



Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group

**ANNUAL
REPORT
2010**

Malaysian Pacific Industries Berhad (4817-U)

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COMPANY PROFILE

Malaysian Pacific Industries Berhad (“MPI”) is principally an investment holding company whilst the principal activities engaged by its subsidiaries are that of manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers worldwide.

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



CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
Executive Chairman

Mr Peter Nigel Yates
Group Managing Director

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

COMPANY SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company,
incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-ninth 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 Thursday, 14 October 2010 at 10.00 a.m. in order:

1. to lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2010;
2. to approve the payment of Director fees of RM220,000/- for the financial year ended 30 June 2010, to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**
3. to re-elect the following retiring Directors:

(a) YBhg Tan Sri Asmat bin Kamaludin **(Resolution 2)**
(b) Mr Peter Nigel Yates; **(Resolution 3)**
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 4)**
5. as a special business, to consider and, if thought fit, pass the following motion as an Ordinary Resolution:

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

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

By Order of the Board

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
22 September 2010

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 of the meeting or adjourned meeting.
3. Ordinary Resolution On Authority To Directors To Issue Shares

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 20 October 2009 and which will lapse at the conclusion of the Forty-ninth Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

Statement Accompanying Notice Of Annual General Meeting

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

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

DIRECTORS' PROFILE

YBHG DATUK KWEK LENG SAN

Executive Chairman/Non-Independent

Datuk Kwek Leng San, aged 55, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Malaysian Pacific Industries Berhad ("MPI") on 27 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993 before assuming his present position as the Executive Chairman on 20 July 1999. He does not sit on any committee of MPI.

He is the President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI"), Managing Director of Narra Industries Berhad ("Narra"), Chairman of Southern Steel Berhad and a Director of Hong Leong Bank Berhad ("HLB"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad, Hume Industries (Malaysia) Berhad, Hong Leong Marketing Co Berhad and Hong Leong Foundation, all public companies.

He attended all the Board meetings of MPI held during the financial year ended 30 June 2010.

MR PETER NIGEL YATES

Group Managing Director/Non-Independent

Mr Peter Nigel Yates, aged 54, a British, graduated from University of Wales, United Kingdom with a Bachelor of Science (Honours) degree in Electronic Engineering. He also holds a Diploma in Management from University of Coventry, United Kingdom.

He has extensive experience of more than 30 years in the semiconductor industry and has managed large scale of semiconductor manufacturing operations in Asia, the United States of America and Europe, in a wide variety of situations, from state-of-the-art technology to mature high volume/low cost activities, from turnaround situations to joint-venture start-ups and from plant closures to expansions and new construction.

Mr Peter Yates joined the MPI Group as Managing Director of Carsem (M) Sdn Bhd on 1 December 2008 and was subsequently appointed as the Group Managing Director of MPI on 1 November 2009. He does not sit on any committee of MPI. He is also a Director of HLI, a company listed on the Main Market of Bursa Securities.

He attended all the Board meetings of MPI held during his office as Director of MPI for the financial year ended 30 June 2010.

SYED ZAID BIN SYED JAFFAR ALBAR

Non-Executive Director/Independent

Syed Zaid bin Syed Jaffar Albar, aged 56, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Law in the United Kingdom and qualified as a Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 26 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

Syed Zaid was appointed to the Board of MPI on 7 July 1994 and is presently the Chairman of the Board Audit & Risk Management Committee of MPI.

He is also a Director of Narra, Malaysia Building Society Berhad and Kencana Petroleum Berhad, companies listed on the Main Market of Bursa Securities, and a Director of Motorsports Commission of Malaysia Bhd and Motorsports Association of Malaysia Bhd, both public companies.

He attended all the Board meetings of MPI held during the financial year ended 30 June 2010.

DIRECTORS' PROFILE

(cont'd)

MR TAN KEOK YIN

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 66, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed a Management Programme at the University of California, Berkeley in 1984 and a Programme in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics, Investments 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 in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of GS1 (One Global System) located in Brussels, an international body that develops and promotes the GS1 standards of article numbering, bar coding and electronic communication worldwide. Currently, Mr Tan serves as a member of the Steering Committee of the Financial Institutions Directors' Education Programme chaired by the Deputy Governor, BNM, aimed at strengthening the skills and performance of directors in corporate governance.

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 HLB and GuocoLand (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities, and a Director of Hong Leong Assurance Berhad, a public company.

He attended all the Board meetings of MPI held during the financial year ended 30 June 2010.

YBHG TAN SRI ASMAT BIN KAMALUDIN

Non-Executive Director/Independent

Tan Sri Asmat bin Kamaludin, aged 66, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in January 2001, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

Tan Sri Asmat was appointed to the Board of MPI on 2 February 2001 and is a member of the Board Audit & Risk Management Committee of MPI.

He is the Non-Executive Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, Symphony House Berhad, SCOMI Group Berhad, Compugates Holdings Berhad, TASCOS Berhad and SCOMI Marine Berhad, Non-Executive Vice Chairman of YTL Cement Berhad and a Director of Lion Industries Corporation Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Permodalan Nasional Berhad, The Royal Bank of Scotland Berhad and JACTIM Foundation, all public companies. He was appointed to represent Malaysia as Governor on the Governing Board of The Economic Research Institute for Asean and East Asia.

He attended all the Board meetings of MPI held during the financial year ended 30 June 2010.

Notes:

1. Family Relationship with Director and/or Major Shareholder

YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of MPI. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of MPI.

2. Conflict of Interest

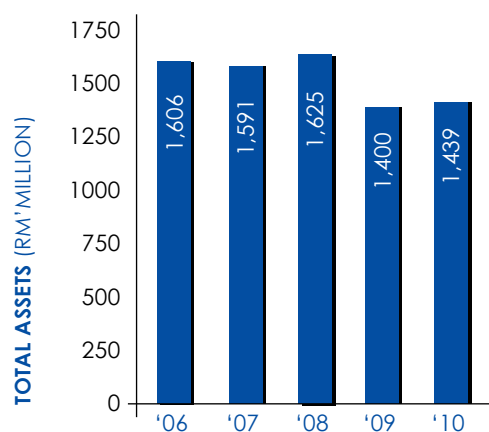
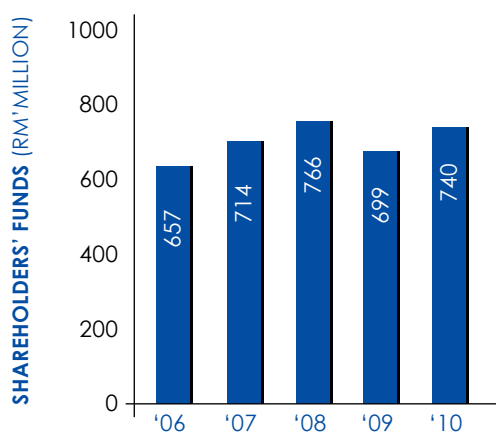
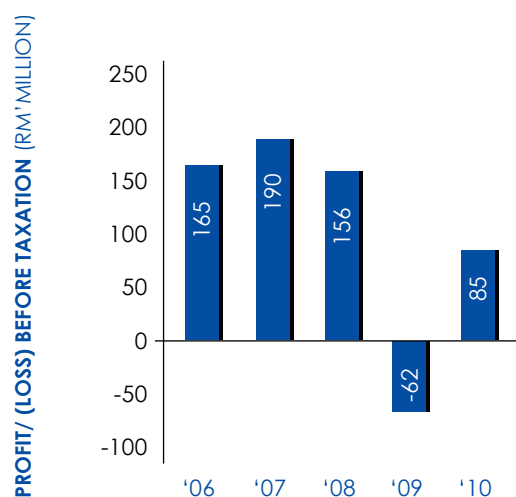
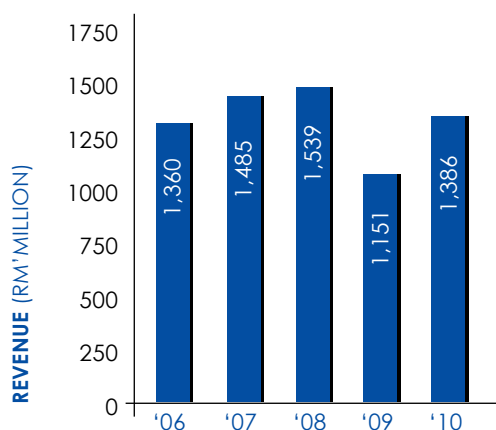
None of the Directors has any conflict of interest with MPI.

3. Conviction of Offences

None of the Directors has been convicted of any offences in the past 10 years.

GROUP FINANCIAL HIGHLIGHTS

(RM'million)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenue	1,360	1,485	1,539	1,151	1,386
Profit/(loss) before taxation	165	190	156	(62)	85
Profit/(loss) attributable to equity holders of the Company	107	132	112	(40)	105
Net earnings/(loss) per share (sen)	54	68	58	(20)	54
Net dividend per share (sen)	38	40	37	20	25
Shareholders' Funds	657	714	766	699	740
Total assets	1,606	1,591	1,625	1,400	1,439
Capital expenditure	370	214	267	129	190



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 2010.

CHALLENGING BUSINESS ENVIRONMENT

The global economy has been steadily recovering from the financial crisis in response to the various stimulus packages and the easing of monetary policy implemented by governments around the world. Stronger growth in China and the emerging economies further boosted the recovery. The Malaysian recovery, evidenced by gross domestic product growth of 10% in the first half of 2010 against the significant contraction of 2009, has caused the Malaysian Ringgit to strengthen against the US Dollar. This currency strengthening coupled with higher commodity prices have an impact on the revenue and profitability performance of the Group during the financial year under review.



FINANCIAL REVIEW

During the financial year ended 30 June 2010 ("FY 2010"), the Group's results improved gradually from quarter to quarter in line with the recovery of the global semiconductor industry. The key drivers of this growth have been strong customer demand in the end markets, particularly the computing and communication sectors, coupled with inventory restocking after heavy depletion during the financial downturn.

I am pleased to report a revenue of RM1,386 million for FY 2010, a 20% increase over the previous financial year ended 30 June 2009 ("FY 2009"). Profit attributable to equity holders of the parent was at RM105 million, against a loss of RM40 million in FY 2009. Earnings per share were 54 sen, compared with a loss per share of 20 sen recorded for FY 2009.

Strong cash flow generated from the Group's operations enabled the Group to invest RM190 million into new plant and equipment, implement debt reduction of RM44 million and pay a dividend of RM50 million for the financial year under review.

