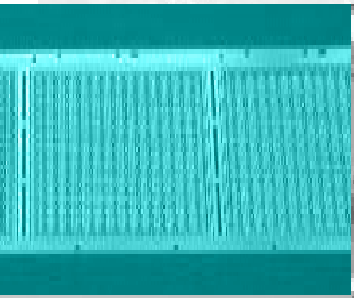
LAPORAN TAHUNAN

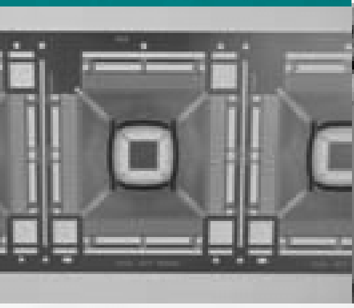
2007

ANNUAL REPORT

Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group Malaysia

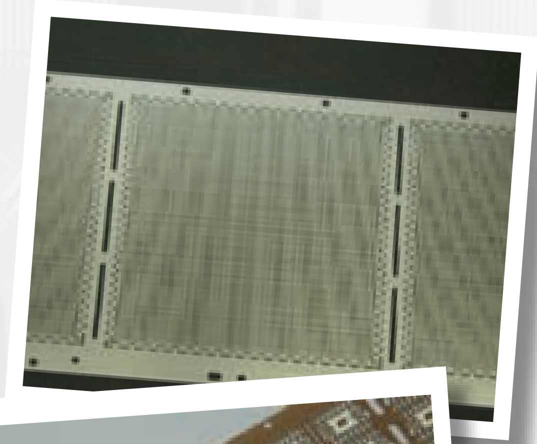


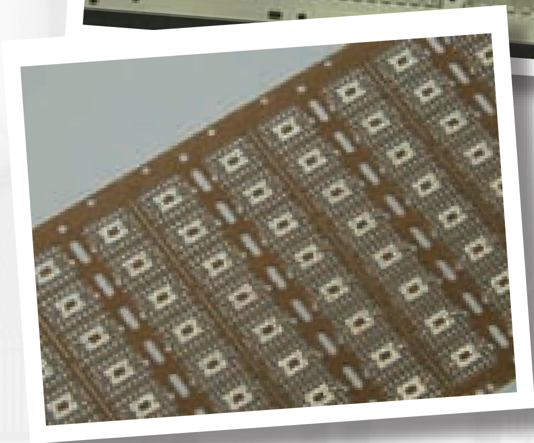


MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)

Contents

Company Profile

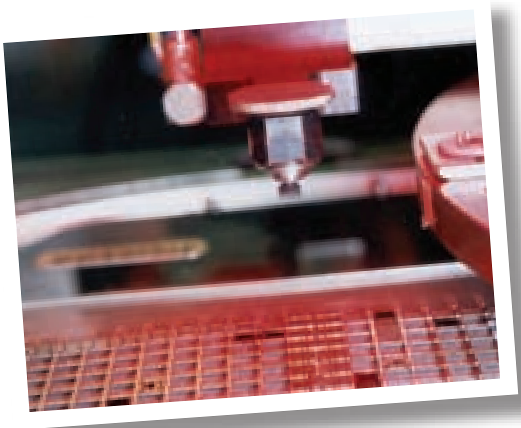




Malaysian Pacific Industries Berhad ("MPI")

is principally an investment holding company whilst the principal activities engaged by its subsidiaries are that of manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers world-wide.

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



Corporate Information

BOARD OF DIRECTORS

Mr Kwek Leng San
(Executive Chairman)

Mr David Edward Comley
(Group Managing Director)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

COMPANY SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

KPMG
C-1-03, 1st Floor
No 2, Persiaran Greentown 3
Greentown Business Centre
30450 Ipoh, Perak Darul Ridzuan
Tel : 05-2531188
Fax : 05-2558818

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-21641818
Fax : 03-21643703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-21642631
Fax : 03-21642514

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-sixth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 23 October 2007 at 10.15 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 year ended 30 June 2007;
2. to approve the payment of Directors' fees of RM190,000/- for the financial year ended 30 June 2007, to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**
3. to re-elect the following retiring Directors:
   a) Mr Kwek Leng San **(Resolution 2)**
   b) YBhg Tan Sri Asmat bin Kamaludin; **(Resolution 3)**
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 4)**
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

   Authority To Directors To Issue Shares

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

By Order of the Board

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
1 October 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting.
3. Ordinary Resolution On Authority To Directors To Issue Shares

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

Statement Accompanying Notice of Annual General Meeting

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

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

Directors' Profile

Mr Kwek Leng San

Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 52, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He has extensive business experience in various business sectors, including financial services and manufacturing.

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

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

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2007.

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

Mr David Edward Comley

Group Managing Director/Non-Independent

Mr David Edward Comley, aged 58, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree.

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

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

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

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2007.

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

Syed Zaid bin Syed Jaffar Albar

Non-Executive Director/Independent

Syed Zaid bin Syed Jaffar Albar, aged 53, a Malaysian, graduated with a B.A.(Hons) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 26 years. Presently, he is the Managing Partner of a law firm in Kuala Lumpur.

Syed Zaid was appointed to the Board of MPI on 7 July 1994. He is the Chairman of the Board Audit & Risk Management Committee of MPI. He is also a Director of Narra, Cycle & Carriage Bintang Berhad, Malaysia Building Society Berhad, Hong Leong Tokio Marine Takaful Berhad, Motorsports Commission of Malaysia Bhd and Motorsports Association of Malaysia Bhd.

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2007.

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

Directors' Profile (cont'd)

Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 63, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics, Investments Department and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers (FMM) as Deputy Director and was appointed Chief Executive Officer in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of the internationally recognised GS1 System (One Global System) located in Brussels, which presides over the global application of EAN - UCC bar codes and product numbering system in business and industries.

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

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

He has attended all the Board meetings of MPI held during the financial year ended 30 June 2007.

