

# contents

Malaysian Pacific Industries Berhad Annual Report 2001

<b>2</b>	Corporate Information
<b>3</b>	Directors' Profile
<b>5</b>	Audit Committee Report
<b>7</b>	Notice of Annual General Meeting
<b>10</b>	Statement Accompanying Notice of Annual General Meeting
<b>11</b>	Group Financial Highlights
<b>12</b>	Corporate Governance
<b>14</b>	Chairman's Statement
<b>18</b>	Directors' Report
<b>22</b>	Balance Sheets
<b>23</b>	Income Statements
<b>24</b>	Statements of Changes in Equity
<b>25</b>	Cash Flow Statements
<b>27</b>	Notes to the Financial Statements
<b>42</b>	Statement by Directors
<b>42</b>	Statutory Declaration
<b>43</b>	Report of the Auditors
<b>44</b>	Other Information
	Form of Proxy

# 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

## Secretaries

Ms Queek Chai Choo

Ms Joanne Leong Wei Yin

## Auditors

KPMG

Wisma KPMG

Jalan Dungun

Damansara Heights

50490 Kuala Lumpur

Tel: 03-255 3388

Fax: 03-255 0971

## Registrar

Hong Leong Nominees Sendirian Berhad

Level 5, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 1818

Fax: 03-2164 3703

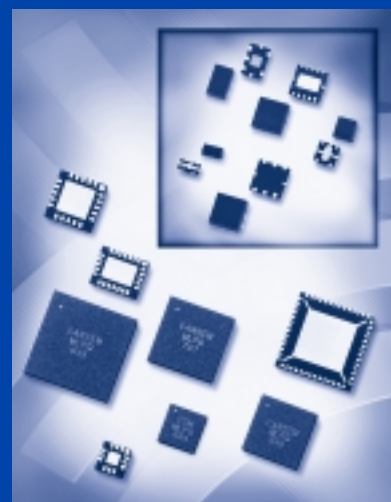
## Registered Office

Level 9, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 2631

Fax: 03-2164 2514



Directors  
Secretaries  
Auditors  
Registrar  
Registered Office  
**Corporate**  
Information

# Directors' Profile

## Mr Kwek Leng San

*Executive Chairman/Non-Independent*

Aged 46, Mr Kwek Leng San, a Singaporean, obtained a Bachelor of Science (Engineering) degree from University of London in 1978 and a Master of Science (Finance) degree from City University, London in 1979. He was appointed as a Director of MPIB on 20 July 1990 and subsequently as the Group Managing Director of MPIB from September 1990 to August 1993. Presently, Mr Kwek is the Executive Chairman of MPIB. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee and a member of the Share Transfer Committee and Audit Committee of MPIB.

His other directorships in public companies are as follows:

- President & Chief Executive Officer of Hong Leong Industries Berhad and Hume Industries (Malaysia) Berhad, both public listed companies.
- Group Managing Director of Camerlin Group Berhad, a public listed company.
- Director of O.Y.L. Industries Bhd, Hume Cemboard Berhad and Southern Steel Berhad, all public listed companies.
- Chairman of Industrial Concrete Products Berhad, a public listed company.
- Director of Hong Leong Company (Malaysia) Berhad and Guolene Packaging Industries Berhad, both public companies.

He has a direct shareholding of 339,000 ordinary shares in MPIB. He does not hold any shares in the subsidiary companies of MPIB.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

Mr Kwek is a brother of Tan Sri Quek Leng Chan, a deemed major shareholder of MPIB, has no conflict of interest with MPIB and has no convictions for offences within the past ten years.

## Mr David Edward Comley

*Group Managing Director/Non-Independent*

Aged 52, Mr David Edward Comley, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree in 1970. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to joining MPIB as a Director and subsequently as the Group Managing Director on 16 August 1993 and 1 May 1994 respectively, he was with ITEQ Europe and AMKOR ANAM Europe Ltd. In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

Mr David Comley is a member of the ESOS Committee and Share Transfer Committee of MPIB. He is also a Director of Hong Leong Industries Berhad, a public listed company and the holding company of MPIB.

Mr David Comley has a direct shareholding of 262,000 ordinary shares in MPIB and 400,000 options pursuant to the ESOS of MPIB. He does not hold any shares in the subsidiary companies of MPIB.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

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

## Tuan Syed Zaid bin Syed Jaffar Albar

*Non-Executive Director/Non-Independent*

Aged 47, Tuan Syed Zaid bin Syed Jaffar Albar, a Malaysian, qualified with a B.A. (Honours) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 22 years. Presently, he is the managing partner of an established law firm in Kuala Lumpur. He was appointed to the Board of MPIB on 7 July 1994.

Tuan Syed Zaid is the Chairman of the Audit Committee of MPIB. He is also a Director of Hume Cemboard Berhad, Malaysia Pacific Land Berhad, Renong Berhad and EPE Power Corporation Berhad, all of which are public listed companies.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

Tuan Syed Zaid does not hold any shares in MPIB and its subsidiaries, has no family relationship with other Directors or major shareholders of MPIB, has no conflict of interest with MPIB and has no convictions for offences within the past ten years.

## Directors' Profile (cont'd)

### Mr Tan Keok Yin

*Non-Executive Director/Independent*

Aged 57, Mr Tan Keok Yin, a Malaysian, graduated from University of Malaya with a Bachelor of Arts (Economics) (Honours) degree in 1966. He also holds a Certificate in Executive Programme from the Berkeley Business School, University of California in 1984 and a Certificate in International Boards and Directors Programme from the Swedish Academy of Directors in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966, during which he served in the Economic and Investments Departments and the Penang Branch of BNM. In August 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was the Chief Executive Officer of FMM from 1981 to 1999.

Mr Tan was appointed to the Board of MPIB on 3 July 1995. His other directorships in public companies are as follows:

- Independent Non-Executive Director of Hong Leong Bank Berhad and Chairman of its audit committee, a public listed company.
- Independent Non-Executive Director of Hong Leong Properties Berhad, a public listed company.
- Independent Non-Executive Director and Audit Committee member of Hong Leong Assurance Berhad and Hong Leong Finance Berhad, both public companies.

Mr Tan attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

Mr Tan does not hold any shares in MPIB and its subsidiaries, has no family relationship with any other Directors or major shareholders of MPIB, has no conflict of interest with MPIB and has no convictions for any offences within the past ten years.

### YBhg Tan Sri Asmat bin Kamaludin

*Non-Executive Director/Non-Independent*

Aged 57, Tan Sri Asmat bin Kamaludin, a Malaysian, graduated from University of Malaya with a Bachelor of Arts (Economics) (Honours) degree in 1966. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of over 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 February this year, 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 MPIB on 2 February 2001. He does not sit on any committees of MPIB.

His other directorships in public listed companies are as follows:

- Non-Executive Chairman of UMW Holdings Berhad and Matsushita Electric Company (Malaysia) Berhad.
- Non-Executive Vice Chairman of YTL Cement Berhad.
- Non-Executive Director of Hong Leong Properties Berhad, Carlsberg Brewery Malaysia Bhd, Shangri-la Hotels Malaysia Bhd, Lion Land Berhad and Commerce Asset-Holding Berhad.

He attended two (2) out of four (4) Board Meetings of MPIB held during the financial year ended 30 June 2001 as he was appointed to MPIB in February 2001.

Tan Sri Asmat does not hold any shares in MPIB and its subsidiaries, has no family relationship with any other Directors or major shareholder of MPIB, has no conflict of interest with MPIB and has no convictions for offences within the past ten years.

# Audit Committee Report

## Constitution

The Audit Committee of MPIB has been established since 12 July 1994.

## Composition

Tuan Syed Zaid bin Syed Jaffar Albar  
(Chairman, Non-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 Audit Committee is Ms Queek Chai Choo, who is the Joint Company Secretary of MPIB.

## Meetings

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

Two (2) members of the Audit Committee shall constitute a quorum.

During the financial year ended 30 June 2001, four (4) committee meetings were held and all the meetings were attended by all the Audit Committee members.

After each Audit Committee meeting, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendations to the Board.

## Activities

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

During the financial year, the Audit Committee reviewed the quarterly reports and financial statements of MPIB and its subsidiaries ("the Group"). The Audit Committee had also 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 and discussed recent developments on accounting and auditing standards issued by the Malaysian Accounting Standards Board. In addition, the Audit Committee approved the annual internal audit plan of the Group, reviewed the internal auditor's audit findings and recommendations.

The Audit Committee also approved various related party transactions carried out by the Group.

## Authority

The Audit Committee is authorised by the Board to review any activity of 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 Audit Committee.