CHAIRMAN'S STATEMENT

(cont'd)

SIGNIFICANT DEVELOPMENT

We are pleased to report the finding of "No Violation" in the Final Determination of the United States' International Trade Commission ("ITC") issued on 20 July 2010, in respect of the complaint filed in 2003 by Amkor Technology, Inc ("Amkor") against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd (now known as Recams Sdn Bhd) and Carsem Inc. (collectively "Carsem Group").

Amkor has filed a complaint with the ITC on 17 November 2003 alleging Carsem Group of infringing three of Amkor's United States Patents. Amkor also filed a civil lawsuit at the District Court on even date alleging Carsem Group of infringement of the same three patents which were the subject of the ITC Investigation. This civil lawsuit was stayed by the District Court pending the outcome of the ITC Investigation.

Following lengthy legal proceedings over several years, on 20 July 2010, the ITC terminated the investigation and issued the Final Determination finding that the claims of Amkor's patents are invalid and/or not infringed and that Carsem Group has not violated section 337 of the Tariff Act by importing the Micro Leadframe Package (MLP) Products.

OUTLOOK AND PROSPECTS

The recent mixed economic data released by the developed nations has caused some uncertainties in the growth direction of the global economy. Thus, the management will remain focused on operational efficiency and effective cost management to maintain the Group's competitive edge in the semiconductor industry.

Barring any unforeseen circumstances, the Board expects an improved satisfactory performance from the Group in the new financial year ending 30 June 2011.

DIVIDEND

The Company declared and paid a first and second interim dividend totalling 25 sen per share tax exempt during the financial year under review. The Board does not recommend a final dividend for the FY 2010.

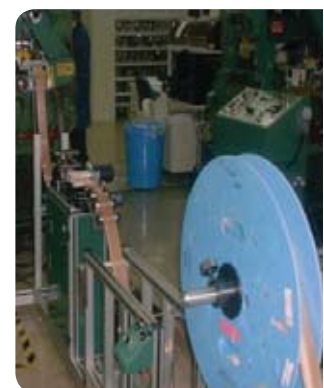
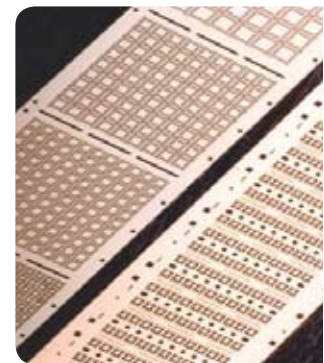
APPRECIATION

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

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

KWEK LENG SAN

Chairman



GROUP MANAGING DIRECTOR'S REVIEW

The financial year ended 30 June 2010 has been a year of recovery for the semiconductor industry. Following the dramatic downturn in early 2009, and despite the widely-voiced fear of a prolonged downturn or a double dip, the industry has recovered quite rapidly. Correspondingly, the Group revenue has increased steadily throughout the year, an overall increase of 20% as compared with the previous financial year ended 30 June 2009.



This steady increase in revenue has driven a substantial shift in profitability, and coupled with the benefits of the cost saving and productivity programmes implemented in response to the 2009 industry downturn, the Group generated a profit attributable to equity holders of RM105 million.

OPERATING SEGMENTS REVIEW

Sales to each of the major geographic segments have all risen substantially during the financial year ended 30 June 2010.

Asia sales grew the most dramatically and now represent 47% of the Group's revenue. This has been supported by growth in the Carsem Semiconductor (Suzhou) Co., Ltd's ("Carsem Suzhou") operation, where we have invested in expanding capacity for production of Micro Leadframe Packages ("MLP"). Carsem Suzhou has also successfully introduced a new, extremely thin version of the MLP package, 0.3mm thick, known as "X3". Aimed at the transient voltage suppression market, we are already shipping significant volumes. Carsem Suzhou is the first contract assembly house to offer this package in production. Leadframe shipments also form a key component of Asia sales which are expected to grow further, particularly in Taiwan and China.

Europe sales also increased, but at a slower rate. Europe now represents 31% of the Group's revenue. Largely served by Carsem (M) Sdn Bhd ("Carsem (M)"), we have concentrated on building this business by investing in both Automatic Test Equipment ("ATE") and MLP capacity. ATE testers are currently improving in flexibility and reducing in cost, allowing us to serve multiple customers and products from a common equipment base. Matching ATE and MLP capacity allows us to take a higher proportion of combined assembly/test (turnkey) business, thereby adding value and reducing cycle time to customers.

The United States ("USA") sales increased in line with the overall portfolio and remained at 21% of the Group revenue. A major driver for this market (though not exclusively for the USA) is the high density programme, whereby products are migrating to a larger leadframe, improving both capacity and productivity. Currently, 40% of the identified production volumes have been converted, and we expect to complete this programme during the financial year ending 30 June 2011 ("FY 2011"). We are also targeting new cavity package products into the USA market.

GROUP MANAGING DIRECTOR'S REVIEW

(cont'd)

OPERATION REVIEW



Carsem Suzhou resumed its expansion with annual output growing vigorously by over 35%, supported by additional capital expenditure on equipment. The existing production floor space is projected to be at full capacity by the end of FY 2011, so building expansion plans are now in progress. The plant continues to receive accolades from customers, and we are actively promoting the site to our customers in the USA and Europe to balance the regional dependency.

Carsem (M) has faced the double challenge of ramping production whilst simultaneously reducing costs, in response to falling margins due to the weakening US Dollar. Direct labour has also been a constraint as a result of the Malaysian Government policy limiting the recruitment of foreign workers, although this was resolved by the financial year-end. In response to the cost challenge, we have instituted a comprehensive portfolio review, investing actively in high productivity hardware for growing product lines, and discontinuing certain low volume lines. In parallel, the team has implemented a series of process changes to improve robustness, consistency and efficiency, boosting profitability accordingly.

Dynacraft Industries Sdn Bhd ("Dynacraft") also recorded stronger revenue and profits despite the unfavourable foreign exchange environment and rising metal prices. During the year, capital investment has resulted in a 20% increase in etched leadframe capacity (for MLP applications), from which benefits will start to flow through in FY 2011. Dynacraft is now exploring expansion options in China to support the predicted boom in demand for etched leadframe over the next 5 years and beyond.

RESEARCH AND DEVELOPMENT



Carsem Technology Centre has built extensive competence in developing novel materials and package architectures. In conjunction with our material suppliers, we are now able to model and characterise materials exclusive to Carsem, which offer a clear performance advantage over standard commercial offerings, simultaneously accelerating their adoption into production. Examples include a new electrically conductive die attach adhesive applied to the back of the wafer which permits thinner die and package size reduction. These developments facilitate new breakthrough architectures such as X3, and are also being applied to existing products to enhance performance and reduce cost. Other technologies include use of copper clip technology which can improve performance in key applications by a factor of ten, new cavity packages for MEMS (sensor) applications, and module applications.

OUTLOOK

The Group is well-positioned to benefit from the continued strengthening which is currently forecast for the world semiconductor market, and we expect to see further growth in sales and profits in the FY 2011.

PETER NIGEL YATES

Group Managing Director

CORPORATE SOCIAL RESPONSIBILITY

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was already well on its journey. Corporate Social Responsibility (CSR) for the Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, the customers, employees and stakeholders.



ECONOMIC SUSTAINABILITY

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports, contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services in a global market that is increasingly becoming even more aggressive and competitive.

SOCIAL SUSTAINABILITY

Employee development and welfare

The Group has initiated structured development programmes to help develop leadership skills, technical and soft skills among different groups of employees.

The Group's Graduate Development Programme aims to identify and develop young talents as part of the Group's long term building of our leadership pipeline. The programme includes proper assessment and selection of graduates and the selected graduates will undergo a structured development programme which includes leadership, quality management and supervisory skills, and projects delivery in addition to proper mentoring and continuous development discussions.

For executives and non-executives, various in-house and external programmes are conducted to enhance both technical competencies as well as supervisory or leadership skills in order to develop a competent workforce.

Besides having embarked on a Quality and Productivity Programme since 1991, the Group also initiated LEAN Manufacturing practices in 2007. Both these programmes run with the aim to inculcate a continuous improvement culture amongst the workforce in the Group. Employees at various levels are trained in using necessary problem solving tools as a way of employee development and for them to champion improvements in their workplace.



CORPORATE SOCIAL RESPONSIBILITY

(cont'd)

SOCIAL SUSTAINABILITY (cont'd)



Diversity and inclusion

The Group develops talent regardless of race, gender or religious belief. Employee advancement is based on merit and we believe that it is this variety of persuasions and cultures that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family and social events initiatives. In this regard, various initiatives such as sports activities, social events and family day were carried out with the full support and commitment of the employees throughout the financial year.

Environmental preservation

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

In addition, we conduct regular occupational safety and awareness programmes for our employees.



COMMUNITY INVESTMENT

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by Group companies' contributions. The Foundation focuses on education and community welfare as its key thrusts and responds to appeals for aid of victims of natural disasters such as floods, tsunamis and others. Among its focus areas, education in particular, takes top priority.



Scholarship

The Foundation has, as part of its donation framework, designed a Scholarship Programme to benefit academically outstanding Malaysian students from low-income families, and of late also included students with disabilities. The Foundation believes that providing scholarships is about providing opportunities – giving deserving students the chance to have the higher education necessary to break the cycle of poverty and become tomorrow's leaders.

Over 1.5 million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies at local universities and selected institutions of higher learning. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

Apart from these, a separate fund is set aside for scholarship grants for deserving children of Group employees. Both grants for the public and Group employees' children are unconditional – they do not carry any repayment requirement nor are the recipients bonded to work for the Group upon graduation.

CORPORATE SOCIAL RESPONSIBILITY

(cont'd)

COMMUNITY INVESTMENT (cont'd)

Scholarship (cont'd)

The Group has been providing on-the-job industrial trainings for students of various technical institutes, colleges and universities to expose them to real life industrial scenarios and impart to them relevant skills and knowledge. Selected students are given a three to six-month attachment programme with our factory operation, undergoing various trainings according to the technical syllabus developed in collaboration with the technical institutes, colleges and universities. The main objective of the programme is to produce skilled labour that is equipped with employable knowledge and industrial know-how.

Student Assistance

Although primary and secondary education in Malaysia is free, there are still a number of students from low-income families who find it a challenge to put this educational opportunity into best use. To address the immediate needs of these students, the Foundation reaches out to them through the Student Assistance Programme. To date, through this Programme, the Foundation has sponsored thousands of underprivileged school children nationwide in the form of distribution of free school bags, books, uniforms, stationeries, dictionaries, bicycles, tuition, transportation fees and others.



