MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)

MALAYSIAN PACIFIC INDUSTRIES BERHAD

Contents

Company Profile

Malaysian Pacific Industries Berhad ("MPI") is principally an investment holding company whilst the principal activities engaged by its subsidiaries are that of designing, manufacturing, assembling, testing and sale of integrated circuits, seminconductor devices, electronic components and leadframes to customers world-wide.

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

Corporate Information

DIRECTORS

Mr Kwek Leng San
(Executive Chairman)

Mr David Edward Comley
(Group Managing Director)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

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

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION / DOMICILE

A public limited liability company incorporated and domiciled in Malaysia

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-fifth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 10 October 2006 at 2.15 p.m. in order:

1. to lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2006;

2. to approve the payment of Directors' fees of RM230,000/- for the year ended 30 June 2006, to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**

3. to re-elect the following retiring Directors:

   (a) Mr David Edward Comley **(Resolution 2)**

   (b) Mr Tan Keok Yin; **(Resolution 3)**

4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 4)**

5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

   Authority To Directors To Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."; and **(Resolution 5)**

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

By Order of the Board

Joanne Leong Wei Yin
Secretary

Kuala Lumpur
18 September 2006

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.

2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting.

3. **Ordinary Resolution On Authority To Directors To Issue Shares**

   The Ordinary Resolution, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying Notice Of Annual General Meeting

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

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

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

(a) Mr David Edward Comley
(b) Mr Tan Keok Yin.

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2006. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 6 to 7 of the Annual Report.

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

The Forty-fifth Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 10 October 2006 at 2.15 p.m.

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

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

Directors' Profile

Mr Kwek Leng San
Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 51, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Presently, he is the Executive Chairman of Malaysian Pacific Industries Berhad ("MPI"), President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad, Managing Director of Narra Industries Berhad ("Narra"), Chairman of Southern Steel Berhad and a Director of O.Y.L. Industries Bhd and Hong Leong Company (Malaysia) Berhad.

Mr Kwek was appointed to the Board of MPI on 27 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993 before assuming his present position as the Executive Chairman on 20 July 1999. He is presently a member of the Board Audit & Risk Management Committee of MPI.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2006.

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

Mr David Edward Comley
Group Managing Director/Non-Independent

Mr David Edward Comley, aged 57, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree.

He started his career with Plessey Semiconductors ("Plessey") in 1970. During his 17 years of service in Plessey, he held a number of key roles with the last position as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan.

In 1987, he joined ITEQ Europe as Operations Director before joining AMKOR ANAM Europe Ltd in 1990 as the Director of Operations and later as the Managing Director.

Mr David Comley joined the MPI Group as the Managing Director of Carsem (M) Sdn Bhd on 11 November 1991 and was subsequently promoted as the Group Managing Director of MPI on 16 August 1993. He does not sit on any committee of MPI. He is also a Director of HLI.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2006.

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

Syed Zaid bin Syed Jaffar Albar
Non-Executive Director/Independent

Syed Zaid bin Syed Jaffar Albar, aged 52, a Malaysian, graduated with a B.A.(Hons) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 26 years. Presently, he is the Managing Partner of a law firm in Kuala Lumpur.

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

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2006.

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

Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 62, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics, Investments Department and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers as Deputy Director and was appointed Chief Executive Officer in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of the internationally recognised GS1 System (One Global System, formerly known as EAN International) located in Brussels, which presides over the global application of EAN - UCC bar codes and product numbering system in business and industries.

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

He is also a Director of Hong Leong Bank Berhad, GuocoLand (Malaysia) Berhad and Hong Leong Assurance Berhad.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2006.

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

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Non-Independent

Tan Sri Asmat bin Kamaludin, aged 62, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in January 2001, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

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

He is the Non-Executive Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, Symphony House Berhad and SCOMI Group Berhad, Non-Executive Vice Chairman of YTL Cement Berhad and a Director of Carlsberg Brewery Malaysia Berhad, Lion Industries Corporation Berhad, Bumiputra-Commerce Holdings Berhad and Compugates Holdings Berhad.

He has attended two (2) out of four (4) Board meetings of MPI held during the financial year ended 30 June 2006.

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

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2006.

BUSINESS ENVIRONMENT

The Malaysian economy is expected to record a GDP growth rate of above 5% in 2006, due to strong export performance especially in the semiconductor industry since the second half of 2005. The global market environment continues to experience rising interest rates particularly in the United States as a result of tighter monetary policy to curb inflation. In addition, surging commodities prices, in particular, oil, gold and copper and the volatility in foreign exchange markets due to de-pegging of the Chinese Yuan and Malaysian Ringgit have posed many challenges and opportunities to the Group.

FINANCIAL REVIEW

The semiconductor market for 2006 is projected to grow between 7% and 10% over 2005, bringing the Group's revenue back to its peak since the last downturn in the financial year ended 30 June 2000.

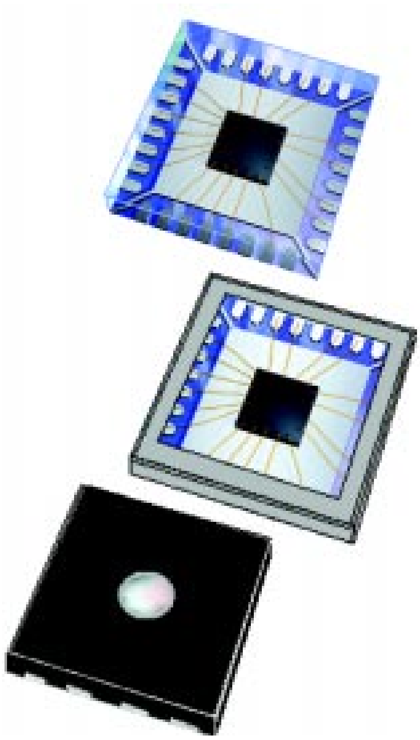
I am pleased to report a revenue of RM1,359 million for the financial year ended 30 June 2006, a 22% increase over the previous financial year. Operating profit and profit attributable to shareholders were at RM179 million and RM107 million, 179% and 126% higher than the previous financial year respectively. Earnings per share was 54 sen as compared with 24 sen for financial year ended 30 June 2005.

Strong cash flow generated from the Group's operations has enabled the Group to maintain a healthy gearing after investing RM365 million into new plant and equipment and a dividend payout of RM76 million.

SIGNIFICANT DEVELOPMENT

Amkor Technology, Inc. ("Amkor") has filed a complaint with the International Trade Commission ("ITC") on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively "Carsem Group") of infringing three of Amkor's United States Patents. Amkor has also filed a civil lawsuit at the District Court on even date alleging Carsem Group of infringement of the same three patents which are the subject of the ITC investigation.

Following a hearing in July and August 2004, an Administrative Law Judge ("ALJ") issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.



Carsem Group has now been advised by its lawyers that the ALJ has found that some but not all of Carsem Group's devices infringed on Amkor's patents. Carsem Group has filed a petition for review by the ITC and the motion to extend the target date for completion of this investigation by three months pending ASAT, Inc.'s subpoena enforcement proceeding ("ASAT Proceeding").

Carsem Group's motion is granted to the extent that the target date for completion of the investigation is extended to a date that is three months after completion of the ASAT Proceeding.

As at the date of this report, the ASAT Proceeding is still pending.

FUTURE AND PROSPECTS

In view of the business volatility and challenging operating environment ahead, the management is focusing on product development, margin improvement, operational efficiency enhancement and effective cost management to maintain our competitive edge and continue our leadership in packaging and leadframe technologies.

Barring any unforeseen circumstances, the Board expects the Group to perform better in the new financial year ending 30 June 2007.

DIVIDEND

The Company has declared and paid a first and second interim dividend of 15.0 sen per share tax exempt and 22.5 sen per share tax exempt respectively during the financial year under review. The Board does not recommend any final dividend for the financial year ended 30 June 2006.