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

# Audit Committee Report (cont'd)

## Terms Of Reference

- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the evaluation of the system of internal accounting controls and audit findings.
- To review, with the external auditors, the audit report.
- To review the assistance given by the Company's officers to the external auditors.
- To review the scope and results of the internal audit procedures.
- To review the financial statements of the Company and the consolidated financial statements submitted to the Audit Committee by the Company and thereafter to submit them to the Directors of the Company.
- To review any related party transactions that may arise within the Company or the Group.
- To nominate and recommend for the Board of Directors' approval, a person or persons as auditor(s).
- Other functions as may be agreed to by the Audit Committee and the Board of Directors.

## Internal Audit

During the financial year ended 30 June 2001, the internal audit department carried out its duties in accordance with its annual audit plan covering business audit, system audit, fixed assets audit and operational and financial audit.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 October 2001 at 11.30 a.m. in order:

1. to receive and consider the audited financial statements for the year ended 30 June 2001 and the Directors' and Auditors' Reports thereon;
2. to approve the payment of Directors' fees of RM152,246/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect the following Directors retiring in accordance with the Company's Articles of Association:
  - (a) Mr Tan Keok Yin
  - (b) YBhg Tan Sri Asmat bin Kamaludin;
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as special businesses, to consider and, if thought fit, pass the following ordinary motions:

## **(A) 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 the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.";

## **(B) Authority To Directors On Purchase Of The Company's Own Shares**

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Kuala Lumpur Stock Exchange ("KLSE") and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital through the KLSE subject further to the following:

- (a) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten per centum (10%) of the issued and paid-up share capital ("Shares") for the time being of the Company. The maximum number of Shares which may be purchased by the Company is RM20,988,442 Shares based on the current issued and paid-up capital before adjusting for treasury shares of 209,884,419 ordinary shares of RM0.50 each;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the retained profits and/or the share premium account of the Company. As of 30 June 2001, the audited retained profits and share premium of the Company were RM73,900,000/- and RM250,000,000/- respectively;

# Notice of Annual General Meeting

(cont'd)

- (c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first) but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the KLSE or any other relevant authority; and
- (d) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:
  - (i) cancel the Shares so purchased; or
  - (ii) retain the Shares so purchased as treasury shares; or
  - (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
  - (iv) distribute the treasury shares as dividends to shareholders, and/or resale on the KLSE, and/or cancel all or part of them;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the KLSE and any other relevant authority for the time being in force;

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

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

By Order of the Board

QUEEK CHAI CHOO  
JOANNE LEONG WEI YIN  
Secretaries

Kuala Lumpur  
4 October 2001



1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. A member may appoint any other person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Pursuant to Paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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 appointed for holding the meeting or adjourned meeting.

3. **Explanatory Notes On Special Businesses**

**(A) Authority To Directors To Issue Shares**

In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operating base and earning potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as they 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.

**(B) Authority To Directors On Purchase Of The Company's Own Shares**

The Directors be empowered to exercise the power of the Company to purchase its own shares ("Proposed Share Buy Back") by utilising its financial resources not immediately required. The Proposed Share Buy Back may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy Back are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2001 Annual Report.

# Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange)

## 1. Directors who are standing for re-election at the Fortieth Annual General Meeting ("AGM") of the Company

[Pursuant to Article 114 of the Company's Articles of Association](#)

Mr Tan Keok Yin

[Pursuant to Article 101 of the Company's Articles of Association](#)

YBhg Tan Sri Asmat bin Kamaludin

### Note:

*Mr David Edward Comley, the Group Managing Director of the Company, is employed on a three-year contract, the expiry of which falls on 11 November 2003. As such, he is not subject to retirement by rotation at the Fortieth AGM.*

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

There were four (4) Board meetings held during the financial year ended 30 June 2001. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 3 to 4 of the Annual Report.

## 3. Place, Date and Time of Board Meetings

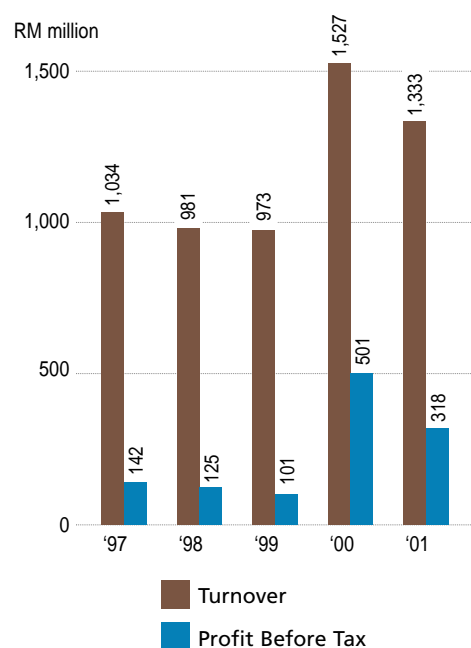
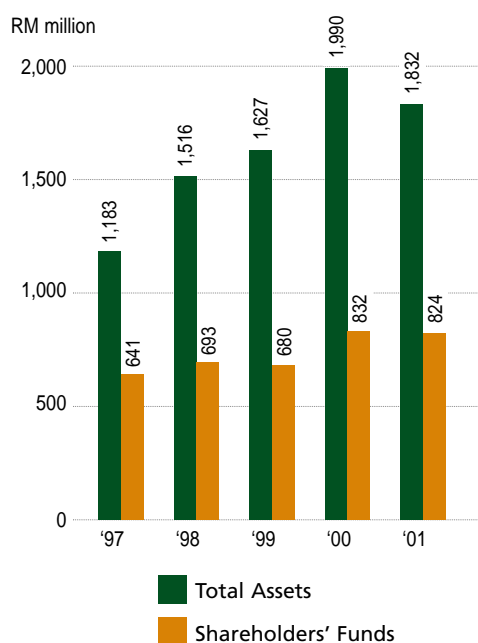
All Board meetings during the financial year ended 30 June 2001 were held at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur. The date and time of the Board meetings held were as follows:-

Date of Meetings	Time
21 August 2000	10.05 a.m.
16 October 2000	11.25 a.m.
7 February 2001	12.15 p.m.
2 May 2001	12.10 p.m.

## 4. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 3 to 4 of the Annual Report.

# Group Financial Highlights



## For the year ended 30 June

	2001	2000	1999	1998	1997
Turnover (RM Million)	1,333	1,527	973	981	1,034
Profit Before Tax (RM Million)	318	501	101	125	142
Profit After Tax (RM Million)	294	461	86	117	136

## As at 30 June

	2001	2000	1999	1998	1997
Total Assets (RM Million)	1,832	1,990	1,627	1,516	1,183
Shareholders' Funds (RM Million)	824	832	680	693	641
Capital Expenditure (RM Million)	338	424	188	272	157
Gross Earnings Per Share (sen)	109	174	26	44	49
Net Earnings Per Share (sen)	101	161	19	41	46
Net Dividend Per Share (sen)	66	56	19	12	11
Net Assets Value Per Share (RM)	4.12	4.09	3.25	3.31	3.06

# Corporate Governance

"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 manner in which the Corporate Governance framework is applied is summarised as follows:

## A. Directors

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

The Board met four (4) times during the financial year ended 30 June 2001.

### Supply of Information

To fulfil the responsibilities set out above, all Directors have access to the advice and services of the Company Secretaries as well as to independent professional advice, including the internal auditor.

### Re-election

All Directors are required to submit themselves for re-election every three (3) years. The details of the retiring Directors are set out in the Annual Report.

## B. Directors' Remuneration

### Procedure

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

### Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2001 are as follows:

	<i>Fees (RM)</i>	<i>Salaries &amp; Other Emoluments (RM)</i>	<i>Total (RM)</i>
Executive Directors	163,000	5,135,452	5,298,452
Non-Executive Directors	72,246	35,000	107,246

The number of Directors whose remuneration fall into the following bands are as follows:

<i>Range of remuneration (RM)</i>	<i>Executive</i>	<i>Non-Executive</i>
50,000 and below	0	3
50,001 – 950,000	0	0
950,001 – 1,000,000	1	0
1,000,001 – 4,250,000	0	0
4,250,001 – 4,300,000	1	0

## C. Accountability and Audit

The financial reporting and internal control system of the Group is overseen by the Audit Committee, which comprises two non-executive Directors. The primary responsibilities of the Audit Committee are set out in the Audit Committee Report.

The Audit Committee met four (4) times during the financial year ended 30 June 2001.

### **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 of the Group and of the Company from the Audit Committee, which reviews the said statements with the assistance of the external auditors.

### **Internal Controls**

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal controls and compliance with laws and regulations. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

### **Relationship with Auditors**

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

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

## D. Directors' Responsibility in Financial Reporting

The Revamped Listing Requirements of the Kuala Lumpur Stock Exchange 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 financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2001, the Group has used the appropriate accounting policies and applied them consistently. The Directors also consider that relevant approved accounting standards have been followed in the preparation of these financial statements.

# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2001.