School Building Fund

The Foundation actively pursues opportunities where it can play a part in improving the quality of education in the country today. Donations for the construction of bigger and better facilities for learning institutions help create an environment in which students can excel. Towards this end, the Foundation has made substantial donations to various academic and vocational training institutions nationwide with thousands of students benefiting from the improved and/or added facilities.

Community Welfare

Every year, the Foundation helps improve the lives of the less fortunate through its Community Welfare Programme. Sponsorships in cash and kind are made to charities nationwide, ensuring their survival and their ability to provide shelter, food and clothing for all its residents – the young orphans, the aged who have been abandoned by their families, the sick, the disabled and the mentally challenged. The NGOs are also able to run their various training programmes more efficiently with better infrastructure, facilities and equipment sponsored by the Foundation.

The Foundation has made substantial donations to many charities over the years. In this financial year alone, Vinashini Home Seremban, Little Sister of the Poor Kuala Lumpur, Education, Welfare, Research Foundation, Science of Life 24/7 Malacca, Persatuan Kanak-Kanak Cerebral Palsy (Spastik) Pulau Pinang, Pusat Jagaan Nur Salam, Persatuan Daybreak Perak, Sunflower Centre Sarawak and Sabah Cheshire Home, were amongst some of them.



CORPORATE SOCIAL RESPONSIBILITY

(cont'd)

COMMUNITY INVESTMENT (cont'd)

Community Welfare (cont'd)

Apart from activities carried out by the Foundation, Group companies staged their own activities in numerous communities nationwide. The Group's employees regularly participate in community services that include visits to orphanages and welfare homes, assist in the provision of medical services to poor communities through blood donation drives and volunteer work in hospitals as well as initiating and participating in projects involving environmental and social issues.

An inaugural carnival themed "Colourful You, Colourful Me" for underprivileged children from various children's shelter was also held this year in conjunction with the Chinese New Year. Various Group employees worked together to create an exciting and fun-filled morning for about 350 children.



Small Enterprise Programme

The people behind the Group are entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community. By expanding our contribution to the community to include this new category, through our dealings with various charities on programmes designed to help the underprivileged set up their own businesses, we are able to teach people to stand on their own two feet, eventually breaking the cycle of poverty. Over the short term, those whom we help by giving seed money for businesses will be able to generate enough income to be able to provide for their families' needs. Over time, with proper management and guidance, these businesses will grow and, in turn, be able to help others.

Towards this end, we are working with various NGOs, among which are Ray of Hope and The Community Service Centre For the Deaf, Kuala Lumpur.

AWARDS AND RECOGNITION

Carsem Group has received the following awards and recognition:

- * Award for 3rd Quarter 2009 surge demand support for Micro Leadframe Package (MLP)/Quad Flat No leads (QFN) from Texas Instruments
- * Award for meeting the quarter end shipment support from Volterra Semiconductor Corporation
- * Award for service and support to SEM 1st US\$100 million revenue quarter from Semtech Corporation
- * Award for development of octal strip test solution from Intersil Corporation
- * Award for 2009 Supplier aware for Subcontract Manufacturing from Skyworks Solutions Inc
- * Award for Freescale Excellence in Manufacturing from Freescale Semiconductor Inc
- * Award for Packaging Development Partner for GAN Product from International Rectifier
- * 2009 Excellence Award in Operational Indices for Turnkey Products from Supertex Inc
- * 2009 Best Supplier Award from Microsemi Corporation

This Statement on Corporate Social Responsibility is made in accordance with the resolution of the Board of Directors.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

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

A. DIRECTORS

I The Board

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

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

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

II Board Balance

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

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

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

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

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

III Board Meetings

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions.

The Board met four (4) times during the financial year ended 30 June 2010. Details of attendance of each director are disclosed in the Directors' Profile in the Annual Report. At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

(cont'd)

A. DIRECTORS (cont'd)

IV Supply of Information

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

All directors have access to the advice and services of the Company Secretary and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Executive Chairman of the Company.

V Appointments to the Board

Given the current size of the Board, the Board is of the view that it is not necessary for the Company to establish a Nominating Committee for the time being and the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board. A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committee and the contribution and performance of each individual director and Board committee member, including the Executive Chairman and GMD.

Having reviewed the assessments in respect of the financial year ended 30 June 2010, the Board is satisfied that the Board and Board committee have continued to operate effectively in discharging their duties and responsibilities. The directors and Board committee members have also fulfilled their responsibilities as members of the Board and Board committee and are suitably qualified to hold their positions.

VI Re-election

All directors are required to submit themselves for re-election every three (3) years.

VII Training and Education

All directors of the Company have completed the Mandatory Accreditation Programme.

As part of the training programme for its directors, the Company has prepared for the use of its directors, the Director Manual, and regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Manual which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Group.

During the financial year ended 30 June 2010, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL

(cont'd)

A. DIRECTORS (cont'd)

VII Training and Education (cont'd)

During the financial year ended 30 June 2010, the directors of the Company, including members of the Board Audit & Risk Management Committee, attended the following training programmes, seminars, briefings and/or workshops:

- Malaysia Goods And Services Tax
- Competency As The Backbone Of Transformation
- Financial Institutions Directors' Education Programme
- The Challenges Of Implementing Financial Reporting Standard ("FRS") 139
- Implementing Effective Project Strategies: Case Study On The Monorail Project For Mumbai
- Understanding FRS101, FRS139, FRS132, FRS7 and IFRIC15 - The Users' Perspective

B. DIRECTORS' REMUNERATION

I Level and Make-up of Remuneration

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

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

II Procedure

The remuneration packages of executive directors are reviewed by the entire Board, with the presence of a majority of non-executive directors. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The Board, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

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

III Disclosure

The aggregate remuneration of directors (including remuneration of an executive director who has retired during the financial year) for the financial year ended 30 June 2010 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	110,000	2,911,185	3,021,185
Non-Executive Directors	150,000	80,000	230,000

CORPORATE GOVERNANCE AND INTERNAL CONTROL

(cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

III Disclosure (cont'd)

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

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	-
50,001 – 100,000	1	3
100,001 – 300,000	-	-
300,001 – 350,000	1	-
350,001 – 2,550,000	-	-
2,550,001 – 2,600,000	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, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

The Company has a website at <http://www.mpind.my> which the shareholders can access for information which includes corporate information, announcements, investor briefing, financial information, products information and investor relations.

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

Queries may be conveyed to the following person:

Name : Mr Peter Nigel Yates
Tel No : 05-312 3333
Fax No : 05-312 5333
E-mail address : IRelations@mpind.my

II AGM

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

D. ACCOUNTABILITY AND AUDIT

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL

(cont'd)

D. ACCOUNTABILITY AND AUDIT (cont'd)

The Committee met four (4) times during the financial year ended 30 June 2010. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 23 of the Annual Report. The head of finance, head of internal audit, risk manager, GMD and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

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

I Financial Reporting

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

II Internal Control

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

III Relationship with Auditors

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

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

At least twice a year, the Committee will have a separate session with the external auditors without the presence of executive directors and management.

E. STATEMENT ON INTERNAL CONTROL

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has put in place 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.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

(cont'd)

E. STATEMENT ON INTERNAL CONTROL (cont'd)

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

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

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

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

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

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

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2010, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

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

Mr Tan Keok Yin
Independent Non-Executive Director

YBhg Tan Sri Asmat bin Kamaludin
Independent Non-Executive Director

SECRETARY

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

TERMS OF REFERENCE

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(cont'd)

AUTHORITY

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

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

MEETINGS

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

The head of finance, head of internal audit, risk manager, Group Managing Director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

At least twice a year, the Committee will have a separate session with the external auditors without the presence of executive directors and management.

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 2010, four (4) Committee meetings were held and all the meetings were attended by all the Committee members. The Committee had two (2) separate sessions with the external auditors without the presence of executive directors and management.

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

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(cont'd)

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLI-HUME Management Co Sdn Bhd ("HLI-HUME"), a company owned by Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad ("HIMB") in the equity ratio of 51% and 49% respectively. The provision of the IA services is part of the shared services of companies within the HLI Group and HIMB Group. The total cost incurred by the IA Department of HLI-HUME for the financial year ended 30 June 2010 amounted to RM849,000.

The IA Department reports to the Committee of MPI. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of MPI in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. This is accomplished by the periodic assessment and internal audits conducted to ensure compliance with systems and standard operating procedures of the Group.

Audit plans developed by the IA Department are submitted to the Committee for review and agreement. Internal audits are implemented as agreed. The resulting salient control concerns raised are reviewed and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis.

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

Malaysian Pacific Industries Berhad (4817-U)

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There have been no significant changes in these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to equity holders of the Company	105,407	33,845

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- (i) a first interim dividend of 10 sen per share tax exempt amounting to RM19,889,942 in respect of the financial year ended 30 June 2010 on 17 December 2009; and
- (ii) a second interim dividend of 15 sen per share tax exempt amounting to RM29,834,763 in respect of the financial year ended 30 June 2010 on 25 June 2010.

The Directors do not recommend a final dividend for the financial year ended 30 June 2010.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San (Executive Chairman)

Mr Peter Nigel Yates (Appointed as Director and Group Managing Director on 1 November 2009)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

Mr David Edward Comley (Retired as Director and Group Managing Director on 30 September 2009)

In accordance with Article 115 of the Company's Articles of Association, YBhg Tan Sri Asmat bin Kamaludin retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr Peter Nigel Yates retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or options of the Company and/or its related corporations during the financial year ended 30 June 2010 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Number of ordinary shares/*shares to be acquired arising from the exercise of options				Balance at 30.06.2010
	Nominal value per share RM	Balance at 01.07.2009/ Date of Appointment	Bought	Sold	
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	-	-	2,520,000
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
Interest of Mr Peter Nigel Yates in:					
Malaysian Pacific Industries Berhad	-	-	250,000*	-	250,000*
Interest of Tuan Syed Zaid bin Syed Jaffar Albar in:					
Hong Leong Financial Group Berhad	1.00	38,151	-	-	38,151
Interest of YBhg Tan Sri Asmat bin Kamaludin in:					
Hong Leong Bank Berhad	1.00	3,000@	-	-	3,000@

Legend:

@ Held through children who are not directors of the Company.

DIRECTORS' REPORT

(cont'd)

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 has 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 ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of Malaysian Pacific Industries Berhad ("MPI" or "the Company") which was approved by the shareholders of the Company on 14 October 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

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

The ESOS would provide an opportunity for eligible executives who have contributed to the growth and development of the Group to participate in the equity of the Company.