APPRECIATION

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

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

KWEK LENG SAN
Chairman

Group Managing Director's Review

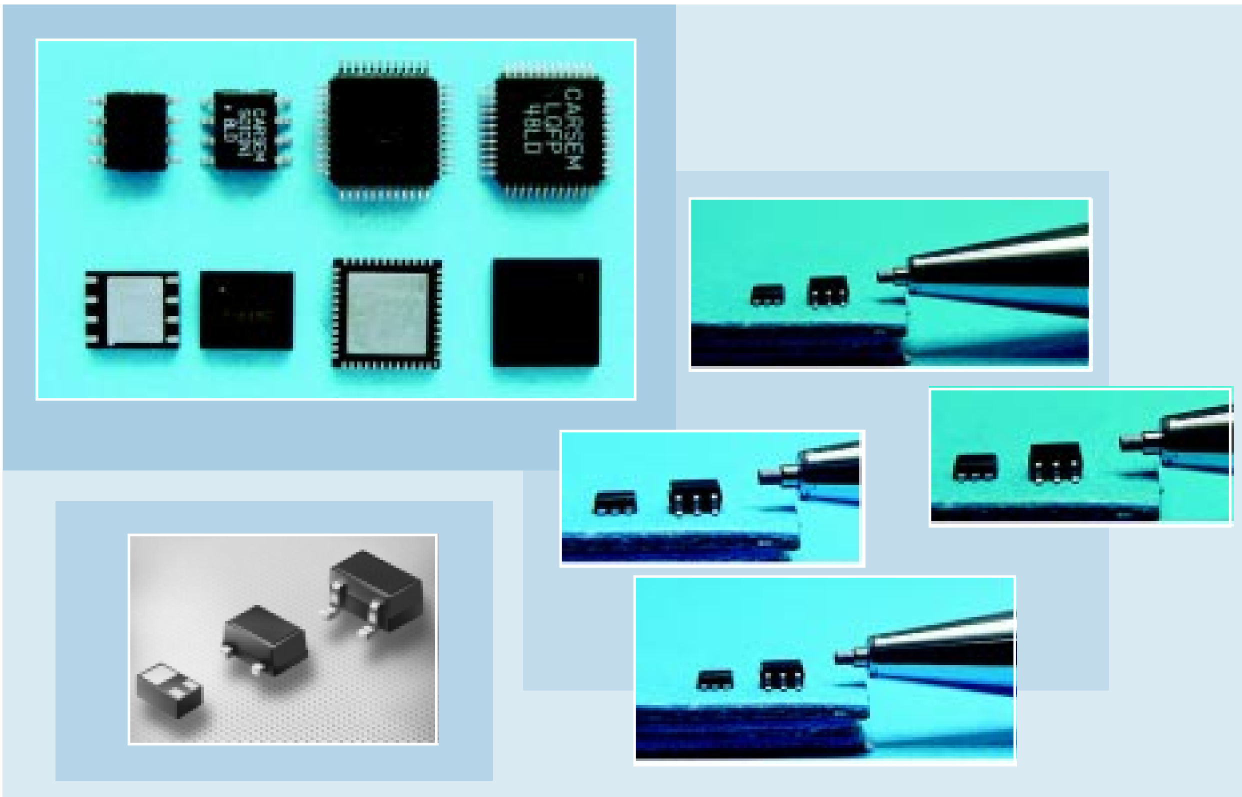
I am pleased to report that the Group's revenue grew a commendable 22% from its previous year as compared with the semiconductor industry which grew by 7% in 2005 and is expected to grow at between 7% and 10% in 2006. Carsem (M) Sdn Bhd ("Carsem(M)") and Dynacraft Industries Sdn Bhd ("Dynacraft") achieved a year-on-year growth of 20% and 25% respectively. Our start-up in Suzhou, Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), completed its second year of operation with sales significantly up from that of its first year and was profitable for the last two quarters of the financial year.

INDUSTRY REVIEW

The markets of the United States of America and China were particularly strong and a fast growing consumer electronics market now joins that of the computer and cellphone sectors as drivers of the semiconductor industry. Assembly and test capacity has remained at high levels of utilisation as the industry takes a conservative approach to expanding capacity resulting in firmer selling prices.

OPERATIONAL DEVELOPMENT

The Micro Leadframe Package ("MLP") has contributed to Carsem (M) and Carsem Suzhou ("Carsem")'s growth by over 50% from the previous financial year. The financial year ended 30 June 2006 also saw a significant growth in the assembly and test of modules. The MLP and module business will continue to contribute positively to Carsem's growth going forward. Dynacraft supplies the majority of leadframes for MLP assemblies.



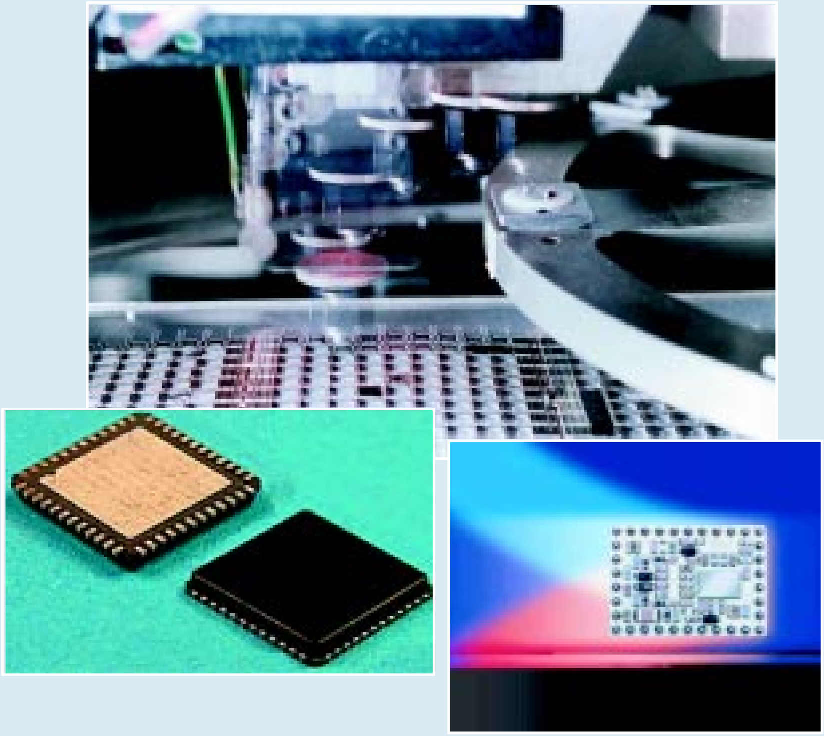
Costs remain a challenge particularly with commodity prices at an all-time high. Silver, palladium, and particularly, copper are major costs for Dynacraft although the company has been able to pass the copper price increase onto customers. Silver, copper and gold are some of the commodities used by Carsem with the gold price increase also passed onto customers, whilst the others have been absorbed. Rising interest rates, an uncertain USD/RM exchange rate and the prices of commodities will continue to be offset by improvements in product cost. The emphasis from Dynacraft is on high density etched leadframes, faster and more accurate spot plating machines, the replacement of spot silver plating with nickel/palladium full plated leadframes and higher yields. Carsem's major focus is on the development of copper as a replacement for gold and the increasing use of high-density, pre-plated leadframes.

RESEARCH AND DEVELOPMENT

Technology remains the high priority of our Group. High precision etching allowing higher density frames and a thinner layer of palladium for a more cost effective pre-plated leadframes have been joined by plating using photo-resist technology as Dynacraft's most important development programmes. Carsem's development is dominated by the many different versions of MLP that are either thinner, smaller, uses clear plastic, assembled with a cavity or multi-rowed. Other important developments are copper bonding, strip test, module assembly using substrates and leadframes, stacked die and wafer scale packaging.

Carsem and Dynacraft have made significant investments in ensuring that all of their products have a "green" option and each of the Group's factories has received official accreditation for conformity.

Group Managing Director's Review



OUTLOOK

The semiconductor industry has entered an exciting era as new and innovative applications come to market and although the industry will remain cyclical, the lessons learnt from the 2001 downturn suggest that inventory is being monitored and managed more carefully and that future cycles will be shorter and less severe.

I am glad that the Group is well positioned with strong technology and a sound balance sheet to make the most of the many opportunities that have and will continue to come the way of the Group.

DAVID EDWARD COMLEY
Group Managing Director

The Hong Leong Family

"A Company is not an Organisation.
It takes people to transform a company into an organization."

~ Tan Sri Quek Leng Chan

We value the commitment and contribution of each employee and strives to ensure that our employees' career are complemented with a well-rounded social environment within the Group.

COMMITMENT TO STAFF WELFARE

The Group constantly reviews and improves its staff compensation and benefits practices to ensure that the Group's compensation and benefits practices remain competitive and consistent.

The Group has in place structured feedback mechanisms to receive employee feedbacks and grievances. The Group acts on these feedbacks promptly and resolve staff grievances to the best interests of both the Group and our employees.

The Group continuously upkeep the work place to provide our employees with a safe and healthy working environment.

COMMITMENT TO STAFF DEVELOPMENT

The Group's commitment to staff development is evident in the various learning and development programmes conducted throughout this financial year.

These programmes, covering both soft skill and technical development programmes, included classroom training programmes, work-based learning programmes, as well as outdoor training programmes.

Conducted by both in-house and external trainers, these programmes continuously improve the skill set and knowledge of our employees.

The Hong Leong Family


COMMITMENT TO HEALTHY LIFESTYLE

Various activities were also carried out throughout the year to encourage a healthy lifestyle among our employees. Activities such as sport activities and social events were carried out regularly involving all levels of employees.

Employees' family members were not left out either in Group activities.

In this regard, the Group carried out family days with the active participation of the Group's employees and families.


COMMITMENT TO EDUCATION

The Group provides scholarships to deserving children of the Group's employees to pursue pre-university, diploma and degree studies, both locally and abroad.

The provision of scholarships to our employees' children has been practised since 1978.

COMMITMENT TO COMMUNITY

While encouraging activities among its employees, the Group is always mindful of the needs of the community. The Group encourages its employees to do their part in contributing to the community, complementing the Group's own contribution through the Hong Leong Foundation.

In this regard, various charity events were carried out with the involvement of the employees. These include visits to orphanages and old folk homes, contributions to school children, donations to the needy, and blood donation drives.