## Financial Review

The year ended 30 June 2001 had been one of mixed fortunes for MPIB, comprising an excellent first half-year followed by a very weak second half. Revenue for the six months ended 31 December 2000 reached a commendable RM820.2 million, with a profit attributable to shareholders of RM183.3 million. However, from January 2001, revenue for the second half-year started declining sharply, resulting in a sequential drop of 38% to RM512.4 million, while profit attributable to shareholders fell to RM17.7 million.

For the year, turnover amounted to just over RM1.3 billion, a decrease of 13% from last year. Profit attributable to shareholders was RM201 million, dropping 38%, while the earnings per share of 100.6 sen represents a decline of 37% from the previous year.

In spite of the adverse business conditions during the second half of the financial year, the Group achieved an annual return on shareholders' funds of 24%. The Group has declared net dividends of RM130.9 million, an increase of 16% over last year and utilised RM80 million on share buy back. Cash flow of the Group continues to be healthy.





## Business Review

Business for the first two quarters of the financial year was slightly down from the peak seen in the final quarter of the preceding financial year. The traditional surge in the second quarter's revenue, fueled by Christmas and New Year consumer spending, did not materialise this year. Concerns of a slow-down in the US economy, high oil prices, coupled with lower than expected sales of personal computers and cell-phones, resulted in many companies having over-produced or over-stocked.

The beginning of 2001 saw the start of the biggest decline in the history of the semiconductor industry.

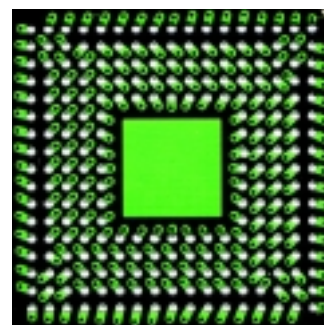
The beginning of 2001 saw the start of the biggest decline in the history of the semiconductor industry. The speed and severity of this decline caught the whole industry by surprise. Even as we ended the financial year, there were still no clear signs of the industry having reached the bottom as companies worldwide continue to report falling demands and excess capacities. This is compounded by fears of a US-led global economic slow-down. The deceleration in business affected all market sectors, with the telecommunications sector being the worst affected.

The Group reacted swiftly to the business downturn by implementing numerous major austerity initiatives to counter its impact. These include a hiring freeze, zero overtime, repatriation of foreign workers, natural attrition, reduction in factory overheads and requiring all employees to take mandatory annual or unpaid leave. In addition, curtailment of discretionary expenses will continue to be strictly enforced, to ensure that the Group sustains through this industry downturn. Prudent management of capital expenditure and continued investments in next-generation technology will ensure that Group's future is not jeopardised.



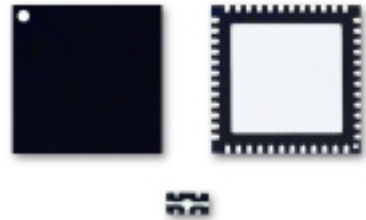
## The Future

The Group has invested RM338 million into buildings, plant and equipment over the past twelve months. A substantial portion of these investments was to further expand Carsem's test capabilities as more customers are seeing assembly and test as one business.



# Chairman's Statement (cont'd)

The Group continued to invest in research and development, covering new products, processes and computer systems. The computerised integrated manufacturing and planning system, which was over two years in the making, has finally gone live at Carsem Semiconductor and is in the process of being replicated into Carsem (M). This real-time system, one of the most advanced of its kind, is expected to bring quantum leap improvements to productivity, cycle-time and production data visibility.



The Group continued to receive numerous awards during the year from its key customers in recognition of its excellent services to them.

Carsem's new advanced packages and process technologies continue to gain favour with many existing and new customers, especially the MLP (Micro Leadframe Package) range. So far, engineering or qualification works have been completed for over fifty companies and more than half of them are in the process of starting commercial production. Production has also commenced on its other new packages such as the Array Packaging,

Spak, system-in-package (SiP) and flip-chip on leadframe (FCOL). All these new packaging technologies continue to attract much interest. Carsem has already developed assembly and test capabilities to service the Bluetooth market. This technology is expected to enjoy a very bright future and grow at a phenomenal pace as its wireless communications applications can extend far beyond that of mobile phone functions. We expect all these packages to spearhead the Group's growth in the future.



Dynacraft Industries, the Group's leadframe design and manufacturing arm, continues to provide the latest product innovations to meet customers' and industry's demands. Utilising advanced materials, designs and manufacturing technologies, Dynacraft ensures the highest quality stamped and etched leadframes. Dynacraft is an industry leader in preplated lead frame (PPF) technology and is in the process of perfecting a lead-free PPF solution to meet future industry environmental standards and requirements.

## Other Developments

The Group persisted to invest extensively in employees development, recognising this as a critical success factor. Carsem (M) is the first local company in Malaysia to embark on a multimedia training project and its success led to it winning the "National Human Resources Development Award 2000".

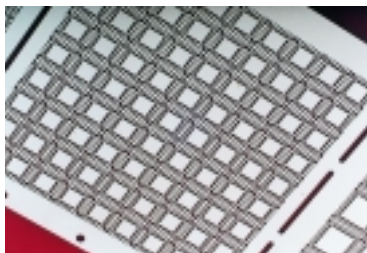
The Group continued to receive numerous awards during the year from its key customers in recognition of its excellent services to them.

Under the Group's Executive Share Option Scheme, a further 315,000 options were issued during the year.





## Prospects



Notwithstanding overall poor market visibility, we expect a moderate growth in the second quarter in response to the Christmas and New Year festive seasons. The performance of the Group is dependent on the global trend of the semiconductor industry and at this stage, it is difficult for the Board to make a prediction as to whether this growth is sustainable.

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

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



## Dividend

A second interim dividend was paid during June 2001 in lieu of a final dividend. As such, the Board will not be recommending a final dividend for the financial year ended 30 June 2001. Total gross dividend declared for the financial year was 140%, an increase of almost 17% over last year's 120%.

## Appreciation

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

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

**KWEK LENG SAN**  
Chairman

Kuala Lumpur,  
27 August 2001



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2001

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2001.

## 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

	<i>Group</i> <i>RM'000</i>	<i>Company</i> <i>RM'000</i>
Net profit for the year	<b>201,012</b>	109,790

## Dividends

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

- (i) a final dividend of 80% (30% tax exempt, 30% less tax and a special dividend of 20% tax exempt) totalling RM72,443,240 in respect of the year ended 30 June 2000 on 8 November 2000;
- (ii) a first interim dividend of 60% (30% tax exempt and a special dividend of 30% tax exempt) totalling RM59,705,526 in respect of the year ended 30 June 2001 on 12 March 2001;
- (iii) a second interim dividend of 80% (30% tax exempt, 30% less tax and a special dividend of 20% tax exempt) totalling RM71,212,794 in respect of the year ended 30 June 2001 on 15 June 2001.

There is a write back of RM865,262 being dividend declared in respect of the year ended 30 June 2000 due to shares bought back during the year.

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

## Reserves and provisions

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

## 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 (Appointed on 2.2.2001)

In accordance with Article 114 of the Company's Articles of Association, Mr Tan Keok Yin retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, YBhg Tan Sri Asmat bin Kamaludin retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

## Directors' interests

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

	<i>Nominal value per share</i>	<i>Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options*</i>			<i>At 30.6.2001</i>
		<i>At 1.7.2000</i>	<i>Acquired</i>	<i>Sold</i>	
<b>Interests of Mr Kwek Leng San in:</b>					
Hong Leong Company (Malaysia) Berhad	RM1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	RM0.50	1,550,000	-	-	1,550,000
	-	400,000*	-	-	400,000*
Malaysian Pacific Industries Berhad	RM0.50	309,000	30,000	-	339,000
HLG Capital Berhad	RM1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	RM1.00	-	385,000	-	385,000
<b>Interests of Mr David Edward Comley in:</b>					
Malaysian Pacific Industries Berhad	RM0.50	257,000	5,000	-	262,000
	-	400,000*	-	-	400,000*
<b>Interests of Tuan Syed Zaid bin Syed Jaffar Albar in:</b>					
HLG Capital Berhad	RM1.00	105,000	-	-	105,000
Hong Leong Credit Berhad	RM1.00	4,400	-	-	4,400
	-	800*	-	-	800*

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has 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 Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for Tuan Syed Zaid bin Syed Jaffar Albar, who may be deemed to derive a benefit by virtue of the provision of legal services to related corporations.

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

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2001

## Executive Share Option Scheme ("ESOS")

The shareholders of the Company approved the implementation of an ESOS at the Extraordinary General Meeting held on 11 December 1999.