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for full time executive directors have been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with MPI Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the option may, at the absolute discretion of the Board of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS ("ESOS Trust"); or a combination of both new shares and existing shares.

During the previous financial year ended 30 June 2007, MPI granted conditional incentive share options ("Options I") over 250,000 ordinary shares of RM0.50 each in MPI ("MPI Shares") at an exercise price of RM10.61 per MPI Share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), a wholly-owned subsidiary of the Company, whilst Carsem (M) Sdn Bhd ("Carsem (M)") and Dynacraft Industries Sdn Bhd ("Dynacraft"), both subsidiaries of the Company, granted Options I over a total of 3,400,000 MPI Shares at an exercise price of RM10.61 per MPI Share to eligible executives of Carsem (M) and Dynacraft.

DIRECTORS' REPORT

(cont'd)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (cont'd)

The Options I granted were subject to the achievement of certain performance criteria by the option holders over the option performance period.

The Board of Dynacraft has determined that the option holders of Dynacraft ("Dynacraft Option Holders") have not achieved the performance criteria at the end of the option performance period. Hence, the conditional incentive share options over 800,000 MPI Shares ("Dynacraft Options") have not been vested to the Dynacraft Option Holders and accordingly, the Dynacraft Options lapsed during the financial year.

The Board of MPI and Carsem (M) have respectively determined that the option holders of MPI and Carsem (M) ("MPI and Carsem (M) Option Holders I") have not achieved the performance criteria at the end of the option performance period. Hence, the Options I over a total of 2,850,000 MPI Shares ("MPI and Carsem (M) Options I") have not been vested to the MPI and Carsem (M) Option Holders I and accordingly, the MPI and Carsem (M) Options I lapsed subsequent to the end of financial year.

During the financial year, MPI has further granted conditional incentive share options ("Options II") over 100,000 MPI Shares at an exercise price of RM6.76 per MPI Share to an eligible executive of Carsem Suzhou whilst Carsem (M) has granted Options II over 850,000 MPI Shares at an exercise price of RM6.76 per MPI Share to eligible executives of Carsem (M).

The Options II granted are subject to the achievement of certain other performance criteria by the option holders over the option performance period.

The Options II, if vested and exercised, will be satisfied by existing MPI Shares held by the ESOS Trust.

ISSUE OF SHARES AND DEBENTURES

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

During the financial year, the Company purchased 2,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares bought back was RM5.94 per ordinary share. The share buy back transactions were financed by internally generated funds. As at 30 June 2010, the total number of shares bought back was 10,986,000 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

DIRECTORS' REPORT

(cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (ii) that would render the values 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 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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

AUDITORS

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

On behalf of the Board

Datuk Kwek Leng San

Peter Nigel Yates

Kuala Lumpur
23 August 2010

BALANCE SHEETS

as at 30 June 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	961,814	1,051,454	-	-
Prepaid lease payments	5	19,741	20,302	-	-
Investments	6	46	46	426,491	460,491
Intangible assets	7	12,393	12,393	-	-
Other assets	8	-	-	4,208	4,345
		993,994	1,084,195	430,699	464,836
CURRENT ASSETS					
Inventories	9	87,736	71,998	-	-
Trade and other receivables	10	228,445	166,282	57,248	61,623
Tax recoverable		35	-	35	-
Deposits, cash and bank balances	11	128,866	77,329	21,654	33,071
		445,082	315,609	78,937	94,694
TOTAL ASSETS		1,439,076	1,399,804	509,636	559,530
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
OF THE COMPANY					
Share capital	12	104,942	104,942	104,942	104,942
Reserves	13	798,989	758,217	479,525	495,626
Treasury shares, at cost		(163,803)	(163,791)	(163,803)	(163,791)
		740,128	699,368	420,664	436,777
MINORITY INTEREST		222,740	220,956	-	-
TOTAL EQUITY		962,868	920,324	420,664	436,777
NON-CURRENT LIABILITIES					
Borrowings (unsecured)	14	85,734	73,806	35,000	-
Employee benefits	15(a)	422	422	245	245
Deferred taxation	16	15,146	62,640	-	-
		101,302	136,868	35,245	245
CURRENT LIABILITIES					
Trade and other payables	17	240,862	149,463	22,327	46,108
Borrowings (unsecured)	14	130,433	193,149	31,400	76,400
Taxation		3,611	-	-	-
		374,906	342,612	53,727	122,508
TOTAL LIABILITIES		476,208	479,480	88,972	122,753
TOTAL EQUITY AND LIABILITIES		1,439,076	1,399,804	509,636	559,530

The notes on pages 38 to 71 are an integral part of these financial statements.

INCOME STATEMENTS

for the financial year ended 30 June 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue		1,386,202	1,150,630	42,161	31,496
Cost of sales		(1,202,524)	(1,068,656)	-	-
Gross profit		183,678	81,974	42,161	31,496
Distribution expenses		(18,340)	(16,812)	-	-
Administration expenses		(39,983)	(45,397)	(987)	(1,344)
Other operating income		12,326	14,181	-	4,751
Other operating expenses		(48,186)	(87,497)	(5,062)	(470)
Profit/(loss) from operation		89,495	(53,551)	36,112	34,433
Interest expense		(5,943)	(10,473)	(2,694)	(3,806)
Interest income		1,432	2,290	427	485
Profit/(loss) before taxation	18	84,984	(61,734)	33,845	31,112
Taxation	19	40,902	(4,163)	-	(48)
Profit/(loss) for the financial year		125,886	(65,897)	33,845	31,064
Attributable to:					
Equity holders of the Company		105,407	(39,904)	33,845	31,064
Minority interest		20,479	(25,993)	-	-
Profit/(loss) for the financial year		125,886	(65,897)	33,845	31,064
Basic/Diluted earnings/(loss) per ordinary share (sen)	20	54.08	(20.47)		
Dividends per ordinary share (sen)	21	25.00	20.00		

The notes on pages 38 to 71 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2010

Group	Attributable to equity holders of the Company										Total RM'000	
	Share Capital RM'000	Share Premium* RM'000	Share Redemption Reserve* RM'000	Capital Reserve* RM'000	Exchange Fluctuation Reserve* RM'000	Reserve For Own Shares* RM'000	Share Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000		Minority Interest RM'000
At 1 July 2008	104,942	249,952	660	1,806	11,506	(42,603)	1,887	601,189	(163,779)	765,560	259,687	1,025,247
Net gain recognised directly in equity - Foreign currency translation differences	-	-	-	-	11,797	-	-	-	-	11,797	-	11,797
Loss for the financial year	-	-	-	-	-	-	-	(39,904)	-	(39,904)	(25,993)	(65,897)
Total recognised income/ (expense) for the financial year	-	-	-	-	11,797	-	-	(39,904)	-	(28,107)	(25,993)	(54,100)
Dividends	-	-	-	-	-	-	-	(38,980)	-	(38,980)	(13,497)	(52,477)
Transfer to capital redemption reserve	-	-	50	-	-	-	-	(50)	-	-	-	-
Transfer to capital reserve	-	-	-	477	-	-	-	(477)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(12)	(12)	-	(12)
Share-based payments	-	-	-	-	-	-	907	-	-	907	759	1,666
At 30 June 2009	104,942	249,952	710	2,283	23,303	(42,603)	2,794	521,778	(163,791)	699,368	220,956	920,324

* Non-distributable

The notes on pages 38 to 71 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2010 (cont'd)

Group	Attributable to equity holders of the Company										Total RM'000	
	Share Capital RM'000	Share Premium* RM'000	Share Redemption Reserve* RM'000	Capital Reserve* RM'000	Exchange Fluctuation Reserve* RM'000	Reserve For Own Shares* RM'000	Share Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000		Minority Interest RM'000
At 1 July 2009	104,942	249,952	710	2,283	23,303	(42,603)	2,794	521,778	(163,791)	699,368	220,956	920,324
Net gain recognised directly in equity - Foreign currency translation differences	-	-	-	-	(13,282)	-	-	-	-	(13,282)	-	(13,282)
Profit for the financial year	-	-	-	-	-	-	-	105,407	-	105,407	20,479	125,886
Total recognised income/ (expense) for the financial year	-	-	-	-	(13,282)	-	-	102,407	-	92,125	20,479	112,604
Dividends	-	-	-	-	-	-	-	(48,725)	-	(48,725)	(17,998)	(66,723)
Transfer to capital redemption reserve	-	-	340	-	-	-	-	(340)	-	-	-	-
Transfer to capital reserve	-	-	-	1,467	-	-	-	(1,467)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(12)	(12)	-	(12)
Share-based payments	-	-	-	-	-	-	(2,628)	-	-	(2,628)	(697)	(3,325)
At 30 June 2010	104,942	249,952	1,050	3,750	10,021	(42,603)	166	576,653	(163,803)	740,128	222,740	962,868

Note 12 Note 13 Note 13 Note 13 Note 13 Note 13 Note 13 Note 13 Note 13 Note 13

* Non-distributable

The notes on pages 38 to 71 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2010 (cont'd)

Company	Note	Share Capital RM'000	Share Premium* RM'000	Share Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2008		104,942	249,952	130	254,145	(163,779)	445,390
Profit for the financial year		-	-	-	31,064	-	31,064
Dividends	21	-	-	-	(39,780)	-	(39,780)
Purchase of treasury shares		-	-	-	-	(12)	(12)
Share-based payments	15(b)	-	-	115	-	-	115
At 30 June 2009/1 July 2009		104,942	249,952	245	245,429	(163,791)	436,777
Profit for the financial year		-	-	-	33,845	-	33,845
Dividends	21	-	-	-	(49,725)	-	(49,725)
Purchase of treasury shares		-	-	-	-	(12)	(12)
Share-based payments	15(b)	-	-	(221)	-	-	(221)
At 30 June 2010		104,942	249,952	24	229,549	(163,803)	420,664

Note 12

Note 13

Note 13

Note 13

* Non-distributable

The notes on pages 38 to 71 are an integral part of these financial statements.