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

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Independent

Tan Sri Asmat bin Kamaludin, aged 63, a Malaysian, graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in January 2001, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

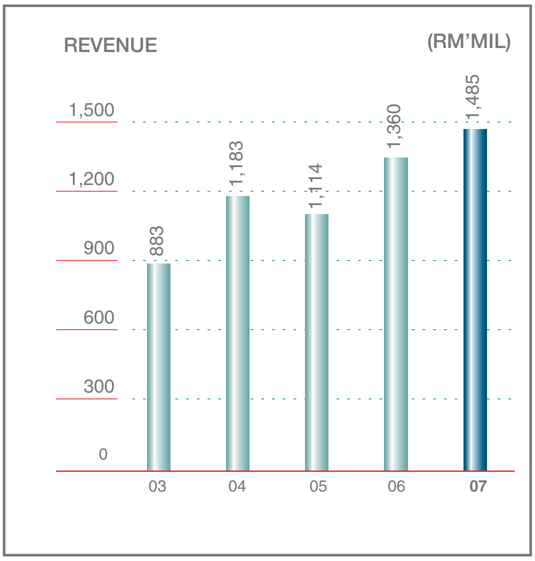
Tan Sri Asmat was appointed to the Board of MPI on 2 February 2001. He does not sit on any committee of MPI.

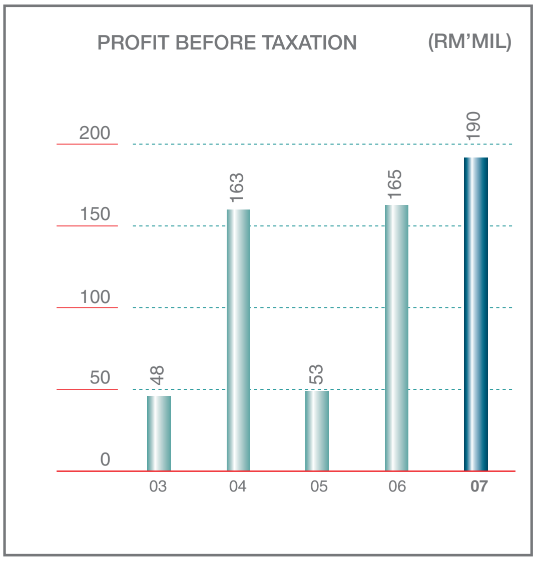
He is the Non-Executive Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, Symphony House Berhad, SCOMI Group Berhad, Compugates Holdings Berhad and Trans-Asia Shipping Corporation Berhad, Non-Executive Vice Chairman of YTL Cement Berhad and a Director of Carlsberg Brewery Malaysia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

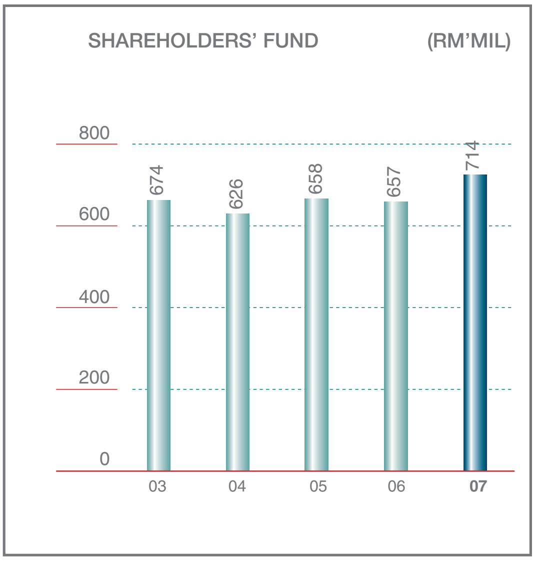
He has attended all the Board meetings of MPI held during the financial year ended 30 June 2007.

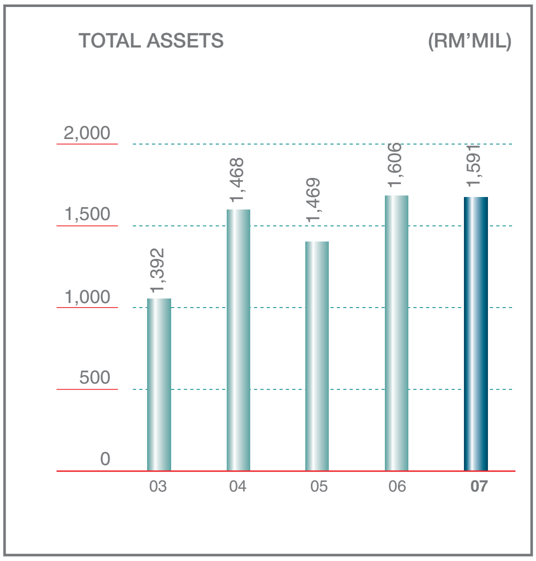
Tan Sri Asmat has no family relationship with other Directors or major shareholders of MPI, has no conflict of interest with MPI and has no conviction for offences within the past 10 years.

Group Financial Highlights









(RM'mil)	2003	2004	2005	2006	2007
Revenue	883	1,183	1,114	1,360	1,485
Profit Before Taxation	48	163	53	165	190
Profit Attributable to Equity Holders of the Company	47	131	47	107	132
Net Earnings Per Share (sen)	23	66	24	54	68
Net Dividend Per Share (sen)	35	59	38	38	40
Shareholders' Funds	674	626	658	657	714
Total Assets	1,392	1,468	1,469	1,606	1,591
Capital Expenditure	115	277	233	370	214

Chairman's Statement

"On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2007 ("FY 06/07 ")."