These initiatives provide our family of employees the opportunities to continually improve themselves within the wider social context.

Corporate Social Responsibility

As a responsible and caring corporate citizen, the Group strives for the betterment of society by giving back to the community and environment it operates in, through education, community development and social welfare.

The Group conducts most of its philanthropic activities through Hong Leong Foundation ("the Foundation"), the charitable arm of Hong Leong Group Malaysia, which was incorporated in 1992 with the main intention of:

- providing scholarships;
- giving aid and relief to the poor and needy, victims of fire, floods, famine, war or calamity, and those in need of moral or social rehabilitation or welfare;
- granting donations to local or national charitable institutions; and
- promoting sustainable and good environment practices.

The Group further supports and responds positively to various appeals for natural disasters such as earthquakes, floods, tsunamis, etc.

Since adopting the tagline *'Tomorrow's Generation'* in 2004, the Foundation champions causes in aid of Children and Youth, to provide for their needs in the areas of education, welfare, health and sports.

Supporting education has been, and will continue to be, an important tradition for the Group. To assist the academically gifted but financially disadvantaged students to gain access to higher education, the Foundation awards unconditional scholarships for Diploma and Undergraduate studies at local universities and selected institutions of higher learning.

The Foundation also offers scholars the opportunity to undergo industrial training to gain related work experience at operating companies.

Corporate Social Responsibility

Launched in 1998, the Student Assistance Programme was initiated with the aim to address the immediate needs of primary and secondary school children from low-income families. To date, through this programme, the Foundation has donated school bags, books, uniforms, bicycles as well as school and examination fee subsidies to thousands of school children nation-wide.

Annually, the Foundation donates to various welfare organisations committed to helping the underprivileged and unfortunate throughout the country. During the financial year ended 30 June 2006, in support of *'Tomorrow's Generation'*, the Foundation has contributed to 47 orphanages and welfare homes such as Majlis Kebajikan Kanak-kanak Alor Star, Pusat Harian Kanak-kanak Spastik, Selangor and Federal Territory Association for Retarded Children, Beautiful Gate Foundation For the Disabled, Tasputra Perkim, Yayasan Harapan Kanak-kanak Malaysia, The Salvation Army, Melaka, Sarawak Association For the Welfare of Intellectually Disabled Children, Sabah Cheshire Home Sandakan, etc.

As part of our commitment to our employees and society, we practise environmental preservation and maintain high standards of Occupational Safety and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

In addition, we conduct regular occupational safety and awareness programmes for our employees and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community.

Corporate Governance and Internal Control

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

~ Finance Committee on Corporate Governance

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

A. DIRECTORS

I The Board

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

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

II Board Balance

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

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

The Executive Chairman leads the Board and is responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas and strategic developments.

The Group Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for operating companies, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders' wealth.

The Board met four (4) times during the financial year ended 30 June 2006.

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

Corporate Governance and Internal Control

A. DIRECTORS (Cont'd)

III Supply of Information

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

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

IV Appointments to the Board

The Board has decided that the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

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

V Re-election

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

VI Training and Education

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed a Director Manual which is given to every director for their reference. The Director Manual highlights, amongst others, the major duties and responsibilities of a director vis-â-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Group.

All directors of the Company have completed the Mandatory Accreditation Programme. The directors continuously receive briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations.

During the financial year ended 30 June 2006, the Company organised training programmes covering, inter alia, corporate governance, finance, risk management, branding and business planning and strategies, for the directors and senior management of the Company facilitated by industry experts. In addition to these training programmes, the directors are also encouraged to attend seminars and briefings in order to keep themselves abreast of the latest developments in the business environment and to enhance their skills and knowledge.

B. DIRECTORS' REMUNERATION

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

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

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

B. DIRECTORS' REMUNERATION (Cont'd)

II Procedure

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

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

III Disclosure

The aggregate remuneration of directors for the financial year ended 30 June 2006 is as follows:

	Fees (RM)	Other Emoluments (RM)	Total (RM)
Executive Directors	180,000	2,310,000	2,490,000
Non-Executive Directors	120,000	45,000	165,000

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

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	1
50,001 – 100,000	-	2
100,001 – 450,000	-	-
450,001 – 500,000	1	-
500,001 – 2,000,000	-	-
2,000,001 – 2,050,000	1	-

C. SHAREHOLDERS

I Dialogue between Companies and Investors

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

The Company has a website at http://www.mpi.com.my which the shareholders can access for information which includes corporate information, announcements/press releases, financial information, products information and investor relations.

In addition, the Group Managing Director could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the following person:

Name : Mr David Edward Comley
Tel No : 05-3123333
Fax No : 05-3125333
e-mail address : IRelations@mpi.com.my

Corporate Governance and Internal Control

C. SHAREHOLDERS (Cont'd)

II Annual General Meeting ("AGM")

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

D. ACCOUNTABILITY AND AUDIT

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

The Committee met four (4) times during the financial year ended 30 June 2006. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 23 of the Annual Report.

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

I Financial Reporting

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

II Internal Control

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

III Relationship with Auditors

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

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

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

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

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

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2006, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

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

Mr Tan Keok Yin
Independent Non-Executive Director

Mr Kwek Leng San
Non-Independent Executive Director

SECRETARY

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

TERMS OF REFERENCE

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

AUTHORITY

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

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

MEETINGS

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

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2006, four (4) Committee meetings were held and all the meetings were attended by all the Committee members.

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

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

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

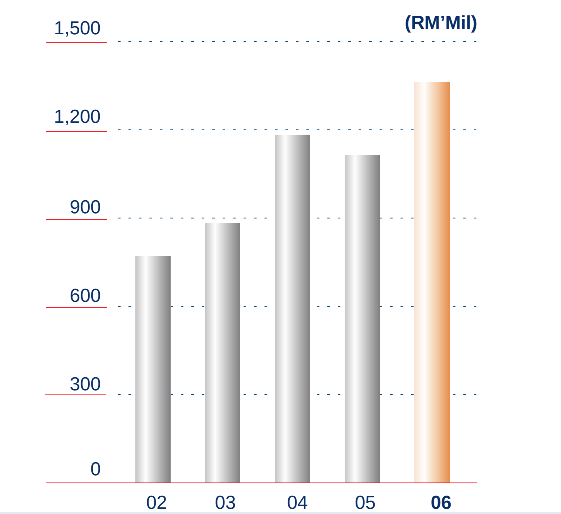
INTERNAL AUDIT

During the financial year ended 30 June 2006, the Internal Audit Department carried out its duties covering business audit, system and financial audit.

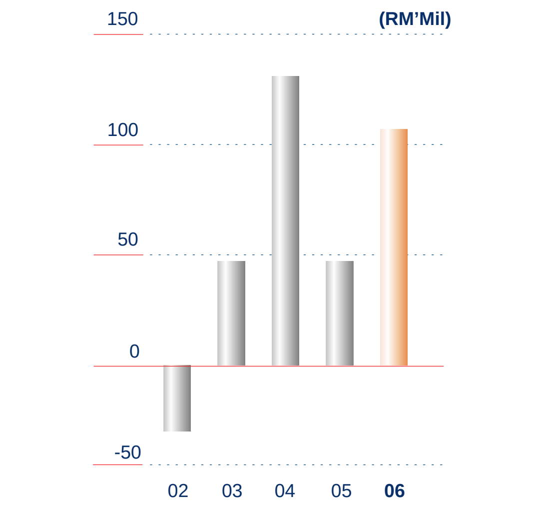
This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board.

Group Financial Highlights

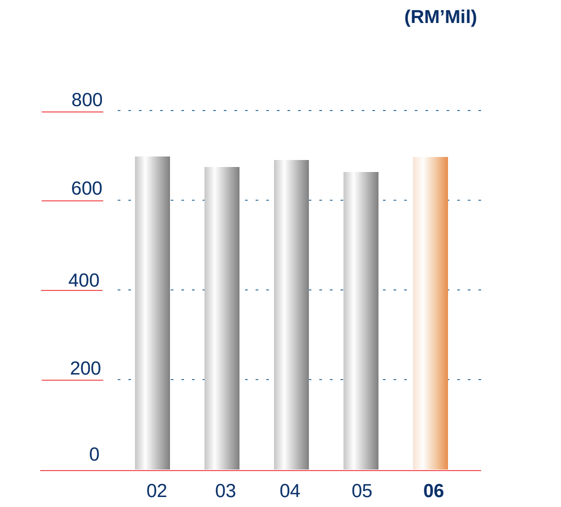
(RM 'mil)	2002	2003	2004	2005	2006
Revenue	769	883	1,183	1,114	**1,360**
Profit/(Loss) Before Taxation	(18)	48	163	53	**165**
Net Profit/(Loss)	(30)	47	131	47	**107**
Net Earnings/(Loss) Per Share (sen)	(15)	23	66	24	**54**
Net Dividend Per Share (sen)	41	35	59	38	**38**
Shareholders' Funds	697	674	689	662	**696**
Total Assets	1,545	1,392	1,531	1,469	**1,646**
Capital Expenditure	115	115	277	233	**370**