CASH FLOW STATEMENTS

for the financial year ended 30 June 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		84,984	(61,734)	33,845	31,112
Adjustments for:-					
Amortisation of prepaid lease payments		376	373	-	-
Depreciation of property, plant and equipment		213,293	240,276	-	155
Dividend income		-	-	(42,161)	(31,496)
Gain on disposal of property, plant and equipment		(172)	(153)	-	-
Impairment/(reversal) of property, plant and equipment		45,257	(3,347)	-	-
Gain on return of investment in a subsidiary		-	-	-	(212)
Impairment of other investments		-	470	-	470
Interest expense		5,943	10,473	2,694	3,806
Interest income		(1,432)	(2,290)	(427)	(485)
Property, plant and equipment written off		5,636	8,653	-	-
Share-based payments		(3,325)	1,666	-	-
Unrealised loss/(gain) on foreign exchange		12,038	(4,410)	5,063	(4,521)
Operating profit/(loss) before changes in working capital		362,598	189,977	(986)	(1,171)
Change in inventories		(24,802)	34,461	-	-
Change in trade and other receivables		(79,056)	67,593	105	195
Change in trade and other payables		101,428	(51,628)	1,189	(143)
Cash generated from/(used in) operations		360,168	240,403	308	(1,119)
Tax paid		(3,016)	(48)	-	(48)
Interest expense paid		(5,943)	(10,473)	(2,694)	(3,806)
Interest income received		1,432	2,290	427	485
Dividends received		-	-	42,161	31,496
Retirement benefits paid		-	(20)	-	-
Net cash generated from operating activities		352,641	232,152	40,202	27,008

CASH FLOW STATEMENTS

for the financial year ended 30 June 2010 (cont'd)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		415	5,296	-	-
Purchase of property, plant and equipment		(189,621)	(129,280)	-	-
Proceeds from disposal of other investments		-	177	-	177
Redemption of redeemable preference shares by a subsidiary		-	-	34,000	5,000
Capital distribution from a subsidiary		-	-	-	7,613
Net cash (used in)/generated from investing activities		(189,206)	(123,807)	34,000	12,790
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		149,392	239,861	59,000	8,700
Repayments of borrowings		(193,260)	(321,440)	(69,000)	(15,732)
Dividends paid to equity holders of the Company		(48,725)	(38,980)	(49,725)	(39,780)
Dividends paid to minority shareholders of subsidiaries		(17,998)	(13,497)	-	-
Purchase of treasury shares		(12)	(12)	(12)	(12)
(Advance to)/ repayment by subsidiaries		-	-	(25,882)	20,885
Net cash used in financing activities		(110,603)	(134,068)	(85,619)	(25,939)
NET CHANGE IN CASH AND CASH EQUIVALENTS		52,832	(25,723)	(11,417)	13,859
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR (i)		77,329	102,245	33,071	19,212
EFFECT ON FOREIGN EXCHANGE		(1,295)	807	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (i)		128,866	77,329	21,654	33,071

NOTE ON CASH FLOW STATEMENTS

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

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits, cash and bank balances	11	128,866	77,329	21,654	33,071

The notes on pages 38 to 71 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are Hong Leong Industries Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. Hong Leong Industries Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements as at and for the financial year ended 30 June 2010 comprise the Company and its subsidiaries ("the Group"). The financial statements of the Company for the financial year ended 30 June 2010 do not include other entities.

The Company is an investment holding company while the principal activities of other group entities are set out in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2010 in accordance with a resolution.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), and the Companies Act, 1965 in Malaysia.

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

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

There are no significant areas of estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements except for those described in the following notes:

- Note 4 - impairment loss on plant and equipment;
- Note 7 - measurement of the recoverable amounts of cash-generating units; and
- Note 26 - contingency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies

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

(a) Subsidiaries and basis of consolidation

Subsidiaries are enterprises controlled by the Company. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition represents negative goodwill which is immediately recognised in the income statement.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interests represent the minorities' share of the fair value of the subsidiaries' net identifiable assets, liabilities and contingent liabilities at the date of acquisition and the minorities' share of changes in the subsidiaries' equity since then.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other operating income or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Property, plant and equipment (cont'd)

The cost of replacing part of such an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

Depreciation is recognised in the income statements on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(c) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments and is amortised on a straight-line basis over the remaining lease term of the land.

(d) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost which is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate it might be impaired. Impairment losses are recognised in the income statements when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is immediately recognised in the income statement.

(ii) Development expenditure

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

Expenditure on development activities, for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, and is amortised over a period of ten years on a straight line basis. Other development expenditure is expensed to the income statements as incurred.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value; and
- All current investments are carried at the lower of cost and market value, determined on an aggregate investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- (i) the recognition of an asset on the day it is received by the entity; and
- (ii) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are mainly determined on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes raw materials and an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, 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. Receivables are not held for the purposes of trading.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Impairment

The carrying amount of the assets other than inventories, deferred tax assets and financial assets (other than investments in subsidiary), 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. 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 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 statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. 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.

(j) Share capital

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

When share capital are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable cost and the carrying amount of the treasury shares is recognised in equity.

(k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(l) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by FRS 119₂₀₀₄, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iv) Share-based payments and reserve for own shares

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Malaysian Pacific Industries Berhad's Executive Share Option Scheme ("ESOS").

The fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the share option reserve over the vesting period. When the share options are exercised, the amount from the share option reserve is transferred to share premium. When the share options not exercised are expired, the amount from the share option reserve is transferred to retained earnings.

The fair value of the share options is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee ("ESOS Trust"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the ordinary shares of MPI from the open market for the ESOS Trust ("Trust Shares").

The ESOS Trust is consolidated into the Group's consolidated financial statements and the Trust Shares are accounted for as a deduction from equity and classified as reserve for own shares. Dividends received by the ESOS Trust are eliminated against the dividend expense of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at average exchange rates for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the income and expenses of those companies at the average rate, are taken to reserves.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(o) 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 statements upon realisation.

(p) Revenue

Group

(i) Goods sold

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Revenue (cont'd)

Company

(ii) Dividend income

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

(q) Interest income/Borrowing costs

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

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

(r) Operating lease

Operating lease payments are recognised in the income statements on a straight-line basis over the term of the relevant lease.

(s) Financial lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(t) Taxation

Taxation in the income statements comprise current and deferred tax. Taxation is recognised in the income statements except to the extent that it relates to item 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 substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Taxation (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unutilised reinvestment allowance and investment tax allowance are recognised as a reduction of tax expense as and when they are utilised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(v) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policy and effect arising from adoption of new and revised FRSs

2.3.1 FRS Issued and Effective

FRS 8 Operating Segment

FRS 8, Operating Segment replaces FRS 1142004, Segmental Reporting where segment information is presented on a similar basis to that used for internal reporting purposes.

On 1 July 2009, the Group has adopted FRS 8. The adoption does not have any financial impact on the financial statements of the Group.

2.3.2 FRSs, Amendment to FRSs and Interpretations Issued but Not Yet Effective

The Group and the Company have not applied the following FRSs, Amendments to FRSs and Interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*
 - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policy and effect arising from adoption of new and revised FRSs (cont'd)

2.3.2 FRSs, Amendment to FRSs and Interpretations Issued but Not Yet Effective (cont'd)

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Share-based Payment: Group Cash-settled Share based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains Lease*
- IC Interpretation 18, *Transfers of Assets from Customer*

The Group and the Company plan to apply the abovementioned FRS, Amendments to FRSs and Interpretations:

- from the annual period beginning 1 July 2010 for those FRSs, Amendments to FRSs or Interpretations that will be effective for annual periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010, except for FRS 4 and IC Interpretations 12, 13, 14 and 15 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 July 2011 for those FRSs, Amendments to FRSs or Interpretations that will be effective for annual periods beginning on or after 1 January 2011.

The financial impact on the financial statement of the Group and the Company resulting from the adoption of FRS 7 and FRS 139 upon first adoption of these FRSs as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* are not disclosed by virtue of the exemptions given in the respective FRSs.

Improvement to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendment that has material impact is:

- **FRS 117, Leases**

The amendment clarifies on the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

The first adoption of the other FRSs, Amendments to FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. COMPANIES IN THE GROUP

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

Name of Subsidiary	Country of Incorporation	Effective Interest		Principal Activities
		2010 %	2009 %	
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacturing and testing of semiconductor devices and electronic components
Recams Sdn Bhd (formerly known as Carsem Semiconductor Sdn Bhd) +	Malaysia	70	70	Dormant
Carsem Holdings Limited *	Bermuda	100	100	Investment holding
Carsem Semiconductor (Suzhou) Co., Ltd + #	The People's Republic of China	100	100	Manufacturing and testing of semiconductor devices and electronic components
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacturing and sale of leadframes
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
Carsem Inc. +*	The United States of America	70	70	Semiconductor devices' and electronic components' marketing agent
Carsem Holdings (HK) Limited #	Hong Kong	100	100	Intended to be an investment holding company
Advance Dyna, Inc. *	The United States of America	-	100	Wound-up

Notes:

+ Sub-subsidiary.

Subsidiary not audited by KPMG.

* These financial statements are not required to be audited in their respective countries of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Building* Improvement RM'000	Plant, Equipment & Motor Vehicles RM'000	Capital Work-In- Progress RM'000	Total RM'000
Cost				
At 1 July 2008	308,745	2,744,009	33,259	3,086,013
Additions	1,820	121,380	6,080	129,280
Disposals	-	(53,374)	-	(53,374)
Write off	-	(91,841)	(2,267)	(94,108)
Transfers	17,337	5,727	(23,064)	-
Currency translation differences	2,509	17,368	-	19,877
At 30 June 2009/1 July 2009	330,411	2,743,269	14,008	3,087,688
Additions	1,806	172,287	15,528	189,621
Disposals	-	(2,998)	-	(2,998)
Write off	-	(116,714)	(525)	(117,239)
Transfers	4,559	19,791	(24,350)	-
Currency translation differences	(2,265)	(20,202)	-	(22,467)
At 30 June 2010	334,511	2,795,433	4,661	3,134,605

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Building* Improvement RM'000	Plant, Equipment & Motor Vehicles RM'000	Capital Work-In- Progress RM'000	Total RM'000
Accumulated depreciation and impairment				
At 1 July 2008				
Accumulated depreciation	111,764	1,805,744	-	1,917,508
Accumulated impairment	-	10,511	-	10,511
	111,764	1,816,255	-	1,928,019
Charge for the financial year	16,150	224,126	-	240,276
Disposals	-	(48,231)	-	(48,231)
Write off	-	(85,455)	-	(85,455)
Reversal of impairment	-	(3,347)	-	(3,347)
Currency translation differences	474	4,498	-	4,972
At 30 June 2009/1 July 2009				
Accumulated depreciation	128,388	1,900,682	-	2,029,070
Accumulated impairment	-	7,164	-	7,164
	128,388	1,907,846	-	2,036,234
Charge for the financial year	16,080	197,213	-	213,293
Disposals	-	(2,755)	-	(2,755)
Write off	-	(111,603)	-	(111,603)
Impairment #	-	45,257	-	45,257
Currency translation differences	(555)	(7,080)	-	(7,635)
At 30 June 2010				
Accumulated depreciation	143,913	1,976,457	-	2,120,370
Accumulated impairment	-	52,421	-	52,421
	143,913	2,028,878	-	2,172,791
Carrying amounts				
At 1 July 2008	196,981	927,754	33,259	1,157,994
At 30 June 2009/1 July 2009	202,023	835,423	14,008	1,051,454
At 30 June 2010	190,598	766,555	4,661	961,814

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Equipment & Motor Vehicles RM'000
Cost	
At 1 July 2008/30 June 2009/1 July 2009/30 June 2010	1,036
Accumulated depreciation	
At 1 July 2008	881
Charge for the financial year	155
At 30 June 2009/1 July 2009/30 June 2010	1,036
Carrying amounts	
At 1 July 2008	155
At 30 June 2009/1 July 2009	-
At 30 June 2010	-

* The buildings of the Group are situated on leasehold land classified as prepaid lease payments (Note 5) except for certain buildings of a subsidiary which are situated on an operating lease land (Note 23).