CHALLENGING BUSINESS ENVIRONMENT

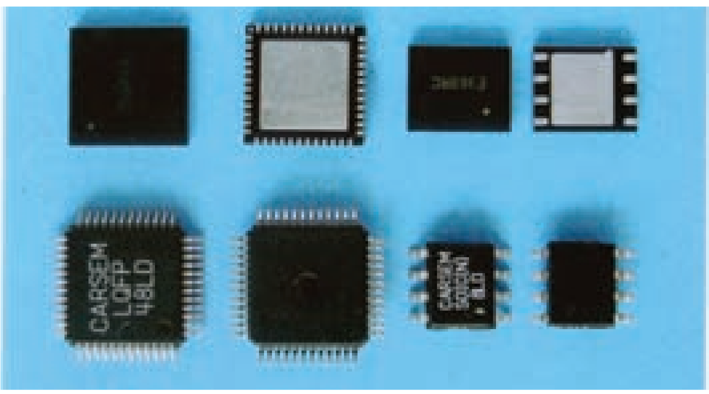
The Malaysian economy is expected to record a Gross Domestic Product growth rate of 5.5% to 6% in 2007, mainly driven by the services and plantation sectors. However, the continued appreciation of the Malaysian Ringgit against the US Dollars has impacted many exporters, particularly in the manufacturing sector including the domestic semiconductor industry. Increasing competition from China and the Malaysian Ringgit's appreciation have posed many challenges as well as opportunities for the Group.

FINANCIAL REVIEW

The semiconductor market went through an inventory correction towards the end of 2006. However, the industry is projected to grow between 3% and 7% in 2007, mainly driven by demands from consumer electronics and digital devices.

I am pleased to report an aggregate revenue of RM1,485 million for the FY 06/07, a 9% increase over the previous financial year. Operating profit and profit attributable to shareholders were at RM208 million and RM132 million, 16% and 23% higher than the previous financial year respectively. Earnings per share was 68 sen as compared with 54 sen for financial year ended 30 June 2006.

Strong cash flow generated from the Group's operations has enabled the Group to maintain a healthy gearing after investing RM214 million into new plant and equipment and a dividend payout of RM78 million.



SIGNIFICANT DEVELOPMENT

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

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

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

Chairman's Statement (cont'd)

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

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

PROSPECTS

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

Barring any unforeseen circumstances, the Board expects the Group to perform better in the next financial year ending 30 June 2008.

DIVIDEND

The Company had declared and paid a first and second interim dividend of 17 sen per share tax exempt and 23 sen per share tax exempt respectively during the financial year under review. The Board does not recommend any final dividend for the FY 06/07.

APPRECIATION

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

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

KWEK LENG SAN
Chairman

Group Managing Director's Review

"I am pleased to report that the Group's revenue grew by 9% from the previous financial year. Carsem (M) Sdn Bhd's revenue grew by 6%, Carsem Semiconductor (Suzhou) Co., Ltd by 82%, giving a combined 9% growth and Dynacraft Industries Sdn Bhd by 9%. This growth rate would have been six percentage points higher if not for the appreciation of the Malaysian Ringgit and the Chinese Renminbi."

INDUSTRY REVIEW

The financial year started with strong sales. However, a weaker than expected Christmas resulted in business starting to slow down in December 2006 and remaining down until the end of March 2007. The industry's excess inventory data at the end of the December 2006 quarter showed a USD4 billion excess against a monthly revenue of USD22 billion. It is interesting to compare these numbers with those in 2001, just prior to the industry's worst ever downturn, when the excess inventory was at USD20 billion against a monthly revenue of USD12 billion.

The December 2006 quarter was a very different scenario as it was resolved by the industry in a period of four months. I believe that this type of correction will become the norm as the industry better manages inventory, resulting in shorter cycles and less pronounced peaks and troughs.

The fourth quarter ended June 2007 saw strong growth and, together with a strong first quarter ended September 2006, saw the Group's sales grew by 9% and its profit by 11% compared with the previous year.

OPERATIONAL DEVELOPMENT

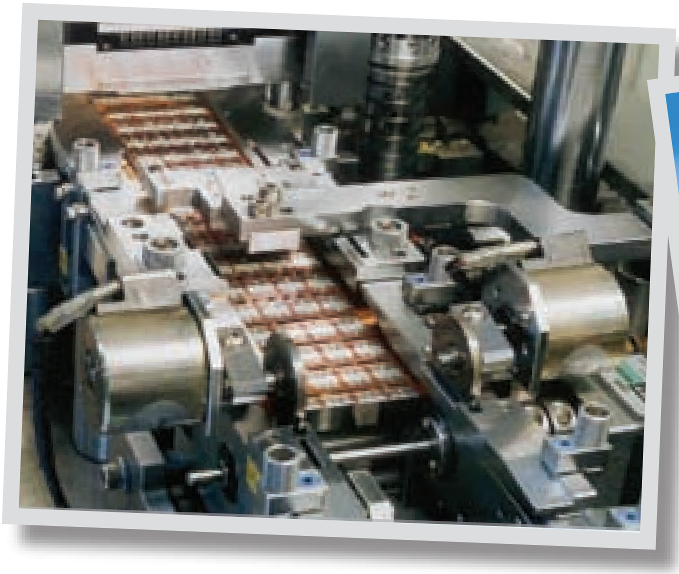
The Micro Leadframe Package ("MLP"), despite the inventory correction, grew in unit terms by 25% over the previous year whereas the other plastic leaded packages remained flat. Module sales were disappointing, due mainly to the slow consumer spending over last Christmas. However, as its technology and benefits are slowly but surely accepted by the semiconductor industry, I believe that it will become a major contributor to the Group's revenue and profit in the years to come.