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

- 1) Eligible executives are those executives, who have served the Company for a period of at least one (1) year and have been confirmed in service on the date of offer, and full time executive directors of the Company, whose maximum allowable allotments have been approved by the Company in a general meeting;
- 2) The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being;
- 3) The ESOS shall be in force for a period of five (5) years commencing from 24 December 1999, subject however to any extension for a further period of five (5) years provided that the requisite approvals have been obtained for such extensions;
- 4) The option price shall be the average of the mean market quotation of the shares of the Company as quoted on the Kuala Lumpur Stock Exchange for the five (5) market days preceding the date of offer, or at the par value of the shares of the Company of RM0.50, whichever is higher;
- 5) A grantee may exercise up to 20% of shares comprised in an option in any one year and the number of shares to be exercised shall be in multiples of and not less than 1,000 shares provided that if the grantee's balance of shares is less than 1,000 shares, the balance of shares must be exercised in a single tranche; and
- 6) No executive shall be eligible to participate in more than one (1) executive share option scheme implemented by the subsidiaries within the Hong Leong Company (Malaysia) Berhad Group.

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

	Offer date	Number of unissued ordinary shares of RM0.50 each under the ESOS				Balance at 30.6.2001
		Balance at 1.7.2000	Options granted	Options lapsed/cancelled*	Options exercised	
Option price of RM25.62	28.12.1999	4,312,200	-	(193,000)*	(32,000)	4,087,200
Option price of RM42.35	17.04.2000	273,500	-	(3,000)*	-	270,500
Option price of RM22.97	15.11.2000	-	315,000	(14,000)*	-	301,000
		4,585,700	315,000	(210,000)	(32,000)	4,658,700

## Share capital

During the financial year, the issued and paid-up capital of the Company was increased from RM104,926,210 to RM104,942,210 by the issue of 32,000 new ordinary shares of RM0.50 each at an option price of RM25.62 per ordinary share pursuant to the ESOS of the Company. The new shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, the Company bought back 3,469,000 (2000 – 5,338,000) of its issued share capital from the open market. The average price paid for the shares bought back during the year was RM22.91 (2000 – RM12.74) per ordinary share. The share buy back transactions were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

## 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 Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2001 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.

## 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,  
27 August 2001

## Balance Sheets

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	<b>1,159,557</b>	1,032,525	<b>286</b>	142
<b>INVESTMENTS</b>	4	<b>70,171</b>	70,171	<b>270,025</b>	270,025
<b>INTANGIBLE ASSETS</b>	5	<b>27,379</b>	29,745	-	-
<b>DEFERRED EXCHANGE DIFFERENCE</b>	6	-	6,832	-	6,832
<b>CURRENT ASSETS</b>					
Inventories	7	<b>54,435</b>	72,995	-	-
Trade and other receivables	8	<b>241,055</b>	376,838	<b>114,377</b>	290,527
Deposits, cash and bank balances	9	<b>279,604</b>	400,582	<b>80,155</b>	149,339
		<b>575,094</b>	850,415	<b>194,532</b>	439,866
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	<b>236,369</b>	320,721	<b>2,413</b>	17,749
Borrowings	11	<b>110,092</b>	186,987	<b>30,757</b>	45,600
Provision for taxation		<b>34,424</b>	41,034	-	-
Proposed dividend		-	72,443	-	72,443
		<b>380,885</b>	621,185	<b>33,170</b>	135,792
<b>NET CURRENT ASSETS</b>		<b>194,209</b>	229,230	<b>161,362</b>	304,074
		<b>1,451,316</b>	1,368,503	<b>431,673</b>	581,073
<b>SHARE CAPITAL AND RESERVES</b>					
Share capital	12	<b>104,942</b>	104,926	<b>104,942</b>	104,926
Reserves		<b>883,142</b>	810,918	<b>323,874</b>	343,334
Treasury shares, at cost		<b>(163,620)</b>	(83,700)	<b>(163,620)</b>	(83,700)
		<b>824,464</b>	832,144	<b>265,196</b>	364,560
<b>MINORITY SHAREHOLDERS' INTERESTS</b>		<b>285,742</b>	245,369	-	-
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Borrowings	11	<b>299,179</b>	265,963	<b>166,167</b>	216,203
Retirement benefits		<b>4,119</b>	4,027	<b>310</b>	310
Deferred taxation	14	<b>37,812</b>	21,000	-	-
		<b>341,110</b>	290,990	<b>166,477</b>	216,513
		<b>1,451,316</b>	1,368,503	<b>431,673</b>	581,073

The notes set out on pages 27 to 41 form an integral part of, and should be read in conjunction with, these financial statements.

# Income Statements

FOR THE YEAR ENDED 30 JUNE 2001

	Note	Group 2001 RM'000	Group 2000 RM'000	Company 2001 RM'000	Company 2000 RM'000
<b>REVENUE</b>	15	<b>1,332,682</b>	1,526,578	<b>132,968</b>	125,302
<b>OPERATING PROFIT</b>	15	<b>337,182</b>	540,997	<b>131,459</b>	122,860
Net financing costs	17	<b>(12,692)</b>	(15,660)	<b>(4,164)</b>	(444)
Exchange loss on foreign currency	18	<b>(6,832)</b>	(23,995)	<b>(6,832)</b>	(11,870)
<b>PROFIT BEFORE TAX</b>		<b>317,658</b>	501,342	<b>120,463</b>	110,546
Taxation	19	<b>(24,049)</b>	(39,920)	<b>(10,673)</b>	(2,890)
<b>PROFIT AFTER TAXATION</b>		<b>293,609</b>	461,422	<b>109,790</b>	107,656
Minority interests		<b>(92,597)</b>	(134,744)	-	-
<b>NET PROFIT FOR THE YEAR</b>		<b>201,012</b>	326,678	<b>109,790</b>	107,656
Basic earnings per ordinary share (sen)	21	<b>100.6</b>	160.7		
Diluted earnings per ordinary share (sen)	21	<b>100.6</b>	160.6		
Dividends per share (sen)	20	<b>65.8</b>	55.8		

The notes set out on pages 27 to 41 form an integral part of, and should be read in conjunction with, these financial statements.

# Statements Of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2001

<i>Group</i>	<i>Note</i>	<i>Share capital RM'000</i>	<i>Share premium* RM'000</i>	<i>Exchange fluctuation reserve* RM'000</i>	<i>Retained profits RM'000</i>	<i>Treasury shares RM'000</i>	<i>Total RM'000</i>
<b>At 1 July 1999</b>		104,807	243,175	(6,078)	353,360	(15,131)	<b>680,133</b>
Issued under ESOS		119	5,973	-	-	-	<b>6,092</b>
Share buy-back		-	-	-	-	(68,569)	<b>(68,569)</b>
Currency translation differences		-	-	25	-	-	<b>25</b>
Net profit for the year		-	-	-	326,678	-	<b>326,678</b>
Dividends	20	-	-	-	(112,215)	-	<b>(112,215)</b>
<b>At 30 June 2000/ 1 July 2000</b>		104,926	249,148	(6,053)	567,823	(83,700)	<b>832,144</b>
Issued under ESOS		16	804	-	-	-	<b>820</b>
Share buy-back		-	-	-	-	(79,920)	<b>(79,920)</b>
Currency translation differences		-	-	462	-	-	<b>462</b>
Net profit for the year		-	-	-	201,012	-	<b>201,012</b>
Dividends	20	-	-	-	(130,054)	-	<b>(130,054)</b>
<b>At 30 June 2001</b>		104,942	249,952	(5,591)	638,781	(163,620)	<b>824,464</b>

Note 12

<i>Company</i>	<i>Note</i>	<i>Share capital RM'000</i>	<i>Share premium* RM'000</i>	<i>Retained profits RM'000</i>	<i>Treasury shares RM'000</i>	<i>Total RM'000</i>
<b>At 1 July 1999</b>		104,807	243,175	98,745	(15,131)	<b>431,596</b>
Issued under ESOS		119	5,973	-	-	<b>6,092</b>
Share buy-back		-	-	-	(68,569)	<b>(68,569)</b>
Net profit for the year		-	-	107,656	-	<b>107,656</b>
Dividends	20	-	-	(112,215)	-	<b>(112,215)</b>
<b>At 30 June 2000/ 1 July 2000</b>		104,926	249,148	94,186	(83,700)	<b>364,560</b>
Issued under ESOS		16	804	-	-	<b>820</b>
Share buy-back		-	-	-	(79,920)	<b>(79,920)</b>
Net profit for the year		-	-	109,790	-	<b>109,790</b>
Dividends	20	-	-	(130,054)	-	<b>(130,054)</b>
<b>At 30 June 2001</b>		104,942	249,952	73,922	(163,620)	<b>265,196</b>

Note 12

\* - Non-Distributable

The notes set out on pages 27 to 41 form an integral part of, and should be read in conjunction with, these financial statements.



# Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2001

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Cash flows from operating activities				
Profit before taxation	<b>317,658</b>	501,342	<b>120,463</b>	110,546
Adjustments for:				
Amortisation of development expenditure	<b>300</b>	300	-	-
Amortisation of foreign exchange differences	<b>6,832</b>	24,248	<b>6,832</b>	12,043
Amortisation of goodwill	<b>2,066</b>	2,066	-	-
Deferred expenditure written off	-	1,333	-	-
Depreciation	<b>208,318</b>	166,941	<b>90</b>	86
Dividend income	<b>(1,829)</b>	(1,062)	<b>(132,968)</b>	(125,302)
Exchange fluctuation reserve	<b>462</b>	25	-	-
(Gain) on foreign exchange	<b>(602)</b>	-	<b>(602)</b>	-
Interest expense	<b>34,929</b>	39,891	<b>19,772</b>	20,791
Interest income	<b>(22,237)</b>	(24,231)	<b>(15,608)</b>	(20,347)
Inventories written off	<b>200</b>	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	<b>(101)</b>	4,232	<b>(95)</b>	1
Property, plant & equipment written off	<b>859</b>	8	-	-
Provision for retirement benefit	<b>960</b>	1,740	-	-
Writeback for bad and doubtful debts	<b>(965)</b>	(34)	-	-
Operating profit/(loss) before working capital changes	<b>546,850</b>	716,799	<b>(2,116)</b>	(2,182)
(Increase)/Decrease in working capital:				
Inventories	<b>18,360</b>	(11,906)	-	-
Trade and other receivables	<b>136,748</b>	16,887	<b>176,277</b>	(69,638)
Trade and other payables	<b>(84,352)</b>	38,615	<b>(15,336)</b>	1,926
Cash generated from/(used in) operations	<b>617,606</b>	760,395	<b>158,825</b>	(69,894)
Income taxes paid	<b>(13,847)</b>	(9,626)	<b>(361)</b>	(7,506)
Interest expense	<b>(34,929)</b>	(39,891)	<b>(19,772)</b>	(20,791)
Interest income	<b>22,237</b>	24,231	<b>15,608</b>	20,347
Net dividend received	<b>1,829</b>	1,062	<b>122,529</b>	122,269
Retirement benefits paid	<b>(868)</b>	(775)	-	-
<b>Net cash generated from operating activities</b>	<b>592,028</b>	735,396	<b>276,829</b>	44,425

# Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2001 (cont'd)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant & equipment	2,207	2,321	95	3
Purchase of property, plant and equipment	(338,315)	(424,415)	(234)	(31)
Purchase of additional shares in a subsidiary	-	-	-	(26,600)
Purchase of own shares	(79,920)	(68,569)	(79,920)	(68,569)
<b>Net cash used in investing activities</b>	<b>(416,028)</b>	<b>(490,663)</b>	<b>(80,059)</b>	<b>(95,197)</b>
<b>Cash flows from financing activities</b>				
Net (repayments of)/proceeds from loans/bonds	(62,925)	9,902	(64,277)	96,502
Dividend paid to minority shareholders	(52,224)	(52,310)	-	-
Dividend paid to shareholders of the Company	(202,497)	(67,986)	(202,497)	(67,986)
Proceeds from issuance of shares	820	6,092	820	6,092
<b>Net cash (used in)/generated from financing activities</b>	<b>(316,826)</b>	<b>(104,302)</b>	<b>(265,954)</b>	<b>34,608</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(140,826)</b>	<b>140,431</b>	<b>(69,184)</b>	<b>(16,164)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>399,835</b>	<b>259,404</b>	<b>149,339</b>	<b>165,503</b>
<b>Cash and cash equivalents at end of year</b>	<b>259,009</b>	<b>399,835</b>	<b>80,155</b>	<b>149,339</b>

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

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits, cash and bank balances	279,604	400,582	80,155	149,339
Bank overdrafts	(20,595)	(747)	-	-
	<b>259,009</b>	<b>399,835</b>	<b>80,155</b>	<b>149,339</b>

The notes set out on pages 27 to 41 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 following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention and in compliance with applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as listed under Note 2.

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.

All significant inter-company balances and transactions are eliminated on consolidation.

### (c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

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
Buildings	5%
Building improvement	10%
Plant, equipment and motor vehicles	10% - 50%

### (d) Investments

Long term investments are stated at cost. A provision is made when the Directors are of the view that there is a permanent diminution in their value. Short term investments are marked to market on an investment portfolio basis.

# Notes To The Financial Statements

## (e) Intangible assets

### (i) Goodwill

Goodwill arising on an acquisition 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. Reserve arising on consolidation 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.

### (ii) 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 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.

## (f) Inventories

Raw materials, consumable spares, work-in-progress and finished goods are valued at the lower of cost mainly determined by 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.

## (g) Receivables

Known bad debts are written off and specific provision is made for any considered to be doubtful of collection.

## (h) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

## (i) Retirement benefits

### *Executive staff*

The Group operates a defined contribution scheme for eligible executive which is administered by the Hong Leong Group Executive Retirement Benefit Fund. The benefits payable on retirement are based on a fixed percentage contribution of the salary of the executive as accrued monthly in the executive's nominal account.

The cost and liability in respect of the defined contribution scheme will be determined by an actuarial valuation to be conducted once in every three years by a qualified actuary. The last valuation was carried out in June 2001.

## (j) 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.

**(j) Foreign currency transactions (cont'd)**

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. Where such net investment are matched by external foreign currency borrowing and when the requirements are required by MASB 6 – The Effect of Changes in Foreign Exchange Rates have been met, the exchange differences arising from the retranslation of the foreign currency borrowings are also 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:

	2001	2000
1USD	RM3.80	RM3.80
1SGD	RM2.24	RM2.20
100JPY	RM3.05	RM3.64

**(k) Revenue recognition**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

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

**(l) Expenses***(i) 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.

*ii) Net financing costs*

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

**(m) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank overdrafts balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

## 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 interest of Malaysian Pacific Industries Berhad are shown below:-

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2001 %	2000 %	
<b>Subsidiary Companies</b>				
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacture and sale of semiconductor devices and electronic components
Carsem Semiconductor Sdn Bhd	Malaysia	70	70	Manufacture and sale of semiconductor devices and electronic components
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
+Signal Technology Sdn Berhad	Malaysia	70	70	In member's voluntary liquidation
+*Carsem Inc.	USA	70	70	Marketing of semiconductor devices and electronic components
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacture and sale of leadframes
Dyna-Craft Industries, Inc.	USA	100	100	Manufacture and sale of leadframes
* Dyna-Craft Marketing, Inc.	USA	100	100	Marketing of leadframes
# MPI (BVI) Limited	British Virgin Islands	100	100	Investment trading
Classic Products Sdn Bhd	Malaysia	100	100	Dormant
Carsem Advanced Technologies Sdn Bhd	Malaysia	100	100	Dormant

\* The operations of the subsidiary and sub-subsidiary which are not material to the Group are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.

+ Sub-subsidiary companies.

# Subsidiary company not audited by KPMG.

**3. Property, plant and equipment**

<i>Group</i>	<i>Long term leasehold land and improvement RM'000</i>	<i>Freehold land and buildings RM'000</i>	<i>Plant, equipment and motor vehicles RM'000</i>	<i>Capital work-in- progress RM'000</i>	<i>Total RM'000</i>
<b>Cost</b>					
At 1 July 2000	148,972	14,206	1,445,044	29,062	<b>1,637,284</b>
Additions	8,528	-	279,289	50,498	<b>338,315</b>
Disposals	-	-	(5,592)	-	<b>(5,592)</b>
Transfers	326	-	29,809	(30,135)	-
Written off	-	-	(16,010)	-	<b>(16,010)</b>
At 30 June 2001	157,826	14,206	1,732,540	49,425	<b>1,953,997</b>
<b>Accumulated depreciation</b>					
At 1 July 2000	34,300	2,199	568,260	-	<b>604,759</b>
Charge for the year	6,852	471	200,995	-	<b>208,318</b>
Disposals	-	-	(3,486)	-	<b>(3,486)</b>
Written off	-	-	(15,151)	-	<b>(15,151)</b>
At 30 June 2001	41,152	2,670	750,618	-	<b>794,440</b>
<b>Net book value</b>					
At 30 June 2001	116,674	11,536	981,922	49,425	<b>1,159,557</b>
At 30 June 2000	114,672	12,007	876,784	29,062	<b>1,032,525</b>
<b>Depreciation charge for the year ended 30 June 2000</b>					
	5,753	471	160,717	-	<b>166,941</b>

## Notes To The Financial Statements

<i>Company</i>	<i>Equipment and motor vehicles RM'000</i>
<b>Cost</b>	
At 1 July 2000	544
Additions	234
Disposal	(201)
<b>At 30 June 2001</b>	<b>577</b>
<b>Accumulated Depreciation</b>	
At 1 July 2000	402
Charge for the year	90
Disposal	(201)
<b>At 30 June 2001</b>	<b>291</b>
<b>Net book value</b>	
At 30 June 2001	286
At 30 June 2000	142
<b>Depreciation charge for the year ended 30 June 2000</b>	<b>86</b>

The building of a subsidiary company is situated on the land held under operating leases (Note 23). The title for the leasehold land is in the process of being issued by the relevant authorities.

