

Laporan Tahunan 2003 Annual Report



Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group Malaysia

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COMPANY PROFILE

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

MPI is a public listed company and its shares are traded on the Main Board of the Kuala Lumpur Stock Exchange.



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 : 03-2095 3388
Fax : 03-2095 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

Country Of Incorporation/ Domicile

A public limited liability company
incorporated and domiciled in Malaysia



DIRECTORS' PROFILE

Mr Kwek Leng San

Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 48, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He was appointed as a Director of Malaysian Pacific Industries Berhad ("MPI") on 20 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. Presently, he is the Executive Chairman of MPI and Guolene Packaging Industries Berhad, President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad, Group Managing Director of Camerlin Group Berhad and Managing Director of Hume Cemboard Berhad ("HCB"). He is also the Chairman of Industrial Concrete Products Berhad and Southern Steel Berhad, and a Director of O.Y.L. Industries Bhd and Hong Leong Company (Malaysia) Berhad.

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

He attended all the Board meetings of MPI held during the financial year ended 30 June 2003.

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

Mr David Edward Comley

Group Managing Director/Non-Independent

Mr David Edward Comley, aged 54, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to joining MPI as a Director and subsequently as the Group Managing Director on 16 August 1993 and 1 May 1994 respectively, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

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

He attended all the Board meetings of MPI held during the financial year ended 30 June 2003.

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

Syed Zaid bin Syed Jaffar Albar

Non-Executive Director/Independent

Syed Zaid bin Syed Jaffar Albar, aged 49, a Malaysian, graduated with a B.A.(Hons) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 23 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

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

He attended all the Board meetings of MPI held during the financial year ended 30 June 2003.

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



DIRECTORS' PROFILE (cont'd)

Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 59, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM. In 1977 he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer ("CEO") in 1981 till 1999. As FMM's CEO, he represented the organisation on various Government boards and committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN trade and industrial cooperation regional meetings and other international business forums. He also served as a Management Board member of EAN International located in Brussels, which oversees the world-wide commercial usage of the EAN - UCC bar codes and product numbering system.

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

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

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2003.

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

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Non-Independent

Tan Sri Asmat bin Kamaludin, aged 59, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of approximately 34 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 2001, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

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

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

He attended all the Board meetings of MPI held during the financial year ended 30 June 2003.

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



BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Constitution

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

Composition

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

Mr Tan Keok Yin
(Independent Non-Executive Director)

Mr Kwek Leng San
(Non-Independent Executive Director)

Secretary

The Secretary to the Committee is Ms Queek Chai Choo, who is the Joint Company Secretary of MPI.

Terms Of Reference

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

Authority

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

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



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

Meetings

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

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

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

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

Activities

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

During the financial year ended 30 June 2003, five (5) Committee meetings were held and all the meetings were attended by all the Committee members.

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

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

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

Internal Audit

During the financial year ended 30 June 2003, the Internal Audit Department carried out its duties covering business audit, system and financial audit.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-second 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 Wednesday, 29 October 2003 at 10.15 a.m. in order:

1. to receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2003;
2. to approve the payment of Directors’ fees of RM170,000/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect Mr Kwek Leng San, the retiring Director;
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

Authority To Directors To Issue Shares

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on 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.”; and

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

By Order of the Board,

OUEEK CHAI CHOO
JOANNE LEONG WEI YIN
Secretaries

Kuala Lumpur
7 October 2003

NOTES:

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



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

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

Mr Kwek Leng San

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 Forty-second Annual General Meeting.

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2003. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 and 5 of the Annual Report.

3. Place, Date and Time of Forty-second Annual General Meeting

The Forty-second Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 29 October 2003 at 10.15 a.m.

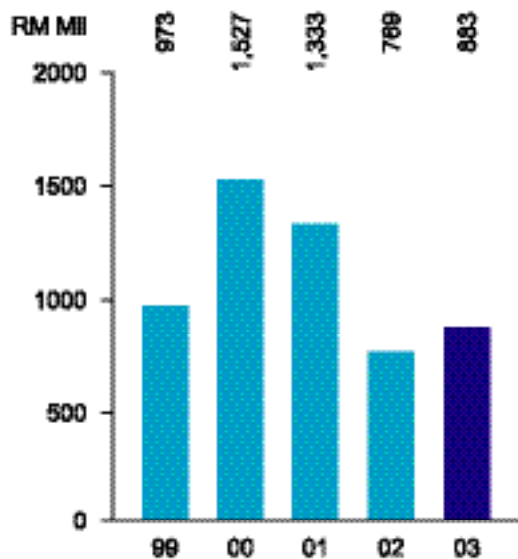
4. Further details of individuals who are standing for election as Directors

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

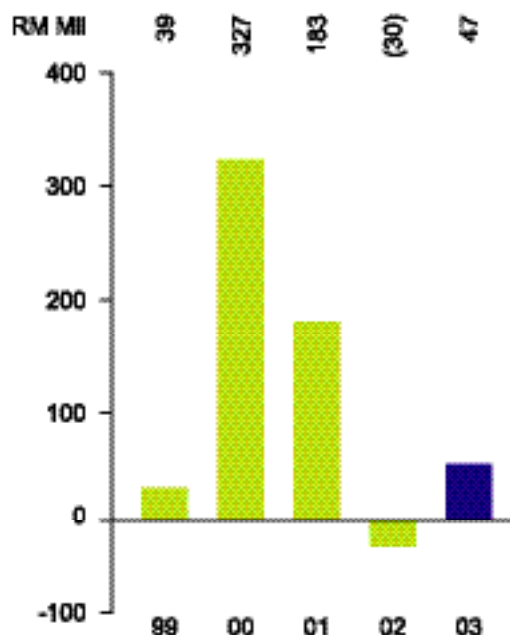


GROUP FINANCIAL HIGHLIGHTS

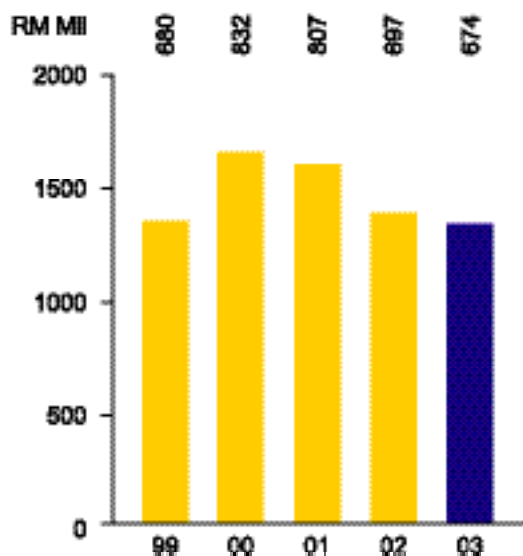
Revenue



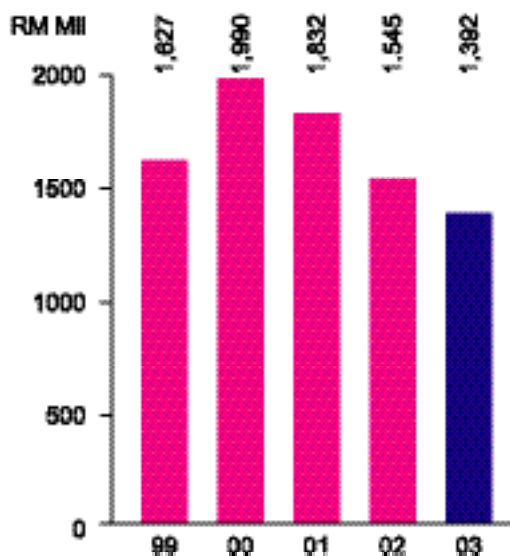
Net Profit/(Loss)



Shareholders' Fund



Total Assets



	1999 RM Million	2000 RM Million	2001 RM Million	2002 RM Million	2003 RM Million
Revenue	973	1,527	1,333	769	883
Profit/(Loss) Before Taxation	101	501	318	(18)	48
Net Profit/(Loss)	39	327	183	(30)	47
Net Earnings/(Loss) Per Share (sen)	19	161	92	(15)	23
Net Dividend Per Share (sen)	19	56	66	41	35
Shareholders' Funds	680	832	807	697	674
Total Assets	1,627	1,990	1,832	1,545	1,392
Capital Expenditure	188	424	338	115	115



CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

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

A. Directors

I The Board

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

II Board Balance

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

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

The Board met four (4) times during the financial year ended 30 June 2003.