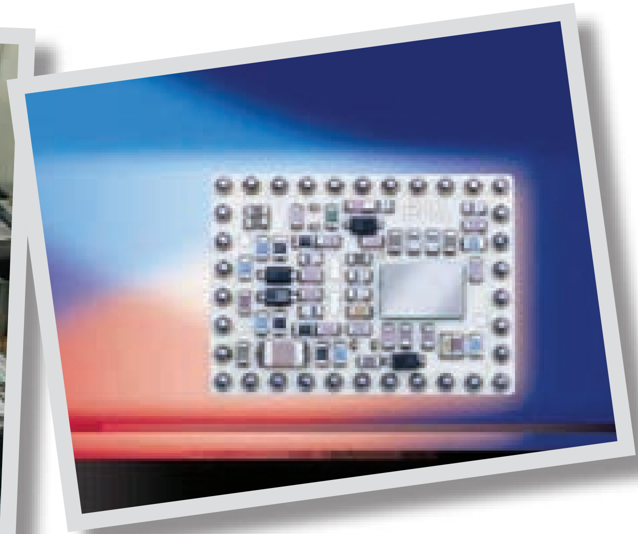
Costs remain a challenge with commodity prices still at all time high. Carsem has completed the review of its product lines and has initiated a product rationalisation programme whereby those products with low margins have been either discontinued or had their selling prices raised. The majority of the remainder are being converted to using higher density matrix leadframes with the associated much improved productivity. Carsem introduced multi-site testing for both MLP and non MLP packages. The successful introduction of multi-site testing of sawn MLP will be a major contributor to this important product's future productivity.

Dynacraft's strategy is also aligned to the growth of the MLP package, and a new high speed etching line was installed during the year.

Leadframes pre-plated with Nickel Palladium Gold continued to grow as this technology gained increasing acceptance, and Dynacraft's addition of higher accuracy spot plating equipment

Group Managing Director's Review (cont'd)





was again well aligned to the needs of the MLP.

The addition towards the end of the year of a plating line using photoresist technology has been well accepted by customers, and we expect more purchases this coming year.

Carsem Semiconductor (Suzhou) Co., Ltd remains as an assembler and tester of MLP but with testing growing at a faster rate as it catches up with assembly volumes.

RESEARCH AND DEVELOPMENT

The Group's research and development will focus on the MLP and module package families, particularly the next generation, together with multi-site testing. Costs of the more established plastic packages will be reduced by the introduction of copper wire bonding and high density leadframes. This new year will see the opening of Carsem's two technology development centres, one for assembly and the second for test. Each will be resourced with dedicated technologists and equipment that will enable the company to quickly bring its new developments to market. Carsem's research and development capability is being strengthened by the appointment of Mr LW Yong to the position of Chief Technology Officer. He brings many years of experience in technology and management to the Carsem senior team.

Dynacraft's new technology will be closely aligned to that of the MLP products with the introduction of selectively plated nickel palladium gold frames and increased etching and plating capacities.

OUTLOOK

I am pleased to say that my statement in last year's report remains valid in that the semiconductor industry appears to be managing inventory more prudently. The actions taken and programmes introduced over the past years by the Group will enable it to meet or even exceed the demands of the industry. I view the next five years with great optimism.

DAVID EDWARD COMLEY
Group Managing Director

Corporate Social Responsibility

We are mindful that we should avoid building a group whose total concentration is to make profit – devoid of human touch and excitement. The Group has long been committed to a policy of social responsibility by striving for the betterment of society and holds strongly the belief that an organisation does not detach itself from its social responsibilities. The Group strives for the betterment of society by continuously contributing to the welfare, development and progress of the community.

The Group conducts most of its philanthropic activities through Hong Leong Foundation ("the Foundation"), the charitable arm of Hong Leong Group Malaysia, which was incorporated in 1992. Group companies contribute funds for the Foundation's activities. The Foundation focuses on education and social welfare as its key thrusts. The Foundation also responds to appeals for aid of victims of natural disasters such as floods, tsunamis and others.

Scholarship

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

One million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies. Invitations are also extended to the scholars for industrial training at Group companies. Industrial training is deemed critical by educational institutions and prospective employers in ensuring that students graduate into the workforce with sufficient knowledge and relevant experience.

Apart from the grants extended to the public, deserving children of Group staff are also granted scholarships by their companies.

The scholarship grants extended to the public and children of Group staff are unconditional and are for diploma and undergraduate studies at local universities and selected institutions of higher learning.

Corporate Social Responsibility (cont'd)

Student Assistance

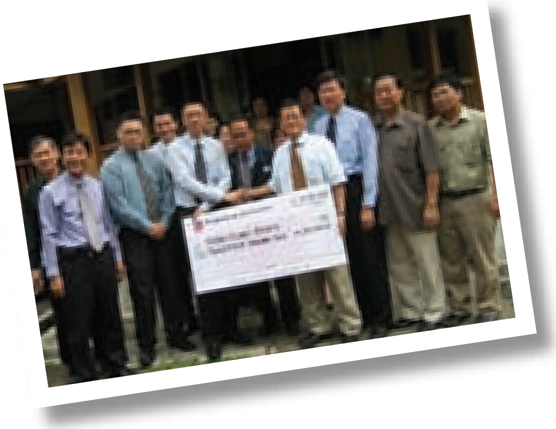
Although primary and secondary education in Malaysia is free, there are still a number of students from low-income families who find it a challenge to avail of this educational opportunity. To address the immediate needs of these students, the Foundation extends additional financial assistance to them through the Group's Student Assistance Programme. To date, through this Programme, the Foundation has donated, amongst others, school bags, books, uniforms and bicycles to thousands of school children nationwide.

Community Welfare

Every year, the Foundation donates to selected charities nationwide in an effort to help improve the lives of the less fortunate through its Community Welfare Programme. Through cash donations, charities are able to ensure their survival and their ability to provide shelter, food and clothing for all its residents – the young orphans, the aged who have been abandoned by their families, the sick, the disabled and the mentally challenged.

