Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT

2014

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COVER RATIONALE

Throughout history, birds have been viewed as animals of special value, ladened with meanings often derived from legends and stories that have survived over many generations. The paper crane origami design means fulfillment of aspirations and needs. The design is also a symbol of good fortune and longevity.

From humble beginnings, Hong Leong Group Malaysia has evolved and is recognized by its brand that is rooted within the communities in which it operates. The design depicts the Group's image as progressive, connected and relevant. The origami globe illustrates Hong Leong Group's diverse footprint, whilst the colourful birds emerging from the globe represents a passionate, determined and contemporary organization connecting with its communities.

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 Securites Berhad.

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Peter Nigel Yates
(Group Managing Director)

YBhg Datuk Syed Zaid
bin Syed Jaffar Albar

Mr Tan Keok Yin

Ms Lim Tau Kien

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Lee Wui Kien

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 Fifty-third Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 16 October 2014 at 11.00 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 2014.

2. To approve the payment of Director fees of RM180,000/- for the financial year ended 30 June 2014 (2013: RM174,904/-), to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 1**

3. To re-elect YBhg Datuk Syed Zaid bin Syed Jaffar Albar, the retiring Director. **Resolution 2**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 3**

SPECIAL BUSINESS

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

5. **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." **Resolution 4**

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of Part A of the Circular to Shareholders dated 24 September 2014 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

   (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

NOTICE OF ANNUAL GENERAL MEETING
... continued

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 5**

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

"**THAT** subject to the Companies Act, 1965 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up ordinary share capital on Bursa Securities subject further to the following:

(a) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten per centum (10%) of the issued and paid-up ordinary share capital of the Company ("Shares") for the time being;

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the retained profits and/or the share premium account of the Company (As of 30 June 2014, the audited retained profits and share premium of the Company were RM319.627 million and RM249.952 million respectively); and

(c) the authority conferred by the resolution as set out in paragraphs (a) and (b) above will commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authority;

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

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

(i) cancel the Said Shares;
(ii) retain the Said Shares as treasury shares;
(iii) retain part of the Said Shares as treasury shares and cancel the remainder;
(iv) distribute all or part of the Said Shares as dividends to shareholders, and/or resell on Bursa Securities and/or cancel all or part of them,

or in any other manner as may be prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Main Market Listing Requirements of Bursa Securities and any other relevant authority for the time being in force; **AND THAT** the authority to deal with the Said Shares shall continue to be valid until all the Said Shares have been dealt with by the Directors of the Company." **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING
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8. To consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
24 September 2014

Notes

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

5. Mr Tan Keok Yin, who has attained the age of 70 years, has informed the Board that he will not seek re-appointment and will retire at the conclusion of the Fifty-third Annual General Meeting.

Explanatory Notes

1. Resolution 4 - 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 17 October 2013 and which will lapse at the conclusion of the Fifty-third 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.

NOTICE OF ANNUAL GENERAL MEETING
... continued

Explanatory Notes *cont'd*

2. Resolution 5 - Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Shareholders' Mandate")

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

3. Resolution 6 - Proposed Renewal Of Authority For The Purchase Of Own Shares By The Company

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

4. Re-election Of YBhg Datuk Syed Zaid bin Syed Jaffar Albar

   The Board has undertaken an annual assessment on the independence of all its Independent Directors including YBhg Datuk Syed Zaid bin Syed Jaffar Albar who is seeking for re-election pursuant to the Articles of Association of the Company at the forthcoming Fifty-third Annual General Meeting. The annual assessment has been disclosed in the Statement on Corporate Governance, Risk Management and Internal Control of the Company's Annual Report.

Detailed information on the Proposed Shareholders' Mandate and Proposed Share Buyback are set out in the Circular to Shareholders/ Share Buyback Statement dated 24 September 2014 which is despatched together with the Company's Annual Report.

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 Fifty-third Annual General Meeting of the Company.

DIRECTORS' PROFILE

YBHG DATUK KWEK LENG SAN
Chairman; Non-Executive/Non-Independent

Datuk Kwek Leng San, aged 59, 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 is the Chairman of Malaysian Pacific Industries Berhad ("MPI"). He was appointed to the Board of Directors ("Board") of MPI on 27 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. He was appointed as the Executive Chairman of MPI on 20 July 1999. He is a member of the Nominating Committee of MPI.

He is the Chairman of Hong Leong Industries Berhad, Narra Industries Berhad ("Narra") and Southern Steel Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation.

MR PETER NIGEL YATES
Group Managing Director/Non-Independent

Mr Peter Nigel Yates, aged 58, a British citizen, 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 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.

YBHG DATUK SYED ZAID BIN SYED JAFFAR ALBAR
Non-Executive Director/Independent

Datuk Syed Zaid bin Syed Jaffar Albar, aged 60, 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 30 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

Datuk Syed Zaid was appointed to the Board of MPI on 7 July 1994. He is the Chairman of the Board Audit & Risk Management Committee and a member of the Nominating Committee of MPI.

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

DIRECTORS' PROFILE
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MR TAN KEOK YIN
Non-Executive Director/Independent

Mr Tan Keok Yin, aged 70, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics in 1966. He also completed a Management Program at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He worked in Bank Negara Malaysia from 1966-1977, during which period he was sent to assist the Penang State Government on economic and industrial planning and also to the Ministry of Trade and Industry on trade promotion. 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 panellist in 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 and bar coding and electronic communication worldwide.

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

He is a Director of GuocoLand (Malaysia) Berhad, a company listed on the Main Market of Bursa Securities.

MS LIM TAU KIEN
Non-Executive Director/Independent

Ms Lim Tau Kien, aged 58, a Malaysian, graduated with a Bachelor of Accountancy from the University of Glasgow Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland.

Ms Lim forged her early career with Ernst & Young, United Kingdom, before joining the Ministry of Finance and Prime Minister's Department as a Federal Accountant. Subsequently, she moved to Shell where she held various senior financial positions over a period of 25 years, her last position being the Country Chief Financial Officer/Country Controller/Finance Director of the Shell Companies in China.

Ms Lim was appointed to the Board of MPI on 1 July 2013 and is a member of the Board Audit & Risk Management Committee of MPI.

She is also a Director of Hong Leong Financial Group Berhad, a company listed on the Main Market of Bursa Securities, and a Director of UEM Group Berhad.

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 within the past 10 years.

4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

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 ("FY") ended 30 June 2014 ("FY 2014").

BUSINESS ENVIRONMENT

The global economic recovery continued to strengthen in 2014, with growth projected by the International Monetary Fund (IMF) to expand to 3.4% from 3.2% in 2013. However, due to the uneven pace and pattern of world economic growth and prevailing uncertainties, the business environment remains challenging.

The semiconductor industry registered only a modest growth despite the high consumer spending on smartphones and tablets. Despite the challenging environment, the Group achieved higher revenue and improved profitability through the planned shift to higher margin products, stronger US Dollar ("USD") and lower materials cost arising from declining commodity prices.

FINANCIAL REVIEW

Revenue for FY 2014 was RM1,292 million, 5% higher against the previous FY. The Company's strategic focus on smartphone/tablet, automotive and IOT (Internet of Things) sustained the growth of the Group. FY 2014 results include the final settlement cost of RM12.8 million in the Amkor patent litigation case. Notwithstanding this settlement, the profit attributable to the Group was higher at RM45 million from RM11 million in the previous FY. Consequently, earnings per share improved significantly to 23.9 sen against 5.7 sen recorded for FY ended 30 June 2013.

Healthy cash flow generated from the operations enabled the Group to invest RM72 million into new plant and equipment for future growth, reduce debts by RM91 million and declare a dividend payout to the shareholders of the Company of RM28 million for FY 2014.

CHAIRMAN'S STATEMENT
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SIGNIFICANT DEVELOPMENT

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 (in member's voluntary liquidation)] 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 infringing the same three patents which were the subject of the ITC Investigation.

Subsequently, Carsem Group filed a request with the US Patent and Trademark Office ("PTO") for re-examination of Amkor's '277 patent on 15 September 2012. On 10 January 2013, the PTO issued an Office Action rejecting all 25 claims of the patent on multiple grounds.

After several years of litigation, the parties have, on 23 May 2014, entered into a Settlement Agreement to end all pending proceedings related to the litigation, including a joint motion to rescind the exclusion order issued by the ITC on 4 April 2014. Carsem Group paid Amkor an agreed sum of USD4 million (equivalent to RM12.8 million) for such settlement.

Under the terms of the Settlement Agreement, Carsem Group and Amkor have granted each other and their affiliates, non-exclusive, worldwide licenses to their respective Micro Leadframe (MLF) and Micro Leadframe Package (MLP) patents for a period of 10 years.

PROSPECTS

Going forward, the semiconductor industry is forecast to grow moderately in the coming year. On the other hand, the local operating environment remains challenging as the Malaysian Government continues to embark on subsidy rationalisation such as reduction in petrol subsidy, power tariff hike and impending GST implementation. Therefore, the management will continue to focus on new packages development, strategic business portfolio re-alignment and cost saving projects to maintain the Group's competitiveness.

DIVIDEND

The Company has declared and paid a first and second interim dividend totalling 15 sen per share tax exempt during the FY under review. The Board does not recommend any final dividend for FY 2014.

APPRECIATION

I would like to express my sincere appreciation to each and every Board members, management and staff for their contribution, commitment and dedicated service.

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

DATUK KWEK LENG SAN
Chairman

GROUP MANAGING DIRECTOR'S REVIEW

INDUSTRY REVIEW

The financial year ("FY") ended 30 June 2014 was a year of improving profitability for Malaysian Pacific Industries Berhad. Revenue increased by 5%, supported by a strengthening US Dollar, and profit attributable to equity holders increased from RM10.9 million to RM45.1 million. Profit would have been even higher if not for the exceptional final settlement cost of RM12.8 million in the Amkor patent litigation case. This improvement in performance is the result of a continuing focus on higher margin business, improved asset utilisation, and a smooth exit from the loss-making stamped leadframe business.

OPERATING SEGMENT REVIEW

Asia sales grew by 3% and now represent 51% of Group revenues. Whilst this overall proportion has remained steady throughout the year, there have been significant underlying shifts. Further growth in the smartphone and tablet markets, supported by our leading position in added-value Micro Leadframe Package ("MLP"), has helped to fill up capacity released by the ongoing decline in the PC and laptop markets. We have maintained and built on our position in the industry's top 2 leading smartphone brands, and whilst we were affected by some recent softness from the market leaders, we have been penetrating further into the newer Chinese platforms. Our radio frequency RF front-end modules, which were initially launched into the United States of America ("USA") segment, have also made successful inroads into the Asia market this year.

