,068	14,407	14,172
Company							
Non-derivative financial liabilities							
Trade and other payables	2,854	-	2,854	2,854	-	-	-

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.2 Liquidity risk (cont'd.)

Maturity analysis (cont'd.)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2020							
Group							
Non-derivative financial liabilities							
Loans and borrowings	9,250	3.15 – 3.20	9,294	9,294	-	-	-
Lease liabilities	26,593	5.00	33,828	2,969	2,508	15,766	12,585
Trade and other payables	327,883	-	327,883	327,883	-	-	-
Derivative financial liabilities							
Forward exchange contracts							
Outflow	1,115	-	108,052	108,052	-	-	-
Inflow	-	-	(106,937)	(106,937)	-	-	-
	364,841		372,120	341,261	2,508	15,766	12,585
Company							
Non-derivative financial liabilities							
Trade and other payables	872	-	872	872	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, that will affect the Group's and the Company's financial position or cash flows.

Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases, cash and cash equivalents and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily USD.

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts (nominal amounts for the forward exchange contracts) as at the end of the reporting period was:

	Denominated in USD	
Group	**2021 RM'000**	**2020 RM'000**
Trade receivables	248,073	193,254
Forward exchange contracts	(260,552)	(106,937)
Cash and cash equivalents	250,907	187,228
Trade and other payables	(188,376)	(136,156)
Net exposure	50,052	137,389

Currency risk sensitivity analysis

A 5% (2020: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have decreased profit before taxation of the Group by RM2,503,000 (2020: RM6,869,000). A 5% (2020: 5%) weakening of the Ringgit Malaysia against USD would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Interest rate risk

The Group and the Company manage their interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.3 Market risk (cont'd.)

Interest rate risk (cont'd.)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Deposits with licensed bank	335,000	603,800	-	229,600
Lease liabilities	25,309	26,593	-	-
	360,309	630,393	-	229,600
Floating rate instruments				
Loans and borrowings	83,564	9,250	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points ("bp") (2020: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation and equity of the Group by RM418,000 (2020: RM46,000). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.4 Hedging activities

28.3.4.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions. These forward exchange contracts have a total notional amount of USD62,500,000 (2020: USD25,140,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

The following table indicates the periods in which the cash flows associated with the foreign exchange currencies are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
2021			
Forward exchange contract	(799)	(799)	(799)
2020			
Forward exchange contract	(1,115)	(1,115)	(1,115)

During the financial year, a gain of RM253,000 (2020: a loss of RM581,000) was recognised in other comprehensive income and RM94,000 (2020: RM84,000) was reclassified from equity to profit or loss.

Ineffectiveness loss amounting to RM117,000 (2020: loss of RM111,000) was recognised in profit or loss during the financial year in respect of the hedge.

28.3.5 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

28.3 Financial risk management (cont'd.)

28.3.6 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2021			
Group			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(799)	-
2021			
Company			
Financial assets			
Investments	-	46	-
2020			
Group			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(1,115)	-
2020			
Company			
Financial assets			
Investments	-	46	-

Level 2 fair value

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Total loans and borrowings	83,564	9,250
Lease liabilities	25,309	26,593
Less: Cash and cash equivalents	(985,988)	(835,231)
Net cash	(877,115)	(799,388)
Total equity	1,984,735	1,619,140
Debt-to-equity ratio	Nil	Nil

Statement by Directors

PERSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 110 to 178 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2021 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 30 August 2021

Statutory Declaration

PERSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Cheah Wing Ket, the person primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 110 to 178 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Cheah Wing Ket, MIA CA9244, at Ipoh in the State of Perak Darul Ridzuan on 30 August 2021.

Cheah Wing Ket

Before me:

Goh Choon Huat
Commissioner for Oaths
Ipoh

Independent Auditors' Report

TO THE MEMBERS OF MALAYSIAN PACIFIC INDUSTRIES BERHAD
(Registration No. 196201000323 (4817-U)) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Pacific Industries Berhad, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 178.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN PACIFIC INDUSTRIES BERHAD
(cont'd.)

Key Audit Matters (cont'd.)