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

III Supply of Information

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

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

IV Appointments to the Board

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

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

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

V Re-election

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

B. Directors' Remuneration

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

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

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



CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

B. Directors' Remuneration (cont'd)

II Procedure

The remuneration packages of all executives of the Group including executive directors are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices. The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

III Disclosure

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2003 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	162,000	1,702,000	1,864,000
Non-Executive Directors	90,000	35,000	125,000

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

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

C. Shareholders

I Dialogue between Companies and Investors

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

II Annual General Meeting ("AGM")

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

D. Accountability And Audit

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

The Committee met five (5) times during the financial year ended 30 June 2003. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 7 of the Annual Report.

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



CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

D. Accountability And Audit (cont'd)

I Financial Reporting

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

II Internal Control

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

III Relationship with Auditors

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

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

E. Statement On Internal Control

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

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

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

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

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

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

These on going processes have been in place for the year under review, and reviewed periodically by the Committee. The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

F. Directors' Responsibility In Financial Reporting

The Listing Requirements of the 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 the financial year and of the results and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2003, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.



CHAIRMAN'S STATEMENT

On behalf of the
Board of Directors,
I am pleased to
present the
Annual Report and
Financial
Statements
of the Group and
of the Company for
the financial
year ended
30 June 2003.

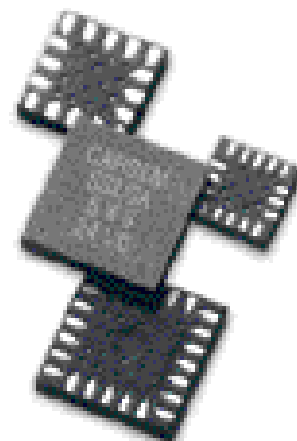


Financial Review

The financial year ended 30 June 2003 was fraught with economic and geopolitical uncertainties, which brought consumer confidence to decade low levels, before staging some recovery in the fourth quarter. Against the back drop of a struggling global economy, the Group is pleased to report a turnover of RM882.5 million, a 15% improvement over the previous year.

Profit attributable to shareholders was RM46.7 million compared to a loss of RM47.3 million last year. The Group has now enjoyed five consecutive quarters of profitability, marking a sustained return to profitability after the severe semiconductor industry downturn that commenced in 2001.

The Group's operations continued to generate healthy cash flow during the financial year, thus enabling the Group to pay dividends of RM69 million and reduce debt by RM94 million. The gearing of the Group remains low at 10%.



CHAIRMAN'S STATEMENT (cont'd)

Business Review

Although the industry experienced some moderate growth during the financial year, the result was nevertheless rather disappointing. The second quarter seasonal surge did not materialise and neither did the traditional fourth quarter financial year-end surge. Sluggish spending in the corporate and consumer sectors kept sales low resulting in under-utilisation of equipment.

Demand for conventional IC products was exceptionally weak, especially for cellphone and PC related products, due to the impact of SARS. However, this softness was more than compensated by strong MLP and Test sales. The Group attributes its success in the MLP business to its wide range of MLP products introduced, competitive prices, the high quality and yields achieved and the successful promotion campaign. Carsem is now recognised as one of the top MLP suppliers in the world.

Another very positive development is the closure of a major deal with Analog Devices Inc., which will culminate in the transfer of its entire assembly volume from the Philippines to Carsem. This transfer should be completed during the first quarter of the new financial year and is expected to deliver significant upside to the Group's results.

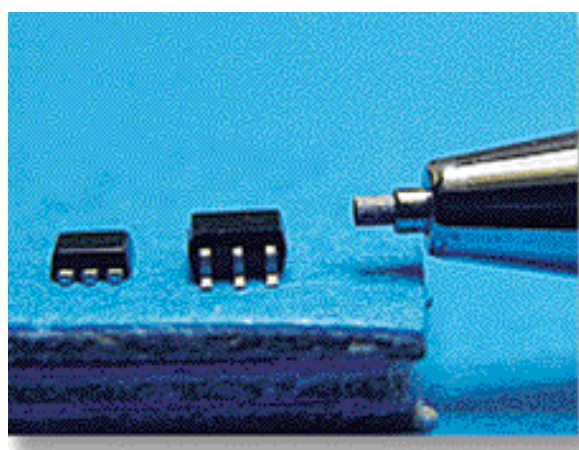
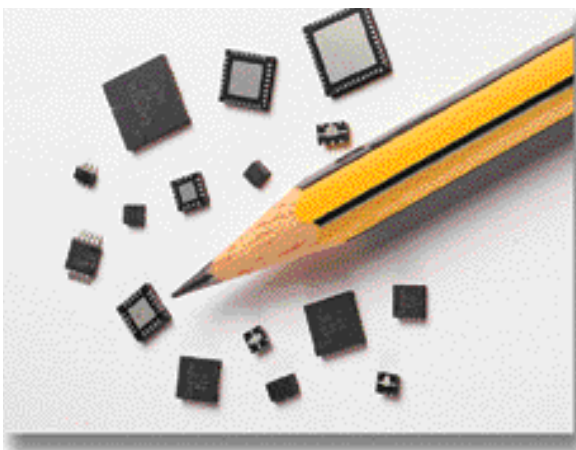
The Future

The Group has invested RM115 million into buildings, plant and equipment over the past twelve months. A substantial portion of these investments went into enhancing new product capabilities, Test equipment, computer systems and research and development.

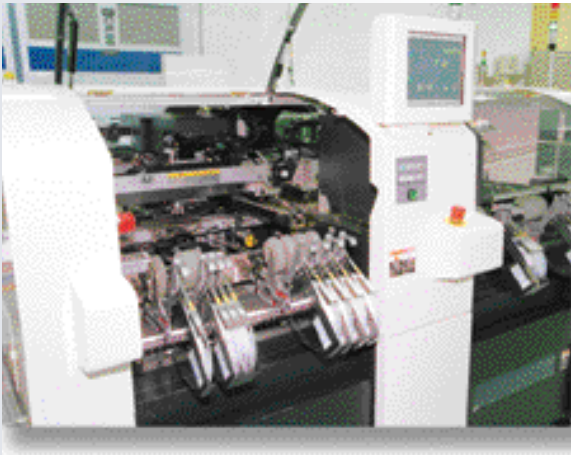
The Group's new technologies continue to see encouraging growth, translating into higher demands and a larger customer base. The commencement of volume production for Multi-Chip and Bluetooth modules has allowed Carsem to demonstrate to the industry its ability to manufacture very sophisticated and high-end products.

Presently, Carsem is working on yet another new range of MLP products, such as the High-Density MLP as a cost-effective solution, Copper-clip technology for power applications and Clear MLP for opto and sensor applications. With these technologies, Carsem's competitive edge on MLP will be further enhanced.

Demand for Test services is strong as more customers choose to outsource more operations to reduce cost and delivery time. Most customers today demand full turnkey assembly and Test solutions, especially for the newer products. With its focus and investments into Test over the last few years, Carsem is well positioned for this business.



CHAIRMAN'S STATEMENT (cont'd)



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. Its success in developing and promoting this technology has paved the way for it to increase its market share with a number of key customers. In addition, Dynacraft has developed Advanced MLP leadframe solutions to support leading edge IC package technology.

Other Developments

The Group's venture to expand its Semiconductor Assembly and Test business into The People's Republic of China (PRC) is progressing smoothly. A groundbreaking ceremony was conducted on April 1st, which was officiated by Prof. Wang Min, Standing Committee Member of CPC Jiangsu Committee, Party Secretary of CPC Suzhou Committee. Construction of the 160,000 sq. ft. factory is now underway and expected to be completed by end of calendar year 2003.