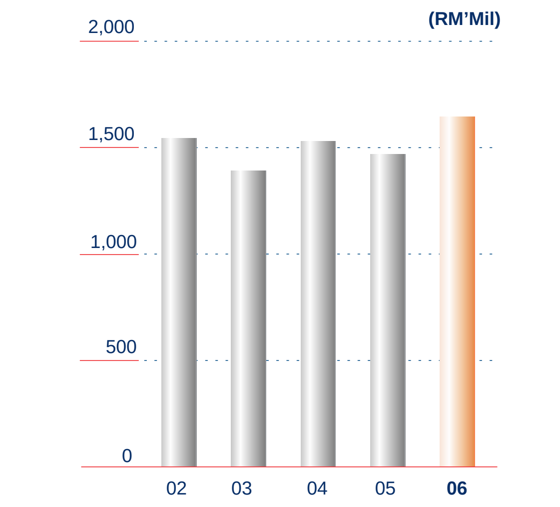
Revenue



Net Profit/(Loss)

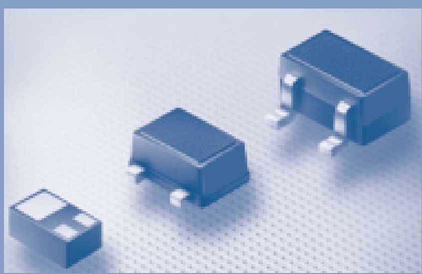


Shareholders' Fund



Total Assets

MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)



MALAYSIAN PACIFIC INDUSTRIES BERHAD

Financial Statements

Directors' Report

for the financial year ended 30 June 2006

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 2006.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	107,135	119,232

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) a first interim dividend of 15.0 sen per share tax exempt amounting to RM29,837,013 in respect of the financial year ended 30 June 2006 on 23 December 2005; and

(ii) a second interim dividend of 22.5 sen per share tax exempt amounting to RM44,754,395 in respect of the financial year ended 30 June 2006 on 20 June 2006.

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

DIRECTORS OF THE COMPANY

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

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

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

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or convertible unsecured loan stocks of the Company and/or its related corporations during the financial year ended 30 June 2006 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

		Number of ordinary shares/ new shares to be issued arising from the exercise of convertible unsecured loan stocks*			
	Nominal value per share RM	**At 1.7.2005**	**Acquired**	**Sold**	**At 30.6.2006**
Interests of Mr Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	20,000[v]	-	**117,500**
Hong Leong Industries Berhad	0.50	1,550,000	250,000	-	**1,800,000**
	-	250,000*	170,000*	-	**420,000***
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	**315,000**
HLG Capital Berhad	1.00	119,000	-	-	**119,000**
Hong Leong Bank Berhad	1.00	385,000	-	-	**385,000**
Guoco Group Limited	US$0.50	209,120	-	-	**209,120**
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	600,000	-	-	**600,000**
Interest of Mr David Edward Comley in:					
Malaysian Pacific Industries Berhad	0.50	-	60,000	-	**60,000**
Interest of Mr Tan Keok Yin in:					
Camerlin Group Berhad	1.00	10,000	-	-	**10,000**

Legend:

[v] *Transferred from the Estate of Kwek Hong Lye, Deceased.*

Save as disclosed above, the other Directors do not have any beneficial interest in the ordinary shares and/or convertible unsecured loan stocks of the Company and/or its related corporations during the financial year ended 30 June 2006.

DIRECTORS' BENEFITS

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

DIRECTORS' BENEFITS (Cont'd)

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 apart from the Executive Share Option Scheme.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The shareholders of the Company had, at its Extraordinary General Meeting held on 14 October 2005, approved:-

i. the termination of the existing executive share option scheme of the Company which was established in year 1999 and expiring in year 2009 ("Existing ESOS"); and

ii. the establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company ("New ESOS").

The New ESOS was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 13 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the New ESOS at any time during the existence of the ESOS.

The New ESOS would enable the Company to have a fresh duration of ten (10) years to implement the Scheme and provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for full time executive directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the New ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the New ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the New ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the New ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

SHARE CAPITAL AND DEBENTURE

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

During the financial year, the Company purchased 10,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares bought back was RM10.0 per ordinary share. The share buy back transactions were financed by internally generated funds. As at 30 June 2006, the total number of shares bought back was 10,976,000 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

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

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

Directors' Report

for the financial year ended 30 June 2006

OTHER STATUTORY INFORMATION (Cont'd)

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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

AUDITORS

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

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur
16 August 2006

Balance Sheets
as at 30 June 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	**1,176,236**	1,026,376	**465**	621
INVESTMENTS	4	**693**	693	**510,891**	490,891
INTANGIBLE ASSETS	5	**12,393**	16,676	**-**	-
OTHER ASSETS	6	**39,570**	4,125	**14,674**	4,125
CURRENT ASSETS					
Inventories	7	**90,813**	61,026	**-**	-
Trade and other receivables	8	**235,813**	177,939	**33,582**	11,761
Tax recoverable		**5,513**	8,378	**1,884**	4,927
Cash and bank balances	9	**84,754**	173,449	**15,476**	58,518
		416,893	420,792	**50,942**	75,206
CURRENT LIABILITIES					
Trade and other payables	10	**258,477**	199,540	**1,225**	1,269
Borrowings (unsecured)	11	**288,193**	129,916	**64,039**	42,183
Provision	12	**-**	6,800	**-**	-
Taxation		**22**	-	**-**	-
		546,692	336,256	**65,264**	43,452
NET CURRENT (LIABILITIES) / ASSETS		**(129,799)**	84,536	**(14,322)**	31,754
		1,099,093	1,132,406	**511,708**	527,391
SHARE CAPITAL AND RESERVES					
Share capital	13	**104,942**	104,942	**104,942**	104,942
Reserves	14	**754,985**	720,576	**520,645**	476,004
Treasury shares, at cost		**(163,721)**	(163,620)	**(163,721)**	(163,620)
		696,206	661,898	**461,866**	417,326
MINORITY SHAREHOLDERS' INTERESTS		**243,711**	236,916	**-**	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings (unsecured)	11	**132,354**	224,204	**49,597**	109,820
Retirement benefits	15	**506**	506	**245**	245
Deferred taxation	16	**26,316**	8,882	**-**	-
		159,176	233,592	**49,842**	110,065
		1,099,093	1,132,406	**511,708**	527,391

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2006.

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the financial year ended 30 June 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
REVENUE	17	**1,359,765**	1,114,402	**122,140**	89,793
OPERATING PROFIT	17	**178,885**	64,070	**123,727**	80,035
Interest expense		**(17,095)**	(17,047)	**(7,132)**	(10,711)
Interest income		**3,591**	6,340	**1,306**	2,758
PROFIT BEFORE TAXATION		**165,381**	53,363	**117,901**	72,082
Taxation	19	**(15,511)**	28,899	**1,331**	3,079
PROFIT AFTER TAXATION		**149,870**	82,262	**119,232**	75,161
Minority interests		**(42,735)**	(34,784)	**-**	-
NET PROFIT FOR THE YEAR		**107,135**	47,478	**119,232**	75,161
Basic earnings per ordinary share (sen)	20	**53.86**	23.87		
Dividends per ordinary share (sen)	21	**37.50**	37.50		

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the financial year ended 30 June 2006

Group	Note	Share capital RM'000	Share premium* RM'000	Capital redemption reserve*# RM'000	Exchange fluctuation reserve* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2004		104,942	249,952	210	(3,629)	501,160	(163,620)	689,015
Net profit for the year		-	-	-	-	47,478	-	47,478
Dividends	21	-	-	-	-	(74,595)	-	(74,595)
Transfer to capital redemption reserve		-	-	100	-	(100)	-	-
At 30 June 2005/ 1 July 2005		104,942	249,952	310	(3,629)	473,943	(163,620)	661,898
Net profit for the year		-	-	-	-	107,135	-	107,135
Dividends	21	-	-	-	-	(74,591)	-	(74,591)
Purchase of treasury shares		-	-	-	-	-	(101)	(101)
Foreign currency translation differences		-	-	-	1,865	-	-	1,865
At 30 June 2006		**104,942**	**249,952**	**310**	**(1,764)**	**506,487**	**(163,721)**	**696,206**
		Note 13	Note 14	Note 14	Note 14	Note 14		

Company	Note	Share capital RM'000	Share premium* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2004		104,942	249,952	225,486	(163,620)	416,760
Net profit for the year		-	-	75,161	-	75,161
Dividends	21	-	-	(74,595)	-	(74,595)
At 30 June 2005/ 1 July 2005		104,942	249,952	226,052	(163,620)	417,326
Net profit for the year		-	-	119,232	-	119,232
Dividends	21	-	-	(74,591)	-	(74,591)
Purchase of treasury shares		-	-	-	(101)	(101)
At 30 June 2006		**104,942**	**249,952**	**270,693**	**(163,721)**	**461,866**
		Note 13	Note 14	Note 14		

** Non-distributable*

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

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the financial year ended 30 June 2006