1. Revenue recognition

Refer to Note 2.2(m)(i) and Note 17 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recorded RM1,985 million of revenue from sale of goods for the current financial year. Revenue from sale of goods of the Group comprises mainly manufacturing and testing of semiconductor devices and electronic components, and sale of leadframes. We have identified revenue recognition as a key audit matter because of the variety of goods sold and services rendered by the Group, with different pricing and terms relating to customers' acceptance, for different customers. Accordingly, there was a risk that the amount and timing of revenue were not recognised in the respective financial periods.	Our audit procedures included, among others: • We evaluated the design and implementation, and tested the operating effectiveness of identified controls over the process of revenue recognition. • We tested samples of revenue transactions by verifying to relevant supporting documents that evidence the transfer of control of goods to customers in accordance to MFRS 15 *Revenue from Contracts with Customers.* • We tested samples of transactions that were recorded before and after the financial year end cut-off date to relevant supporting documents to ascertain that revenue was recorded in the correct financial periods.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN PACIFIC INDUSTRIES BERHAD
(cont'd.)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN PACIFIC INDUSTRIES BERHAD
(cont'd.)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 03232/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 30 August 2021

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2021 (RM'000)
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	25 - 46	4,493
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	23 -33	5,143
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	25 - 33	235
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	6,409
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	27	112
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	14	3,071
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,966	30	20,549
No.88, West Shen Hu Road Suzhou Industrial Park Suzhou, Province of Jiangsu, 215021 The People's Republic of China	19 Aug 2052	Office and factory building	30 Apr 2002	645,823	18	103,921
Lot 2367, Bayan Lepas Pulau Pinang	30 Aug 2031	Office and factory building *	18 Jun 1995	257,000	27	10,384
Lot 8, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building ^	18 Jun 1995	227,441	22	10,360
Plot 15, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building^	24 Feb 2005	208,357	16	18,430

Notes :
** These buildings are situated on right-of-use assets as disclosed in Note 5 of the financial statements*
^ These buildings are classified as investment properties as disclosed in Note 6 of the financial statements

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2021

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	672	13.01	13,972	0.01
100 – 1,000	2,624	50.78	1,187,431	0.60
1,001 – 10,000	1,310	25.35	4,324,936	2.17
10,001 – 100,000	418	8.09	14,249,916	7.16
100,001 – less than 5% of issued shares	142	2.75	67,048,512	33.71
5% and above of issued shares	1	0.02	112,071,652	56.35
	5,167	100.00	198,896,419	100.00

** Excluding 10,988,000 shares bought back and retained by the Company as treasury shares*

List Of Thirty Largest Shareholders As At 30 August 2021

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	112,071,652	56.35
2.	Citigroup Nominees (Tempatan) Sdn Bhd *- Exempt AN for AIA Bhd.*	4,008,500	2.02
3.	Kumpulan Wang Persaraan (Diperbadankan)	3,971,800	2.00
4.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board*	3,154,400	1.59
5.	AmanahRaya Trustees Berhad *- Public Smallcap Fund*	2,973,100	1.50
6.	Hong Leong Industries Berhad	2,215,969	1.11
7.	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Prulink Equity Fund*	2,206,900	1.11
8.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Norges Bank (FI 17)*	1,943,100	0.98
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund*	1,916,200	0.96
10.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund*	1,341,400	0.67
11.	AmanahRaya Trustees Berhad *- Public Strategic Smallcap Fund*	1,240,000	0.62
12.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (F Templeton)*	1,194,200	0.60
13.	HSBC Nominees (Asing) Sdn Bhd *- JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	1,156,300	0.58

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (cont'd.)

List Of Thirty Largest Shareholders As At 30 August 2021 (cont'd.)