USA sales also grew by 3%, with a similar dynamic pattern. The RF front-end module business is now well established in this segment, and the early adopters of our technology now have a very strong position in the smartphone platform. This is generating a lot of interest from other players, including new accounts which we are sampling with prototypes that will ramp in the coming year. The recent settlement with Amkor clears the way for new USA customers who might have been deterred in the past from dealing with the Group.

There has been a positive turnaround in European sales, which increased by 16%. We have a number of European customers with a strong position in network infrastructure and base-stations, and the large-scale roll-out of 4G/LTE infrastructure across the world has boosted our business. We have also seen a steady increase in automotive sales following our push into custom automotive. This business will take time to grow, but it is typically very stable, and products have an 8-10 year life cycle, forming a reliable foundation for the business in future years.

GROUP MANAGING DIRECTOR'S REVIEW
... continued

OPERATION REVIEW

Carsem (M) Sdn Bhd ("Carsem (M)") comprises the two Ipoh plants (namely S-site and M-site), which are now concentrated on Added-Value MLP and High Density Leaded products respectively. The Testing business is the third pillar of our high-margin portfolio and together, these three portfolios now comprise 85% of sales. Each plant has a differentiated growth strategy, with S-site heavily directed to the smartphone and consumer world, and M-site serving the automotive industry. Large-scale consolidation is now complete, and the plants have implemented a programme of efficiency and utilisation improvement through automation (known as i-manufacturing) which has resulted in steady margin improvement throughout the year. Despite an important shift in the business to multi-die and copper wire, we have been able to redeploy assets to minimise new capital expenditure, although M-site in particular is approaching full capacity with its current equipment set and by year-end, we were starting to invest further. In Carsem (M), we now have two well-tuned, cost-effective and stable plants, both well able to respond to future growth opportunities.

Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou") did not grow as expected this year, despite making solid progress in new products. The weakness in demand from our top customer was not a surprise given their exposure to the PC/laptop market. Less expected was the simultaneous fall in demand from a second key customer, who lost smartphone market share to their competitors causing a weak 3rd quarter for Carsem Suzhou. The gap was closed by year-end, with products like multi-die, copper clip, and ultrathin MLP, and the phase 1 factory is currently fully utilised again, now with a wider spread of customers. With the phase 2 expansion, we are introducing a new range of products, high pin count LGAs and FBGAs, opening up a new growth market for the company and providing further diversification. We anticipate substantial growth in Carsem Suzhou in the coming year.

Dynacraft Industries Sdn Bhd ("Dynacraft") went through an important year of transition following a review of strategic options, and the decision to exit the unprofitable stamped leadframe business with the loss of 560 jobs. Following the announcement of closure and the last-time-buy notice, many customers placed substantial orders for stock as expected, and the plant ran at full capacity until these orders were fulfilled. Profit from this last-time-buy programme more than offset the total cost of closure, so there was a net positive impact on the company's overall performance. On an ongoing steady-state basis, Dynacraft revenue will reduce by around 30%, but the remaining advanced etched leadframe business is profitable, and we are continuing to invest in this growth business.

RESEARCH AND DEVELOPMENT

The Carsem Technology Centre ("CTC") continues to focus on breakthrough new products in targeted strategic high growth segments supporting the IOT (Internet of Things) and automotive sensors. The IOT drive includes wearables, handheld, smartphones and wireless internet routers. The potential of wireless addressable devices is accelerating exponentially with new applications in security/safety, wellness, medical, lifestyle, sports/fitness and personal communications. Forecasts estimate the number of such devices could ramp from 2 billion today to 25 billion within 2 years.

In line with this strategic thrust, we are continuing to expand on the generation of X3 ultrathin MLP packages that are 3 times thinner than a standard MLP. After promoting the advantage over wafer level chip scale packages (WLCSP) for the last 2 years, this is now being recognised by customers, particularly regarding robustness, development time, and the ability to use precious circuit board space more effectively. We already have several segment-leading customers in full production in both Suzhou and Ipoh. This range is continuing to expand into ever larger and more complex ultrathin devices, including now a range of high density, fine line routing capability of substrate and implementing it into MLP lead-frame (Molded Interconnect System or MIS) that enables fan-in/fan-out capability. This greatly increases design flexibility and enables more complexity in a smaller footprint.

With these developments, the CTC is building an important international reputation. This year again, we presented several papers at international conferences. 5 further patents were granted, and a further 5 applications are pending.

OUTLOOK

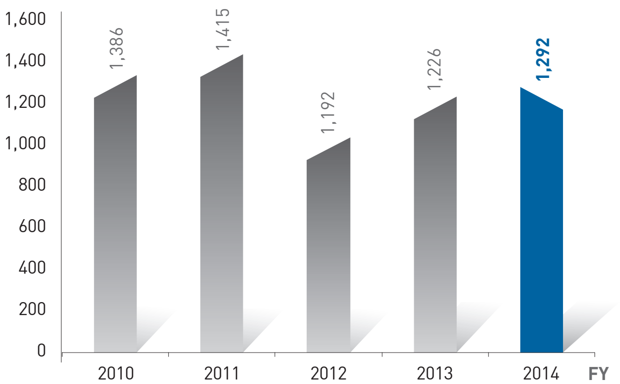
The general economic outlook for the semiconductor industry seems to be improving, with most forecasters predicting moderate and steady growth this year. The Group is very well-positioned to benefit from this growth with industry-leading product and service offerings in mobile interconnectivity and automotive markets. This market position is underpinned by a strong balance sheet, an internationally respected Research and Development team, and a sound portfolio of plants, each one of which is successfully configured for cost-effective and profitable growth. We therefore expect the performance of the Group to continue to improve in the FY ending 30 June 2015.

PETER NIGEL YATES
Group Managing Director

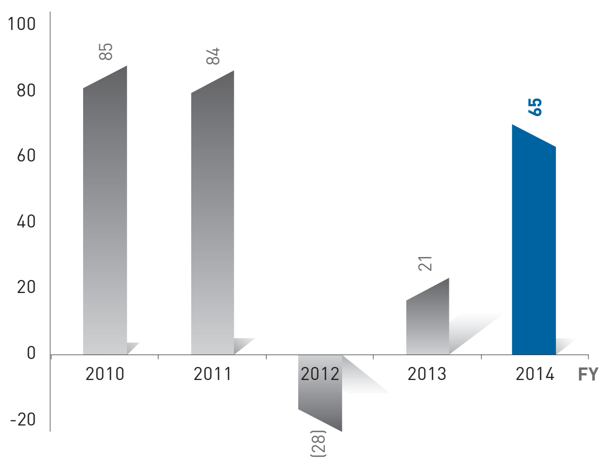
GROUP FINANCIAL HIGHLIGHTS

RM'million	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
REVENUE	1,386	1,415	1,192	1,226	**1,292**
PROFIT/(LOSS) BEFORE TAXATION	85	84	(28)	21	**65**
PROFIT/(LOSS) ATTRIBUTABLE OWNERS OF THE COMPANY	105	59	(20)	11	**45**
NET EARNINGS/(LOSS) PER SHARE (SEN)	54	30	(10)	6	**24**
NET DIVIDEND PER SHARE (SEN)	25	20	10	9	**15**
TOTAL EQUITY	963	969	934	916	**907**
TOTAL ASSETS	1,439	1,420	1,414	1,288	**1,193**
CAPITAL EXPENDITURE	190	241	203	97	**72**

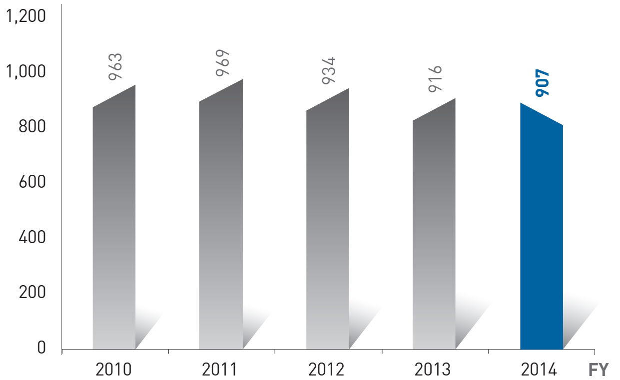
Revenue
(RM'million)



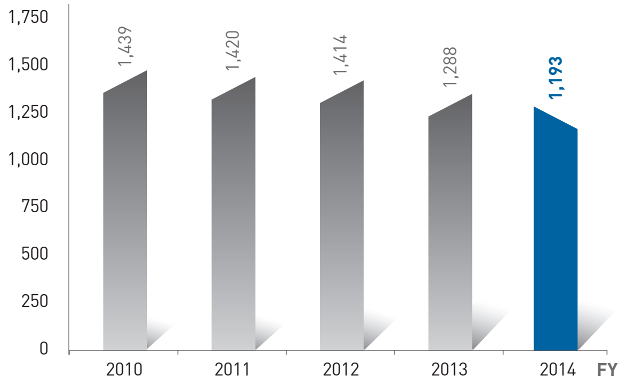
Profit/(Loss) Before Taxation
(RM'million)



Total Equity
(RM'million)



Total Assets
(RM'million)



CORPORATE SOCIAL RESPONSIBILITY

The Group believes that serving our communities is not only integral to running a business successfully; it is also part of our individual responsibilities as citizens of the world. We continue to support communities in ways that enhance the company's relationship and reputation with employees, customers, business partners and other stakeholders.

Guided by our company value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship and protect the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

The Group sees Corporate Social Responsibility ("CSR") beyond its core mission. The Group contributes significantly to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practising sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Group CSR:

WORKPLACE

The Group is committed to upholding the human rights of our employees and treating them with dignity and respect. We strive to deliver innovative solutions as well as create an inspiring and conducive working environment.

The Group also aims to ensure that the health, safety, and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities. Some examples of these are:

- Provision of health and safety equipment at all the plans within the Group.
- Health awareness programmes which include quarterly blood donation drives, health talk and physical health checks.
- A commitment to health and safety through internal Emergency Rescue Team programmes.
- A comprehensive staff benefit and welfare scheme.

CORPORATE SOCIAL RESPONSIBILITY
... continued

WORKPLACE *cont'd*

The Group identifies and hires local talent through our Graduate Development Programme – a programme in which we hire fresh local graduates to undergo a training programme for 2 years. This programme aims to identify and develop young graduates into relevant fields of talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. It includes comprehensive training on 5S, Quality Improvement Tools, Kaizen, Statistical Process Control, Design of Experiments, 8D Methodology, Advance Product Quality Planning, Failure Mode Effect Analysis and Manufacturing Processes.

For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated. Some of the in-house trainings provided are Equipment Trouble Shooting, Manufacturing Processes, Electrostatic Discharge, Statistical Process Control, Quality System, Poka Yoke, Problem Solving Technique, Supervisory Skill, Leadership and MS Office (from Basic to Expert).