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
Profit before taxation	**165,381**	53,363	**117,901**	72,082
Adjustments for:				
Amortisation of development expenditure	**600**	300	**-**	-
Amortisation of goodwill	**1,838**	1,863	**-**	-
Depreciation	**216,428**	211,976	**156**	174
Dividend income	**(20)**	(431)	**(122,140)**	(89,793)
Gain on disposal of property, plant and equipment	**(1,818)**	(685)	**-**	-
Gain on disposal of investment	**(2,162)**	(8,271)	**-**	-
Interest expense	**17,095**	17,047	**7,132**	10,711
Interest income	**(3,591)**	(6,340)	**(1,306)**	(2,758)
Property, plant and equipment written off	**2,438**	3,749	**-**	-
Provision for retirement benefits	**-**	35	**-**	-
Provision for early separation	**-**	6,800	**-**	-
Goodwill written off	**1,845**	-	**-**	-
Unrealised loss/(gain) on foreign exchange	**2,878**	-	**(2,413)**	-
Operating profit/(loss) before working capital changes	**400,912**	279,406	**(670)**	(9,584)
Changes in working capital:				
Inventories	**(29,787)**	7,442	**-**	-
Trade and other receivables	**(103,954)**	82,822	**(10,535)**	58,862
Trade and other payables	**54,825**	(5,509)	**(44)**	(299)
Cash generated from/(used in) operations	**321,996**	364,161	**(11,249)**	48,979
Taxation refunded	**4,810**	9,040	**4,876**	6,666
Interest expense paid	**(17,095)**	(17,047)	**(7,132)**	(10,711)
Interest income received	**3,591**	6,340	**1,306**	2,758
Dividend received	**20**	431	**121,638**	88,366
Retirement benefits paid	**-**	(115)	**-**	-
Net cash generated from operating activities	**313,322**	362,810	**109,439**	136,058
Cash flow from investing activities				
Proceed from disposal of investments	**2,162**	12,241	**-**	-
Proceeds from disposal of property, plant and equipment	**3,267**	1,024	**-**	-
Purchase of property, plant and equipment #	**(368,080)**	(230,767)	**-**	(776)
Purchase of additional shares in subsidiaries	**-**	-	**(20,000)**	(13,752)
Redemption of redeemable preference shares by a subsidiary	**-**	-	**-**	10,000
Net cash used in investing activities	**(362,651)**	(217,502)	**(20,000)**	(4,528)

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash flow from financing activities				
Proceeds from borrowings	**296,208**	635,895	**20,000**	152,590
Repayments of borrowings	**(221,937)**	(648,052)	**(55,310)**	(166,123)
Dividend paid to minority shareholders of subsidiaries	**(35,940)**	(33,445)	**-**	-
Dividend paid to shareholders of the Company	**(74,591)**	(74,595)	**(74,591)**	(74,595)
Advance to subsidiaries	**-**	-	**(22,521)**	(9,370)
Repayment of finance lease	**(2,957)**	(2,569)	**-**	-
Purchase of treasury shares	**(101)**	-	**(101)**	-
Net cash used in financing activities	**(39,318)**	(122,766)	**(132,523)**	(97,498)
Net change in cash and cash equivalents	**(88,647)**	22,542	**(43,084)**	34,032
Cash and cash equivalents at beginning of year	**173,446**	150,904	**58,515**	24,483
Effect on foreign exchange	**(90)**	-	**-**	-
Cash and cash equivalents at end of year	**84,709**	173,446	**15,431**	58,515

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

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	**84,754**	173,449	**15,476**	58,518
Bank overdrafts (Note 11)	**(45)**	(3)	**(45)**	(3)
	84,709	173,446	**15,431**	58,515

\# During the year, the Group acquired property, plant and equipment with an aggregate cost of RM370,047,000 (2005: RM232,506,000) of which RM1,967,000 (2005: RM1,739,000) was acquired by means of finance lease arrangement.

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Group and the Company are consistent with those adopted in the previous years.

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

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

(c) Property, plant and equipment and depreciation

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

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

Depreciation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Investments

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

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

(e) Goodwill

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

(f) Inventories

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

(g) Receivables

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

(h) Impairment

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

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

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

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Impairment (Cont'd)

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

(i) Liabilities

Borrowings and trade and other payables are stated at cost.

(j) Taxation

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

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

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

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

(k) Repurchase of shares

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

(l) Provisions

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plan

The Group and the Company operate an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by FRS2004 119, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iv) Equity and equity related compensation benefits

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

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

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

(n) Cash and cash equivalents

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

(o) Foreign currency

(i) Foreign currency transactions

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Foreign currency (Cont'd)

(ii) Financial statements of foreign operations

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

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

	2006	2005
1USD	RM3.68	RM3.80
1SGD	RM2.31	RM2.25
100JPY	RM3.20	RM3.44
1SWF	RM2.98	RM2.97
1EUR	RM4.67	RM4.60
1RMB	RM0.46	RM0.46

(p) Derivative financial instruments

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

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

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

(q) Revenue recognition

(i) Goods sold

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

(ii) Dividend income

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

(iii) Interest income

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Expenses

(i) Research and development expenditure

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

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

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

(ii) Operating lease payments

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

(iii) Financing costs

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

(s) Dividends

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

(t) Finance leases

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

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

Notes to the Financial Statements

2. COMPANIES IN THE GROUP

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

Name of Subsidiary	Country of Incorporation	Effective Interest 2006 %	Effective Interest 2005 %	Principal Activities
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacturing and testing of semiconductor devices and electronic components
+ Carsem Semiconductor Sdn Bhd	Malaysia	70	70	Dormant
Carsem Holdings Limited	Bermuda	100	100	Investment holding
+#@ Carsem Semiconductor (Suzhou) Co., Ltd.	The People's Republic of China	100	100	Designing, manufacturing, assembling, testing and marketing of semiconductor devices and electronic components
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacturing and sale of leadframes
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
+* Carsem Inc.	USA	70	70	Semiconductor devices' and electronic components' marketing agent
* Dyna-Craft Industries, Inc.	USA	100	100	Dormant
# MPI (BVI) Limited	British Virgin Islands	100	100	Investment holding and trading in securities

\+ *Sub-subsidiary.*

\# *Subsidiary not audited by KPMG.*

@ *Subsidiary is consolidated based on unaudited financial statements. The subsidiary's latest audited financial statements is for the financial year ended 31 December 2005. The financial year end of this subsidiary is 31 December as required under the local regulations in its country of incorporation.*

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Long term leasehold land and building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2005	5,419	264,089	2,090,486	51,183	2,411,177
Additions	-	5,913	311,852	52,282	370,047
Disposals	-	-	(10,686)	-	(10,686)
Write off	-	-	(40,321)	-	(40,321)
Reclassification	-	44,447	32,807	(77,254)	-
Currency translation differences	(932)	49	159	-	(724)
At 30 June 2006	**4,487**	**314,498**	**2,384,297**	**26,211**	**2,729,493**
Accumulated depreciation					
At 1 July 2005	3,356	75,481	1,305,964	-	1,384,801
Charge for the year	-	13,695	202,733	-	216,428
Disposals	-	-	(9,237)	-	(9,237)
Write off	-	-	(37,883)	-	(37,883)
Currency translation differences	(865)	(7)	20	-	(852)
At 30 June 2006	**2,491**	**89,169**	**1,461,597**	**-**	**1,553,257**
Net book value					
At 30 June 2006	**1,996**	**225,329**	**922,700**	**26,211**	**1,176,236**
At 30 June 2005	2,063	188,608	784,522	51,183	1,026,376
Depreciation charge for the year ended 30 June 2005	-	12,409	199,567	-	211,976

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2005	1,050
Disposals	(4)
At 30 June 2006	**1,046**
Accumulated depreciation	
At 1 July 2005	429
Charge for the year	156
Disposals	(4)
At 30 June 2006	**581**
Net book value	
At 30 June 2006	**465**
At 30 June 2005	621
Depreciation charge for the year ended 30 June 2005	174

Included in property, plant and equipment of the Group are plant and machinery acquired under finance lease agreements with a net book value of RM3,222,000 (2005: RM2,342,000) and interest capitalised during the financial year of RM124,000 (2005: RM176,000) at a rate of 3.6% (2005: 3.6%) per annum.