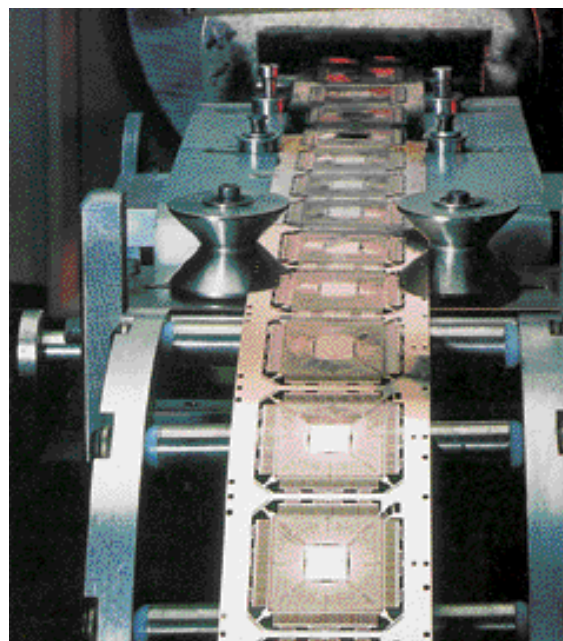
During the year, two of the Group's subsidiaries, Carsem (M) Sdn. Bhd. and Carsem Semiconductor Sdn. Bhd., both of which were engaged in the same business, were merged into one. This was done to enable Carsem

to promote its business under one trade name and become more business friendly, whilst promoting greater efficiencies in various areas such as operations, costs and tax. These benefits are expected to enhance the future profitability of the Group.

In line with the Group's emphasis of employee development, Video Specs training and Video Test certification via multimedia kiosk on the production floor, was introduced in Carsem. This innovation is the result of a three and a half years effort to revolutionise the direct labour on-the-job training initiative. Via the use of multi-sensory dimensions – video, animation, audio and text, consistent delivery and quality of training is guaranteed resulting in effective training and a shorter learning curve. The system also enables superiors to access the training records, plan cross-training activities and track certification compliance to quality systems.

Prospects

The darkest period of the semiconductor sector appears to be over and the industry is looking forward to brighter days ahead. Inventories have generally reached levels whereby new orders have to be placed to meet demand. With the uncertainties of the Iraq War and SARS removed, the Board believes that the industry is gearing up for an optimistic year-end festive season.



CHAIRMAN'S STATEMENT (cont'd)

The Board also expects the Group to further benefit from the continuing trend of outsourcing activities as customers move to downsize their internal assembly and Test capacities in efforts to reduce cost and cycle time. Solid business fundamentals, an experienced management team, a strong balance sheet, healthy cash flow and being a leader in new packaging and leadframe technologies would ensure that the prospects of the Group remain sound. The Group is well positioned with its new offerings, which continue to gain acceptance in the electronics industry as more applications are discovered in different markets, thus fueling further optimism.

Barring any unforeseen circumstances, the Board expects the Group to perform better in the financial year ending 30 June 2004.

Dividends

A second interim was paid during June 2003 in lieu of a final dividend. As such, the Board will not be recommending a final dividend. Total gross dividends paid for the financial year was 80%, or RM79.6 million.

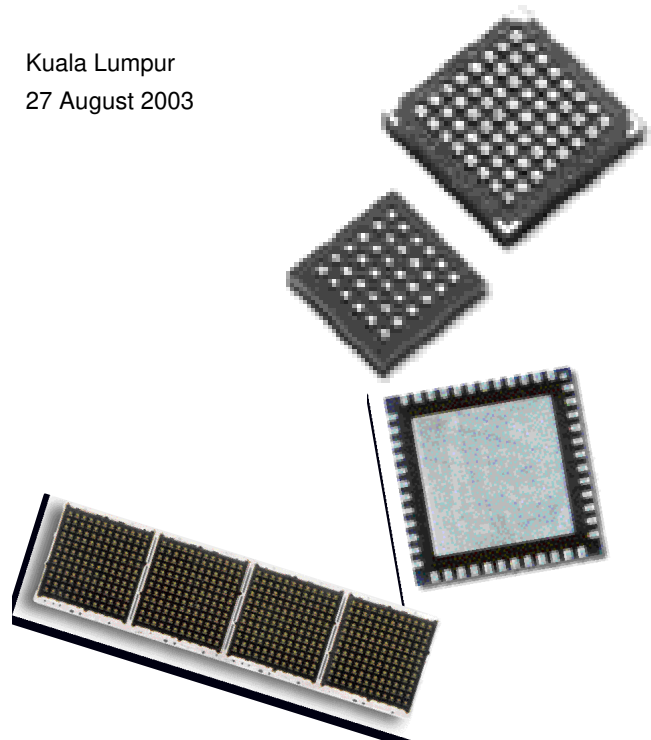
Appreciation

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

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

KWEK LENG SAN
Chairman

Kuala Lumpur
27 August 2003



DIRECTORS' REPORT for the year ended 30 June 2003

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 2003.

Principal activities

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

Results

	Group RM'000	Company RM'000
Net profit for the year	46,667	244,217

Dividends

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

- (i) a first interim dividend of 15 sen per share tax exempt amounting to RM29,837,763 on 6 March 2003 in respect of the financial year ended 30 June 2003; and
- (ii) a second interim dividend of 18.5 sen per share less tax and 6.5 sen per share tax exempt amounting to RM26,495,934 and RM12,929,698 respectively on 25 June 2003 in respect of the financial year ended 30 June 2003.

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

Reserves and provisions

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

Directors of the Company

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

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

In accordance with Article 115 of the Company's Articles of Association, Mr Kwek Leng San retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.



DIRECTORS' REPORT for the year ended 30 June 2003 (cont'd)

Directors' interests

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

	Nominal value per share	Number of ordinary shares/ New shares to be issued arising from the exercise of options/convertible unsecured loan stocks*			
		At 1.7.2002	Acquired/ Bonus Issue+	Sold	At 30.6.2003
Interests of Mr Kwek Leng San in:-					
Hong Leong Company (Malaysia) Berhad	RM1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	RM0.50	1,550,000	-	-	1,550,000
	-	650,000*	-	-	650,000*
Malaysian Pacific Industries Berhad	RM0.50	315,000	-	-	315,000
HLG Capital Berhad	RM1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	RM1.00	385,000	-	-	385,000
Interest of Mr David Edward Comley in:-					
Malaysian Pacific Industries Berhad	RM0.50	262,000	-	-	262,000
	-	400,000*	-	-	400,000*
Interests of Tuan Syed Zaid bin Syed Jaffar Albar in:-					
HLG Capital Berhad	RM1.00	105,000	-	-	105,000
Hong Leong Credit Berhad	RM1.00	5,133	4,000+	9,133	-

Directors' benefits

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

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



Executive Share Option Scheme (“ESOS” or “Scheme”)

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

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

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

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

	Number of unissued ordinary shares of RM0.50 each under the ESOS					
	Offer date	Balance at 1.7.2002	Options granted	Options lapsed/cancelled	Options exercised	Balance at 30.06.2003
Option price of RM25.62	28.12.1999	3,943,200	-	238,000	-	3,705,200
Option price of RM42.35	17.04.2000	266,500	-	14,000	-	252,500
Option price of RM22.97	15.11.2000	301,000	-	10,000	-	291,000
		4,510,700	-	262,000	-	4,248,700

Share capital and debenture

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

There was no share buyback from the open market during the financial year. As at 30 June 2003, the total number of shares bought back was 10,966,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Options granted over unissued shares

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

DIRECTORS' REPORT for the year ended 30 June 2003 (cont'd)

Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2003 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 2003