	Name of Shareholders	No. of Shares	%
14.	AmanahRaya Trustees Berhad *- Public Islamic Treasures Growth Fund*	1,108,800	0.56
15.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for State Street Bank & Trust Company (West Clt OD67)*	1,004,000	0.50
16.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)*	1,000,000	0.50
17.	Soft Portfolio Sdn. Bhd.	995,500	0.50
18.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch*	990,000	0.50
19.	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Prulink Equity Focus Fund*	988,600	0.50
20.	Citigroup Nominees (Asing) Sdn Bhd *- Exempt AN for Citibank New York (Norges Bank 14)*	921,300	0.46
21.	HSBC Nominees (Asing) Sdn Bhd *- JPMCB NA for Vanguard Total International Stock Index Fund*	785,500	0.40
22.	AmanahRaya Trustees Berhad *- PB Growth Fund*	764,100	0.38
23.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd *- Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund*	705,000	0.35
24.	Cartaban Nominees (Asing) Sdn Bhd *- SSBT Fund ZVY5 for State Street Emerging Markets Small Cap Active Non-Lending QIB Common Trust Fund*	637,600	0.32
25.	AmanahRaya Trustees Berhad *- AC Principal Dali Asia Pacific Equity Growth Fund*	629,500	0.32
26.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	614,425	0.31
27.	Citigroup Nominees (Tempatan) Sdn Bhd *- Universal Trustee (Malaysia) Berhad for Principal Dali Equity Fund*	605,700	0.30
28.	AmanahRaya Trustees Berhad *- Public Islamic Select Enterprises Fund*	567,400	0.29
29.	AmanahRaya Trustees Berhad *- Public Islamic Advantage Growth Equity Fund*	552,000	0.28
30.	Hong Bee Hardware Company, Sdn. Berhad	540,250	0.27
		152,803,196	**76.83**

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (cont'd.)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2021 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of shares**	**%**	**No. of Shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	112,071,652	56.35	2,290,135	1.15^
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	115,250,525	57.94^
3.	YBhg Tan Sri Quek Leng Chan	-	-	116,246,025	58.45*
4.	HL Holdings Sdn Bhd	-	-	115,250,525	57.94#
5.	Hong Realty (Private) Limited	-	-	115,790,775	58.22*
6.	Hong Leong Investment Holdings Pte. Ltd.	-	-	115,790,775	58.22*
7.	Kwek Holdings Pte Ltd	-	-	115,790,775	58.22*
8.	Mr Kwek Leng Beng	-	-	115,790,775	58.22*
9.	Mr Kwek Leng Kee	-	-	115,790,775	58.22*
10.	Davos Investment Holdings Private Limited	-	-	115,790,775	58.22*

Notes:

^ *Held through subsidiary(ies).*

* *Held through HLCM and a company in which the substantial shareholder has interest.*

\# *Held through HLCM.*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2021

Subsequent to the financial year end, there was no change, as at 30 August 2021, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 105 to 109 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

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, chief executives 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 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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Malaysian Pacific Industries Berhad

Registration No. 196201000323 (4817-U)
A Member of the Hong Leong Group

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____ Tel No. _____

of _____

_____ Email address _____

being a member of **MALAYSIAN PACIFIC INDUSTRIES BERHAD** ("the Company"), hereby appoint _____

_____ NRIC/Passport No. _____

of _____

Tel No. _____ Email address_____

or failing him/her _____ NRIC/Passport No. _____

of _____

_____ Tel No. _____ Email address _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held virtually through live streaming from the broadcast venue at Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 3 November 2021 at 3.00 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote on a poll as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director Fees and Directors' Other Benefits		
2	To re-elect YBhg Datuk Kwek Leng San as a Director		
3	To re-elect Mr Manuel Zarauza Brandulas as a Director		
4	To re-elect Dr Tunku Alina Binti Raja Muhd Alias as a Director		
5	To re-elect Ms Foo Ai Li as a Director		
6	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
7	To approve the ordinary resolution on authority to Directors to allot shares		
8	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
9	To approve the ordinary resolution on the proposed renewal of authority for the purchase of own shares by the Company		

Dated this _____ day of _____ 2021

Number of shares held: _____

CDS Account No.: _____

_____

Signature(s) of Member

Notes:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the Broadcast Venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 27 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *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.*
4. *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.*
5. *A proxy may but need not be a member of the Company.*
6. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate and vote at the same meeting. 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 (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
7. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 10 below).*
8. *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.*
9. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hongleong.com.my not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	% of shareholdings to be represented

11. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Sixtieth Annual General Meeting will be put to a vote by way of a poll.*

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AFFIX STAMP

The Company Secretaries

MALAYSIAN PACIFIC INDUSTRIES BERHAD

Registration No. 196201000323 (4817-U)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
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