The above impairment loss was taken because of technological change and continued softness in demand and planned cessation of production of certain products to which the equipment were dedicated and thus, the anticipated future usage of such equipment will be reduced.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

5. PREPAID LEASE PAYMENTS

	Group RM'000
Cost	
At 1 July 2008	28,572
Currency translation differences	233
At 30 June 2009/1 July 2009	28,805
Currency translation differences	(213)
At 30 June 2010	28,592
Accumulated amortisation	
At 1 July 2008	8,105
Charge for the financial year	373
Currency translation differences	25
At 30 June 2009/1 July 2009	8,503
Charge for the financial year	376
Currency translation differences	(28)
At 30 June 2010	8,851
Carrying amounts	
- Short term	9,601
- Long term	10,866
At 30 June 2008/1 July 2008	20,467
- Short term	9,603
- Long term	10,699
At 30 June 2009	20,302
- Short term	5,358
- Long term	14,383
At 30 June 2010	19,741

During the financial year ended 30 June 2010, the lease period for two parcels of land with a net book value of RM3,930,000 were extended by another 60 years.

6. INVESTMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Long term				
Unquoted shares, at cost:				
Subsidiaries	-	-	426,445	460,445
Other investments	46	46	46	46
	46	46	426,491	460,491

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development Expenditure RM'000	Total RM'000
Cost			
At 1 July 2009/30 June 2010	12,393	2,400	14,793
Accumulated amortisation			
At 1 July 2009/30 June 2010	-	2,400	2,400
Carrying Amounts			
At 1 July 2009/30 June 2010	12,393	-	12,393

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to one of the subsidiary's customers. These customers are grouped by geographical location of customers which represent the lowest level within the subsidiary at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. The recoverable amount of the unit was determined to be higher than its carrying amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. The discount rate used is based on the subsidiary's weighted average cost of capital of 6.55%.

The revenue and gross margins used in the projections were based on past experience and expectations of market development.

The management does not expect any reasonable change in the key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

8. OTHER ASSETS

Other assets of the Company comprise advances given to a trustee to purchase the Trust Shares as disclosed in Note 2.2(m)(iv). The advances shall be repaid by the trustee upon the sale of all the Trust Shares.

9. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
Raw materials	49,625	42,348
Work-in-progress	11,658	7,922
Finished goods	16,969	12,006
Consumable spares	9,484	9,722
	87,736	71,998

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	a	194,830	140,791	-	-
Less: Allowance for doubtful debts		(2,972)	(1,816)	-	-
		191,858	138,975	-	-
Amounts due from a subsidiary	b	-	-	57,227	61,601
Other receivables		10,852	9,008	2	2
Deposits		1,282	1,015	5	5
Prepayments		24,453	17,284	14	15
		228,445	166,282	57,248	61,623

Group

Note a

Trade receivables amounted to RM191,329,000 (2009: RM138,431,000) are denominated in US Dollar.

Company

Note b

Amounts due from a subsidiary is non-trade, unsecured, interest free and has no fixed terms of repayment.

Amounts due from a subsidiary is denominated in US Dollar.

11. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with:				
Licensed banks	71,983	30,767	8,203	21,708
Discount house	12,109	11,237	12,109	11,237
	84,092	42,004	20,312	32,945
Cash and bank balances	44,774	35,325	1,342	126
	128,886	77,329	21,654	33,071

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits and bank balances	13,744	10,605	1,352	126

Cash and bank balances amounting to RM31,023,000 (2009: RM1,538,000) and RM29,741,000 (2009: RM17,524,000) are denominated in US Dollar and Renminbi respectively.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

12. SHARE CAPITAL

	Group and Company			
	2010	2009		
	Number of Shares '000	Amount RM'000	Number of Shares '000	Amount RM'000
Ordinary shares of RM0.50 each				
Authorised:				
At 1 July/30 June	400,000	200,000	400,000	200,000
Issued and fully paid:				
At 1 July/30 June	209,884	104,942	209,884	104,942

During the financial year, the Company bought back 2,000 (2009: 2,000) of its own shares at an average price of RM5.94 (2009: RM5.68) per ordinary share from the open market. As at 30 June 2010, the total number of shares bought back was 10,986,000 (2009: 10,984,000) 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.

13. RESERVES

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Reserves consist of:					
Share premium		249,952	249,952	249,952	249,952
Capital redemption reserve	a	1,050	710	-	-
Capital reserve	b	3,750	2,283	-	-
Exchange fluctuation reserve	c	10,021	23,303	-	-
Reserve for own shares	d	(42,603)	(42,603)	-	-
Share option reserve	e	166	2,794	24	245
Retained profits	f	576,653	521,778	229,549	245,429
		798,989	758,217	479,525	495,626

Note a

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

Note b

Capital reserve represents a transfer from the revenue reserve to capital reserve by a subsidiary as required by the relevant regulations of its country of incorporation.

Note c

Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note d

Reserve for own shares represents Trust Shares purchased by the ESOS Trust as disclosed in Note 2.2(m)(iv).

There were no Trust Shares purchased by the trustee during the financial year. As at 30 June 2010, the total number of Trust Shares purchased by the trustee was 4,000,000 (2009: 4,000,000) ordinary shares of RM0.50 each.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

13. RESERVES (cont'd)

Note e

Share option reserve represents fair value of the share options granted to employees as disclosed in Note 2.2(m)(iv).

Note f

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 credit and tax exempt income to frank in full all its retained profits at 30 June 2010 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

14. BORROWINGS (UNSECURED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Term loans	41,081	103,600	-	59,000
Revolving credit	73,952	52,613	31,400	17,400
Bankers' acceptances	15,400	36,936	-	-
	130,433	193,149	31,400	76,400
Non-current				
Term loans	85,734	73,806	35,000	-
	216,167	266,955	66,400	76,400

Group

Terms and debt repayment schedule for term loans:

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2010	2011 - 2013	126,815	41,081	53,183	32,551
2009	2009 - 2011	177,406	103,600	73,806	-

There are no covenants for the term loans.

The following borrowings are denominated in US Dollar:

	Group	
	2010 RM'000	2009 RM'000
Term loan	58,815	60,406
Revolving credit	32,551	35,213
	91,366	95,619

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. BORROWINGS (UNSECURED) (cont'd)

The term loans bear interest from 1.0% to 3.8% (2009: 1.0% to 5.1%) per annum.

The bankers' acceptances bear interest of 2.2% to 3.2% (2009: 2.2% to 4.2%) per annum.

The revolving credit which is repayable on demand is subject to interest of 1.2% to 3.5% (2009: 1.2% to 4.3%) per annum.

Company

Terms and debt repayment schedule for term loans:

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000
2010	2010 - 2012	35,000	-	35,000
2009	2009 - 2010	59,000	59,000	-

There are no covenants for the term loans.

The term loans bear interest from 3.1% to 3.7% (2009: 3.1% to 4.5%) per annum.

The revolving credit which is repayable on demand is subject to interest of 2.8% to 3.3% (2009: 2.8% to 4.3%) per annum.

15. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 30 June	422	422	245	245

(b) Share-based payments

The ESOS of the Company which was approved by the shareholders of the Company on 14 October 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

During the previous financial year ended 30 June 2007, MPI granted conditional incentive share options ("Options I") over 250,000 ordinary shares of RM0.50 each in MPI ("MPI Shares") at an exercise price of RM10.61 per MPI Share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), a wholly-owned subsidiary of the Company, whilst Carsem (M) Sdn Bhd ("Carsem (M)") and Dynacraft Industries Sdn Bhd ("Dynacraft"), both subsidiaries of the Company, granted Options I over a total of 3,400,000 MPI Shares at an exercise price of RM10.61 per MPI Share to eligible executives of Carsem (M) and Dynacraft.

The Options I granted were subject to the achievement of certain performance criteria by the option holders over the option performance period.

The Board of Dynacraft has determined that the option holders of Dynacraft ("Dynacraft Option Holders") have not achieved the performance criteria at the end of the option performance period. Hence, the conditional incentive share options over 800,000 MPI Shares ("Dynacraft Options") have not been vested to the Dynacraft Option Holders and accordingly, the Dynacraft Options lapsed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

15. EMPLOYEE BENEFITS (cont'd)

(b) Share-based payments (cont'd)

The Board of MPI and Carsem (M) have respectively determined that the option holders of MPI and Carsem (M) ("MPI and Carsem (M) Option Holders I") have not achieved the performance criteria at the end of the option performance period. Hence, the Options I over a total of 2,850,000 MPI Shares ("MPI and Carsem (M) Options I") have not been vested to the MPI and Carsem (M) Option Holders I and accordingly, the MPI and Carsem (M) Options I lapsed subsequent to the financial year-end.

During the financial year, MPI has further granted conditional incentive share options ("Options II") over 100,000 MPI Shares at an exercise price of RM6.76 per MPI Share to an eligible executive of Carsem Suzhou whilst Carsem (M) has granted Options II over 850,000 MPI Shares at an exercise price of RM6.76 per MPI Share to eligible executives of Carsem (M).

The Options II granted are subject to the achievement of certain other performance criteria by the option holders over the option performance period.

The Options II, if vested and exercised, will be satisfied by existing MPI Shares held by the ESOS Trust.

No Options were vested during the financial year. The weighted average share price for the financial year was RM6.04.