BALANCE SHEETS as at 30 June 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	939,308	1,031,495	114	200
INVESTMENTS	4	55,541	55,541	478,294	270,294
INTANGIBLE ASSETS	5	21,002	23,165	-	-
CURRENT ASSETS					
Inventories	6	47,045	50,714	-	-
Trade and other receivables	7	160,125	206,391	18,424	69,773
Tax recoverable		11,339	6,821	6,072	6,821
Cash and bank balances	8	157,397	171,123	47,526	63,235
		375,906	435,049	72,022	139,829
CURRENT LIABILITIES					
Trade and other payables	9	196,484	189,937	1,370	2,647
Borrowings (unsecured)	10	59,412	106,922	5,066	33,568
Taxation		253	18,114	-	-
		256,149	314,973	6,436	36,215
NET CURRENT ASSETS		119,757	120,076	65,586	103,614
		1,135,608	1,230,277	543,994	374,108
SHARE CAPITAL AND RESERVES					
Share capital	11	104,942	104,942	104,942	104,942
Reserves	12	733,077	755,674	474,829	299,876
Treasury shares, at cost		(163,620)	(163,620)	(163,620)	(163,620)
		674,399	696,996	416,151	241,198
MINORITY SHAREHOLDERS' INTERESTS		230,132	233,158	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings (unsecured)	10	171,873	221,225	127,533	132,600
Retirement benefits		4,592	4,078	310	310
Deferred taxation	13	54,612	74,820	-	-
		231,077	300,123	127,843	132,910
		1,135,608	1,230,277	543,994	374,108

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2003.

The notes set out on pages 27 to 49 form an integral part of, and should be read in conjunction with, these financial statements.



INCOME STATEMENTS for the year ended 30 June 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
REVENUE	14	882,522	768,842	218,788	116,728
OPERATING PROFIT/(LOSS)	14	57,878	(8,293)	265,519	69,696
Interest expense		(17,905)	(22,939)	(12,221)	(13,489)
Interest income		7,580	13,441	4,958	9,436
PROFIT/(LOSS) BEFORE TAXATION	14	47,553	(17,791)	258,256	65,643
Taxation	16	19,733	(15,039)	(14,039)	(8,482)
PROFIT/(LOSS) AFTER TAXATION		67,286	(32,830)	244,217	57,161
Minority interests		(20,619)	3,099	-	-
NET PROFIT/(LOSS) FOR THE YEAR		46,667	(29,731)	244,217	57,161
Basic earnings/(loss) per ordinary share (sen)	17	23.46	(14.95)		
Diluted earnings/(loss) per ordinary share (sen)	17	23.46	(14.95)		
Dividends per ordinary share (sen)	18	34.82	40.80		

The notes set out on pages 27 to 49 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 2003

Group

	Note	Share capital RM'000	Share premium* RM'000	Capital redemption reserve*# RM'000	Exchange fluctuation reserve* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2001								
- as previously stated		104,942	249,952	-	(5,591)	638,781	(163,620)	824,464
Effect of adopting MASB 25		-	-	-	-	(17,532)	-	(17,532)
Restated at 1 July 2001		104,942	249,952	-	(5,591)	621,249	(163,620)	806,932
Currency translation differences		-	-	-	954	-	-	954
Net gains and losses not recognised in the income statement		-	-	-	954	-	-	954
Net loss for the year								
- as previously stated		-	-	-	-	(33,263)	-	(33,263)
Effect of adopting MASB 25	20	-	-	-	-	3,532	-	3,532
Net loss for the year as restated		-	-	-	-	(29,731)	-	(29,731)
Dividends	18	-	-	-	-	(81,159)	-	(81,159)
Restated at 30 June 2002		104,942	249,952	-	(4,637)	510,359	(163,620)	696,996
Currency translation differences		-	-	-	1,008	(1,008)	-	-
Net gains and losses not recognised in the income statement		-	-	-	1,008	(1,008)	-	-
Net profit for the year		-	-	-	-	46,667	-	46,667
Dividends	18	-	-	-	-	(69,264)	-	(69,264)
Transfer to capital redemption reserve		-	-	70	-	(70)	-	-
At 30 June 2003		104,942	249,952	70	(3,629)	486,684	(163,620)	674,399
		Note 11	Note 12	Note 12	Note 12	Note 12		

* - Non-distributable

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

Company

	Note	Share capital RM'000	Share premium* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2001						
Net profit for the year		104,942	249,952	73,922	(163,620)	265,196
Dividends	18	-	-	(81,159)	-	(81,159)
At 30 June 2002/1 July 2002		104,942	249,952	49,924	(163,620)	241,198
Net profit for the year		-	-	244,217	-	244,217
Dividends	18	-	-	(69,264)	-	(69,264)
At 30 June 2003		104,942	249,952	224,877	(163,620)	416,151
		Note 11	Note 12	Note 12		

* - Non-distributable

The notes set out on pages 27 to 49 form an integral part of, and should be read in conjunction with, these financial statements.



CASH FLOW STATEMENTS for the year ended 30 June 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flow from operating activities				
Profit/(Loss) before taxation	47,553	(17,791)	258,256	65,643
Adjustments for:				
Allowance for diminution in value of investment	-	-	-	42,957
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,836	-	-
Depreciation	200,564	210,022	86	86
Dividend income	(1,268)	(969)	(218,788)	(116,728)
(Gain)/Loss on disposal of investment	-	(7,694)	-	2,835
Gain on disposal of investment in a subsidiary	-	-	(56,000)	-
Gain on liquidation of a subsidiary	-	-	(353)	-
Goodwill written off	-	2,078	-	-
Interest expense	17,905	22,939	12,221	13,489
Interest income	(7,580)	(13,441)	(4,958)	(9,436)
Loss on disposal of property, plant and equipment	622	5,926	-	-
Property, plant and equipment written off	3,028	3,291	-	-
Provision for retirement benefit	1,140	840	-	-
Operating profit/(loss) before working capital changes	264,127	207,337	(9,536)	(1,154)
Changes in working capital:				
Inventories	3,669	3,721	-	-
Trade and other receivables	46,266	27,762	51,349	38,912
Trade and other payables	6,547	(35,503)	(1,277)	234
Cash generated from operations	320,609	203,317	40,536	37,992
Taxation paid	(22,854)	(19,308)	-	(1,144)
Interest expense paid	(17,905)	(22,939)	(12,221)	(13,489)
Interest income received	7,580	13,441	4,958	9,436
Dividend received	1,268	969	205,498	108,261
Retirement benefits paid	(626)	(881)	-	-
Net cash generated from operating activities	288,072	174,599	238,771	141,056



CASH FLOW STATEMENTS for the year ended 30 June 2003 (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	2,717	13,940	-	-
Purchase of property, plant and equipment	(114,744)	(115,090)	-	-
Purchase of investment securities	-	(3,915)	-	-
Purchase of additional shares in subsidiaries	(54,000)	-	(285,000)	(51,340)
Proceeds from disposal of investment	-	26,239	-	5,279
Proceeds from disposal of investment in a subsidiary	-	-	126,000	-
Proceeds from liquidation of a subsidiary (Note 23)	-	-	353	-
Redemption of redeemable preference shares by a subsidiary	-	-	7,000	-
Net cash used in investing activities	(166,027)	(78,826)	(151,647)	(46,061)
Cash flow from financing activities				
Net repayments of loans/bonds	(94,238)	(73,163)	(33,569)	(30,756)
Dividend paid to minority shareholders of subsidiaries	(83,645)	(41,971)	-	-
Dividend paid to shareholders of the Company	(69,264)	(81,159)	(69,264)	(81,159)
Proceeds from shares issued to minority shareholders of subsidiaries	114,000	-	-	-
Net cash used in financing activities	(133,147)	(196,293)	(102,833)	(111,915)
Net decrease in cash and cash equivalents	(11,102)	(100,520)	(15,709)	(16,920)
Cash and cash equivalents at beginning of year	158,489	259,009	63,235	80,155
Cash and cash equivalents at end of year	147,387	158,489	47,526	63,235

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	157,397	171,123	47,526	63,235
Bank overdrafts (Note 10)	(10,010)	(12,634)	-	-
	147,387	158,489	47,526	63,235

The notes set out on pages 27 to 49 form an integral part of, and should be read in conjunction with, these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accounting policies of the Group and the Company are consistent with those adopted in the previous years. In addition, the Group and the Company adopted the following new accounting policies in the current financial year ended 30 June 2003:

- (i) MASB 22, Segment Reporting;
- (ii) MASB 23, Impairment of Assets;
- (iii) MASB 24, Financial Instruments, Disclosure and Presentation;
- (iv) MASB 25, Income Taxes; and
- (v) MASB 27, Borrowing Costs.