#### 4. Investments

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
<b>Long term</b>				
Quoted investments, at cost:				
In Malaysia	46,962	46,962	-	-
Outside Malaysia	14,402	14,402	-	-
	<b>61,364</b>	61,364	-	-
Unquoted investments, at cost:				
Subsidiary companies	-	-	261,218	261,218
Other investments	8,807	8,807	8,807	8,807
	<b>8,807</b>	8,807	<b>270,025</b>	270,025
	<b>70,171</b>	70,171	<b>270,025</b>	270,025
<b>Market value of quoted investments:</b>				
In Malaysia	26,011	35,523	-	-
Outside Malaysia	26,450	9,063	-	-
	<b>52,461</b>	44,586	-	-



**5. Intangible assets**

<i>Group</i>	<i>Goodwill RM'000</i>	<i>Development expenditure RM'000</i>	<i>Total RM'000</i>
<b>Cost</b>			
At 1 July 2000/ 30 June 2001	40,165	2,400	<b>42,565</b>
<b>Cumulative amortisation</b>			
At 1 July 2000	12,520	300	<b>12,820</b>
Amortisation charge for the year	2,066	300	<b>2,366</b>
At 30 June 2001	14,586	600	<b>15,186</b>
<b>At cost less cumulative amortisation</b>			
At 30 June 2001	25,579	1,800	<b>27,379</b>
At 30 June 2000	27,645	2,100	<b>29,745</b>
<b>Amortisation charge for the year ended 30 June 2000</b>	2,066	300	<b>2,366</b>

**6. Deferred exchange difference**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
At 1 July	<b>6,832</b>	31,080	<b>6,832</b>	18,875
Exchange loss amortised for the year	<b>(6,832)</b>	(24,248)	<b>(6,832)</b>	(12,043)
At 30 June	-	6,832	-	6,832

**7. Inventories**

	<i>Group</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Raw materials	<b>22,298</b>	31,561
Work-in-progress	<b>10,378</b>	17,704
Finished goods	<b>15,227</b>	18,966
Consumable spares	<b>6,532</b>	4,764
	<b>54,435</b>	72,995

## Notes To The Financial Statements

### 8. Trade and other receivables

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade receivables	118,766	203,324	-	-
Less: Provision for doubtful debts	(1,906)	(2,871)	-	-
	116,860	200,453	-	-
Amount due from:				
Subsidiaries	-	-	21,504	155,673
Related companies	84,438	125,795	84,436	125,779
Dividends receivable	-	234	-	234
Other receivables, deposits and prepayments	32,857	45,025	2,745	3,510
Tax recoverable	6,900	5,331	5,692	5,331
	241,055	376,838	114,377	290,527

The amounts owing by subsidiary companies and related companies are unsecured and have no fixed terms of repayment. Interest charged during the year ranged from 3.1% to 8.5% (2000 - 4.00% to 8.50%) per annum.

Included in other receivables are rental deposits paid to a related company amounting to RM87,638 (2000 - RM87,638).

### 9. Deposits, cash and bank balances

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits held with:				
Licensed banks	179,175	165,983	22,572	97,523
Other corporations	15,073	47,500	15,073	47,500
	194,248	213,483	37,645	145,023
Cash and bank balances	85,356	187,099	42,510	4,316
	279,604	400,582	80,155	149,339

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

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits and bank balances	111,590	116,991	3,031	32,643

**10. Trade and other payables**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Trade payables	<b>39,364</b>	78,672	-	-
Amount due to:				
Subsidiaries	-	-	-	14,527
Related companies	<b>132</b>	173	-	-
Bankers' acceptances	<b>99,895</b>	112,155	-	-
Other payables and accrued expenses	<b>96,978</b>	129,721	<b>2,413</b>	3,222
	<b>236,369</b>	320,721	<b>2,413</b>	17,749

The amounts due to related companies are unsecured and have no fixed terms of repayment. Interest charged during the year ranged from 4.5% to 5.5% (2000 - 4.0% to 8.5%) per annum.

The amounts due to subsidiary companies are unsecured, interest free (2000 - 6.00% to 12.50% per annum) and have no fixed terms of repayment.

The bankers' acceptances bear interest from 3.1% to 3.6% (2000 - 3.05% to 3.45%) per annum.

**11. Borrowings (unsecured)**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Current				
Term loans	<b>61,757</b>	148,240	<b>30,757</b>	45,600
Bank overdrafts	<b>20,595</b>	747	-	-
Other borrowings	<b>27,740</b>	38,000	-	-
	<b>110,092</b>	186,987	<b>30,757</b>	45,600
Non-current				
Term loans	<b>174,179</b>	140,963	<b>41,167</b>	91,203
Bonds	<b>125,000</b>	125,000	<b>125,000</b>	125,000
	<b>299,179</b>	265,963	<b>166,167</b>	216,203
	<b>409,271</b>	452,950	<b>196,924</b>	261,803

**Company**

The term loans bear interest at 4.81% to 8.47% (2000 - 5.90% to 8.50%) per annum and are repayable in varying installments and at various dates during 2001 to 2004 (2000 - 1999 to 2003). The term loans are denominated in foreign currency.

The bonds are repayable in year 2004 and bear interest at 8.5% per annum.

**Group**

The term loans bear interest from 4.81% to 8.47% (2000 - 3.75% to 8.50%) per annum and are repayable in varying installments and at various dates during the years 2001 to 2005 (2000 - 1999 to 2003). Included in term loans are foreign currency term loans amounting to RM232.7 million (2000 - RM243.2 million).

The bank overdrafts bear interest from 3.55% to 7.8% (2000 - 4.45% to 8.10%) per annum.

The other borrowings bear interest from 5.39% to 7.91% (2000 - 6.3% to 7.91%) per annum.

## Notes To The Financial Statements

### 12. Share capital

	Group and Company			
	2001		2000	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance at 1 July	209,852	104,926	209,614	104,807
Issued under ESOS	32	16	238	119
Balance at 30 June	209,884	104,942	209,852	104,926

During the year, the Company bought back 3,469,000 (2000 - 5,338,000) of its issued share capital from the open market. The cumulative total number of shares bought back as at the financial year ended was 10,966,000 (2000 - 7,497,000) ordinary shares of RM0.50 each. The average price paid for the shares bought back during the year was RM22.91 (2000 - RM12.74) per ordinary share. The share buy back transactions were financed by internally generated funds. The shares bought back were held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held at financial year end was 198,918,419 (2000 - 202,355,419) ordinary shares of RM0.50 each. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

### 13. Section 108 tax credit and tax exempt account

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 distributable reserves at 30 June 2001 if paid out as dividends.

### 14. Deferred taxation

	Group	
	2001 RM'000	2000 RM'000
Balance at 1 July	21,000	21,000
Transfer from Income Statement (Note 19)	16,812	-
Balance at 30 June	37,812	21,000

No provision for deferred tax liabilities would be made for the financial year amounting to RM26,000,000 (2000 - RM28,000,000) as capital allowances from a subsidiary is expected to arise from the subsidiary's expansion programme in the foreseeable future and consequently, this deferred tax liability is not expected to crystallise in the future.

**15. Operating profit**

	<i>Group</i>		<i>Company</i>	
	<i>2001</i> <i>RM'000</i>	<i>2000</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>	<i>2000</i> <i>RM'000</i>
Revenue				
Sales of goods	<b>1,330,853</b>	1,525,516	-	-
Dividends	<b>1,829</b>	1,062	<b>132,968</b>	125,302
	<b>1,332,682</b>	1,526,578	<b>132,968</b>	125,302
Cost of sales				
Sales of goods	<b>(907,956)</b>	(900,113)	-	-
Gross profit	<b>424,726</b>	626,465	<b>132,968</b>	125,302
Distribution costs	<b>(18,595)</b>	(19,309)	-	-
Administration expenses	<b>(55,896)</b>	(60,222)	<b>(2,206)</b>	(2,442)
Other operating expenses	<b>(17,404)</b>	(6,972)	-	-
Other operating income	<b>4,351</b>	1,035	<b>697</b>	-
Operating profit	<b>337,182</b>	540,997	<b>131,459</b>	122,860
Operating profit is arrived at after charging/(crediting):-				
Amortisation of development expenditure	<b>300</b>	300	-	-
Amortisation of goodwill	<b>2,066</b>	2,066	-	-
Auditors' remuneration				
- current year provision	<b>234</b>	215	<b>20</b>	17
- underprovision in prior year	<b>8</b>	-	-	-
Depreciation	<b>208,318</b>	166,941	<b>90</b>	86
Deferred expenditure written off	-	1,333	-	-
Directors' remuneration				
- fees	<b>235</b>	362	<b>152</b>	148
- other emoluments	<b>5,170</b>	1,823	<b>946</b>	555
(Gain) on foreign exchange	<b>(602)</b>	-	<b>(602)</b>	-
(Gain)/Loss on disposal of property, plant and equipment	<b>(101)</b>	4,232	<b>(95)</b>	1
Gross dividends from:				
Unquoted subsidiaries	-	-	<b>(132,440)</b>	(124,880)
Quoted investments in Malaysia	<b>(867)</b>	(262)	-	-
Unquoted investments in Malaysia	<b>(528)</b>	(422)	<b>(528)</b>	(422)
Quoted investment outside Malaysia	<b>(434)</b>	(378)	-	-