The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, to name a few: Handicapped Children's Center, Penang; Badan Usaha Didikan Anak-Anak Yatim Yan, Sungai Petani; Rumah Kebajikan Kanak-Kanak Cacat Negeri Perak, Ipoh; Rumah Kebajikan Kanak-Kanak, Taiping; Selangor and FT Association for Retarded Children, Kuala Lumpur; Shelter, Kuala Lumpur; Jemaah Pengurus Kebajikan Anak-Anak Yatim & Miskin, Ulu Gadong; Montfort Youth Center, Melaka; Persatuan Kebajikan Kalvari Segamat; Pertubuhan Intervensi Awal Batu Pahat; The Spastic Children's Association of Johor; Handicapped & Mentally Retarded Children Center Kuantan; Taman Sinar Harapan Terengganu; Yayasan Kebajikan Anak-Anak Yatim, Kelantan; CHK Moral Uplifting Society Kidney Foundation, Kuching; Social Welfare Council of Sarawak, Sibu; Montfort Youth Training Center, Kota Kinabalu; and Sabah Cheshire Home Sandakan.

Corporate Social Responsibility (cont'd)



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

Employee Development And Welfare

The Group carried out various learning and development programmes for its employees to develop both technical and soft skills through structured development programmes.

The Group's Graduate Development Programme is aimed to identify and develop young graduates into engineering talents to support the growth of the Group. This programme entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

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.

The Group also acknowledges the need to provide a healthy lifestyle to its employees. In this regard, various initiatives such as sports activities, social events and family day, were carried out with the full support and commitment of the employees throughout the financial year.

Corporate Social Responsibility (cont'd)

Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Society and Health management practices. Environmental management programmes such as air pollution controls, waste management programmes and energy conservation programmes are continuously deployed to achieve the Group's objectives. We also conduct regular occupational safety and awarenees programmes for our employees.

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

Corporate Governance and Internal Control

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

~ Finance Committee on Corporate Governance

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

A. DIRECTORS

I The Board

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

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

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

II Board Balance

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

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

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

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

The Board met four (4) times during the financial year ended 30 June 2007.

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

III Supply of Information

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

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

Corporate Governance and Internal Control (cont'd)

A. DIRECTORS (cont'd)

IV Appointments to the Board

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

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

V Re-election

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

VI Training and Education

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

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

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

During the financial year ended 30 June 2007, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme covering financial, legal and regulatory issues for its directors and senior management.

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

B. DIRECTORS' REMUNERATION

I Level and Make-up of Remuneration

The Company does not have a Remuneration Committee.

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

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

II Procedure

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

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

Corporate Governance and Internal Control (cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

III Disclosure

The aggregate remuneration of directors for the financial year ended 30 June 2007 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	110,000	2,606,481	2,716,481
Non-Executive Directors	120,000	45,000	165,000

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

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	1
50,001 – 100,000	-	2
100,001 – 450,000	-	-
450,001 – 500,000	1	-
500,001 – 2,250,000	-	-
2,250,001 – 2,300,000	1	-

C. SHAREHOLDERS

I Dialogue between Companies and Investors

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

The Company has a website at http://www.mpi.com.my which the shareholders can access for information which includes corporate information, announcements/press releases, financial information, products information and investor relations. In addition, the Group Managing Director could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the following person:
Name : Mr David Edward Comley
Tel No : 05-3123333
Fax No : 05-3125333
E-mail address : IRelations@mpi.com.my

II Annual General Meeting ("AGM")

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

D. ACCOUNTABILITY AND AUDIT

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

The Committee met four (4) times during the financial year ended 30 June 2007. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 22 of the Annual Report.

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

I Financial Reporting

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

II Internal Control

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

III Relationship with Auditors

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

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

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

Corporate Governance and Internal Control (cont'd)

E. STATEMENT ON INTERNAL CONTROL (cont'd)

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

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

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

F DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2007, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

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

Mr Tan Keok Yin
Independent Non-Executive Director

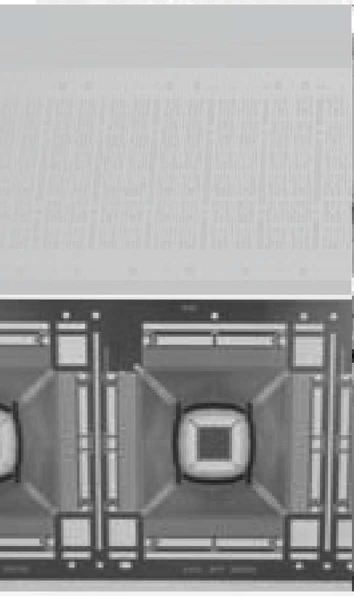
Mr Kwek Leng San
Non-Independent Executive Director

SECRETARY

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

TERMS OF REFERENCE

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



MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)

Financial Statements

Directors' Report

for the financial year ended 30 June 2007

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 2007.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	131,725	58,943

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) a first interim dividend of 17.0 sen per share tax exempt amounting to RM33,813,912 in respect of the financial year ended 30 June 2007 on 6 December 2006; and

(ii) a second interim dividend of 23.0 sen per share tax exempt amounting to RM45,748,016 in respect of the financial year ended 30 June 2007 on 21 June 2007.

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

DIRECTORS OF THE COMPANY

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

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

In accordance with Article 115 of the Company's Articles of Association, Mr Kwek Leng San and YBhg Tan Sri Asmat bin Kamaludin retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report (cont'd)

for the financial year ended 30 June 2007

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or convertible unsecured loan stocks/options of the Company and/or its related corporations during the financial year ended 30 June 2007 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Nominal value per share RM	Number of ordinary shares/# shares issued arising from the conversion of convertible unsecured loan stocks/* shares to be purchased arising from the exercise of options Balance at 01.07.2006	Bought	Sold	Balance at 30.06.2007
Interests of Mr Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	**117,500**
Hong Leong Industries Berhad	0.50	1,800,000	420,000	-	**2,220,000**
	-	420,000 #	-	420,000 #	**-**
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	**315,000**
HLG Capital Berhad	1.00	119,000	-	-	**119,000**
Hong Leong Bank Berhad	1.00	385,000	-	-	**385,000**
Guoco Group Limited	USD0.50	209,120	-	-	**209,120**
Hong Leong Financial Group Berhad	1.00	600,000	-	-	**600,000**
Interests of Mr David Edward Comley in:					
Malaysian Pacific Industries Berhad	0.50	60,000	-	-	**60,000**
	-	-	1,500,000 *	-	**1,500,000***
Interest of Mr Tan Keok Yin in:					
Camerlin Group Berhad	1.00	10,000	-	-	**10,000**
Interest of Tuan Syed Zaid bin Syed Jaffar Albar in:					
Hong Leong Industries Berhad	0.50	-	50,000	50,000	**-**

Save as disclosed above, the other Directors do not have any beneficial interest in the ordinary shares and/or convertible unsecured loan stocks/options/warrants of the Company and/or its related corporations during the financial year ended 30 June 2007.