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

4. INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long term				
Unquoted shares, at cost:				
Subsidiaries	**-**	-	**555,813**	535,813
Less: Impairment losses	**-**	-	**(45,615)**	(45,615)
	-	-	**510,198**	490,198
Other investments	**693**	693	**693**	693
	693	693	**510,891**	490,891

4. INVESTMENTS (Cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Market value of investments				
Quoted shares in Malaysia	-	1,636*	-	-

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

5. INTANGIBLE ASSETS

Group	**Goodwill RM'000**	**Development expenditure RM'000**	**Total RM'000**
Cost			
At 1 July 2005/ 30 June 2006	**36,722**	**2,400**	**39,122**
Cumulative amortisation			
At 1 July 2005	20,646	1,800	22,446
Amortisation charge for the year	1,838	600	2,438
Write off	1,845	-	1,845
At 30 June 2006	**24,329**	**2,400**	**26,729**
At cost less cumulative amortisation			
At 30 June 2006	**12,393**	**-**	**12,393**
At 30 June 2005	16,076	600	16,676
Amortisation charge for the year ended 30 June 2005	1,863	300	2,163

6. OTHER ASSETS

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

Notes to the Financial Statements

7. INVENTORIES

	Group 2006 RM'000	Group 2005 RM'000
At cost		
Raw materials	**52,637**	31,140
Work-in-progress	**12,999**	10,151
Finished goods	**17,693**	12,019
Consumable spares	**7,484**	7,716
	90,813	61,026

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	**217,002**	159,854	**-**	-
Amount due from:				
Subsidiaries	**-**	-	**33,557**	11,722
Related companies	**-**	100	**-**	-
Other debtors	**6,474**	4,209	**16**	29
Deposits	**972**	4,667	**4**	5
Prepayments	**11,365**	9,109	**5**	5
	235,813	177,939	**33,582**	11,761

Group

The amount due from related companies in the previous year were non-trade, unsecured, interest free and had no fixed term of repayments.

Company

The amount due from subsidiaries are non-trade, unsecured and have no fixed term of repayments. The amount are interest free other than a loan to a subsidiary amounting to RM33,187,500 (2005: RM11,400,000) which bears interest of 4.0% to 4.3% (2005: 3.0% to 4.1%) per annum.

9. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deposits with:				
Licensed banks	**55,663**	82,016	**2,187**	15,320
Licensed finance companies	**-**	5,000	**-**	5,000
Discount house	**16,088**	75,602	**13,088**	37,666
	71,751	162,618	**15,275**	57,986
Cash and bank balances	**13,003**	10,831	**201**	532
	84,754	173,449	**15,476**	58,518

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

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deposits and bank balances	**443**	43,327	**201**	20,235

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Trade payables	**85,953**	70,480	**-**	-
Amount due to:				
Subsidiaries	**-**	-	**282**	138
Related companies	**257**	406	**-**	-
Consumables, tooling and transport purchases	**29,408**	23,147	**-**	-
Property, plant and equipment purchases	**94,045**	63,298	**-**	-
Accruals - operating expenses	**48,814**	42,209	**943**	1,131
	258,477	199,540	**1,225**	1,269

Group

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

Company

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

Notes to the Financial Statements

11. BORROWINGS (UNSECURED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current				
Term loans	**107,144**	57,379	**51,994**	42,180
Bank overdrafts	**45**	3	**45**	3
Bankers acceptances	**99,436**	62,644	**-**	-
Finance lease	**1,568**	2,290	**-**	-
Revolving credits	**80,000**	7,600	**12,000**	-
	288,193	129,916	**64,039**	42,183
Non-current				
Term loans	**132,285**	223,867	**49,597**	109,820
Finance lease	**69**	337	**-**	-
	132,354	224,204	**49,597**	109,820
	420,547	354,120	**113,636**	152,003

Finance lease liabilities are payable as follows:

	2006			2005		
Group	**Total RM'000**	**Interest RM'000**	**Principal RM'000**	**Total RM'000**	**Interest RM'000**	**Principal RM'000**
Less than one year	**1,629**	**61**	**1,568**	2,290	-	2,290
Between one and five years	**92**	**23**	**69**	337	-	337
	1,721	**84**	**1,637**	2,627	-	2,627

The finance lease arrangement bears interest of 4.0% to 6.0% (2005: 4.0% to 5.0%) per annum.

Group

The term loans are repayable in varying instalments and at various dates from the financial years 2006 to 2009 (2005: 2006 to 2010). The term loans bear interest from 4.3% to 6.2% (2005: 3.4% to 4.3%) per annum. The term loans are denominated in the following foreign currencies:

	2006 RM'000	2005 RM'000
USD loan	**211,841**	266,047
RMB loan	**27,588**	15,199

The bank overdraft bears interest of 3.8% (2005: 3.6%) per annum.

The bankers' acceptances bear interest of 2.9% to 4.3% (2005: 2.9% to 3.0%) per annum.

11. BORROWINGS (UNSECURED) (Cont'd)

The revolving credit which is repayable on demand is subject to interest of 4.2% to 4.5% (2005: 4.0%)

Company

The term loans bear interest from 5.6% to 6.1% (2005: 4.1% to 4.3%) per annum and are repayable in varying instalments and at various dates from the financial years 2006 to 2008 (2005: 2006 to 2009). The term loans are denominated in US Dollars. The bank overdraft bears interest of 3.8% (2005: 3.6%) per annum.

12. PROVISION

	Group	
	2006 RM'000	**2005 RM'000**
At 1 July	**6,800**	-
Provision	**8,440**	6,800
Payments	**(14,769)**	-
Reversal	**(247)**	-
Transfer to other payables	**(224)**	-
At 30 June	**-**	6,800

The provision was in respect of an Early Separation Programme initiated in the previous financial year and offered to all eligible employees of the Group strictly on a voluntary basis. The exercise was completed during the year.

13. SHARE CAPITAL

	Group and Company			
	2006		**2005**	
	Number of shares '000	**RM'000**	**Number of shares '000**	**RM'000**
Ordinary shares of RM0.50 each				
Authorised:				
At 1 July/30 June	**400,000**	**200,000**	400,000	200,000
Issued and fully paid:				
At 1 July/30 June	**209,884**	**104,942**	209,884	104,942

During the financial year, the Company bought back 10,000 of its own shares at an average price of RM10.0 per ordinary share from the open market. As at 30 June 2006, the total number of shares bought back was 10,976,000 (2005: 10,966,000) ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Notes to the Financial Statements

14. RESERVES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reserves consist of				
Share premium	**249,952**	249,952	**249,952**	249,952
Capital redemption reserve	**310**	310	**-**	-
Exchange fluctuation reserve	**(1,764)**	(3,629)	**-**	-
Retained profits	**506,487**	473,943	**270,693**	226,052
	754,985	720,576	**520,645**	476,004

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

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all its retained profits at 30 June 2006 if paid out as dividends.

15. EMPLOYEE BENEFITS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 July	**506**	586	**245**	245
Provision	**-**	35	**-**	-
Payment	**-**	(115)	**-**	-
At 30 June	**506**	506	**245**	245

16. DEFERRED TAXATION

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

	Group	
	2006	**2005**
	RM'000	**RM'000**
Deferred tax liabilities	26,316	8,882

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

16. DEFERRED TAXATION (Cont'd)

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

	Group	
	2006	**2005**
	RM'000	**RM'000**
Property, plant and equipment	**50,787**	37,220
Unabsorbed capital allowances	**(17,964)**	(22,839)
Other deductible temporary differences	**(6,507)**	(5,499)
	26,316	8,882

No deferred tax is recognised for the following items:

Deductible temporary differences	**475**	15,222
Unutilised tax losses	**3,016**	3,016
	3,491	18,238

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

17. OPERATING PROFIT

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue				
Sales of goods	**1,359,745**	1,113,971	**-**	-
Dividends	**20**	431	**122,140**	89,793
	1,359,765	1,114,402	**122,140**	89,793
Cost of sales				
Sales of goods	**(1,097,945)**	(954,798)	**-**	-
Gross profit	**261,820**	159,604	**122,140**	89,793
Distribution costs	**(17,526)**	(17,176)	**-**	-
Administration expenses	**(49,191)**	(67,257)	**(1,205)**	(1,484)
Other operating expenses	**(24,854)**	(21,032)	**(1,551)**	(8,867)
Other operating income	**8,636**	9,931	**4,343**	593
Operating profit	**178,885**	64,070	**123,727**	80,035

Notes to the Financial Statements

17. OPERATING PROFIT (Cont'd)

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Allowance for slow moving inventories	**5,037**	2,742	**-**	-
Amortisation of development expenditure	**600**	300	**-**	-
Amortisation of goodwill	**1,838**	1,863	**-**	-
Auditors' remuneration				
Holding company auditors				
- current year	**98**	96	**17**	17
- overprovision in prior years	**-**	(10)	**-**	-
- other services	**39**	20	-	-
Other auditors				
- current year	**26**	22	**-**	-
- over provision in prior year	**-**	(6)	**-**	-
Bad debts recovered	**(6)**	-	**-**	-
Bad debts written off	**-**	4	**-**	-
Depreciation	**216,428**	211,976	**156**	174
Directors' remuneration				
Fees	**300**	300	**230**	230
Other emoluments	**2,249**	2,523	**401**	401
Gain on disposal of property, plant and equipment	**(1,818)**	(685)	**-**	-
Gain on disposal of investments	**(2,162)**	(8,271)	**-**	-
Loss/(gain) on foreign exchange				
realised	**12,555**	(2,781)	**(681)**	(593)
unrealised	**2,878**	-	**(2,413)**	-
Goodwill written off	**1,845**	-	**-**	-
Gross dividends from:				
Unquoted subsidiaries	**-**	-	**(122,140)**	(89,793)
Investments quoted in Malaysia	**(20)**	(20)	**-**	-
Investments quoted outside Malaysia	**-**	(411)	-	-
Interest expense				
Term loan	**14,810**	14,451	**7,132**	10,232
Others	**2,285**	2,596	**-**	479
Property, plant and equipment written off	**2,438**	3,749	**-**	-
Provision for early separation	**8,193**	6,800	**-**	-
Provision for retirement benefits	**-**	35	**-**	-
Rental of property, plant and equipment and office	**3,589**	3,578	**52**	52
Rental income	**(283)**	(284)	**-**	-
Research and development expenditure	**13,118**	13,793	**-**	-

The estimated monetary value of Directors' benefits-in-kind of the Group is RM106,000 (2005: RM64,000).