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 20 to the financial statements.

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

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

(c) Property, plant and equipment and depreciation

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(c) Property, plant and equipment and depreciation (cont'd)

Depreciation

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

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

(d) Investments

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

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

(e) Goodwill

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

(f) Inventories

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

(g) Receivables

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

(h) Impairment

The carrying amount of the Group's assets other than inventories (refer Note 1 (f)), deferred tax assets (refer Note 1 (j)) and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(h) Impairment (cont'd)

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(i) Liabilities

Borrowings and trade and other payables are stated at cost.

(j) Taxation

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

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

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

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

(k) Repurchase of shares

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

(l) Provisions

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

(m) Retirement benefits

Executive staff

The Group operates a defined contribution scheme for eligible executives 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(n) Cash and cash equivalents

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

(o) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

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

	2003	2002
1USD	RM3.80	RM3.80
1SGD	RM2.16	RM2.15
100JPY	RM3.22	RM3.18
1SWF	RM2.80	RM2.53
1EURO	RM4.32	RM3.97
1RMB	RM0.46	RM0.46

(p) Derivative financial instruments

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(q) Revenue recognition

(i) Goods sold

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

(ii) Dividend income

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

(iii) Interest income

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

(r) Expenses

(i) Research and development expenditure

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

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

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

(ii) Operating lease payments

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

(iii) Financing costs

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

(s) Dividends

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Companies in the Group

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

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2003 %	2002 %	
Subsidiary Companies				
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacture and test of semiconductor devices and electronic components
+ Carsem Semiconductor Sdn Bhd	Malaysia	70	70	Ceased operation during the year
* Carsem Semiconductor (Suzhou) Co. Ltd.	The People's Republic of China	100	100	The intended activities are the design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
+ Signal Technology Sdn Berhad	Malaysia	-	70	Wound up
+*Carsem Inc.	USA	70	70	Semiconductor devices' and electronic components' marketing agents
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacture and sale of leadframes
* Dyna-Craft Industries, Inc.	USA	100	100	Ceased operation
* Dyna-Craft Marketing, Inc.	USA	-	100	Wound up
#MPI (BVI) Limited	British Virgin Islands	100	100	Investment trading
Techad Sdn Bhd (formerly known as Carsem Advanced Technologies Sdn Bhd)	Malaysia	100	100	In member's voluntary liquidation

* The operations of the subsidiary and sub-subsidiary 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment

Group	Long Term leasehold land and building improvement RM'000	Freehold land and buildings RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
At 1 July 2002	168,003	9,048	1,677,176	77,896	1,932,123
Additions	718	-	97,158	16,868	114,744
Disposals	(101)	(3,629)	(6,135)	-	(9,865)
Write off	(3)	-	(17,537)	-	(17,540)
Reclassification	798	-	26,804	(27,602)	-
At 30 June 2003	169,415	5,419	1,777,466	67,162	2,019,462
Accumulated depreciation					
At 1 July 2002	48,821	4,325	847,482	-	900,628
Charge for the year	7,035	-	193,529	-	200,564
Disposals	(53)	(969)	(5,504)	-	(6,526)
Write off	(3)	-	(14,509)	-	(14,512)
At 30 June 2003	55,800	3,356	1,020,998	-	1,080,154
Net book value					
At 30 June 2003	113,615	2,063	756,468	67,162	939,308
At 30 June 2002	119,182	4,723	829,694	77,896	1,031,495
Depreciation charge for the					
year ended 30 June 2002	7,174	2,148	200,700	-	210,022



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2002	571
Disposals	(25)
At 30 June 2003	546
Accumulated depreciation	
At 1 July 2002	371
Charge for the year	86
Disposals	(25)
At 30 June 2003	432
Net book value	
At 30 June 2003	114
At 30 June 2002	200
Depreciation charge for the year ended 30 June 2002	
	86

The building of a subsidiary is situated on land held under long term operating leases (Note 21).

4. Investments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Long Term				
Quoted investments in shares, at cost:				
Related companies				
In Malaysia	50,878	50,878	-	-
Outside Malaysia	3,970	3,970	-	-
	54,848	54,848	-	-
Unquoted investments in shares, at cost:				
Subsidiary	-	-	515,614	312,558
Less: Allowance for diminution in value	-	-	(38,013)	(42,957)
	-	-	477,601	269,601
Other investments	693	693	693	693
	693	693	478,294	270,294
	55,541	55,541	478,294	270,294
Market value of quoted investments in shares:				
Related companies				
In Malaysia	51,339	57,254	-	-
Outside Malaysia	8,540	6,942	-	-
	59,879	64,196	-	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Intangible assets

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
Cost			
At 1 July 2002/ 30 June 2003	36,722	2,400	39,122
Cumulative amortisation			
At 1 July 2002	15,057	900	15,957
Amortisation charge for the year	1,863	300	2,163
At 30 June 2003	16,920	1,200	18,120
At cost less cumulative amortisation			
At 30 June 2003	19,802	1,200	21,002
At 30 June 2002	21,665	1,500	23,165
Amortisation charge for the year ended 30 June 2002	1,836	300	2,136

6. Inventories

	Group	
	2003 RM'000	2002 RM'000
Raw materials	17,443	19,745
Work-in-progress	8,613	11,364
Finished goods	14,375	12,888
Consumable spares	6,614	6,717
	47,045	50,714

7. Trade and other receivables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	142,811	126,541	-	-
Less: Allowance for doubtful debts	(2)	(123)	-	-
	142,809	126,418	-	-
Amount due from:				
Subsidiaries	-	-	17,352	11,403
Related company	-	56,444	-	56,444
Other receivables, deposits and prepayments	17,316	23,529	1,072	1,926
	160,125	206,391	18,424	69,773

Company

The amounts due from subsidiaries are non-trade, unsecured and have no fixed term of repayments. Interest charged during the year was 2.85% (2002 - Nil) per annum.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Trade and other receivables (cont'd)

Group and Company

The amount due from a related company in the previous year was non-trade in nature, unsecured and had no fixed terms of repayment. Interest was charged at 8.50% per annum.

Other receivables in the previous year included rental deposits paid to a related company amounting to RM87,600.

Group

Included in other receivables, deposits and prepayments is prepayment for capital expenditure amounting to RM6,200,000 (2002 - RM9,168,000).

8. Cash and bank balances

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with:				
Licensed banks	66,737	90,728	11,000	12,500
Licensed finance companies/Discount houses	35,000	7,500	35,000	7,500
	101,737	98,228	46,000	20,000
Cash and bank balances	55,660	72,895	1,526	43,235
	157,397	171,123	47,526	63,235

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits and bank balances	14,104	16,482	6,130	3,672

9. Trade and other payables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	58,848	46,446	-	-
Amount due to related companies	222	356	-	-
Bankers' acceptances	58,704	70,735	-	-
Consumables, tooling and transport purchases	16,234	17,900	-	-
Property, plant and equipment purchases	25,788	16,100	-	-
Accruals – operating expenses	29,105	30,500	1,220	2,647
Others	7,583	7,900	150	-
	196,484	189,937	1,370	2,647

Group

The amounts due to related companies are unsecured and have no fixed terms of repayment. No interest was charged during the year (2002 - interest charged at 4.50% to 5.50%).