## Notes To The Financial Statements

### 15. Operating profit (cont'd)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Inventories written off	200	-	-	-
Property, plant and equipment written off	859	8	-	-
Provision for inventory obsolescence	-	2,136	-	-
Provision for retirement benefits	960	1,740	-	-
Rental expense on office, land and buildings	2,448	1,135	-	-
Research and development expenditure	11,525	6,224	-	-
Write back of provision for bad and doubtful debts	(965)	(34)	-	-

#### Identity of related parties

The Company has related party relationship with its immediate holding company, fellow subsidiaries, and with its Directors and key management personnel and the close members of their families.

#### Related party transactions

Significant related party transactions other than as disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Related companies				
Dividend income	(1,829)	(1,062)	(528)	(422)
Insurance premium paid	5,465	4,811	7	4
Interest expense	18	62	-	-
Interest income	(9,293)	(12,754)	(9,293)	(12,023)
Management fees paid	11,470	16,885	-	29
Office rental paid	365	363	365	363
Professional fees paid	159	169	159	166
Purchase of property, plant and equipment	5,667	-	-	-
Purchase of spares	335	184	-	-

The above related party transactions have been entered into in the normal course of business on commercial terms.

### 16. Employees information

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Staff costs	261,294	223,995	151	172

The number of employees of the Group and Company at the end of the year was 10,593 (2000 – 10,301) and 2 (2000 – 2) respectively.

**17. Net financing costs**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Interest payable				
Term loan / bonds	<b>30,885</b>	34,607	<b>18,569</b>	18,320
Subsidiaries	-	-	<b>1,067</b>	2,356
Related companies	<b>18</b>	62	-	-
Others	<b>4,026</b>	5,222	<b>136</b>	115
	<b>34,929</b>	39,891	<b>19,772</b>	20,791
Less: Interest receivable				
Deposits held with licensed banks and other corporations	<b>12,384</b>	11,477	<b>4,310</b>	6,714
Subsidiaries	-	-	<b>2,005</b>	1,610
Related companies	<b>9,853</b>	12,754	<b>9,293</b>	12,023
	<b>12,692</b>	15,660	<b>4,164</b>	444

**18. Exchange loss on foreign currency**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Amortisation of deferred exchange differences (Note 6)	<b>6,832</b>	23,995	<b>6,832</b>	11,870

**19. Taxation**

	<i>Group</i>		<i>Company</i>	
	<i>2001 RM'000</i>	<i>2000 RM'000</i>	<i>2001 RM'000</i>	<i>2000 RM'000</i>
Tax expense				
Current year				
- Malaysia	<b>6,965</b>	39,920	<b>10,673</b>	2,890
Underprovision in prior years				
- Malaysia	<b>182</b>	-	-	-
- Overseas	<b>90</b>	-	-	-
	<b>7,237</b>	39,920	<b>10,673</b>	2,890
Deferred taxation (Note 14)	<b>16,812</b>	-	-	-
	<b>24,049</b>	39,920	<b>10,673</b>	2,890

The Group's taxation charge is low in relation to the profit of the year as a result of pioneer status and reinvestment allowances granted to certain subsidiaries and the utilisation of capital allowances brought forward.

The Company's taxation charge is low in relation to the profit for the year as a result of tax exempt dividend income from subsidiaries.

## Notes To The Financial Statements

### 20. Dividends

	<i>Group and Company</i>	
	<i>2001</i>	<i>2000</i>
	<i>RM'000</i>	<i>RM'000</i>
Ordinary		
First interim:		
30% tax exempt per share paid on 12 March 2001 (2000 - 20% tax exempt)	<b>29,853</b>	20,212
30% special tax exempt per share paid on 12 March 2001 (2000 – 20% special tax exempt)	<b>29,853</b>	20,212
Second interim:		
30% tax exempt per share paid on 15 June 2001 (2000 - Nil)	<b>29,838</b>	-
30% less tax per share paid on 15 June 2001 (2000 - Nil)	<b>21,483</b>	-
20% special tax exempt per share paid on 15 June 2001 (2000 – Nil)	<b>19,892</b>	-
Final proposed:		
Nil (2000 - 30% tax exempt)	-	30,353
Nil (2000 - 30% less tax)	-	21,854
Nil (2000 – 20% special tax exempt)	-	20,236
Write back of final dividend declared in respect of the previous year-end	<b>(865)</b>	(652)
	<b>130,054</b>	112,215

### 21. Earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group profit after taxation, minority shareholders' interests and preference dividends of RM201,012,000 (2000 -RM326,678,000) by the weighted average number of ordinary shares during the financial year of 199,897,614 (2000 – 203,250,261).

The diluted earnings per share is calculated by dividing the earnings of RM201,012,000 (2000 - RM326,678,000) by the weighted average number of ordinary shares of 199,897,614 (2000 - 203,371,393) that would be in issue at 1 July 2000 had all the options been exercised at that date.



## 22. Segmental information

There is no segmental analysis by geographical location as the Group's operations are principally located in Malaysia. In arriving at the business segment analysis below, all material inter and intra segments items have been eliminated.

	<i>Revenue RM'000</i>	<i>Profit/ (loss) before taxation RM'000</i>	<i>Total assets employed RM'000</i>
<b>2001</b>			
Semiconductor	1,330,853	326,896	1,562,366
Others	1,829	(9,238)	269,835
	<b>1,332,682</b>	<b>317,658</b>	<b>1,832,201</b>
<b>2000</b>			
Semiconductor	1,525,516	514,602	1,603,958
Others	1,062	(13,260)	385,730
	<b>1,526,578</b>	<b>501,342</b>	<b>1,989,688</b>

## 23. Commitments

	<i>2001 RM'000</i>	<i>Group 2000 RM'000</i>
Property, plant and equipment:		
Authorised but not contracted for	<b>98,265</b>	91,241
Authorised and contracted for	<b>73,146</b>	227,995
	<b>171,411</b>	319,236
Lease commitments:		
Commitments under operating leases:		
Expiring within one year	<b>1,641</b>	1,645
Expiring between one to five years	<b>4,935</b>	5,611
Expiring after five years	<b>46,093</b>	47,000
	<b>52,669</b>	54,256

## 24. Holding companies

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

## 25. Comparative figures

Following the adoption of MASB Standards in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.

# 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 22 to 41, are drawn up in accordance with 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 2001 and of its results of the operations and cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

**KWEK LENG SAN**

**DAVID EDWARD COMLEY**

Kuala Lumpur,  
27 August 2001

# Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, SOO KAH PIK, being the officer 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 22 to 41 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed SOO KAH PIK at Kuala Lumpur ) SOO KAH PIK  
in the state of Federal Territory on 27 August 2001 )

BEFORE ME:

**ZAINAL ABIDIN BIN MD. NOOR**

Commissioner for Oaths

# Report Of The Auditors To The Members

We have audited the financial statements set out on pages 22 to 41. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 30 June 2001 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. As for Carsem Inc. and Dyna-Craft Marketing, Inc. (both companies incorporated in the United States of America), their financial statements are not required to be audited in their respective countries of incorporation, but we have considered their financial statements.