18. EMPLOYEES INFORMATION

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Staff costs	**297,125**	278,919	**138**	199

The number of employees of the Group and Company (excluding directors) at the end of the year was 12,222 (2005: 11,165) and 2 (2005: 2) respectively. Staff costs include contributions to Employees' Provident Fund of the Group and Company of RM22,986,000 (2005: RM23,619,000) and RM13,000 (2005: RM18,000) respectively and remuneration expenses in respect of ESOS of the Group amounting to RM298,000 (2005: RM8,850,000).

19. TAXATION

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current taxation				
Malaysia				
- current year	**-**	127	**-**	1,427
- over provision in prior years	**(2,011)**	(4,806)	**(1,331)**	(4,506)
Outside Malaysia- current year	**88**	-	**-**	-
	(1,923)	(4,679)	**(1,331)**	(3,079)
Deferred taxation	**17,434**	(24,220)	**-**	-
	15,511	(28,899)	**(1,331)**	(3,079)

Reconciliation of tax expense

Profit before taxation	**165,381**	53,363	**117,901**	72,082
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**46,307**	14,942	**33,012**	20,183
Non-deductible expenses	**5,307**	12,017	**1,187**	4,959
Losses not available for set off	**761**	4,929	**-**	-
Tax exempt income	**(42,548)**	(34,264)	**(34,199)**	(23,715)
Effect of temporary differences arising/ (reversing) in pioneer period	**12,145**	(24,220)	**-**	-
Deferred tax assets not recognized during the year	**(4,129)**	2,745	**-**	-
Others	**(321)**	(242)	**-**	-
	17,522	(24,093)	**-**	1,427
Overprovision in prior years	**(2,011)**	(4,806)	**(1,331)**	(4,506)
Taxation	**15,511**	**(28,899)**	**(1,331)**	**(3,079)**

Notes to the Financial Statements

20. 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 ordinary shareholders of RM107,135,000 (2005: RM47,478,000) by the weighted average number of ordinary shares outstanding during the financial year of 198,914,949 (2005: 198,918,419) calculated as follows:-

Weighted average number of ordinary shares

	Group and Company	
	2006	**2005**
	'000	**'000**
Issued ordinary shares at beginning of year	**198,918**	198,918
Effect of purchase of treasury shares	**(3)**	-
Weighted average number of shares	**198,915**	198,918

Diluted earnings per ordinary share

There were no dilution in the earnings per ordinary share in the current and previous financial years as there were no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares were used in calculating the potential dilution of its earnings per share.

21. DIVIDENDS

	Group and Company	
	2006	**2005**
	RM'000	**RM'000**
Ordinary		
First interim:		
15.0 sen per share tax exempt paid on 23 December 2005		
(2005: 15.0 sen per share tax exempt)	**29,837**	29,838
Second interim:		
22.5 sen per share tax exempt paid on 20 June 2006		
(2005: 22.5 sen per share tax exempt)	**44,754**	44,757
	74,591	74,595

22. SEGMENTAL INFORMATION

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

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

22. SEGMENTAL INFORMATION (Cont'd)

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

Business segments

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

Geographical segments

The Group comprises two main geographical segments namely, Malaysia and People's Republic of China.

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

(a) Business segments

	Semiconductor		Investment holdings		Consolidated	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Total revenue	**1,359,745**	1,113,971	**20**	431	**1,359,765**	1,114,402
Segment result	**179,427**	66,126	**(542)**	(2,056)	**178,885**	64,070
Interest expense					**(17,095)**	(17,047)
Interest income					**3,591**	6,340
Profit before taxation					**165,381**	53,363
Taxation					**(15,511)**	28,899
Profit after taxation					**149,870**	82,262
Minority interests					**(42,735)**	(34,784)
Net profit for the year					**107,135**	47,478
Segment assets	**1,580,872**	1,334,958	**19,340**	120,396	**1,600,212**	1,455,354
Unallocated assets					**45,573**	13,308
Total assets					**1,645,785**	1,468,662
Segment liabilities	**564,441**	407,174	**113,636**	152,003	**678,077**	559,177
Unallocated liabilities					**27,791**	10,671
Total liabilities					**705,868**	569,848
Capital expenditure	**370,047**	231,730	**-**	776	**370,047**	232,506
Depreciation and amortisation	**218,710**	213,965	**156**	174	**218,866**	214,139
Non-cash expenses other than depreciation and amortisation	**7,301**	10,549	**(140)**	-	**7,161**	10,549

Notes to the Financial Statements

22. SEGMENTAL INFORMATION (Cont'd)

(b) Geographical segments

	(Based on location of assets)			
	Segment assets		Capital expenditure	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia	**1,477,653**	1,376,471	**299,245**	204,688
People's Republic of China	**165,524**	88,805	**70,771**	27,818
Others	**2,608**	3,386	**31**	-
	1,645,785	1,468,662	**370,047**	232,506

23. COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Property, plant and equipment:		
Authorised and contracted for	**104,245**	38,098
Authorised but not contracted for	**67,172**	50,047
	171,417	88,145
Lease commitments:		
Commitments under operating leases:		
Expiring within one year	**1,197**	962
Expiring between one to five years	**4,190**	3,855
Expiring after five years	**41,030**	42,208
	46,417	47,025

Group

The Group has lease commitments of RM906,000 (2005: RM906,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expire on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

24. HOLDING COMPANIES

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

25. RELATED PARTIES

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

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

i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a deemed major shareholder of the Company through Hong Leong Industries Berhad ("HLI"). YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San ("Mr Kwek LS"), is a Director and a shareholder of the Company and HLCM. Mr Quek Leng Chye ("Mr Quek LC") is a shareholder and a deemed major shareholder of the Company and HLCM. Tan Sri Quek, Mr Kwek LS and Mr Quek LC are brothers. HLCM is a person connected with Tan Sri Quek, Mr Kwek LS and Mr Quek LC;

ii) Hong Leong Assurance Berhad ("HLA"), HLG Capital Berhad ("HLG"), GuacoLand (Malaysia) Berhad ("GLM"), BIL International Limited ("BIL") and Hong Leong Bank Berhad ("HLB") are subsidiaries of HLCM;

iii) O.Y.L. Industries Bhd ("O.Y.L.") is an associate of HLCM;

iv) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected with YBhg Tan Sri Dato Zaki bin Tun Azmi, a Director of certain related companies of HLCM; and

v) Guardian Security Consultants Sdn Bhd ("GSC") is an indirect associate of HLCM.

Significant transactions with related parties are as follows:

Transactions	Related parties	Group 2006 RM'000	Group 2005 RM'000
a) Purchase of air- conditioners, air ventilation systems, compressors and related products	Subsidiary of O.Y.L.	**247**	152
b) Rental of shared office space	HLA	**52**	52
c) Receipt of insurance and insurance broking services, stock broking and corporate advisory services, hotel related services, security services, internet protocol services, after sales services in respect of air-conditioners and related products.	HLA, BIB, HLG and its subsidiaries, GLM, BIL and its subsidiaries, GSC, HLI and its subsidiaries and O.Y.L. and its subsidiaries	**5,876**	6,778
d) Receipt of corporate office support services	Subsidiary of HLI	**721**	712
e) Receipt of group management and/or support services	Subsidiary and an associated company of HLCM	**5,280**	6,229

25. RELATED PARTIES (Cont'd)

Transactions	Related parties	Group 2006 RM'000	Group 2005 RM'000
f) Payment for usage of the Hong Leong logo and trademark	HLCM	**12**	15
g) Interest income	HLB and its subsidiary	**1,032**	3,702

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

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

Credit risk

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

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

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

26. FINANCIAL INSTRUMENTS (Cont'd)

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

Effective interest rates and repricing analysis

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

	2006				2005			
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Group								
Financial assets								
Deposits with financial institutions	**2.8**	**71,751**	**71,751**	-	2.6	162,618	162,618	-
Financial liabilities								
Borrowings - floating rate	**5.3**	**291,886**	**291,886**	-	3.9	288,850	288,850	-
Borrowings - fixed rate	**5.4**	**27,588**	**27,588**	-	-	-	-	-
Bankers' acceptances	**3.9**	**99,436**	**99,436**	-	3.0	62,644	62,644	-
Company								
Financial assets								
Deposits with financial institutions	**3.2**	**15,275**	**15,275**	-	2.6	57,986	57,986	-
Amount due from a subsidiary	**-**	**-**	**-**	-	4.0	11,400	11,400	-
Financial liabilities								
Borrowings - floating rate	**6.0**	**113,636**	**113,636**	-	4.3	152,003	152,003	-

Fair values

Recognised financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company as at 30 June 2006 approximate their fair value.