DIRECTORS' BENEFITS

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

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

Directors' Report (cont'd)

for the financial year ended 30 June 2007

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

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

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

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

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

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

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

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

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

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

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

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

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

The Options, if vested, will be satisfied by existing MPI shares held by the ESOS Trust set up for the Options.

ISSUE OF SHARES AND DEBENTURES

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

During the financial year, the Company purchased 4,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares bought back was RM10.20 per ordinary share. The share buy back transactions were financed by internally generated funds. As at 30 June 2007, the total number of shares bought back was 10,980,000 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.

Directors' Report (cont'd)
for the financial year ended 30 June 2007

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) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

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

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

(i) that would render it necessary to write off any bad debts or provide for any doubtful debts; 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.

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2007 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 Accounting Law of its country of incorporation.

Directors' Report (cont'd)
for the financial year ended 30 June 2007

AUDITORS

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

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur
24 August 2007

Balance Sheets
as at 30 June 2007

	Note	Group 2007 RM'000	Group Restated 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Non-current assets					
Property, plant and equipment	4	**1,152,547**	1,176,236	**310**	465
Investments	5	**693**	693	**484,891**	510,891
Intangible assets	6	**12,393**	12,393	**-**	-
Other assets	7	**-**	-	**4,659**	14,674
		1,165,633	1,189,322	**489,860**	526,030
Current assets					
Inventories	8	**106,583**	90,813	**-**	-
Trade and other receivables	9	**211,403**	235,813	**32,654**	33,582
Tax recoverable		**502**	5,513	**502**	1,884
Cash and bank balances	10	**106,758**	84,754	**9,071**	15,476
		425,246	416,893	**42,227**	50,942
TOTAL ASSETS		**1,590,879**	1,606,215	**532,087**	576,972
Equity attributable to equity holders of the Company					
Share capital	11	**104,942**	104,942	**104,942**	104,942
Reserves	12	**772,526**	715,415	**500,073**	520,645
Treasury shares, at cost		**(163,761)**	(163,721)	**(163,761)**	(163,721)
		713,707	656,636	**441,254**	461,866
Minority interest		**252,740**	243,711	**-**	-
TOTAL EQUITY		**966,447**	900,347	**441,254**	461,866
Non-current liabilities					
Borrowings	13	**142,810**	132,354	**14,629**	49,597
Employee benefits	14(a)	**506**	506	**245**	245
Deferred taxation	15	**49,427**	26,316	**-**	-
		192,743	159,176	**14,874**	49,842
Current liabilities					
Trade and other payables	16	**212,945**	258,477	**3,655**	1,225
Borrowings (unsecured)	13	**218,744**	288,193	**72,304**	64,039
Taxation		**-**	22	**-**	-
		431,689	546,692	**75,959**	65,264
TOTAL LIABILITIES		**624,432**	705,868	**90,833**	115,106
TOTAL EQUITY AND LIABILITIES		**1,590,879**	1,606,215	**532,087**	576,972

The notes on pages 35 to 67 are an integral part of these financial statements.

Income Statements

for the financial year ended 30 June 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Revenue		**1,485,329**	1,359,765	**64,266**	122,140
Cost of sales		**(1,208,994)**	(1,097,945)	**-**	-
Gross profit		**276,335**	261,820	**64,266**	122,140
Distribution expenses		**(18,733)**	(17,526)	**-**	-
Administration expenses		**(45,529)**	(49,191)	**(1,390)**	(1,205)
Other operating income		**11,985**	8,636	**3,538**	4,343
Other operating expenses		**(16,234)**	(24,854)	**(3,029)**	(1,551)
Profit from operation		**207,824**	178,885	**63,385**	123,727
Interest expense		**(20,757)**	(17,095)	**(5,273)**	(7,132)
Interest income		**2,570**	3,591	**882**	1,306
Profit before taxation	17	**189,637**	165,381	**58,994**	117,901
Taxation	18	**(22,670)**	(15,511)	**(51)**	1,331
Profit for the financial year		**166,967**	149,870	**58,943**	119,232
Attributable to:					
Equity holders of the Company		**131,725**	107,135	**58,943**	119,232
Minority interest		**35,242**	42,735	**-**	-
Profit for the financial year		**166,967**	149,870	**58,943**	119,232
Basic earnings per ordinary share (sen)	19	**67.58**	54.34		
Dividends per ordinary share (sen)	20	**40.00**	37.50		

The notes on pages 35 to 67 are an integral part of these financial statements.