The bankers' acceptances bear interest from 2.80% to 3.50% (2002 - 2.80% to 3.50%) per annum.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. Borrowings (unsecured)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current				
Term loans	49,402	77,955	5,066	33,568
Bank overdrafts	10,010	12,634	-	-
Other borrowings	-	16,333	-	-
	59,412	106,922	5,066	33,568
Non-current				
Term loans	46,873	96,225	2,533	7,600
Bonds	125,000	125,000	125,000	125,000
	171,873	221,225	127,533	132,600
	231,285	328,147	132,599	166,168

Group

The term loans are repayable in varying instalments and at various dates during the years 2003 to 2004 (2002 - 2002 to 2004). The term loans bear interest from 2.28% to 4.88% (2002 - 2.75% to 4.88%) per annum and variable interest rate at the bank's USD Cost of Funds (COF) plus 0.75% per annum (2002 - USD COF plus 0.75% per annum). Included in term loans are foreign currency term loans amounting to RM96.3 million (2002 - RM174.2 million).

The bank overdrafts bear interest of 2.18% to 7.00% (2002 - 2.18% to 7.80%) per annum.

The other borrowings in the previous year bore interest from 2.18% to 7.80% per annum.

Company

The term loans bear interest from 2.31% to 2.88% (2002 - 2.75% to 4.88%) per annum and are repayable in varying instalments and at various dates during the years 2003 and 2004 (2002 - 2003 to 2004). The term loans are denominated in foreign currency.

Group and Company

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

11. Share capital

	Group and Company			
	2003		2002	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance at 1 July/30 June	209,884	104,942	209,884	104,942

As at 30 June 2003, the total number of shares bought back was 10,966,000 (2002 - 10,966,000) ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The average price paid for the shares bought back was RM14.92 per ordinary share. There was no share buyback from the open market during the financial year (2002 - Nil).



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Reserves

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Reserves consist of				
Share premium	249,952	249,952	249,952	249,952
Exchange fluctuation reserve	(3,629)	(4,637)	-	-
Capital redemption reserve	70	-	-	-
Retained profits as restated	486,684	510,359	224,877	49,924
	733,077	755,674	474,829	299,876

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

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all its retained profits at 30 June 2003 if paid out as dividends.

13. Deferred Taxation

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

	Group	
	2003 RM'000	2002 RM'000
Deferred tax liabilities	54,612	74,820

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

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

	Group	
	2003 RM'000	2002 RM'000
Accelerated capital allowance	55,806	78,311
Provisions	(1,194)	(2,450)
Others	-	(1,041)
	54,612	74,820

No deferred tax assets are recognised for the following items:

	Group	
	2003 RM'000	2002 RM'000
Deductible temporary differences	6,684	3,725
Unutilised tax losses	3,030	3,018
Unabsorbed capital allowances	-	71,428
	9,714	78,171

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. Operating profit

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue				
Sales of goods	881,254	767,873	-	-
Dividends	1,268	969	218,788	116,728
	882,522	768,842	218,788	116,728
Cost of sales				
Sales of goods	(767,556)	(715,406)	-	-
Gross profit	114,966	53,436	218,788	116,728
Distribution costs	(14,322)	(14,326)	-	-
Administration expenses	(39,102)	(38,819)	(2,021)	(1,361)
Other operating expenses	(5,895)	(22,553)	(7,599)	(2,835)
Other operating income	2,231	13,969	56,351	121
Allowance for diminution in value of investment	-	-	-	(42,957)
Operating profit/(loss)	57,878	(8,293)	265,519	69,696
Profit/(loss) before taxation is arrived at after charging/(crediting):-				
Allowance for diminution in value of investment	-	-	-	42,957
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,863	1,836	-	-
Auditor's remunerations				
- current year provision	112	231	17	17
- overprovision in prior year	-	(3)	-	(3)
- other services	36	363	14	-
Depreciation	200,564	210,022	86	86
Directors' remuneration				
Fees	252	253	170	170
Other emoluments				
- current year	1,646	2,488	386	386
- overprovision in prior years	(481)	-	(481)	-
Gain on disposal of investment	-	(10,529)	-	-
Gain on disposal of investment in a subsidiary	-	-	(56,000)	-
Gain on foreign exchange - realised	(575)	(570)	(9)	(121)
Gain on liquidation of a subsidiary	-	-	(353)	-
Goodwill written off	-	2,078	-	-
Gross dividends from:				
Unquoted subsidiaries	-	-	(218,788)	(116,728)
Quoted investments in Malaysia	(1,092)	(809)	-	-
Quoted investment outside Malaysia	(176)	(160)	-	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. Operating profit (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense				
- Term loan/bonds	16,640	19,398	12,098	13,390
- Others	1,265	3,541	123	99
Insurance claim on consequential loss of profit	(271)	(383)	-	-
Loss on disposal of investment to the holding company	-	2,835	-	2,835
Loss on disposal of property plant and equipment	622	5,926	-	-
Property, plant and equipment written off	3,028	3,291	-	-
Provision for retirement benefits	1,140	840	-	-
Rental expense on office, land and buildings	1,768	1,886	59	110
Research and development expenditure	9,838	9,069	-	-
(Write back)/Allowance for doubtful debts	(121)	123	-	-
Write down of amount due from a subsidiary	-	-	7,598	-
Write down of inventories	305	-	-	-

The estimated monetary value of Directors' benefits-in-kind is RM91,000 (2002 - RM91,000).

15. Employees information

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs	211,621	204,079	188	180

The number of employees of the Group and Company (excluding Directors) at the end of the year was 10,071 (2002 - 8,933) and 2 (2002 - 2) respectively.

16. Taxation

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current taxation				
Malaysia				
- Current year	48	3,063	13,289	8,468
- Under provision in prior years	427	14	750	14
	475	3,077	14,039	8,482
Deferred taxation	(20,208)	11,962	-	-
	(19,733)	15,039	14,039	8,482



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. Taxation (cont'd)

Reconciliation of tax expense

	Group	
	2003 RM'000	2002 RM'000
Profit/(loss) before taxation	47,553	(17,791)
Taxation at Malaysian statutory tax rate of 28% (2002 - 28%)	13,315	(4,981)
Non-deductible expenses	7,796	3,331
Losses not available for set off	-	4,618
Tax exempt income	(863)	(3,282)
Tax incentives	(22,164)	(8,174)
Effect of unabsorbed capital allowances previously not recognised	(20,000)	-
Deferred tax assets not recognised during the year	828	22,797
Others	928	716
	(20,160)	15,025
Under provision in prior years	427	14
Taxation	(19,733)	15,039

	Company	
	2003 RM'000	2002 RM'000
Profit before taxation	258,256	65,643
Taxation at Malaysian statutory tax rate of 28% (2002 - 28%)	72,312	18,380
Non-deductible expenses	4,727	14,305
Capital gain not subject to tax	(15,778)	-
Tax exempt income	(47,972)	(24,217)
	13,289	8,468
Under provision in prior years	750	14
Taxation	14,039	8,482

17. Earnings/(loss) per ordinary share

Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated by dividing the Group profit after taxation and minority shareholders' interests of RM46,667,000 (2002 - loss after taxation and minority shareholders' interests of RM29,731,000) by the weighted average number of ordinary shares outstanding during the financial year of 198,918,419 (2002 - 198,918,419).