There is no movement in the number and weighted average exercise price ("WAEP") of the Options II during the financial year. The number of Options II outstanding as at the end of the financial year of 950,000 units have a WAEP of RM6.76 and were exercisable from 1 July 2011 to 31 December 2013, if vested.

The fair value of services received in return for share options granted was based on the fair value of the Options granted, measured using Black Scholes model, with the following inputs:

Fair value of Options measured at grant date and assumptions

Weighted average fair value at grant date	RM1.61
Weighted average share price	RM6.04
Exercise price	RM6.76
Expected volatility *	38.65%
Options life	4 years
Expected dividends	3.42%
Risk-free interest rate (based on Malaysian government bonds)	3.33%

* The expected volatility reflects the assumption that the historical volatility was indicative of future trend, which might not necessarily be the actual outcome. No other features of the Options granted were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

16. DEFERRED TAXATION

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	2010			2009		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Property, plant and equipment	-	(22,951)	(22,951)	9,134	(76,328)	(67,194)
Inventories	2,939	-	2,939	4,774	-	4,774
Provisions	1,181	-	1,181	-	-	-
Other items	3,685	-	3,685	1,264	(1,484)	(220)
Tax assets/(liabilities)	7,805	(22,951)	(15,146)	15,172	(77,812)	(62,640)
Set off of tax	(7,805)	7,805	-	(15,172)	15,172	-
Net tax liabilities	-	(15,146)	(15,146)	-	(62,640)	(62,640)

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.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2010 RM'000	2009 RM'000
Unutilised tax losses	-	754
Unabsorbed capital allowances	-	31,818

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

17. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	a	88,887	65,527	-	-
Amounts due to:					
- Related companies	b	17	13	-	-
- Subsidiaries	c	-	-	20,363	45,335
Other payables		107,838	51,622	-	-
Accrued expenses		44,120	32,301	1,964	773
		240,862	149,463	22,327	46,108

Group

Note a

Trade payables denominated in currencies other than the functional currency are as follows:

	2010 RM'000	2009 RM'000
US Dollar	77,602	42,509
Others	1,302	633

Note b

Amounts due to related companies are non-trade, unsecured, interest free and have no fixed terms of repayment.

Company

Note c

Amounts due to subsidiaries are non-trade, unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

18. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Holding company's auditors				
- statutory audits	118	114	20	20
- other services	16	16	3	3
Other auditors				
- statutory audits	32	30	-	-
- other services	17	15	-	-
Allowance for/(reversal of) doubtful debts	1,156	(111)	-	-
Inventories written down	753	4,791	-	-
Depreciation of property, plant and equipment	213,293	240,276	-	155
Amortisation of prepaid lease payments	376	373	-	-
Gain on disposal of property, plant and equipment	(172)	(153)	-	-
Impairment/(reversal) of property, plant and equipment	45,257	(3,347)	-	-
Property, plant and equipment written off	5,636	8,653	-	-
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees	110	110	70	70
- Salaries and bonuses	2,650	1,460	200	200
- Other emoluments	-	10	-	10
- Contribution to Employees Provident Fund	24	143	24	24
- Share-based payments	60	685	-	-
	2,844	2,408	294	304
Non-Executive Directors				
- Fees	150	150	150	150
- Other emoluments	80	70	80	70
	230	220	230	220
Personnel expenses:				
- Wages, salaries and others	262,802	243,214	136	132
- Contributions to Employees Provident Fund	23,585	23,924	16	16
- Share-based payments	(3,385)	981	-	-
- Retrenchment costs	-	11,771	-	-
Gross dividends from unquoted subsidiaries	-	-	(42,161)	(31,496)
Impairment of other investments	-	470	-	470
Gain on return of investment in a subsidiary	-	-	-	(212)
Interest expense				
- Term loan	4,479	6,742	1,821	2,717
- Others	1,464	3,731	873	1,089
Net (gain)/loss on foreign exchange				
- Realised	(14,415)	70,467	-	-
- Unrealised	12,038	(4,410)	5,063	(4,521)
Rental of property, plant, equipment and premises	3,110	3,200	50	53
Rental income	(120)	(120)	-	-
Research and development expenditure	15,761	14,644	-	-
Forfeiture of deposit from disposal of a building	-	(3,247)	-	-

The estimated monetary value of Executive Directors' benefits-in-kind of the Group are RM177,000 (2009: RM54,000).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. TAXATION

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current taxation					
Malaysian tax					
- current year		925	32	-	32
- prior years		2,285	16	-	16
Overseas – current year		3,382	-	-	-
		6,592	48	-	48
Deferred taxation					
- current year		(45,369)	6,115	-	-
- prior years		(2,125)	(2,000)	-	-
		(47,494)	4,115	-	-
		(40,902)	4,163	-	48
Reconciliation of taxation					
Profit/(loss) before taxation		84,984	(61,734)	33,845	31,112
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)		21,246	(15,434)	8,461	7,778
Difference of tax rate in foreign jurisdiction		(4,600)	-	-	-
Non-deductible expenses		1,934	2,867	2,044	128
Tax exempt income		(13,151)	(5,032)	(10,505)	(7,874)
Effect of temporary differences arising in pioneer period		(33,867)	17,244	-	-
Effect of unrecognised deferred tax assets	16b	-	7,954	-	-
Tax incentives		(5,460)	(1,647)	-	-
Utilisation of previously unrecognised capital allowance		(8,165)	-	-	-
Changes in unrecognised temporary differences previously not recognised		1,228	(594)	-	-
Others		(227)	789	-	-
		(41,062)	6,147	-	32
Under/(over) provision in prior years		160	(1,984)	-	16
Taxation		(40,902)	4,163	-	48

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

20. EARNINGS PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated by dividing the Group's profit attributable to equity holders of the Company of RM105,407,000 (2009 : loss attributable to ordinary equity holders of the parent of RM39,904,000) by the weighted average number of ordinary shares outstanding during the financial year of 194,899,712 (2009 : 194,901,696) calculated as follows:

Weighted average number of ordinary shares	2010 '000	2009 '000
Issued ordinary shares at beginning of financial year	209,884	209,884
Less:		
Treasury shares held at beginning of financial year	(10,984)	(10,982)
Trust shares held at beginning of financial year	(4,000)	(4,000)
	194,900	194,902
Effect of purchase of treasury shares	-	-
Weighted average number of ordinary shares	194,900	194,902

Diluted earnings/(loss) per ordinary share

The Group has no dilution in its earnings/(loss) per ordinary share in the current and previous financial year as the potential ordinary shares from assumed exercise of the Options to ordinary shares would increase the basic earnings/(loss) per ordinary share.

21. DIVIDENDS

Dividends recognised in the current year by the Group and the Company are:

Ordinary Shares	Per share (Tax exempt) Sen	Group RM'000	Company RM'000	Date of payment
2010				
First Interim	10.0	19,490	19,890	17 December 2009
Second Interim	15.0	29,235	29,835	25 June 2010
	25.0	48,725	49,725	
2009				
First Interim	10.0	19,490	19,890	17 December 2008
Second Interim	10.0	19,490	19,890	16 June 2009
	20.0	38,980	39,780	

Dividends received by the ESOS Trust amounted to RM1,000,000 (2009: RM800,000) are eliminated against the dividend expense of the Company following the consolidation of ESOS Trust as disclosed in Note 2.2 (m) (iv).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

22. OPERATING SEGMENTS

The Group's operating and reportable segments are geographical segments by location of customers. For each geographical segment by location of customers, the Board of Directors reviews internal management reports on at least a quarterly basis. The Group's reportable segments are as follows:

- Asia
- The United States ("USA"); and
- Europe

These segments are engaged in manufacturing and testing of semiconductor devices and electronic components and sale of leadframes.

Segment profit

Performance is measured based on segment profit before interest and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors in the internal management reports. Thus, no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors in the internal management reports. Thus, no disclosure is made on segment liability.

	Asia		USA		Europe		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Segment Profit/(loss)	58,450	(4,224)	19,300	(11,264)	12,723	(33,739)	90,473	(49,227)

Included in the measure of segment Profit/(Loss) are :

Revenue from external customers	645,724	515,999	307,323	253,471	433,155	381,160	1,386,202	1,150,630
Depreciation and amortisation	94,890	102,708	48,535	53,848	70,244	84,093	213,669	240,649
Impairment/(reversal) of property, plant and equipment	16,075	(1,121)	10,332	(764)	18,850	(1,462)	45,257	(3,347)
Property, plant and equipment written off	2,002	2,897	1,287	1,976	2,347	3,780	5,636	8,653

Reconciliations of reportable segment profit/loss

	2010 RM'000	2009 RM'000
Profit/loss		
Reportable segments	90,473	(49,227)
Non-reportable segments	(978)	(4,324)
Interest cost	(5,943)	(10,473)
Interest income	1,432	2,290
Consolidated profit before taxation	84,984	(61,734)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

22. OPERATING SEGMENTS (cont'd)

Geographical segments

Revenue of the Group by geographical location of the customers are as follows:

	Revenue	
	2010 RM'000	2009 RM'000
USA	307,323	253,741
Singapore	234,588	201,838
Malaysia	198,620	146,400
Switzerland	160,012	129,141
Others	485,659	419,510
	1,386,202	1,150,630

Non-current assets of the Group by geographical location of the assets are as follows:

	Non-Current Assets	
	2010 RM'000	2009 RM'000
Malaysia	777,864	870,980
The People's Republic of China	216,026	213,097
Others	58	72
	993,948	1,084,149

Major Customer

During the year, revenue from one single customer amounted to RM165,972,000 (2009 - RM146,779,000) contributed to more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. COMMITMENTS

	Group	
	2010 RM'000	2009 RM'000
Property, plant and equipment:		
Authorised and contracted for	116,615	46,095
Authorised but not contracted for	71,817	153,593
	188,432	199,688
Operating lease commitments:		
Expiring within one year	1,178	1,133
Expiring between one to five years	6,541	6,186
Expiring after five years	34,489	36,022
	42,208	43,341

Group

The Group has lease commitments of RM1,178,000 (2009: RM1,133,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expire on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

24. RELATED PARTIES

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

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

- (i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Industries Berhad ("HLI"). YBhg Tan Sri Quek Leng Chan, a major shareholder of the Company, is a Director and a major shareholder of HLCM. YBhg Datuk Kwek Leng San is a Director and a shareholder of the Company and HLCM. Mr Quek Leng Chye is a shareholder and a major shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;
- (ii) Hong Leong Assurance Berhad ("HLA"), HLG Capital Berhad ("HLG"), GuocoLand (Malaysia) Berhad ("GLM"), GuocoLeisure Limited ("GL"), Hong Leong Bank Berhad ("HLB") and GuoLine Intellectual Assets Limited ("GIAL") are subsidiaries of HLCM; and
- (iii) Guardian Security Consultants Sdn Bhd ("GSC") is an indirect associate of HLCM.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

24. RELATED PARTIES (cont'd)

Significant transactions with related parties are as follows:

Transactions	Entities With Joint Control Or Significant Influence Over The Entity Related Parties	Group	
		2010 RM'000	2009 RM'000
(a) Rental of shared office space	HLA	51	54
(b) Receipt of insurance and insurance broking services, stock broking and corporate advisory services, hotel-related services, security guard services, after sales services in respect of air conditioners and related products	HLA, HLG and its subsidiaries, GLM, GL and its subsidiaries, GSC, HLI and its subsidiaries	146	122
(c) Receipt of corporate office support services	Subsidiary of HLI	1,093	1,026
(d) Receipt of group management and/ or support services	Subsidiary and an associate of HLCM	2,146	1,059
(e) Payment for usage of the Hong Leong logo and trade mark	GIAL	11	26
(f) Interest income	HLB and its subsidiary	86	186

The above transactions have been carried out on normal commercial terms consistent with the usual business practices and policies of the Group and of the Company and on terms not more favourable to the related parties than those generally available to and/or from the public and are not detrimental to the minority shareholders.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

The Group and the Company's accounting policies in relation to derivative financial instruments are set out in Note 2.2(o).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

Credit risk

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

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

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

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.