Since its founding, the Group has demonstrated an on-going commitment to people and to fair employment practices. The Group's growth and expansion throughout the region has created a more diverse work force by tapping on our people who have different experiences, perspectives and cultures. This has allowed the Group to build on its creativity and innovation which helps the organisation to realise its full potential.

We believe that a well-managed, diverse workforce expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social background of members, staff and clients by complying with the Code of Conduct by Electronic Industry Citizenship Coalition (EICC).

ENVIRONMENT

The Group endeavours to identify and minimise the negative environmental impacts of our products and business activities. We take steps to reduce environmental impact wherever possible.

Our environmental initiatives include smart and careful consumption of resources, water, emissions to air, waste generation, energy use and procurement processes. We are committed to minimising our environmental impact and encouraging greater sustainability throughout our business.

Our commitment to the environment has guided us to continually strive to reduce our waste in our manufacturing plants in Malaysia and elsewhere in the world by offering more environmentally friendly and sustainable operations. We are committed to the environment through the ISO1400 accreditation.

MARKETPLACE

The Group is committed to good business ethics and integrity. 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:

- Established Financial Management Disciplines intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.

CORPORATE SOCIAL RESPONSIBILITY
... continued

MARKETPLACE *cont'd*

- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management.

- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.

- In choosing its directors, the Group seeks individuals of high integrity, and with 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 practice of responsible selling and marketing of products and services.

COMMUNITY

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group. It is funded by contributions from Hong Leong Group Malaysia companies and is effectively its charitable arm through which most of the Group's philanthropic activities are conducted. The Foundation expended a total of RM20 million over the last 3 years and has the following programmes in place to assist less privileged and deserving Malaysians:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres.

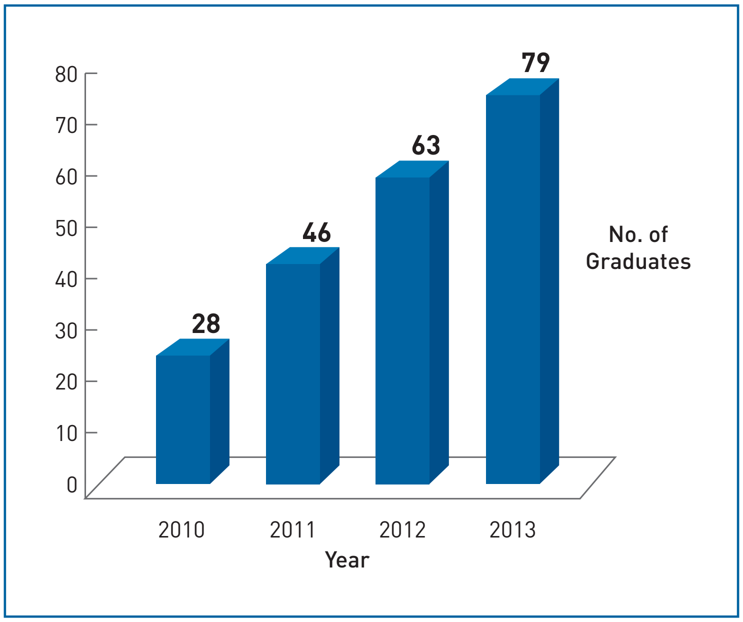
- Towards Self-Sufficiency:
  - o Tertiary Scholarship Programme
  - o Reach out and Rise Education Development Programme
  - o The Hong Leong Masters Scholarship Programme
  - o After School Care Programme

- Community Partner Programme to enable furtherance of the charity's mission and vision:
  - o Good Jobs: Employment Development Programme
  - o Better Homes: Welfare Home Transformation Programme
  - o Hong Leong Foundation NGO Accelerator Programme

The total funds disbursed by the Foundation in the financial year ended 30 June 2014 were RM12 million, benefiting 30 charity organisations. During the year, the Foundation disbursed RM3.7 million in scholarships to benefit around 200 scholars studying in various universities, all of whom are from financially-challenged families. On top of this amount, the Foundation has disbursed RM4 million under a new partnership programme with 4 major private universities. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM26.3 million in scholarships to 1,204 scholars via its scholarship programmes for diplomas, degrees or masters.

Hong Leong Foundation Scholarship Graduates by Year:



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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

"CORPORATE GOVERNANCE IS THE PROCESS AND STRUCTURE USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING BUSINESS PROSPERITY AND CORPORATE ACCOUNTABILITY WITH THE ULTIMATE OBJECTIVE OF REALISING LONG TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTEREST OF OTHER STAKEHOLDERS."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 ("Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and 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 those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

There is a clear division of responsibilities between the Chairman and the Group Managing Director, which are distinct and separate.

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

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

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

B. BOARD COMPOSITION

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

The Company is guided by the Policy on Board Composition adopted by the Company in determining its board composition. The Policy includes the following:

- The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The Board shall have a balance of skills and experience that commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of independent directors comprising at least one third of the board.
- The Board shall also include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.
- The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board.

The Board will consider appropriate targets in Board diversity including gender, ethnicity and age, balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

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

C. BOARD COMMITTEES

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

I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the Board Audit & Risk Management Committee Report of this Annual Report.

II Nominating Committee ("NC")

The NC has been established on 29 April 2013 and the members are as follows:

Mr Tan Keok Yin
Chairman, Independent Non-Executive Director

YBhg Datuk Syed Zaid bin Syed Jaffar Albar
Independent Non-Executive Director

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

The NC's functions and responsibilities are set out in the TOR as follows:

- To review and propose to the Board, all appointments, re-appointments, re-elections and removals of directors; appointments of Board committees and chief executive; and to review the criteria to be used.
- To assess annually the independence of the independent directors.
- To propose for the Board's approval, objective performance criteria for evaluation of the performance of the Board as a whole, the Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To evaluate the Board's performance by carrying out the assessment process implemented by the Board for assessing the effectiveness of the Board as a whole, Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To review and propose appropriate training programmes for the Board.
- To carry out such other functions and duties as may be delegated by the Board from time to time.

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment, re-election and removal of directors, and the appointment of chief executive, and the criteria used.

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director, Board committee member and the chief financial officer.

Having reviewed the assessments in respect of the financial year ended 30 June 2014 ("FY 2014"), the NC is satisfied that the Board, Board committees, each individual director, each Board committee member and the Group Financial Controller have effectively discharged their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

The NC met once during FY 2014 where all the NC members attended.

During FY 2014, the NC has considered and reviewed the following:

- composition of the Board and Board committees.
- professional qualification and experience of the directors.
- independence of independent directors and their tenure.
- re-election of a director.

The NC has also evaluated the performance of the Board and Board committees, benchmarking against their respective TOR.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC")

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

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

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

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 are recommended and endorsed by the Board for approval by the shareholders of the Company at its annual general meeting ("AGM").

The aggregate remuneration of directors (including remuneration earned as directors of subsidiaries) for FY 2014 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	–	2,852,337	2,852,337
Non-Executive Directors	220,000	108,000	328,000

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	–	1
50,001 – 100,000	–	2
100,001 – 150,000	–	1
150,001 – 2,850,000	–	–
2,850,001 – 2,900,000	1	–

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. The Company has in place, an Independence of Directors Policy which sets out the criteria for assessing the independence of independent directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Datuk Syed Zaid bin Syed Jaffar Albar and Mr Tan Keok Yin who have served on the Board for more than 9 years, remain objective and have continued to bring independent and objective judgment to Board deliberations and decision making.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ("MMLR") and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

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.

All Board members are supplied with information in 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, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

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

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

The Board met 4 times during FY 2014.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

E. COMMITMENT *cont'd*

Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Peter Nigel Yates	4/4
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	4/4
Mr Tan Keok Yin	4/4
Ms Lim Tau Kien	4/4

The Board recognises the importance of continuous professional development and training for directors.

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

The Company 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. Directors are kept informed of available training programmes on a regular basis.

An induction programme which includes visits to the Group's various business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Company's businesses.

The Company has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-á-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY 2014, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to 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.

During FY 2014 , the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Goods & Services Tax
- MBAM Technical Product Briefing
- Dealing and Disclosure Requirements for Directors to HK Listed Companies
- Environmental and Social Governance Reporting
- Rethinking Strategy: Has Competitive Advantage Ended?
- Leading a learning organization in an age of change
- Breakfast Forum - Leadership and Learning: Creating a culture that drives Leadership, Innovation and Growth
- Roles and Responsibilities of Nominating Committee Members of Licensed Institutions
- A Comprehensive Talent-based Approach to Board Recruitment

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

F. ACCOUNTABILITY AND AUDIT

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

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigations will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC 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 BARMC which assesses the financial statements with the assistance of the external auditors.

II Risk Management and Internal Control

The Statement on Risk Management and Internal Control as detailed under paragraph I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. The external auditors meet with the BARMC to:

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

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

G. DISCLOSURE

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

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

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

Shareholders have the right to demand to vote by way of a poll at the general meetings for resolutions and the voting results will be announced at the meetings and through Bursa.

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

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

Queries may be conveyed to the following person:

Name	:	Mr Peter Nigel Yates
Tel No.	:	605-312 3333
Fax No.	:	605-312 5333
Email address	:	IRelations@mpind.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Responsibility of the Board

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

Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the Group's Internal Audit Department in this role.

The Risk Management Framework

For FY 2014, management has maintained the risk management framework in accordance with MS ISO 31000: 2010. The framework serves to:

- establish the context of risk in relation to the Group's risk appetite;
- identify the risks faced by the Group in the operating environment;
- assess the likelihood and impact of such risks identified and hence their risk levels;
- assess the adequacy and effectiveness of the existing risk mitigating measures;
- evaluate risk treatment options in relation to the Group's context of risk;
- develop any necessary further measures to manage these risks; and
- monitor and review risk mitigating measures, risk levels and emerging risks.

On an on-going basis, each operating company has clear accountabilities to:

- monitor its existing risks, identify emerging risks and hence update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems developed to manage risks; and
- periodically prepare risk management report for reporting to the BARMC.

The System of Internal Controls

The key elements of the Group's system of internal controls are described below:

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations.
- Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
- Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
- Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies.
- Risk-based internal audits carried out by the Group's Internal Audit Department focusing on key risk areas.
- Recurring periodic reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

Management and Decision-Making Processes

The internal control and risk management processes of the Group are in place for the year under review and up to the date of approval of this Statement for inclusion in the annual report; and reviewed periodically by the BARMC. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires 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 the financial performance and cash flows of the Group and of the Company for the financial year.

The directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2014 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

This Statement on Corporate Governance, Risk Management 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

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

Mr Tan Keok Yin
Independent Non-Executive Director

Ms Lim Tau Kien
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 consider and recommend the nomination, appointment and/or re-appointment of a person or persons as external auditor(s), and to consider any resignation or dismissal of the external auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

TERMS OF REFERENCE *cont'd*

- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review related party transactions that may arise within the Company or the Group, where any one of the percentage ratios (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) of a related party transaction triggers the requirement of announcement to Bursa Malaysia Securities Berhad.
- To review other conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- Other functions as may be agreed to by the Committee and the Board.