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

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

KPMG

Firm Number: AF 0758

Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang

Partner

Approval Number: 2012/11/02 (J)

Kuala Lumpur,

27 August 2001

## Other Information

### 1. Properties Held By The Group As At 30 June 2001

<i>Location</i>	<i>Tenure</i>	<i>Existing Use</i>	<i>Date of last Revaluation/ Acquisition</i>	<i>Approx. Area (Sq. Ft.)</i>	<i>Approx. Age of Building (Year)</i>	<i>Net Book Value as at 30 June 2001 (RM'000)</i>
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold 20/04/2074	Factory Building & Office Building	21 Sep 98	158,297	5-26	14,418
Jalan Lapangan Terbang 30720 Ipoh Perak	Leasehold 15/08/2081	Factory Building & Office Building	21 Sep 98	64,469	3-13	9,993
Jalan Lapangan Terbang 30720 Ipoh Perak	Leasehold 23/05/2082	Factory Building & Office Building	21 Sep 98	19,849	5-13	2,276
Jalan Lapangan Terbang 30720 Ipoh Perak	Leasehold 08/05/2039	Industrial Land - Factory under construction	28 Jan 99 & 30 Mac 98	53,274	-	8,482
Jalan Lapangan Terbang 30720 Ipoh Perak	Leasehold 08/05/2078	8 lots of vacant leasehold land	24 Feb 98	61,676	-	1,348
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold 08/05/2039	Factory Building & Office Building	7 Apr 89	45,680	7	7,031
Lot 52968 Kawasan Perindustrian Tmn. Meru, Jelapang Perak Darul Ridzuan	Leasehold 29/10/2091	Factory Building & Office Building	30 Oct 92	1,344,579	10	44,688
Lot 2367, Bayan Lepas Pulau Pinang	Leasehold 2031	Factory Buildings, Office Building and Store	1996	257,000	8	26,235
Lot 8, Bayan Lepas Pulau Pinang	Leasehold 16/06/2058	Factory Buildings, Office Building and Store	1996	105,000	3	17,082
194, Goodview Drive, Apollo, Pennsylvania USA	Freehold	Factory Buildings, Office Building and Store	9 Jul 97	22,700	41	5,385
4060, Norbatrol Ave, Murrysville Pennsylvania, USA	Freehold	Factory Buildings, Office Building and Store	22 Jan 96	51,000	37	2,329

## 2. Analysis Of Shareholdings As At 30 August 2001

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

### Distribution Schedule Of Shareholders

<i>Size of Holdings</i>	<i>No. of Shareholders</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Less than 1,000	486	14.75	149,818	0.07
1,000 – 10,000	2,222	67.41	5,622,292	2.83
10,001 – 100,000	428	12.99	15,182,991	7.63
100,001 – less than 5% of issued shares	159	4.82	58,397,960	29.36
5% and above of issued shares	1	0.03	119,565,358	60.11
	3,296	100.00	198,918,419	100.00

### Thirty Largest Shareholders

<i>Name of Shareholders</i>	<i>No. of Shares</i>	<i>%</i>
1. Assets Nominees (Tempatan) Sdn Bhd - <i>Hong Leong Industries Berhad</i>	119,565,358	60.11
2. Chase Malaysia Nominees (Asing) Sdn Bhd - <i>Emerging Markets Growth Fund</i>	2,862,800	1.44
3. Malaysia Nominees (Asing) Sendirian Berhad - <i>The Great Eastern Life Assurance Co Ltd</i>	2,531,000	1.27
4. Employees Provident Fund Board	2,374,000	1.19
5. Overseas Assurance Corporation (Malaysia) Berhad	2,190,000	1.10
6. Chase Malaysia Nominees (Asing) Sdn Bhd - <i>Abu Dhabi Investment Authority</i>	2,106,000	1.06
7. Assets Nominees (Tempatan) Sdn Bhd - <i>Taman Terang Sdn Bhd</i>	2,044,189	1.03
8. Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>Sekim Amanah Saham Nasional</i>	1,523,000	0.76
9. Arab-Malaysian Nominees (Tempatan) Sdn Bhd - <i>BHLB Pacific Dana Al-Ihsan</i>	982,000	0.49
10. Chase Malaysia Nominees (Asing) Sdn Bhd - <i>Capital International Emerging Markets Investment Fund</i>	925,000	0.46
11. Universal Trustee (Malaysia) Berhad - <i>SBB Premium Capital Fund</i>	910,000	0.46
12. HSBC Nominees (Asing) Sdn Bhd - <i>Edinburgh Dragon Trust PLC</i>	850,000	0.43
13. Citicorp Nominees (Asing) Sdn Bhd - <i>Stichting Pensioenfonds Voor De Gezondheid Geestelijke En Maatschappelijke Belangen</i>	849,000	0.43

## Other Information

### 2. Analysis Of Shareholdings As At 30 August 2001 (cont'd)

#### Thirty Largest Shareholders (cont'd)

<i>Name of Shareholders</i>	<i>No. of Shares</i>	<i>%</i>
14. Citicorp Nominees (Asing) Sdn Bhd - <i>The Overseas Assurance Corporation Limited</i>	816,000	0.41
15. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Great Eastern Life Assurance (Malaysia) Berhad</i>	812,000	0.41
16. RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Hongvest Sdn Bhd</i>	735,000	0.37
17. Chase Malaysia Nominees (Asing) Sdn Bhd - <i>Universities Superannuation Scheme Limited</i>	731,000	0.37
18. Hong Leong Assurance Berhad	677,000	0.34
19. Universal Trustee (Malaysia) Berhad - <i>CMS Premier Fund</i>	641,000	0.32
20. Universal Trustee (Malaysia) Berhad - <i>BHLB Pacific High Growth Fund</i>	636,000	0.32
21. HSBC Nominees (Asing) Sdn Bhd - <i>The Government of Kuwait</i>	619,000	0.31
22. Cartaban Nominees (Asing) Sdn Bhd - <i>Emerging Markets Investors Fund</i>	610,000	0.31
23. Chase Malaysia Nominees (Asing) Sdn Bhd - <i>Carifondo Paesi Emergenti</i>	610,000	0.31
24. Citicorp Nominees (Tempatan) Sdn Bhd - <i>Aetna Universal Insurance Berhad</i>	600,000	0.30
25. Universal Trustee (Malaysia) Berhad - <i>BHLB Pacific Emerging Companies Growth Fund</i>	598,000	0.30
26. SBBAM Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board</i>	540,000	0.27
27. Bumiputra-Commerce Trustee Berhad - <i>RHB Mudharabah Fund</i>	530,000	0.27
28. Cartaban Nominees (Asing) Sdn Bhd - <i>Morgan Stanley Dean Witter Investment Management Emerging Markets Trust</i>	524,000	0.26
29. Citicorp Nominees (Asing) Sdn Bhd - <i>Stichting Shell Pensioenfond</i>	500,000	0.25
30. HSBC Nominees (Asing) Sdn Bhd - <i>SEAPAC</i>	500,000	0.25
	150,391,347	75.60

### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2001 are as follows:

<i>Name of Shareholders</i>	<i>Direct</i>		<i>Deemed</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
YBhg Tan Sri Quek Leng Chan	53,500	0.03	123,520,009*	62.10
Hong Leong Industries Berhad	119,565,358	60.11	2,044,189#	1.03
Hong Leong Company (Malaysia) Berhad	-	-	123,520,009+	62.10
HL Holdings Sdn Bhd	-	-	123,520,009*	62.10
Hong Realty (Private) Limited	-	-	123,520,009*	62.10
Hong Leong Investment Holdings Pte Ltd	-	-	123,520,009*	62.10
Kwek Holdings Pte Ltd	-	-	123,520,009*	62.10
Mr Kwek Leng Beng	-	-	123,520,009*	62.10

\* Deemed interest through Hong Leong Company (Malaysia) Berhad.

# Deemed interest through subsidiary company.

+ Deemed interest through subsidiary companies.

### 3. Directors' Interests As At 30 August 2001

Subsequent to the financial year end, there is no change as at 30 August 2001 to the Directors' interests in the ordinary shares and/or warrants/options of the Company and/or its related corporations (other than wholly-owned subsidiary companies), appearing in the Directors' Report on pages 18 to 21 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

### 4. Share Buy Back Schedule For The Financial Year Ended 30 June 2001

<i>Month</i>	<i>No. of Shares Purchased</i>	<i>Highest Price Per Month (RM)</i>	<i>Lowest Price Per Month (RM)</i>	<i>Average Price Per Month (RM)</i>	<i>Total Purchase Consideration (RM)</i>
July 2000	340,000	34.25	27.50	30.71	10,440,618.15
August 2000	502,000	29.50	26.50	27.76	13,934,750.69
September 2000	438,000	28.25	24.20	26.22	11,483,235.86
October 2000	1,117,000	25.25	18.50	22.16	24,749,073.33
November 2000	40,000	21.30	20.90	21.21	848,432.01
December 2000	932,000	21.20	15.10	18.23	16,991,343.95
January 2001	93,000	15.30	14.60	14.97	1,392,172.34
May 2001	7,000	11.70	11.40	11.63	81,426.80



# 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 Fortieth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 October 2001 at 11.30 a.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To receive the audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect the following as Directors: (a) Mr Tan Keok Yin (b) YBhg Tan Sri Asmat bin Kamaludin	(a) (b)	(a) (b)
4. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration		
5. As special businesses, to approve the following ordinary resolutions: (a) Authority To Directors To Issue Shares; and (b) Authority To Directors On Purchase Of The Company's Own Shares	(a) (b)	(a) (b)

Dated this ..... day of ..... 2001

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature 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 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 may but 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. Pursuant to Paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy 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.