The carrying amounts of financial assets and liabilities of the Group and of the Company as at end of the previous financial year approximated their fair value except the following:

	Group 2005	
	Carrying amount RM'000	Fair value RM'000
Financial assets		
Investments in quoted shares in Malaysia	**-**	1,636

26. FINANCIAL INSTRUMENTS (Cont'd)

Unrecognised financial instruments

The contracted amount of financial instruments not recognised in the balance sheet are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Forward foreign exchange contracts	**587,352**	44,071	**2,032**	130

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

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

27. CONTINGENT LIABILITIES

Amkor Technology, Inc. ("Amkor") has filed a complaint with the International Trade Commission ("ITC") on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively "Carsem Group") of infringing three of Amkor's United States Patents. Amkor has also filed a civil lawsuit at the District Court on even date alleging Carsem Group of infringement of the same three patents which are the subject of the ITC investigation.

Following a hearing in July and August 2004, an Administrative Law Judge ("ALJ") issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.

Carsem Group has now been advised by its lawyers that the ALJ has found that some but not all of Carsem Group's devices infringed on Amkor's patents. Carsem Group has filed a petition for review by the ITC and the motion to extend the target date for completion of this investigation by three months pending ASAT, Inc.'s subpoena enforcement proceeding ("ASAT Proceeding").

Carsem Group's motion is granted to the extent that the target date for completion of the investigation is extended to a date that is three months after completion of the ASAT Proceeding.

As at the date of this report, the ASAT Proceeding is still pending.

28. COMPARATIVES

Certain comparatives have been reclassified to conform with current year's presentation.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 31 to 60 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2006 and of the results of their operations and cash flow for the year ended on that date.

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur
16 August 2006

Statutory Declaration

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

I, CHEAH WING KET, being the officer primarily responsible for the financial management of Malaysian Pacific Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed CHEAH WING KET in Kuala Lumpur on 16 August 2006.

CHEAH WING KET

Before me
S. MASOHOOD OMAR
Persuruhjaya Sumpah
Commissioner for Oaths

Report of the Auditors

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

We have audited the financial statements set out on pages 31 to 60. The preparation of the financial statements is the responsibility of the Company's Directors.

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

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

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

  i) the state of affairs of the Group and of the Company at 30 June 2006 and the results of their operations and cash flows for the year ended on that date; and

  ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 2 to the financial statements and we have considered their financial statements and the auditors' reports thereon. We have also considered the financial statements of Carsem Inc. and Dyna-Craft Industries, Inc. (incorporated in the United States of America) which are not required to be audited in their respective countries of incorporation and Carsem Semiconductor (Suzhou) Co., Ltd whose latest audited financial statement is for the year ended 31 December 2005 as required under the local regulation in its country of incorporation.

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

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Partner
Approval Number: 2613/12/06(J)

Kuala Lumpur
16 August 2006

Other Information

1. PROPERTIES HELD AS AT 30 JUNE 2006

Location	Tenure	Existing Use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2006 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak	20 Apr 2074	Factory & Office Building	21 Sept 1998	158,297	10-31	9,371
Jalan Lapangan Terbang 30720 Ipoh Perak	15 Aug 2081	Factory & Office Building	21 Sept 1998	64,469	8-18	14,870
Jalan Lapangan Terbang 30720 Ipoh Perak	23 May 2082	Factory & Office Building	21 Sept 1998	19,849	10-18	1,568
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Industrial Land - Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	18,273
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Factory & Office Building	07 Apr 1989	45,680	12	4,452
Jalan Lapangan Terbang 30720 Ipoh Perak	06 Nov 2063	Leasehold vacant land	07 Nov 2003	66,812	-	1,350
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Factory & Office Building	30 Oct 1992	1,348,704	15	95,245
Plot 73021, Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021, People's Republic of China.	01 Jan 2052	Factory & Office Building	30 Apr 2002	430,550	3	29,173
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory & Office Building	18 Jun 1995	257,000	12	25,004
Lot 8, Bayan Lepas, Pulau Pinang,	16 Jun 2058	Factory & Office Building	18 Jun 1995	105,000	7	15,586
Plot 15,Bayan Lepas, Pulau Pinang	22 Feb 2065	Factory & Office Building	24 Feb 2005	174,243	-	25,942
4060, norbatrol Ave, Murrysville,Pennsylvania	Freehold	Factory & Office Building	22 Jan 1996	52,000	41	1,996

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006

Class of Share : Ordinary share of RM0.50 each
Voting Rights
- On a show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 21 August 2006

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	185	5.83	4,608	0.00
100 – 1,000	1,509	47.57	1,098,971	0.55
1,001 – 10,000	1,201	37.86	4,014,831	2.02
10,001 – 100,000	207	6.53	6,230,152	3.13
100,001 – less than 5% of issued shares	68	2.15	63,942,410	32.15
5% and above of issued shares	2	0.06	123,617,447	62.15
	3,172	100.00	198,908,419	100.00

List Of Thirty Largest Shareholders As At 21 August 2006

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	111,940,447	56.28
2. Employees Provident Fund Board	11,677,000	5.87
3. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	6,307,700	3.17
4. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	6,115,000	3.07
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	5,349,600	2.69
6. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (MPIB)	4,000,000	2.01
7. Valuecap Sdn Bhd	3,975,700	2.00
8. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	3,935,500	1.98
9. Pertubuhan Keselamatan Sosial	3,905,000	1.96
10. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	2,526,200	1.27
11. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	2,503,000	1.26
12. Permodalan Nasional Berhad	2,038,000	1.03

2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

List Of Thirty Largest Shareholders As At 21 August 2006 (Cont'd)

Names of Shareholders	No. of Shares	%
13. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	1,994,500	1.00
14. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for American International Assurance Company Limited	1,557,000	0.78
15. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	1,507,000	0.76
16. Hong Leong Assurance Berhad - As Beneficial Owner	1,345,800	0.68
17. Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,276,700	0.64
18. Hong Leong Industries Berhad	1,000,100	0.50
19. Lembaga Tabung Haji	927,000	0.47
20. DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	744,600	0.37
21. Assets Nominees (Tempatan) Sdn Bhd - HLCM Capital Sdn Bhd	735,000	0.37
22. Takaful Nasional Sdn Berhad	728,100	0.37
23. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Amanah Pencen	610,000	0.31
24. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	603,000	0.30
25. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Nasional 2	550,700	0.28
26. Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Amanah SSCM Nominees (Tempatan) Sdn Bhd	485,100	0.24
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse	482,000	0.24
28. Mayban Nominees (Tempatan) Sdn Bhd - Affin Equity Fund	452,000	0.23
29. Cimsec Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	435,500	0.22
30. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	417,000	0.21
	180,124,247	90.56

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 21 August 2006 are as follows:

		Direct Interest		Indirect Interest	
		No. of shares	%	No. of shares	%
1.	YBhg Tan Sri Quek Leng Chan	-	-	115,694,309*	58.16*
2.	Hong Leong Industries Berhad	113,131,047	56.88	-	-
3.	Hong Leong Company (Malaysia) Berhad	-	-	115,640,809+	58.14+
4.	HL Holdings Sdn Bhd	-	-	115,640,809#	58.14#
5.	Hong Realty (Private) Limited	-	-	115,640,809#	58.14#
6.	Hong Leong Investment Holdings Pte Ltd	-	-	115,640,809#	58.14#
7.	Kwek Holdings Pte Ltd	-	-	115,640,809#	58.14#
8.	Mr Kwek Leng Beng	-	-	115,640,809#	58.14#
9.	Mr Kwek Leng Kee	-	-	115,640,809#	58.14#
10.	Davos Investments Holdings Private Limited	-	-	115,640,809#	58.14#
11.	Mr Quek Leng Chye	150,000	0.08	115,640,809#	58.14#
12.	Employees Provident Fund Board	16,819,400	8.46	-	-

Notes:

+ *Deemed interest through subsidiaries*

* *Deemed interest through Hong Leong Company (Malaysia) Berhad and a company in which YBhg Tan Sri Quek Leng Chan has interest*

Deemed interest through Hong Leong Company (Malaysia) Berhad

3. DIRECTORS' INTERESTS AS AT 21 AUGUST 2006

Subsequent to the financial year-end, there is no change, as at 21 August 2006, to the Directors' interests in the ordinary shares and/or convertible unsecured loan stocks of the Company and/or related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 27 as recorded in the Register of Directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. SHARE BUYBACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
November 2005	5,000	9.60	9.60	9.67	48,355
May 2006	5,000	10.30	10.30	10.38	51,882

Note:

* *Inclusive of transaction charges*

5. MATERIAL CONTRACTS

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

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

FORM OF PROXY

I/We____

of____

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

____

of____

or failing him/her____

of____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-fifth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 10 October 2006 at 2.15 p.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To re-elect Mr David Edward Comley as a Director		
3.	To re-elect Mr Tan Keok Yin as a Director		
4.	To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration		
5.	As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this .... day of 2006

_____________________ _____________________

Number of Shares held Signature(s) of Member(s)

Notes:

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