AUTHORITY

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

2 members of the Committee, who shall be independent, 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

ACTIVITIES

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

During the financial year ended 30 June 2014 ("FY 2014"), 4 Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	4/4
Mr Tan Keok Yin	4/4
Ms Lim Tau Kien	4/4

The Committee had 2 separate sessions with the external auditors without the presence of 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.

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for FY 2014 amounted to RM1,591,014.

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.

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

The IA Department also facilitates the implementation and maintenance of the risk management framework of the Group on an on-going basis.

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

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Financial Statements...

DIRECTORS' REPORT
for the financial year ended 30 June 2014

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 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, 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 for the year attributable to:		
Owners of the Company	45,144	111,528
Non-controlling interests	8,501	–
	53,645	111,528

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year 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 5.0 sen per share tax exempt amounting to RM9,944,921 in respect of the financial year ended 30 June 2014 on 13 December 2013; and

(ii) a second interim dividend of 10.0 sen per share tax exempt amounting to RM19,889,842 in respect of the financial year ended 30 June 2014 on 6 June 2014.

The Directors do not recommend a final dividend for the financial year ended 30 June 2014.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San, Chairman
Mr Peter Nigel Yates, Group Managing Director
YBhg Datuk Syed Zaid bin Syed Jaffar Albar
Mr Tan Keok Yin
Ms Lim Tau Kien

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2014 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			
	Nominal value per share RM	**At 1.7.2013**	**Acquired**	**Sold**	**At 30.6.2014**
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	1,260,000	–	–	**1,260,000**
Hong Leong Bank Berhad	1.00	462,000	–	–	**462,000**
Guoco Group Limited	US$ 0.50	209,120	–	–	**209,120**
Hong Leong Financial Group Berhad	1.00	600,000	–	–	**600,000**
The Rank Group Plc	GBP $13^{8/9}$p	–	45,800#	–	**45,800**
Interests of Mr Peter Nigel Yates in:					
Malaysian Pacific Industries Berhad	0.50	150,000	10,000	–	**160,000**
	–	–	2,500,000*	–	**2,500,000***
Shareholding in which Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP $13^{8/9}$p	–	10,661#^	–	**10,661^**

Legend:

\# Entitlement pursuant to the distribution of shares in The Rank Group Plc by Guoco Group Limited to its shareholders as special interim dividend in specie.

^ Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.

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 YBhg Datuk Syed Zaid bin Syed Jaffar Albar, who may be deemed to derive a benefit by virtue of the provision of legal services by a firm in which YBhg Datuk Syed Zaid bin Syed Jaffar Albar has interest 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.

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

EXECUTIVE SHARE SCHEME ("ESS")

Malaysian Pacific Industries Berhad ("MPI" or "the Company") has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme ("ESOS") which was implemented on 8 March 2013 ("Effective Date") have been renamed as ESS. The ESS will be in force for a period of 10 years from the Effective Date.

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

(i) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.

(ii) The aggregate number of shares comprised in:

  (a) exercised options;
  (b) unexercised options;
  (c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
  (d) outstanding grants;
  (e) completed grants; and
  (f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share scheme established by the Company which are still subsisting;

  shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

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

(iv) The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares of RM0.50 each in the Company (unless otherwise adjusted); transfer of existing shares; or a combination of both new shares and existing shares.

(v) At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.

(vi) The option offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2014, the Company has granted conditional incentive share options ("Options") over 1,000,000 ordinary shares of RM0.50 each in the Company ("MPI Shares") at an exercise price of RM4.30 per share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd, a wholly-owned subsidiary of the Company, whilst Carsem (M) Sdn Bhd, a subsidiary of the Company, has granted Options over 7,900,000 MPI Shares at an exercise price of RM2.61 per share to its eligible executives. The Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period and the exercise period of the vested options will be up to the 30th month from the vesting date to be determined.

There were no grant of shares under the ESGS of the Company during the financial year.

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

EXECUTIVE SHARE SCHEME ("ESS") *cont'd*

Since the commencement of the ESS:

(i) a total of 8,900,000 options had been granted. The aggregate options granted to a Director of the Group was 2,500,000 options;

(ii) the aggregate allocation to directors and senior management of the Group is at the discretion of the Board, provided that such allocation does not exceed the Maximum Aggregate; and

(iii) the actual percentage of total options granted to Directors and senior management of the Group was 1.458% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company as at 30 June 2014.

ISSUE OF SHARES AND DEBENTURES

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

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

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

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

(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.

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

OTHER STATUTORY INFORMATION *cont'd*

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, except for the settlement of a lawsuit as disclosed in Note 24 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2014 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,

Peter Nigel Yates

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2014

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Property, plant and equipment	4	**823,171**	958,963	**208**	364
Investments	5	**46**	46	**432,131**	426,491
Deferred tax assets	6	**–**	2,879	**–**	–
Total non-current assets		**823,217**	961,888	**432,339**	426,855
Inventories	7	**94,458**	70,292	**–**	–
Trade and other receivables including derivatives	8	**197,299**	219,883	**56,678**	56,283
Current tax assets		**–**	35	**–**	35
Cash and cash equivalents	9	**78,114**	35,788	**16,519**	388
Total current assets		**369,871**	325,998	**73,197**	56,706
TOTAL ASSETS		**1,193,088**	1,287,886	**505,536**	483,561
Equity attributable to owners of the Company					
Share capital	10	**104,942**	104,942	**104,942**	104,942
Reserves	11	**791,179**	775,049	**558,871**	476,932
Treasury shares, at cost		**(163,803)**	(163,803)	**(163,803)**	(163,803)
		732,318	716,188	**500,010**	418,071
Non-controlling interests		**174,811**	199,868	**–**	–
TOTAL EQUITY		**907,129**	916,056	**500,010**	418,071
LIABILITIES					
Loans and borrowings	12	**–**	15,000	**–**	15,000
Employee benefits	13(a)	**332**	420	**245**	245
Deferred tax liabilities	6	**29,035**	22,557	**–**	–
Total non-current liabilities		**29,367**	37,977	**245**	15,245
Trade and other payables including derivatives	14	**162,574**	161,143	**5,281**	10,245
Loans and borrowings	12	**93,442**	169,473	**–**	40,000
Current tax liabilities		**576**	3,237	**–**	–
Total current liabilities		**256,592**	333,853	**5,281**	50,245
TOTAL LIABILITIES		**285,959**	371,830	**5,526**	65,490
TOTAL EQUITY AND LIABILITIES		**1,193,088**	1,287,886	**505,536**	483,561

The notes on pages 45 to 93 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue					
- Sale of goods		**1,291,745**	1,226,273	**–**	–
- Dividend income		**95**	11	**114,795**	28,011
Cost of sales		**(1,156,213)**	(1,149,056)	**–**	–
Gross profit		**135,627**	77,228	**114,795**	28,011
Distribution expenses		**(22,538)**	(21,353)	**–**	–
Administrative expenses		**(34,577)**	(31,145)	**(1,938)**	(2,070)
Other operating income		**22,969**	17,818	**339**	–
Other operating expenses		**(33,552)**	(16,256)	**–**	(345)
Results from operations		**67,929**	26,292	**113,196**	25,596
Interest income		**870**	726	**170**	206
Finance costs		**(3,982)**	(5,965)	**(1,790)**	(2,852)
Profit before taxation	15	**64,817**	21,053	**111,576**	22,950
Taxation	16	**(11,172)**	(6,732)	**(48)**	(41)
Profit for the year		**53,645**	14,321	**111,528**	22,909
Profit attributable to:					
Owners of the Company		**45,144**	10,948	**111,528**	22,909
Non-controlling interests		**8,501**	3,373	**–**	–
		53,645	14,321	**111,528**	22,909
Basic earnings per ordinary share (sen)	17	**23.87**	5.69		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014
... continued

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit for the year		**53,645**	14,321	**111,528**	22,909
Other comprehensive (expenses)/income, net of tax					
Item that is or may be reclassified to profit or loss					
- Foreign currency translation differences for foreign operations		**(425)**	8,487	**–**	–
Total comprehensive income for the year		**53,220**	22,808	**111,528**	22,909
Total comprehensive income attributable to:					
Owners of the Company		**44,719**	19,435	**111,528**	22,909
Non-controlling interests		**8,501**	3,373	**–**	–
		53,220	22,808	**111,528**	22,909

The notes on pages 45 to 93 are an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

Group	Attributable to owners of the Company										
	Non-distributable						Distributable				
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2012	104,942	249,952	1,050	7,137	16,265	(49,253)	(163,803)	559,063	725,353	208,495	933,848
Other comprehensive income - foreign currency translation differences	–	–	–	–	8,487	–	–	–	8,487	–	8,487
Profit for the year	–	–	–	–	–	–	–	10,948	10,948	3,373	14,321
Total comprehensive income for the year	–	–	–	–	8,487	–	–	10,948	19,435	3,373	22,808
Purchase of trust shares	–	–	–	–	–	(11,173)	–	–	(11,173)	–	(11,173)
Dividends (Note 18)	–	–	–	–	–	–	–	(17,427)	(17,427)	(12,000)	(29,427)
Total distribution to owners	–	–	–	–	–	(11,173)	–	(17,427)	(28,600)	(12,000)	(40,600)
Transfer to capital reserve	–	–	–	2,245	–	–	–	(2,245)	–	–	–
At 30 June 2013	104,942	249,952	1,050	9,382	24,752	(60,426)	(163,803)	550,339	716,188	199,868	916,056
	Note 10	Note 11	Note 11	Note 11	Note 11	Note 11		Note 11			

The notes on pages 45 to 93 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2014
... continued

Group	Attributable to owners of the Company — Non-distributable								Distributable			
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2013	104,942	249,952	1,050	9,382	24,752	(60,426)	–	(163,803)	550,339	716,188	199,868	916,056
Other comprehensive expenses - foreign currency translation differences	–	–	–	–	(425)	–	–	–	–	(425)	–	(425)
Profit for the year	–	–	–	–	–	–	–	–	45,144	45,144	8,501	53,645
Total comprehensive (expense)/income for the year	–	–	–	–	(425)	–	–	–	45,144	44,719	8,501	53,220
Purchase of trust shares	–	–	–	–	–	(1,053)	–	–	–	(1,053)	–	(1,053)
Dividends (Note 18)	–	–	–	–	–	–	–	–	(28,366)	(28,366)	(36,300)	(64,666)
Share-based payment	–	–	–	–	–	–	830	–	–	830	325	1,155
Issuance of shares to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	2,417	2,417
Total distribution to owners	–	–	–	–	–	(1,053)	830	–	(28,366)	(28,589)	(33,558)	(62,147)
Transfer to capital reserve	–	–	–	865	–	–	–	–	(865)	–	–	–
At 30 June 2014	104,942	249,952	1,050	10,247	24,327	(61,479)	830	(163,803)	566,252	732,318	174,811	907,129
	Note 10	Note 11	Note 11	Note 11	Note 11	Note 11	Note 11		Note 11			