Diluted earnings/(loss) per ordinary share

The Group has no dilution in its earnings per ordinary share as the fair value of the ordinary shares for the year ended 30 June 2003 is lower than the exercise price of the options. Therefore, no consideration for adjustment in the form of an increase in the number of shares has been used in calculating the potential dilution of its earnings per ordinary share. Similarly, the Group had no dilution in its loss per ordinary share at 30 June 2002 due to the same reason.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Dividends

	Group and Company	
	2003 RM'000	2002 RM'000
Ordinary		
First interim:		
15 sen per share tax exempt paid on 6 March 2003 (2002 - 15 sen per share tax exempt)	29,838	29,838
Second interim:		
6.5 sen per share tax exempt paid on 25 June 2003 (2002 - 15 sen per share tax exempt)	12,930	29,838
18.5 sen per share less tax paid on 25 June 2003 (2002 - 15 sen per share less tax)	26,496	21,483
	69,264	81,159

19. Segmental information

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

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

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

Business segments

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

Geographical segments

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

Business segments

	Semiconductor		Investment holdings		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Total revenue	881,254	767,873	1,268	969	882,522	768,842
Segment result	59,148	(15,515)	(1,270)	7,222	57,878	(8,293)
Interest expense					(17,905)	(22,939)
Interest income					7,580	13,441
Profit/(loss) before taxation					47,553	(17,791)
Taxation					19,733	(15,039)
Minority interests					(20,619)	3,099
Net profit/(loss) for the year					46,667	(29,731)



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. Segmental information (cont'd)

Business segments (cont'd)

	Semiconductor		Investment holdings		Consolidated	
	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	1,166,268	1,252,637	55,541	55,541	1,221,809	1,308,178
Unallocated assets					169,948	237,072
Total assets					1,391,757	1,545,250
Segment liabilities	199,118	190,693	-	-	199,118	190,693
Unallocated liabilities					288,108	424,403
Total liabilities					487,226	615,096
Capital expenditure	114,744	115,090	-	-	114,744	115,090
Depreciation and amortisation	202,641	212,072	86	86	202,727	212,158
Non-cash expenses other than depreciation and amortisation	3,028	5,369	-	-	3,028	5,369

20. Changes in accounting policies and prior year adjustments

Changes in accounting policies

In the current financial year, the Group and the Company adopted five new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:-

- MASB 22, Segmental Reporting and MASB 24, Financial Instruments: Disclosure and Presentation, which have been adopted prospectively. As allowed under the transitional provision of MASB 24, the component part classification for compound instruments into equity and liability will only be adopted in respect of instruments issued on or after 1 January 2003;
- MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented. The adoption of this standard has no material impact on the financial statements;
- MASB 25, Income Taxes which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy;
- MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications that the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. Changes in accounting policies and prior year adjustments (cont'd)

This change in accounting policy, applied retrospectively, has the following impact on results:-

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net profit/(loss) before change in accounting policy	46,667	(33,263)	244,217	57,161
Effect of adopting MASB 25	-	3,532	-	-
Net profit/(loss) for the year	46,667	(29,731)	244,217	57,161

With the adoption of MASB 25, the following comparatives have been restated:-

	Group	
	As restated RM'000	As previously stated RM'000
Balance sheets		
Reserves	755,674	769,674
Minority interests	233,158	239,158
Deferred taxation	74,820	54,820
Income statements		
Taxation	15,039	20,085
Minority interests	3,099	4,613
Loss per ordinary share (sen)	(14.95)	(16.72)

21. Commitments

	Group	
	2003 RM'000	2002 RM'000
Property, plant and equipment:		
Authorised but not contracted for	17,929	26,425
Authorised and contracted for	58,032	87,403
	75,961	113,828
Lease commitments:		
Commitments under operating leases:		
Expiring within one year	697	697
Expiring between one to five years	3,590	3,381
Expiring after five years	44,281	45,188
	48,568	49,266

Group

The Group has lease commitments of RM697,465 per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 3% over five years and the lease expires on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land which is exercisable in any of the calendar years 1999, 2004, 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. Holding companies

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

23. Liquidation of a subsidiary

During the year, Dyna-Craft Marketing, Inc ("DCMI") was liquidated. The subsidiary contributed RM11,000 to the consolidated net profit of the Group for the year ended 30 June 2003.

The liquidation had the following cash flow effect on the Group:

	2003 RM'000
Current assets	353
Less: Cash and cash equivalents of DCMI	(353)
Net cash flow	-

24. Related parties

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

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

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

Significant transactions with related parties are as follows:

Transactions	Related parties	Group	
		2003 RM'000	2002 RM'000
a) Purchase of air-conditioners, compressors, air ventilation systems, heavy equipment and spare parts	Subsidiary company of HLI and subsidiary company of O.Y.L.	123	105
b) Rental of office space	HLA	60	265
c) Receipt of insurance and insurance broking services	HLA and BIB	6,579	3,589
d) Receipt of corporate office support services	Subsidiary company of HLI	614	592



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. Related parties (cont'd)

Significant transactions with related parties are as follows: (cont'd)

Transactions	Related parties	Group	
		2003 RM'000	2002 RM'000
e) Receipt of group management and/or support services	Subsidiary and associated companies of HLCM	2,601	2,512
f) Interest income	HLB and its subsidiary	1,223	185
	Subsidiary company of HLI	2,744	6,560
g) Sales of unquoted investment	HLI	-	5,279

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

25. Financial instruments

Financial risk management objectives and policies

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

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

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

Credit risk

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

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

Liquidity risk

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

Interest rate risk

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (cont'd)

Foreign currency risk

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

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

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

Effective interest rates and repricing analysis

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

	Effective Interest rate per annum %	2003		
		Total RM'000	Within 1 year RM'000	1-5 years RM'000
Group				
Financial assets				
Deposits with financial institutions	2.89	101,737	101,737	-
Financial liabilities				
Borrowings – floating rate	2.28	106,285	106,285	-
Borrowings – fixed rate	8.50	125,000	-	125,000
Bankers' acceptances	2.30	58,704	58,704	-
Company				
Financial assets				
Deposits with financial institutions	2.88	46,000	46,000	-
Amount due from subsidiaries	2.85	17,352	17,352	-
Financial liabilities				
Borrowings – floating rate	2.26	7,599	7,599	-
Borrowings – fixed rate	8.50	125,000	-	125,000

Fair values

Recognised financial instruments

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

Group	2003	
	Carrying amount RM'000	Fair value RM'000
Financial assets		
Quoted investments in shares		
- Malaysia	50,878	51,339
- Outside Malaysia	3,970	8,540
	54,848	59,879
Financial liabilities		
Bonds	125,000	131,036

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (cont'd)

Fair values (cont'd)

Unrecognised financial instruments

The contracted amount of financial instruments not recognised in the balance sheet as at 30 June 2003 is as follows:

	Group RM'000
Forward foreign exchange contracts	182,434

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

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

Comparative information is not disclosed pursuant to the transitional provision of MASB 24, Financial Instruments: Disclosure and Presentation.

26. Significant events during the year

During the year:-

- a. Dyna-Craft Marketing, Inc ("DCMI"), a corporation incorporated in California and a wholly-owned subsidiary, was placed under voluntary winding-up/dissolution pursuant to Section 331 of the Internal Revenue Code of the United States of America. DCMI was wound up/dissolved on 23 June 2003.
- b. On 2 May 2003, Carsem (M) Sdn Bhd ("CM"), a 70% subsidiary, entered into a Share Purchase Agreement with the Company and Permodalan Nasional Berhad to acquire the entire share capital of Carsem Semiconductor Sdn Bhd ("CS"), a 70% subsidiary, comprising 100,000,000 ordinary shares of RM1.00 for a total cash consideration of RM180,000,000 ("Acquisition"). The Acquisition was completed on 18 June 2003.

On 26 June 2003, CS transferred its business together with certain assets and liabilities to CM for a total consideration of RM453,031,485.57.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. Comparative figures

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

	Group		As restated RM'000	Company As previously stated RM'000
	As restated RM'000	As previously stated RM'000		
Balance sheets				
Property, plant and equipment	1,031,495	1,031,493		
Intangible assets	23,165	23,167		
Income statements				
Distribution cost	14,326	28,969		
Other operating expenses	22,553	7,910		
Cash flow statements				
Gain on foreign exchange - realised	-	(570)	-	(121)
Trade and other receivables	27,762	28,332	38,912	39,033
Effects of exchange rate changes	-	954	-	-
Trade and other payables	(35,503)	(36,457)	-	-



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 49, are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2003 and of the results of their operations and cash flow for the year ended on that date.