Statements Of Changes In Equity

for the financial year ended 30 June 2007

Group	Note	Share capital RM'000	Share premium* RM'000	Capital redemption reserve*^ RM'000	Exchange fluctuation reserve* RM'000	Reserve for own shares* RM'000	Share option reserve* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000	Minority interest RM'000	Total RM'000
		← Attributable to equity holders of the Company								→		
At 1 July 2005												
As previously reported		104,942	249,952	310	(3,629)	-	-	473,943	(163,620)	661,898	236,916	898,814
Prior year adjustment:												
Effect of adoption of IC Interpretation 112	2.3	-	-	-	-	(5,811)	-	1,685	-	(4,126)	-	(4,126)
At 1 July 2005, restated		104,942	249,952	310	(3,629)	(5,811)	-	475,628	(163,620)	657,772	236,916	894,688
Net profit for the financial year		-	-	-	-	-	-	107,135	-	107,135	42,735	149,870
Dividends	20	-	-	-	-	-	-	(73,541)	-	(73,541)	(35,940)	(109,481)
Foreign currency translation differences		-	-	-	1,865	-	-	-	-	1,865	-	1,865
Purchase of treasury shares		-	-	-	-	-	-	-	(101)	(101)	-	(101)
Effect of adoption of IC Interpretation 112	2.3	-	-	-	-	(36,792)	-	298	-	(36,494)	-	(36,494)
At 30 June 2006, restated		104,942	249,952	310	(1,764)	(42,603)	-	509,520	(163,721)	656,636	243,711	900,347
Net profit for the financial year		-	-	-	-	-	-	131,725	-	131,725	35,242	166,967
Dividends	20	-	-	-	-	-	-	(77,962)	-	(77,962)	(26,213)	(104,175)
Foreign currency translation differences		-	-	-	2,659	-	-	-	-	2,659	-	2,659
Transfer to capital redemption reserve		-	-	250	-	-	-	(250)	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	-	(40)	(40)	-	(40)
Share-based payment	14	-	-	-	-	-	689	-	-	689	-	689
At 30 June 2007		**104,942**	**249,952**	**560**	**895**	**(42,603)**	**689**	**563,033**	**(163,761)**	**713,707**	**252,740**	**966,447**
		Note 11	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12				

* Non-distributable

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

Statements Of Changes In Equity (cont'd)
for the financial year ended 30 June 2007

Company

	Note	Share capital RM'000	Share premium* RM'000	Share option reserve * RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2005		104,942	249,952	-	226,052	(163,620)	417,326
Net profit for the financial year		-	-	-	119,232	-	119,232
Dividends	20	-	-	-	(74,591)	-	(74,591)
Purchase of treasury shares		-	-	-	-	(101)	(101)
At 30 June 2006/1 July 2006		104,942	249,952	-	270,693	(163,721)	461,866
Net profit for the financial year		-	-	-	58,943	-	58,943
Dividends	20	-	-	-	(79,562)	-	(79,562)
Purchase of treasury shares		-	-	-	-	(40)	(40)
Share-based payment		-	-	47	-	-	47
At 30 June 2007		**104,942**	**249,952**	**47**	**250,074**	**(163,761)**	**441,254**
		Note 11	Note 12	Note 12	Note 12		

* Non-distributable

The notes on pages 35 to 67 are an integral part of these financial statements.

Cash Flow Statements

for the financial year ended 30 June 2007

	Note	Group		Company	
			Restated		
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities					
Profit before taxation		**189,637**	165,381	**58,994**	117,901
Adjustments for:					
Amortisation of development expenditure		**-**	600	**-**	-
Amortisation of goodwill		**-**	1,838	**-**	-
Depreciation		**229,333**	216,428	**155**	156
Dividend income		**-**	(20)	**(64,266)**	(122,140)
Gain on disposal of property, plant and equipment		**(1,503)**	(1,818)	**-**	-
Gain on disposal of investment		**-**	(2,162)	**-**	-
Impairment loss of investment in a subsidiary		**-**	-	**1,000**	-
Interest expense		**20,757**	17,095	**5,273**	7,132
Interest income		**(2,570)**	(3,591)	**(882)**	(1,306)
Property, plant and equipment written off		**558**	2,438	**-**	-
Goodwill written off		**-**	1,845	**-**	-
Share-based payment		**689**	-	**-**	-
Unrealised loss/(gain) on foreign exchange		**318**	2,878	**1,981**	(2,413)
Operating profit/(loss) before changes in working capital		**437,219**	400,912	**2,255**	(670)
Change in inventories		**(15,770)**	(29,787)	**-**	-
Change in trade and other receivables		**20,814**	(68,212)	**10,002**	(10,535)
Change in trade and other payables		**(44,068)**	54,825	**2,430**	(44)
Cash generated from/(used in) operations		**398,195**	357,738	**14,687**	(11,249)
Tax refunded		**5,430**	4,810	**1,331**	4,876
Interest expense paid		**(20,757)**	(17,095)	**(5,273)**	(7,132)
Interest income received		**2,570**	3,591	**882**	1,306
Dividend received		**-**	20	**64,266**	121,638
Net cash generated from operating activities		**385,438**	349,064	**75,893**	109,439
Cash flow from investing activities					
Proceeds from disposal of investments		**-**	2,162	**-**	-
Proceeds from disposal of property, plant and equipment		**7,017**	3,267	**-**	-
Purchase of property, plant and equipment	(ii)	**(213,780)**	(368,080)	**-**	-
Purchase of additional shares in subsidiaries		**-**	-	**-**	(20,000)
Redemption of redeemable preference shares by a subsidiary		**-**	-	**25,000**	-
Net cash (used in)/generated from investing activities		**(206,763)**	(362,651)	**25,000**	(20,000)
Cash flow from financing activities					
Proceeds from borrowings		**509,282**	296,208	**74,933**	20,000
Repayments of borrowings		**(559,916)**	(221,937)	**(101,591)**	(55,310)
Dividend paid to equity holders of the Company		**(77,962)**	(73,541)	**(79,562)**	(74,591)
Dividend paid to minority shareholders of subsidiaries		**(26,213)**	(35,940)	**-**	-
Advance to subsidiaries		**-**	-	**(993)**	(22,521)
Repayment of finance lease		**(1,567)**	(2,957)	**-**	-
Purchase of Trust Shares		**-**	(36,792)	**-**	-
Purchase of treasury shares		**(40)**	(101)	**(40)**	(101)
Net cash used in financing activities		**(156,416)**	(75,060)	**(107,253)**	(132,523)