The notes on pages 45 to 93 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2014
... continued

Company	← Non-distributable				→	Distributable	
	Share capital RM'000	Share premium RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2012	104,942	249,952	(10,366)	–	(163,803)	232,712	413,437
Profit/Total comprehensive income for the year	–	–	–	–	–	22,909	22,909
Purchase of trust shares	–	–	(414)	–	–	–	(414)
Dividends (Note 18)	–	–	–	–	–	(17,861)	(17,861)
Total distribution to owners	–	–	(414)	–	–	(17,861)	(18,275)
At 30 June 2013/1 July 2013	104,942	249,952	(10,780)	-	(163,803)	237,760	418,071
Profit/Total comprehensive income for the year	–	–	–	–	–	111,528	111,528
Dividends (Note 18)	–	–	–	–	–	(29,661)	(29,661)
Share-based payment	–	–	–	72	–	–	72
Total distribution to owners	–	–	–	72	–	(29,661)	(29,589)
At 30 June 2014	104,942	249,952	(10,780)	72	(163,803)	319,627	500,010
	Note 10	Note 11	Note 11	Note 11		Note 11	

The notes on pages 45 to 93 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash flows from operating activities				
Profit before taxation	**64,817**	21,053	**111,576**	22,950
Adjustments for:				
Depreciation of property, plant and equipment	**204,908**	194,406	**156**	157
Dividend income	**(531)**	(11)	**(114,795)**	(28,011)
Finance costs	**3,982**	5,965	**1,790**	2,852
Interest income	**(870)**	(726)	**(170)**	(206)
Fair value gain on derivative instruments	**(3,508)**	(793)	**–**	–
Loss on disposal of property, plant and equipment	**722**	7,034	**–**	–
Reversal of impairment of property, plant and equipment	**(2,360)**	(9,465)	**–**	–
Property, plant and equipment written off	**169**	1,137	**–**	–
Retirement benefits written back	**(88)**	–	**–**	–
Share-based payment	**1,155**	–	**–**	–
Intangible assets written off	**–**	12,393	**–**	–
Unrealised (gain)/loss on foreign exchange	**(8,784)**	(4,554)	**(336)**	346
Operating profit/(loss) before working capital changes	**259,612**	226,439	**(1,779)**	(1,912)
Inventories	**(21,369)**	23,324	**–**	–
Trade and other receivables	**33,082**	8,733	**13**	92
Trade and other payables	**(1,032)**	(101,519)	**(128)**	(23)
Cash generated from/(used in) operations	**270,293**	156,977	**(1,894)**	(1,843)
Taxation paid	**(4,441)**	(2,759)	**(13)**	(41)
Finance costs paid	**(3,982)**	(5,965)	**(1,790)**	(2,852)
Retirement benefits paid	**–**	(2)	**–**	–
Interest income received	**870**	726	**170**	206
Dividends received	**531**	11	**114,795**	28,011
Net cash generated from operating activities	**263,271**	148,988	**111,268**	23,481
Cash flows from investing activities				
Additional equity investment in subsidiaries	**–**	–	**(5,640)**	–
Additional equity investment in subsidiary from non-controlling interest	**2,417**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**5,946**	1,234	**–**	–
Purchase of property, plant and equipment	**(72,417)**	(97,059)	**–**	–
Net cash used in investing activities	**(64,054)**	(95,825)	**(5,640)**	–

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2014
... continued

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash flows from financing activities				
(Advance to)/Repayment by subsidiaries	**–**	–	**(4,836)**	2,541
Dividends paid to owners of the Company	**(28,366)**	(17,427)	**(29,661)**	(17,861)
Dividends paid to non-controlling shareholder of a subsidiary company	**(36,300)**	(12,000)	**–**	–
Repayments of borrowings	**(252,817)**	(337,853)	**(55,000)**	(12,000)
Drawdown from borrowings	**161,634**	316,949	**–**	4,000
Purchase of trust shares	**(1,053)**	(11,173)	**–**	(414)
Net cash used in financing activities	**(156,902)**	(61,504)	**(89,497)**	(23,734)
Net change in cash and cash equivalents	**42,315**	(8,341)	**16,131**	(253)
Effect of exchange rate fluctuation on cash held	**11**	573	**–**	–
Cash and cash equivalents as at 1 July	**35,788**	43,556	**388**	641
Cash and cash equivalents at 30 June	**78,114**	35,788	**16,519**	388

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deposit with licensed banks	**24,677**	10,000	**11,504**	–
Cash and bank balances	**53,437**	25,788	**5,015**	388
	78,114	35,788	**16,519**	388

The notes on pages 45 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Malaysian Pacific Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The 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 Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2014 comprise the Company, its subsidiaries and special purpose entities (together referred to as "the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2014 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiaries 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 27 August 2014.

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 the applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

The preparation of the 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.

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
... continued

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, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10, *Consolidated Financial Statements*, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(i)(iii) is consolidated in the consolidated financial statements of the Group.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing herein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(ii) Subsequent costs

The cost of replacing a part of a component of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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:

Leasehold land	41 - 99 years
Buildings	20 - 50 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(c) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Leased assets *cont'd*

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(d) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial assets *cont'd*

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss are subject to review for impairment (see Note 2.2(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Financial instruments *cont'd*

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks which have an insignificant risk of changes in fair value.

(g) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) Impairment *cont'd*

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets and inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated 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 cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

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

When treasury shares are sold or subsequently reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(i) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Employee benefits *cont'd*

(ii) Defined benefit plan

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

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

The Group operates equity-settled share-based compensation plans for the employees of the Group under the Malaysian Pacific Industries Berhad's Executive Share Scheme ("ESS").

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

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

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

The ESS Trusts for MPI are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserve for own shares. Dividends received by the ESS Trusts are eliminated against the Company's dividend payment.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the respective functional currencies of Group entities 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 the respective functional currencies of Group entities at the exchange rate at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(ii) Financial statements of foreign operations denominated in functional currencies other than 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 reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) 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.

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Dividend income

Dividend income of the Group and of the Company is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) Taxation

Taxation comprises current and deferred taxation. Taxation is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(p) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) 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
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(r) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(s) Fair value measurement

From 1 July 2013, the Group and the Company adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures.

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 July 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014; and

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements upon their first adoption.

NOTES TO THE FINANCIAL STATEMENTS
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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 2014 %	2013 %	Principal activities
Carsem (M) Sdn Bhd	Malaysia	**70**	70	Manufacturing and testing of semiconductor devices and electronic components
• Recams Sdn Bhd	Malaysia	**70**	70	Dormant
Carsem Holdings Limited *	Bermuda	**100**	100	Investment holding
• Carsem Holdings (HK) Limited #	Hong Kong	**100**	100	Sales and marketing of semiconductor devices and electronic components
• 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. *	United States of America	**70**	70	Semiconductor devices' and electronic components' marketing agent

Notes:
- • Sub-subsidiary companies.
- # The financial statements of these subsidiary companies are not audited by KPMG.
- * These financial statements are not required to be audited in their respective countries of incorporation.

NOTES TO THE FINANCIAL STATEMENTS
... continued

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Building*/ Building improvement RM'000	Plant equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2012	28,724	340,914	3,096,349	65,673	3,531,660
Additions	–	841	91,884	4,334	97,059
Disposals	–	–	(114,249)	–	(114,249)
Write off	–	–	(40,653)	–	(40,653)
Transfers	–	84	2,299	(2,383)	–
Currency translation differences	92	988	15,551	2,078	18,709
At 30 June 2013/1 July 2013	28,816	342,827	3,051,181	69,702	3,492,526
Additions	–	692	70,306	1,419	72,417
Disposals	–	–	(151,905)	–	(151,905)
Write off	–	(3)	(56,825)	–	(56,828)
Transfers	–	57,911	11,464	(69,375)	–
Currency translation differences	–	(7)	(154)	–	(161)
At 30 June 2014	**28,816**	**401,420**	**2,924,067**	**1,746**	**3,356,049**
Accumulated depreciation and impairment losses					
At 1 July 2012					
Accumulated depreciation	9,570	176,205	2,243,766	–	2,429,541
Accumulated impairment losses	–	–	56,298	236	56,534
	9,570	176,205	2,300,064	236	2,486,075
Charge for the year	352	15,440	178,614	–	194,406
Disposals	–	–	(105,981)	–	(105,981)
Write off	–	–	(39,516)	–	(39,516)
Reversal of impairment losses	–	–	(9,465)	–	(9,465)
Currency translation differences	21	428	7,595	–	8,044
At 30 June 2013/1 July 2013					
Accumulated depreciation	9,943	192,073	2,284,478	–	2,486,494
Accumulated impairment losses	–	–	46,833	236	47,069
	9,943	192,073	2,331,311	236	2,533,563
Charge for the year	356	18,015	186,537	–	204,908
Disposals	–	–	(145,237)	–	(145,237)
Write off	–	–	(56,659)	–	(56,659)
Reversal of impairment losses	–	72	(2,432)	–	(2,360)
Transfers	–	660	(660)	–	–
Currency translation differences	–	(97)	(1,240)	–	(1,337)
At 30 June 2014					
Accumulated depreciation	10,299	210,651	2,267,219	–	2,488,169
Accumulated impairment losses	–	72	44,401	236	44,709
	10,299	**210,723**	**2,311,620**	**236**	**2,532,878**

NOTES TO THE FINANCIAL STATEMENTS
... continued

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group *cont'd*	**Leasehold land RM'000**	**Building*/ Building improvement RM'000**	**Plant equipment and motor vehicles RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
Carrying amounts					
At 1 July 2012	19,154	164,709	796,285	65,437	1,045,585
At 30 June 2013/1 July 2013	18,873	150,754	719,870	69,466	958,963
At 30 June 2014	**18,517**	**190,697**	**612,447**	**1,510**	**823,171**

Company	**Equipment and motor vehicles RM'000**
Cost	
At 1 July 2012/30 June 2013/1July 2013	889
Write off	(107)
At 30 June 2014	**782**
Accumulated depreciation	
At 1 July 2012	368
Charge for the year	157
At 30 June 2013/1 July 2013	525
Write off	(107)
Charge for the year	156
At 30 June 2014	**574**
Carrying amounts	
At 1 July 2012	521
At 30 June 2013/1 July 2013	364
At 30 June 2014	**208**

* The buildings of the Group are situated on leasehold land owned by the Group except for certain buildings amounting to RM37,495,000 (2013: RM38,673,000) of a subsidiary which are situated on a land classified as an operating lease (Note 20).