Group		Weighted Average Effective Interest Rate %	Total RM'000	Less Than 1 year RM'000
2010	Note			
Fixed rate instruments				
Deposits with financial institutions	11	1.9	84,092	84,092
Bankers' acceptances	14	3.1	15,400	15,400
			99,492	99,492
Floating rate instruments				
Term loan	14	2.5	126,815	126,815
Revolving credit	14	2.4	73,952	73,952
			200,767	200,767

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Group		Weighted Average Effective Interest Rate %	Total RM'000	Less Than 1 year RM'000
2009	Note			
Fixed rate instruments				
Deposits with financial institutions	11	1.8	42,004	42,004
Bankers' acceptances	14	2.3	36,936	36,936
			78,940	78,940
Floating rate instruments				
Term loan	14	2.4	177,406	177,406
Revolving credit	14	1.7	52,613	52,613
			230,019	230,019
Company		Weighted Average Effective Interest Rate %	Total RM'000	Less Than 1 year RM'000
2010	Note			
Fixed rate instruments				
Deposits with financial institutions	11	2.0	20,312	20,312
Floating rate instruments				
Term loan	14	3.7	35,000	35,000
Revolving credit	14	3.4	31,400	31,400
			66,400	66,400
2009				
Fixed rate instruments				
Deposits with financial institutions	11	1.6	32,945	32,945
Floating rate instruments				
Term loan	14	3.8	59,000	59,000
Revolving credit	14	3.6	17,400	17,400
			76,400	76,400

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Recognised financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company as at 30 June 2010 approximate their fair value except as follows:

Company	2010		2009	
	Carrying Amount RM'000	Market Value RM'000	Carrying Amount RM'000	Market Value RM'000
Other assets	4,208	3,344	4,345	2,777

Unrecognised financial instruments

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

	Group	
	2010 RM'000	2009 RM'000
Forward foreign exchange contracts	48,043	-

All the above forward foreign exchange contracts mature within 1 year. The fair value of the above contracts is not material.

26. SIGNIFICANT EVENT

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

After several years of investigations, the ITC has, on 20 July 2010, issued the final determination and found that the claims of Amkor's patents are invalid and not infringed and that Carsem Group has not violated the Tariff Act by importing the Micro Leadframe Package (MLP) Products which Amkor has accused of infringement.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 31 to 71 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the year then ended.

On behalf of the Board

Datuk Kwek Leng San

Peter Nigel Yates

Kuala Lumpur
23 August 2010

STATUTORY DECLARATION

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

I, Cheah Wing Ket, being the officer primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 31 to 71 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Cheah Wing Ket at Kuala Lumpur in the Federal Territory on 23 August 2010.

Cheah Wing Ket

Before me:

P.VALLIAMAH
Persuruhjaya Sumpah
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad

Report on the Financial Statements

We have audited the financial statements of Malaysian Pacific Industries Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 71.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.
- c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
AF: 0758
Chartered Accountants

Thong Foo Vung
2867/08/12(J)
Chartered Accountant

Petaling Jaya,
23 August 2010

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2010

Location	Tenure	Existing Use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2010 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	14 - 35	15,375
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	12 -22	13,989
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	14 - 22	1,002
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,724	-	15,278
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	16	2,389
Jalan Lapangan Terbang 30720 Ipoh Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	3	6,845
Lot 52986 Kawasan Perindustrian Taman Meru 30020 Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,704	19	64,585
Plot 73021 Shenxu Road Suzhou Industrial Park The Municipality of Suzhou Province of Jiangsu The People's Republic of China	19 Aug 2052	Office and factory building	30 Apr 2002	645,823	7	22,183
Lot 2367 11900 Bayan Lepas Pulau Pinang	31 Aug 2031	Office and factory building*	18 Jun 1995	257,000	16	24,967
Lot 8 11900 Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building	18 Jun 1995	227,441	11	14,978
Plot 15 11900 Bayan Lepas Pulau Pinang	06 Jan 2070	Vacant office and factory building	24 Feb 2005	208,357	5	24,016

* These buildings are situated on an operating lease land as disclosed in Note 23 of the financial statements

OTHER INFORMATION

(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2010

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

Distribution Schedule Of Shareholders As At 30 August 2010

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	199	5.35	4,972	0.00
100 – 1,000	1,454	39.11	1,147,062	0.58
1,001 – 10,000	1,704	45.83	6,138,330	3.09
10,001 – 100,000	302	8.12	8,537,508	4.29
100,001 – less than 5% of issued shares	58	1.56	71,114,300	35.75
5% and above of issued shares	1	0.03	111,956,247	56.29
	3,718	100.00	198,898,419	100.00

Note:

* Excluding 10,986,000 shares bought back and retained by the Company as treasury shares.

List Of Thirty Largest Shareholders As At 30 August 2010

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	111,956,247	56.29
2. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	9,827,100	4.94
3. Maxider Sdn Bhd	7,039,700	3.54
4. Assets Nominees (Asing) Sdn Bhd - GuoLine Capital Limited	6,652,700	3.34
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	4,451,200	2.24
6. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Barclays Capital Securities Ltd	4,159,000	2.09
7. Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (ESOS)	4,000,000	2.01
8. Pertubuhan Keselamatan Sosial	3,555,100	1.79
9. Low Poh Weng	3,312,000	1.66
10. Hong Leong Industries Berhad	3,042,400	1.53
11. Amanahraya Trustees Berhad - Sekim Amanah Saham Nasional	2,503,000	1.26
12. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Bank Berhad	2,200,000	1.11

OTHER INFORMATION

(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2010 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2010 (cont'd)

Names of Shareholders	No. of Shares	%
13. Amanahraya Trustees Berhad - Amanah Saham Malaysia	2,194,200	1.10
14. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Fund Management Berhad	1,764,100	0.89
15. Lembaga Tabung Haji	1,733,100	0.87
16. Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	1,638,200	0.82
17. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,574,400	0.79
18. Permodalan Nasional Berhad	1,500,000	0.75
19. Hong Leong Assurance Berhad - As Beneficial Owner	1,370,800	0.69
20. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk Lend)	1,273,000	0.64
21. HLG Nominee (Asing) Sdn Bhd - Asia Fountain Investment Company Limited	1,000,000	0.50
22. Valuecap Sdn Bhd	738,200	0.37
23. Mayban Nominees (Tempatan) Sdn Bhd - Affin Equity Fund	452,000	0.23
24. Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Small Cap Series	339,500	0.17
25. Amanahraya Trustees Berhad - Public Smallcap Fund	330,000	0.17
26. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	315,000	0.16
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. International PLC (Client)	270,000	0.14
28. Amsec Nominees (Tempatan) Sdn Bhd - Apex Dana Al-Sofi-I	260,900	0.13
29. HLB Nominees (Asing) Sdn Bhd - Rising Flame International Limited	242,000	0.12
30. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Assurance Berhad (Life)	229,200	0.12
	179,923,047	90.46

OTHER INFORMATION

(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2010 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2010 are as follows:

Names of Shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
1. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek")	-	-	133,601,009	67.17*
2. Hong Leong Industries Berhad	114,998,647	57.82	7,039,700	3.54^
3. Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	133,547,509	67.14#
4. HL Holdings Sdn Bhd	-	-	133,547,509	67.14#
5. Hong Realty (Private) Limited	-	-	133,547,509	67.14#
6. Hong Leong Investment Holdings Pte. Ltd.	-	-	133,547,509	67.14#
7. Kwek Holdings Pte Ltd	-	-	133,547,509	67.14#
8. Mr Kwek Leng Beng	-	-	133,547,509	67.14#
9. Mr Kwek Leng Kee	-	-	133,547,509	67.14#
10. Davos Investment Holdings Private Limited	-	-	133,547,509	67.14#
11. Mr Quek Leng Chye	150,000	0.08	133,547,509	67.14#

Notes:

* Held through HLCM and a company in which Tan Sri Quek has interest.

^ Held through subsidiary(ies).

Held through HLCM.

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2010

Subsequent to the financial year-end, there is no change as at 30 August 2010 to the Directors' interests in the ordinary shares and/or options of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 27 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. SHARE BUYBACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
November 2009	1,000	5.60	5.60	5.65	5,648
May 2010	1,000	6.28	6.28	6.33	6,329

Note:

* Inclusive of transaction charges.

5. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

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

NRIC/Passport No. _____

of _____

or failing him/her _____

NRIC/Passport No. _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-ninth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 14 October 2010 at 10.00 a.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Tan Sri Asmat bin Kamaludin as a Director		
3.	To re-elect Mr Peter Nigel Yates 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 _____ 2010

Number of shares held _____

Signature(s) of Member _____

Notes:

- 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.
- 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.
- 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 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 (please see note 7 below). 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.
- 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.
- 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 of the meeting or adjourned meeting.
- In the event two (2) proxies are appointed, please fill in the ensuing section.

Names of proxies	% of shareholdings to be represented

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX
STAMP

The Company Secretary
MALAYSIAN PACIFIC INDUSTRIES BERHAD
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

1ST FOLD HERE