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur,
27 August 2003

STATUTORY DECLARATION

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

I, SOO KAH PIK, being the officer primarily responsible for the financial management of Malaysian Pacific Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 49 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 2003)

BEFORE ME:

TEONG KIAN MENG
Pesuruhjaya Sumpah
Commissioner for Oaths



REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 22 to 49. 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 2003 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., Dyna-Craft Industries, Inc. (incorporated in the United States of America) and Carsem Semiconductor (Suzhou) Co. Ltd. (incorporated in the People's Republic of China), their financial statements are not required to be audited in their respective countries of incorporation at present, 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: 2012/11/04(J)

Kuala Lumpur,
27 August 2003



OTHER INFORMATION (cont'd)

1. Properties Held By The Group As At 30 June 2003

Location	Tenure	Existing Use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age Of Building (Year)	Net Book Value As At 30 June 2003 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak	20 Apr 2074	Factory Building & Office Building	21 Sep 1998	158,297	7-28	12,272
Jalan Lapangan Terbang 30720 Ipoh Perak	15 Aug 2081	Factory Building & Office Building	21 Sep 1998	64,469	5-15	15,276
Jalan Lapangan Terbang 30720 Ipoh Perak	23 May 2082	Factory Building & Office Building	21 Sep 1998	19,849	7-15	1,993
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Industrial Land-Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	17,802
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Factory Building & Office Building	07 Apr 1989	45,680	9	5,999
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2078	8 Lots Of Vacant Leasehold Land	24 Feb 1998	61,676	-	1,313
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Factory Building & Office Building	30 Oct 1992	1,344,579	12	76,375
Plot 73021, Shen Hu Rd in District 2, Suzhou Industrial Park, Jiangsu, 215021, People's Republic of China	01 Jan 2052	Construction in progress	30 Apr 2002	430,550	-	1,838
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory Buildings, Office Building and Store	18 Jun 1995	257,000	9	25,116
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Factory Buildings, Office Building and Store	18 Jun 1995	105,000	4	18,223
4060, Norbatrol Ave, Murrysville, Pennsylvania	Freehold	Factory Buildings, Office Building and Store	22 Jan 1996	52,000	38	2,063



OTHER INFORMATION (cont'd)

2. Analysis Of Shareholdings As At 29 August 2003

Class of Share : Ordinary share of RM0.50 each

Voting Rights

• On a show of hands : 1 vote

• On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 29 August 2003

Size of holdings	No. of shareholders	%	No. of shares	%
Less than 100	160	3.91	3,488	0.00
100 – 1,000	1,773	43.37	1,435,690	0.72
1,001 – 10,000	1,542	37.72	5,622,555	2.83
10,001 – 100,000	446	10.91	14,811,480	7.45
100,001 – less than 5% of issued shares	166	4.06	65,435,659	32.89
5% and above of issued shares	1	0.03	111,609,547	56.11
	4,088	100.00	198,918,419	100.00

List Of Thirty Largest Shareholders As At 29 August 2003

Name of shareholders	No. of shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	111,609,547	56.11
2. Employees Provident Fund Board	5,748,800	2.89
3. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	3,067,000	1.54
4. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	1,783,000	0.90
5. HSBC Nominees (Asing) Sdn Bhd - Pictet Targeted Fund FCP	1,494,900	0.75
6. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	1,432,000	0.72
7. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	1,385,100	0.70
8. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	1,340,000	0.67
9. Citicorp Nominees (Asing) Sdn Bhd - Stichting Shell Pensioenfond	1,300,000	0.65
10. Universal Trustee (Malaysia) Berhad - SBB Premium Capital Fund	1,161,000	0.58
11. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	1,078,700	0.54
12. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,067,000	0.54



OTHER INFORMATION (cont'd)

2. Analysis Of Shareholdings As At 29 August 2003 (cont'd)

List Of Thirty Largest Shareholders As At 29 August 2003 (cont'd)

Name of shareholders	No. of shares	%
13. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,001,800	0.50
14. HSBC Nominees (Asing) Sdn Bhd - Abu Dhabi Investment Authority	974,400	0.49
15. Lembaga Tabung Haji	960,500	0.48
16. SBBAM Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	960,000	0.48
17. RHB Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	824,500	0.42
18. Mayban Nominees (Tempatan) Sdn Bhd - RHB Dynamic Fund	800,000	0.40
19. HSBC Nominees (Asing) Sdn Bhd - Carifondo Paesi Emergenti	774,000	0.39
20. A.A. Assets Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Amanah Pencen	762,000	0.38
21. Citicorp Nominees (Asing) Sdn Bhd - Stichting Pensioenfonds Voor De Gezondheid Geestelijke En Maatschappelijke Belangen	748,700	0.38
22. RHB Capital Nominees (Tempatan) Sdn Bhd - Hongvest Sdn Bhd	735,000	0.37
23. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	731,000	0.37
24. Mayban Nominees (Tempatan) Sdn Bhd - Avenue Equityextra Fund	700,000	0.35
25. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Nasional 2	652,000	0.33
26. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	650,000	0.33
27. Universal Trustee (Malaysia) Berhad - CMS Premier Fund	641,000	0.32
28. Mayban Nominees (Tempatan) Sdn Bhd - Perusahaan Otomobil Nasional Berhad	640,000	0.32
29. Bumiputra-Commerce Trustee Berhad - RHB Mudharabah Fund	627,100	0.32
30. BBMB Securities Nominees (Tempatan) Sdn Bhd - Petroliam Nasional Berhad	620,000	0.31
	146,269,047	73.53



OTHER INFORMATION (cont'd)

2. Analysis Of Shareholdings As At 29 August 2003 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2003 are as follows:-

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
1. YBhg Tan Sri Quek Leng Chan	53,500	0.03	112,939,009*	56.78*
2. Hong Leong Industries Berhad	111,609,547	56.11	-	-
3. Hong Leong Company (Malaysia) Berhad	-	-	112,939,009+	56.78+
4. HL Holdings Sdn Bhd	-	-	112,939,009*	56.78*
5. Hong Realty (Private) Limited	-	-	112,939,009*	56.78*
6. Hong Leong Investment Holdings Pte Ltd	-	-	112,939,009*	56.78*
7. Kwek Holdings Pte Ltd	-	-	112,939,009*	56.78*
8. Mr Kwek Leng Beng	-	-	112,939,009*	56.78*
9. Mr Kwek Leng Kee	-	-	112,939,009*	56.78*
10. Davos Investment Holdings Private Limited	-	-	112,939,009*	56.78*
11. Mr Quek Leng Chye	150,000	0.07	112,939,009*	56.78*
12. Employees Provident Fund Board	12,445,800	6.26	-	-

Notes:

* Deemed interest through Hong Leong Company (Malaysia) Berhad

+ Deemed interest through subsidiary companies

3. Directors' Interests As At 29 August 2003

Subsequent to the financial year end, there is no change, as at 29 August 2003, to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 19 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.



OTHER INFORMATION (cont'd)

4. Material Contracts

Save for the following, there are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of the Kuala Lumpur Stock Exchange:

- Carsem (M) Sdn Bhd ("CM"), a 70% owned subsidiary of the Company, had, on 2 May 2003, entered into a Share Purchase Agreement with the Company and Permodalan Nasional Berhad to acquire the entire share capital of Carsem Semiconductor Sdn Bhd ("CS") comprising 100,000,000 ordinary shares of RM1.00 each, for a total cash consideration of RM180,000,000 ("Acquisition"). The Acquisition was completed on 18 June 2003.

YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, CM and CS.

Mr Kwek Leng San, a brother of YBhg Tan Sri Quek Leng Chan, is a Director of the Company, CM and CS. He is a shareholder of the Company.

Hong Leong Company (Malaysia) Berhad is a major shareholder of the Company, CM and CS.



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FORM OF PROXY

I/We _____
 of _____

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

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-second Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 29 October 2003 at 10.15 a.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To receive the audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect Mr Kwek Leng San as a Director		
4. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration		
5. As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this day of 2003

 Number of shares held

 Signature(s) of member(s)

Notes:

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