NOTES TO THE FINANCIAL STATEMENTS
... continued

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

4.1 Leasehold land

Included in the carrying amount of leasehold land are:

	Group	
	2014 RM'000	2013 RM'000
Leasehold land with unexpired lease period of less than 50 years	**5,102**	5,230
Leasehold land with unexpired lease period of more than 50 years	**13,417**	13,643
	18,519	18,873

5. INVESTMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares in subsidiaries, at cost	**–**	–	**432,085**	426,445
Other investments categorised as available-for-sale	**46**	46	**46**	46
	46	46	**432,131**	426,491

5.1 Non-controlling interest in subsidiaries

The subsidiary groups that have non-controlling interests ("NCI") are as follows:

	Carsem (M) Sdn Bhd and its subsidiary	
	2014 RM'000	2013 RM'000
NCI percentage of ownership interest and voting interest	**30%**	30%
Carrying amount of NCI	**172,154**	199,868
Profit allocated to NCI	**8,261**	3,373

NOTES TO THE FINANCIAL STATEMENTS
... continued

5. INVESTMENTS *cont'd*

5.1 Non-controlling interest in subsidiaries *cont'd*

Summarised financial information before intra-group elimination

	Carsem (M) Sdn Bhd and its subsidiary	
	As at 30 June 2014 RM'000	**As at 30 June 2013 RM'000**
Statements of financial position		
Total assets	**739,220**	791,475
Total liabilities	**(167,655)**	(143,956)
Net assets	**571,565**	647,519
Statements of profit or loss and other comprehensive income for the year		
Profit for the year	**24,879**	10,339
Total comprehensive income	**45,046**	10,339
Statements of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	**2,303**	7,627
Dividends paid to NCI	**36,300**	12,000

NOTES TO THE FINANCIAL STATEMENTS
... continued

6. DEFERRED TAXATION

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2014 RM'000	Assets 2013 RM'000	Liabilities 2014 RM'000	Liabilities 2013 RM'000	Net 2014 RM'000	Net 2013 RM'000
Property, plant and equipment	**–**	–	**(33,079)**	(29,080)	**(33,079)**	(29,080)
Inventories	**2,284**	2,420	**–**	–	**2,284**	2,420
Other items	**1,760**	6,982	**–**	–	**1,760**	6,982
Deferred tax assets/ (liabilities)	**4,044**	9,402	**(33,079)**	(29,080)	**(29,035)**	(19,678)
Set off of tax	**(4,044)**	(6,523)	**4,044**	6,523	**–**	–
	–	2,879	**(29,035)**	(22,557)	**(29,035)**	(19,678)

Deferred tax liabilities and assets are offset 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 on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Movement in temporary differences during the year

Group	At 1.7.2012 RM'000	Recognised in profit or loss (Note 16) RM'000	At 30.6.2013/ 1.7.2013 RM'000	Recognised in profit or loss (Note 16) RM'000	At 30.6.2014 RM'000
Property, plant and equipment	(26,481)	(2,599)	(29,080)	(3,999)	**(33,079)**
Inventories	2,812	(392)	2,420	(136)	**2,284**
Other items	6,690	292	6,982	(5,222)	**1,760**
	(16,979)	(2,699)	(19,678)	(9,357)	**(29,035)**

NOTES TO THE FINANCIAL STATEMENTS
... continued

7. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Raw materials	**65,154**	38,565
Work-in-progress	**10,857**	11,248
Finished goods	**10,260**	13,171
Consumable spares	**8,187**	7,308
	94,458	70,292

8. TRADE AND OTHER RECEIVABLES INCLUDING DERIVATIVES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade receivables		**164,724**	194,228	**–**	–
Allowance for impairment losses		**(6,796)**	(5,886)	**–**	–
		157,928	188,342	**–**	–
Amounts due from subsidiaries	a	**–**	–	**56,579**	56,243
Other debtors		**20,374**	18,857	**75**	14
Deposits		**1,345**	1,381	**5**	5
Prepayments		**15,710**	11,303	**19**	21
Derivative financial assets					
- Forward exchange contracts		**1,942**	–	**–**	–
		197,299	219,883	**56,678**	56,283

Company

Note a

Amounts due from subsidiaries are non-trade, unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
... continued

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deposits with licensed banks	**24,677**	10,000	**11,504**	–
Cash and bank balances	**53,437**	25,788	**5,015**	388
	78,114	35,788	**16,519**	388

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deposits and bank balances	**23,545**	5,016	**11,820**	173

10. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares '000	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Ordinary shares of RM0.50 each	**400,000**	200,000	**400,000**	200,000
Issued and fully paid	**209,884**	104,942	**209,884**	104,942

There were no shares bought back during the financial year (2013: Nil). The total number of shares bought back as at 30 June 2014 was 10,986,000 (2013: 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

11. RESERVES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Reserves consist of:					
Share premium		**249,952**	249,952	**249,952**	249,952
Capital redemption reserve	a	**1,050**	1,050	**–**	–
Capital reserve	b	**10,247**	9,382	**–**	–
Exchange fluctuation reserve	c	**24,327**	24,752	**–**	–
Reserve for own shares	d	**(61,479)**	(60,426)	**(10,780)**	(10,780)
Executive share scheme reserve	e	**830**	–	**72**	–
Retained earnings		**566,252**	550,339	**319,627**	237,760
		791,179	775,049	**558,871**	476,932

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 ESS Trusts as disclosed in Note 2.2(i)(iii).

During the year, the trustee has repurchased 411,600 (2013: 4,245,200) Trust Shares from the open market. As at 30 June 2014, the total number of Trust Shares purchased by the trustee was 9,790,800 (2013: 9,379,200) ordinary shares of RM0.50 each.

Note e

Executive share scheme reserve represents fair value of the share options granted to employees as disclosed in note 2.2(i)(iii).

NOTES TO THE FINANCIAL STATEMENTS
... continued

12. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current (unsecured)				
Term loans	–	12,000	–	12,000
Revolving credit	**78,442**	118,889	–	28,000
Bankers' acceptances	**15,000**	38,584	–	–
	93,442	169,473	–	40,000
Non-current (unsecured)				
Term loans	–	15,000	–	15,000
	93,442	184,473	–	55,000

13. EMPLOYEE BENEFITS

a Retirement benefits

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Retirement benefits obligation	**332**	420	**245**	245

b Share-based payment

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme which was implemented on 8 March 2013 ("Effective Date") have been renamed as Executive Share Scheme ("ESS"). The ESS will be in force for a period of 10 years from the Effective Date.

During the financial year ended 30 June 2014, the Company has granted conditional incentive share options ("Options") over 1,000,000 ordinary shares of RM0.50 each in the Company ("MPI Shares") at an exercise price of RM4.30 per share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd, a wholly-owned subsidiary of the Company, whilst Carsem (M) Sdn Bhd, a subsidiary of the Company, has granted Options over 7,900,000 MPI Shares at an exercise price of RM2.61 per share to its eligible executives. The Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period and the exercise period of the vested options will be up to the 30th month from the vesting date to be determined.

NOTES TO THE FINANCIAL STATEMENTS
... continued

13. EMPLOYEE BENEFITS *cont'd*

b Share-based payment *cont'd*

During the financial year, there were no options vested.

Weighted average fair value of share options and assumptions

	2014
Weighted average fair value at grant date	**RM 0.61**

At grant date:	
Weighted average share price	**RM 5.08**
Weighted average exercise price	**RM 2.80**
Expected volatility (weighted average volatility)	**27.98%**
Option life (expected weighted average life)	**6 years**
Weighted average expected dividends	**3.87%**
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.75%**

Value of employee services received for issue of share options

	Group 2014 RM'000
Share options granted in 2014	**1,155**

14. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade payables		**57,407**	70,021	**–**	–
Amounts due to:					
- Related companies	a	**62**	47	**–**	–
- Subsidiaries	b	**–**	–	**4,826**	9,662
Other payables		**60,489**	46,028	**–**	–
Accrued expenses		**44,616**	43,463	**455**	583
Derivative financial liabilities					
- Forward exchange contracts		**–**	1,584	**–**	–
		162,574	161,143	**5,281**	10,245

NOTES TO THE FINANCIAL STATEMENTS
... continued

14. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES *cont'd*

Group

Note a

Amounts due to related companies are non-trade, unsecured, interest free and repayable on demand.

Company

Note b

Amounts due to subsidiaries are non-trade, unsecured, interest free and repayable on demand.

15. PROFIT BEFORE TAXATION

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Holding company's auditors				
- Statutory audits	**134**	128	**21**	26
- Other services	**24**	23	**8**	8
Other auditors				
- Statutory audits	**43**	50	**–**	–
- Other services	**17**	17	**–**	–
Depreciation of property, plant and equipment	**204,908**	194,406	**156**	157
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees *	**–**	33	**–**	–
- Other emoluments	**2,345**	2,315	**–**	–
- Share-based payment	**343**	–	**–**	–
	2,688	2,348	**–**	–
Non-Executive Directors				
- Fees *	**220**	182	**180**	175
- Other emoluments	**108**	99	**108**	99
	328	281	**288**	274

NOTES TO THE FINANCIAL STATEMENTS
... continued

15. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit before taxation is arrived at after charging/(crediting): *cont'd*				
Loss on disposal of property, plant and equipment	**722**	7,034	**–**	–
Gross dividends from:				
- Unquoted subsidiaries	**–**	–	**(114,700)**	(28,000)
- Other investments	**(531)**	(11)	**(95)**	(11)
Reversal of impairment of property, plant and equipment	**(2,360)**	(9,465)	**–**	–
Impairment loss on trade receivables	**910**	1,120	**–**	–
Finance costs				
- Term loan	**722**	1,559	**722**	1,461
- Others	**3,260**	4,406	**1,068**	1,391
Interest income	**(870)**	(726)	**(170)**	(206)
(Reversal of)/Provision for slow moving inventories	**(124)**	1,349	**–**	–
Loss/(Gain) on foreign exchange				
- Realised	**7,938**	(1,923)	**–**	–
- Unrealised	**(8,784)**	(4,554)	**(336)**	346
Property, plant and equipment written off	**169**	1,137	**–**	–
Intangible assets written off	**–**	12,393	**–**	–
Provision for termination benefits	**9,000**	–	**–**	–
Settlement of a lawsuit (Note 24)	**12,836**	–	**–**	–
Personnel expenses:				
- Wages, salaries and others	**294,049**	271,952	**–**	–
- Contributions to Employees Provident Fund	**30,429**	28,393	**–**	–
- Share-based payment	**812**	–	**–**	–
Rental of property, plant and equipment	**3,299**	3,354	**53**	53
Research and development expenditure	**20,189**	19,405	**–**	–
Retirement benefits written back	**(88)**	–	**–**	–
Fair value gain on derivatives	**(3,508)**	(793)	**–**	–

The estimated monetary value of Executive Directors' benefits-in-kind of the Group is RM165,000 (2013: RM169,000).

* These fees have been assigned in favour of the Company where the Directors are employed.

NOTES TO THE FINANCIAL STATEMENTS
... continued

16. TAXATION

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Current taxation				
Malaysian				
- Current year	**738**	369	**34**	33
- Prior years	**(228)**	(323)	**14**	8
Overseas - current year	**1,305**	3,987	**–**	–
	1,815	4,033	**48**	41
Deferred taxation				
- Current year	**9,227**	2,844	**–**	–
- Prior years	**130**	(145)	**–**	–
	9,357	2,699	**–**	–
	11,172	6,732	**48**	41
Reconciliation of taxation				
Profit before taxation	**64,817**	21,053	**111,576**	22,950
Taxation at Malaysian statutory tax rate of 25%	**16,204**	5,263	**27,894**	5,738
Difference of tax rate in foreign jurisdiction	**(1,381)**	(2,996)	**–**	–
Non-deductible expenses	**(596)**	5,648	**839**	1,298
Tax exempt income	**(17,880)**	(10,921)	**(28,699)**	(7,003)
Effect of temporary differences arising in pioneer period	**14,923**	10,206	**–**	–
	11,270	7,200	**34**	33
(Over)/Under provision in prior years	**(98)**	(468)	**14**	8
	11,172	6,732	**48**	41

NOTES TO THE FINANCIAL STATEMENTS
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17. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM45,144,000 (2013: RM10,948,000) by the weighted average number of ordinary shares outstanding during the financial year of 189,111,293 (2013: 192,572,195) as follows:

Weighted average number of ordinary shares

	2014 '000	2013 '000
Issued ordinary shares at 1 July	**209,884**	209,884
Less:		
Treasury shares held at 1 July	**(10,986)**	(10,986)
Trust Shares held at 1 July	**(9,379)**	(5,134)
	189,519	193,764
Effect of purchase of Trust Shares held in ESS Trusts	**(408)**	(1,192)
Weighted average number of ordinary shares at 30 June	**189,111**	192,572

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

18. DIVIDENDS

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
First interim				
5.0 sen per share tax exempt				
(2013: 5.4 sen per share less tax)	**9,455**	7,799	**9,887**	7,966
Second interim				
10.0 sen per share tax exempt				
(2013: 5.0 sen per share tax exempt)	**18,911**	9,628	**19,774**	9,895
	28,366	17,427	**29,661**	17,861

Dividends received by the ESS Trusts for the Group and the Company amounted to RM1,469,000 (2013: RM573,000) and RM174,000 (2013: RM139,000) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(i)(iii).

NOTES TO THE FINANCIAL STATEMENTS
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19. OPERATING SEGMENTS

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

- Asia
- The United States of America ("USA"); 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 income, finance costs and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence no disclosure is made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS
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19. OPERATING SEGMENTS *cont'd*

	Asia		USA		Europe		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Segment profit	**40,686**	13,320	**18,020**	11,075	**10,621**	4,450	**69,327**	28,845
Included in the measure of segment profit are:								
Revenue from external customers	**659,762**	639,667	**372,573**	362,478	**259,410**	224,128	**1,291,745**	1,226,273
Depreciation and amortisation	**104,981**	98,901	**59,757**	58,723	**39,998**	36,608	**204,736**	194,232
Reversal of impairment of property, plant and equipment	**(412)**	(3,982)	**(964)**	(3,091)	**(984)**	(2,392)	**(2,360)**	(9,465)
Property, plant and equipment written off	**67**	478	**55**	372	**47**	287	**169**	1,137

Reconciliations of reportable segment profit

	2014 RM'000	2013 RM'000
Profit		
Reportable segments	**69,327**	28,845
Non-reportable segments	**(1,398)**	(2,553)
Finance costs	**(3,982)**	(5,965)
Interest income	**870**	726
Consolidated profit before taxation	**64,817**	21,053

NOTES TO THE FINANCIAL STATEMENTS
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19. OPERATING SEGMENTS *cont'd*

Reconciliations of reportable segment profit *cont'd*

	2014 External revenue RM'000	2014 Depreciation & amortisation RM'000	2013 External revenue RM'000	2013 Depreciation & amortisation RM'000
Reportable segments	**1,291,745**	**204,736**	1,226,273	194,232
Non-reportable segments	**95**	**172**	11	174
	1,291,840	**204,908**	1,226,284	194,406

Geographical segments

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

	Revenue 2014 RM'000	Revenue 2013 RM'000
USA	**372,573**	362,472
Singapore	**276,179**	268,135
Malaysia	**192,102**	200,082
Ireland	**113,569**	97,557
Taiwan	**96,964**	106,573
Switzerland	**31,936**	19,429
Others	**208,422**	172,025
	1,291,745	1,226,273

Non-current assets (except for financial assets) of the Group by geographical location of the assets are as follows:

	Non-current assets 2014 RM'000	Non-current assets 2013 RM'000
Malaysia	**514,916**	619,470
The People's Republic of China	**308,218**	339,452
Others	**37**	41
	823,171	958,963

Major customer

During the financial year, revenue from one single customer amounted to RM187,555,000 (2013: RM208,872,000) contributed to more than 14% (2013: 17%) of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
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20. COMMITMENTS

	Group 2014 RM'000	Group 2013 RM'000
Property, plant and equipment:		
Authorised and contracted for	**31,743**	13,783
Authorised but not contracted for	**41,540**	81,050
	73,283	94,833
Operating lease commitments:		
Expiring within one year	**1,473**	1,178
Expiring between one to five years	**6,129**	6,070
Expiring after five years	**29,893**	31,425
	37,495	38,673

Group

The Group has lease commitments of RM1,473,000 (2013: RM1,178,000) 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 expires on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

21. RELATED PARTIES

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

(i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and 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 Industries Berhad ("HLI"), HLMG Management Co Sdn Bhd ("HMMC"), Hong Leong Assurance Berhad ("HLA"), Hong Leong Capital Berhad ("HLCB"), GuocoLand (Malaysia) Berhad ("GLM"), GuocoLeisure Limited ("GL") 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
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21. RELATED PARTIES *cont'd*

Significant transactions with related parties are as follows:

			Group	
	Transactions	**Related party**	**2014 RM'000**	**2013 RM'000**
(a)	Rental of properties	HMMC	**53**	55
(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, HLCB and its subsidiaries, GLM, GL and its subsidiaries, GSC, HLI and its subsidiaries	**151**	167
(c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**5,627**	4,922
(d)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**13**	12

Significant balances with related parties at the reporting date are disclosed in Note 8 and Note 14 to the financial statements.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

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.

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL");
(c) Available-for-sale financial assets ("AFS"); and
(d) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL RM'000	AFS RM'000
2014				
Financial assets				
Group				
Investments	**46**	**–**	**–**	**46**
Trade and other receivables including derivatives (excluding prepayments)	**181,589**	**179,647**	**1,942**	**–**
Cash and cash equivalents	**78,114**	**78,114**	**–**	**–**
	259,749	**257,761**	**1,942**	**46**
Company				
Investments	**46**	**–**	**–**	**46**
Trade and other receivables including derivatives (excluding prepayments)	**56,659**	**56,659**	**–**	**–**
Cash and cash equivalents	**16,519**	**16,519**	**–**	**–**
	73,224	**73,178**	**–**	**46**
Financial liabilities				
Group				
Loans and borrowings	**93,442**	**93,442**	**–**	**–**
Trade and other payables including derivatives	**162,574**	**162,574**	**–**	**–**
	256,016	**256,016**	**–**	**–**
Company				
Trade and other payables including derivatives	**5,281**	**5,281**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL RM'000	AFS RM'000
2013				
Financial assets				
Group				
Investments	46	–	–	46
Trade and other receivables including derivatives (excluding prepayments)	208,580	208,580	–	–
Cash and cash equivalents	35,788	35,788	–	–
	244,414	244,368	–	46
Company				
Investments	46	–	–	46
Trade and other receivables including derivatives (excluding prepayments)	56,262	56,262	–	–
Cash and cash equivalents	388	388	–	–
	56,696	56,650	–	46
Financial liabilities				
Group				
Loans and borrowings	184,473	184,473	–	–
Trade and other payables including derivatives	161,143	159,559	1,584	–
	345,616	344,032	1,584	–
Company				
Loans and borrowings	55,000	55,000	–	–
Trade and other payables including derivatives	10,245	10,245	–	–
	65,245	65,245	–	–

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) arising from:				
Loans and receivables	**15,704**	15,108	**506**	(140)
Fair value through profit or loss	**4,039**	793	**–**	–
Other liabilities	**(21,679)**	(14,990)	**(1,790)**	(2,852)
	(1,936)	911	**(1,284)**	(2,992)

22.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.3.1 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

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

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.1 Credit risk *cont'd*

Receivables *cont'd*

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographic region was:

	Group	
	2014	**2013**
	RM'000	**RM'000**
USA	**37,674**	46,753
Singapore	**34,267**	49,028
Malaysia	**24,887**	16,343
Ireland	**16,326**	11,234
Taiwan	**9,261**	16,347
Switzerland	**3,861**	3,155
Others	**31,652**	45,482
	157,928	188,342

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.1 Credit risk *cont'd*

Receivables *cont'd*

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	**123,822**	**–**	**123,822**
Past due 1 - 30 days	**35,664**	**(3,154)**	**32,510**
Past due 31 - 60 days	**3,393**	**(2,055)**	**1,338**
Past due more than 60 days	**1,845**	**(1,587)**	**258**
	164,724	**(6,796)**	**157,928**
2013			
Not past due	140,934	(865)	140,069
Past due 1 - 30 days	47,173	(823)	46,350
Past due 31 - 60 days	2,451	(993)	1,458
Past due more than 60 days	3,670	(3,205)	465
	194,228	(5,886)	188,342

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group	
	2014 RM'000	2013 RM'000
At 1 July	**5,886**	4,766
Provision	**910**	1,120
At 30 June	**6,796**	5,886

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.1 Credit risk *cont'd*

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

Short term deposit and bank balances and outstanding forward exchange contract

Short term deposit and bank balances are placed/forward exchange contracts are entered into with licensed banks with good credit rating. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

22.3.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.2 Liquidity risk *cont'd*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
2014					
Group					
Non-derivative financial liabilities					
Trade and other payables	**162,574**		**162,574**	**162,574**	**–**
Loans and borrowings	**93,442**	**1.1 - 4.2**	**95,350**	**95,350**	**–**
	256,016		**257,924**	**257,924**	**–**
Company					
Non-derivative financial liabilities					
Trade and other payables	**5,281**		**5,281**	**5,281**	**–**
2013					
Group					
Non-derivative financial liabilities					
Trade and other payables	159,559		159,559	159,559	–
Loans and borrowings	184,473	0.9 - 4.2	188,849	173,219	15,630
	344,032		348,408	332,778	15,630
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	1,584		225,847	225,847	–
Inflow	–		(224,263)	(224,263)	–
	345,616		349,992	334,362	15,630
Company					
Non-derivative financial liabilities					
Trade and other payables	10,245		10,245	10,245	–
Loans and borrowings	55,000	3.8 - 4.2	57,198	41,568	15,630
	65,245		67,443	51,813	15,630

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.3 Market risk *cont'd*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, that will affect the Group's and the Company's financial position or cash flows.

Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases, cash and cash equivalents and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD.

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts (nominal amounts for the forward exchange contracts) as at the end of the reporting period was:

	Denominated in USD	
Group	**2014 RM'000**	**2013 RM'000**
Trade receivables	**157,373**	187,550
Forward exchange contracts - receivables	**(108,525)**	(224,263)
	48,848	(36,713)
Cash and cash equivalents	**33,982**	19,907
Trade and other payables	**(79,448)**	(79,631)
Loans and borrowings	**(78,442)**	(90,506)
Net exposure	**(75,060)**	(186,943)

Currency risk sensitivity analysis

A 5% (2013: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have increased profit before taxation of the Group by RM3,753,000 (2013: RM9,347,000). A 5% (2013: 5%) weakening of the Ringgit Malaysia against USD would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.3 Market risk *cont'd*

Interest rate risk

The Group and the Company manage its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fixed rate instruments				
Deposits with licensed banks	**24,677**	10,000	**11,504**	–
Floating rate instruments				
Loans and borrowings	**(93,442)**	(184,473)	**–**	(55,000)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points (bp) (2013: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation of the Group by RM467,000 (2013: RM922,000 and decreased the profit before taxation of the Company by RM275,000 respectively). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL INSTRUMENTS *cont'd*

22.3 Financial risk management *cont'd*

22.3.4 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

22.3.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
2014			
Financial assets			
Forward exchange contracts	**–**	**1,942**	**–**
Investment	**–**	**46**	**–**
	–	**1,988**	**–**
2013			
Financial assets			
Investment	–	46	–
Financial liabilities			
Forward exchange contracts	–	1,584	–

NOTES TO THE FINANCIAL STATEMENTS
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23. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total loans and borrowings	**93,442**	184,473
Less: Cash and cash equivalents	**(78,114)**	(35,788)
Net debt	**15,328**	148,685
Total equity	**907,129**	916,056
Debt-to-equity ratio	**0.02**	0.16

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

24. SIGNIFICANT LITIGATION

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 infringing the same three patents which are the subject of the ITC Investigation.

Subsequently, Carsem Group filed a request with the US Patent and Trademark Office ("PTO") for re-examination of Amkor's '277 patent on 15 September 2012. On 10 January 2013, the PTO issued an Office Action rejecting all 25 claims of the '277 patent on multiple grounds.

After several years of litigation, the parties have, on 23 May 2014, entered into a Settlement Agreement to end all pending proceedings related to the litigation, including a joint motion to rescind the exclusion order issued by the ITC on 4 April 2014. Carsem Group has paid Amkor an agreed sum of USD4 million (equivalent to RM12,836,000) for such settlement.

Under the terms of the Settlement Agreement, Carsem Group and Amkor have granted each other and their affiliates, non-exclusive, worldwide licenses to their respective Micro LeadFrame and Micro Leadframe Package patents for a period of 10 years.

NOTES TO THE FINANCIAL STATEMENTS
... continued

25. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company, into realised and unrealised profits or losses, is as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings				
- realised	**604,360**	618,601	**319,291**	238,106
- unrealised	**(18,810)**	(15,000)	**336**	(346)
	585,550	603,601	**319,627**	237,760
Less: Consolidation adjustments	**(19,298)**	(53,262)	**–**	–
	566,252	550,339	**319,627**	237,760

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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 37 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 at 30 June 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 93 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Peter Nigel Yates

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2014

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

I, Cheah Wing Ket, 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 37 to 93 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 above named, Cheah Wing Ket at Kuala Lumpur in the Federal Territory on 27 August 2014.

Cheah Wing Ket

Before me:

Mohan A.S. Maniam
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 statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 92.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performances and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
to the members of Malaysian Pacific Industries Berhad
... continued

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' report of the subsidiary of which we have not acted as auditors, which is 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.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 93 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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
Firm Number: AF 0758
Chartered Accountants

Lam Shuh Siang
Approval Number: 3045/02/15(J)
Chartered Accountant

Petaling Jaya, Selangor
27 August 2014

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2014

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2014 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	18 - 39	10,811
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	16 - 26	10,133
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	18 - 26	559
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	–	12,053
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	20	327
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	7	5,475
Lot 52986 Kawasan Perindustrian Taman Meru, 30020 Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,966	23	35,607
No.88, West Shen Hu Road Suzhou Industrial Park Suzhou, Province of Jiangsu, 215021 The People's Republic of China	19 Aug 2052	Office and factory building	30 Apr 2002	645,823	11	75,397
Lot 2367, Bayan Lepas 11900 Pulau Pinang	30 Aug 2031	Office and factory building *	18 Jun 1995	257,000	20	21,058
Lot 8, Bayan Lepas 11900 Pulau Pinang	06 Jan 2070	Office and factory building	18 Jun 1995	227,441	15	13,303
Plot 15, Bayan Lepas 11900 Pulau Pinang	06 Jan 2070	Vacant office and factory building	24 Feb 2005	208,357	9	21,985

* These buildings are situated on an operating lease land as disclosed in Note 20 of the financial statements

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014

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 29 August 2014

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	736	12.39	15,662	0.01
100 – 1,000	2,026	34.12	1,299,916	0.65
1,001 – 10,000	2,407	40.54	9,159,289	4.60
10,001 – 100,000	638	10.74	19,988,545	10.05
100,001 – less than 5% of issued shares	130	2.19	64,315,419	32.34
5% and above of issued shares	1	0.02	104,119,588	52.35
	5,938	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 29 August 2014

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	104,119,588	52.35
2.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (Carsem-ESOS)	7,783,600	3.91
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	7,403,600	3.72
4.	Low Poh Weng	4,542,500	2.28
5.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	2,438,469	1.23
6.	Tan Kah Hock	2,000,000	1.01
7.	Hong Leong Assurance Berhad - As Beneficial Owner	1,952,238	0.98
8.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Bank Of New York Mellon (Mellon Acct)	1,663,738	0.84
9.	Pertubuhan Keselamatan Sosial	1,645,700	0.83
10.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,251,475	0.63

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

List Of Thirty Largest Shareholders As At 29 August 2014 *cont'd*

	Name of Shareholders	No. of Shares	%
11.	HLIB Nominees (Asing) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited	1,000,000	0.50
12.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	995,500	0.50
13.	HSBC Nominees (Asing) Sdn Bhd - Coutts & Co Ltd HK for Kwek Leng San	990,000	0.50
14.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	935,000	0.47
15.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (DCI-ESOS)	850,000	0.43
16.	Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Eastspring Investments Berhad	824,800	0.42
17.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-Ilham	793,000	0.40
18.	Reuben Tan Cherh Chung	776,000	0.39
19.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Pheim)	758,100	0.38
20.	Hong Bee Hardware Company Sdn Berhad	757,250	0.38
21.	AmanahRaya Trustees Berhad - Public Islamic Opportunities Fund	737,600	0.37
22.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Consolidated Chan Realty Sdn Bhd (E-KUG)	682,000	0.34
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund PLD2 for Polunin Emerging Markets Small Cap Fund, LLC	677,700	0.34
24.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. LLC (Client)	651,200	0.33
25.	Eletechnics Sdn Bhd	600,000	0.30
26.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	562,313	0.28
27.	Neoh Choo Ee & Company Sdn Berhad	505,200	0.25
28.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZVY5 for Active Small Cap Emerging Markets Securities Lending Common Trust Fund	490,100	0.25
29.	Jony Raw @ Raw Jony	465,000	0.23
30.	AmanahRaya Trustees Berhad - Amanah Saham Gemilang for Amanah Saham Kesihatan	451,900	0.23
		149,303,571	75.07

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2014 are as follows:

		Direct Interest		Indirect Interest		
	Name of Shareholders	**No. of shares**	**%**	**No. of shares**	**%**	
1.	Hong Leong Manufacturing Group Sdn Bhd	104,119,588	52.35	2,438,469	1.23	^
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	109,917,357	55.26	^
3.	YBhg Tan Sri Quek Leng Chan	–	–	111,951,357	56.29	*
4.	HL Holdings Sdn Bhd	–	–	109,917,357	55.26	#
5.	Hong Realty (Private) Limited	–	–	110,674,607	55.64	®
6.	Hong Leong Investment Holdings Pte. Ltd.	–	–	110,674,607	55.64	®
7.	Kwek Holdings Pte Ltd	–	–	110,674,607	55.64	®
8.	Mr Kwek Leng Beng	–	–	110,674,607	55.64	®
9.	Mr Kwek Leng Kee	–	–	110,674,607	55.64	®
10.	Davos Investment Holdings Private Limited	–	–	110,674,607	55.64	®
11.	Mr Quek Leng Chye	150,000	0.08	110,674,607	55.64	®

Notes

^ *Held through subsidiary(ies).*
* *Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.*
# *Held through HLCM.*
® *Held through HLCM and a company in which the substantial shareholder has interest.*

3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2014

Subsequent to the financial year end, there was no change, as at 29 August 2014, to the Directors' interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 33 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. SHARE BUYBACK

The Company did not buy back any of its shares during the financial year ended 30 June 2014.

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.

Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group

FORM OF PROXY

I/We ____

NRIC/Passport/Company No.____

of ____

being a member of **MALAYSIAN PACIFIC INDUSTRIES BERHAD** ("the Company"), 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 Fifty-third Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 16 October 2014 at 11.00 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":

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Datuk Syed Zaid bin Syed Jaffar Albar as a Director		
3.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
4.	To approve the ordinary resolution on authority to Directors to issue shares		
5.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6.	To approve the ordinary resolution on the proposed renewal of authority for the purchase of own shares by the Company		

Dated this __________ day of __________________ 2014

____________________________ ____________________________

Number of shares held Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *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.*
3. *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.*
4. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *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.*
8. *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 forty-eight hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*CDS Account No.*	*% of shareholdings to be represented*

Please fold here

Affix
Stamp

The Company Secretaries
Malaysian Pacific Industries Berhad (4817-U)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

Please fold here

Malaysian Pacific Industries Berhad (4817-U)
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