Cash Flow Statements (cont'd)

for the financial year ended 30 June 2007

		Group		Company	
			Restated		
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents		**22,259**	(88,647)	**(6,360)**	(43,084)
Cash and cash equivalents at beginning of financial year	(i)	**84,709**	173,446	**15,431**	58,515
Effect on foreign exchange		**(210)**	(90)	**-**	-
Cash and cash equivalents at end of financial year	(i)	**106,758**	84,709	**9,071**	15,431

Notes on the cash flow statements

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

		Group		Company	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Cash and bank balances		**106,758**	84,754	**9,071**	15,476
Bank overdraft	13	**-**	(45)	**-**	(45)
		106,758	84,709	**9,071**	15,431

(ii) During the previous financial year, the Group acquired property, plant and equipment with an aggregated cost of RM370,047,000 of which RM1,967,000 was acquired by means of finance lease arrangement.

The notes on pages 35 to 67 are an integral part of these financial statements.

Notes To The Financial Statements

1 CORPORATE INFORMATION

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

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

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

The consolidated financial statements as at and for the financial year ended 30 June 2007 comprise the Company and its subsidiaries ("the Group"). The financial statements of the Company for the financial year ended 30 June 2007 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 24 August 2007 in accordance with a resolution.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB").

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Notes 5 and 6 - measurement of the recoverable amounts of cash-generating units;
- Note 15 - recognition of unutilised capital allowances; and
- Note 25 - contingency

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

On 1 July 2006, the Group and the Company adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory to be adopted for the financial periods beginning on or after 1 January 2006 as disclosed in Note 2.3.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

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

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

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

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

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

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

(b) Property, plant and equipment

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

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

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

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

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

Depreciation is recognised in the income statement 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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

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

Leasehold land	Over period of lease between 50 to 90 years
Buildings	20 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

The depreciable amount is determined after deducting the residual value.

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

(c) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

For acquisition prior to 1 July 2006, goodwill represents the excess of cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities of the acquiree. With the adoption of FRS 3 Business Combination beginning 1 July 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

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

(ii) Development expenditure

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

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

(d) Investments in equity securities

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

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value; and

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Investments in equity securities (cont'd)

- All current investments are carried at the lower of cost and market value, determined on an aggregate investment basis by category of investments.

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

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

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

(i) the recognition of an asset on the day it is received by the entity; and

(ii) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(e) Inventories

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

(f) Receivables

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

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection. Receivables are not held for the purposes of trading.

(g) Cash and cash equivalents

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

(h) Impairment

The carrying amounts of the Group's assets other than inventories and financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Impairment (cont'd)

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Share capital

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

When share capital recognised as equity is repurchase, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(j) Loans and borrowings

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

(k) Payables

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

(l) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by FRS 119_{2004}, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

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

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

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

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

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

(m) 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 transaction.

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

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

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

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

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Foreign currency (cont'd)

(ii) Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

The closing rates used in the translation of foreign currency monetary assets and liabilities are:

	2007	2006
1USD	**RM3.45**	RM3.68
1SGD	**RM2.25**	RM2.31
100JPY	**RM2.80**	RM3.20
1SWF	**RM2.81**	RM2.98
1EUR	**RM4.64**	RM4.67
1RMB	**RM0.45**	RM0.46

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. Deferred exchange differences are released to the income statement upon disposal of the investment.

(n) Derivative financial instruments

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

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

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

(o) Revenue

(i) Goods sold

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

(ii) Interest income

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

(iii) Dividend income

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

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Borrowing costs

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

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.

(q) Leased assets

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

Other leases are operating leases and such leased assets are not recognised on the Group's balance sheet.

(r) Taxation

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

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

(s) Provisions

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

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) 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.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 July 2006, the Group and the Company adopted the following FRSs and IC Interpretation that are effective for the financial period beginning on or after 1 January 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property
IC Interpretation 112	Consolidation – Special Purpose Entities

The adoption of FRSs 5, 102, 108, 110, 116, 121, 127, 128, 131,132, 133 and 140 do not have any significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of other new and revised FRSs are as follows:-

FRS 2 : Share-based Payment and IC Interpretation 112: Consolidation – Special Purpose Entities

The Group operates an equity-settled, share based compensation plan for the employees of the Group under the ESOS of Malaysian Pacific Industries Berhad ("MPI") as mentioned in Note 2.2 (l) (iv).

With the adoption of FRS 2, Share-based Payment, the fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the share option reserve over the vesting period.

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

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

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

. The Options, if vested, will be satisfied by existing MPI shares held by the ESOS Trust set up for the Options.

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 2 : Share - Based Payment and IC Interpretation 112 : Consolidation - Special Purpose Entities (cont'd)

Prior to 1 July 2006, the advances given to purchase the Trust Shares were recorded as "Other Assets" in the balance sheet of the Group and of the Company. Remuneration expenses computed using the average purchase price (net of dividend received from the shares held) of the Trust Shares less the options price or the market price (whichever is lower) of the Trust Shares, were recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

Beginning 1 July 2006, with the adoption of IC Interpretation 112, the ESOS Trusts has been consolidated into the Group's consolidated financial statements and the "Other Assets" is restated as a deduction from equity and classified as reserves for own shares. Dividends received by the ESOS Trust are eliminated against the dividend expense of the Company. For the purposes of calculating earnings per share, Trust Shares are excluded from the weighted average number of ordinary shares.

FRS 3 : Business Combination, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in the Group ceasing amortisation of goodwill. Goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In the prior years, goodwill was amortised on a straight-line basis over its estimated useful life of twenty (20) years. In accordance with the transitional provision of FRS 3, the cumulative amortisation as at 1 July 2006 has been offset against the cost of goodwill and the carrying amount of goodwill as at 1 July 2006 of RM12,393,000 ceased to be amortised. This change in accounting policy has been applied prospectively and as such there is no restatement of comparative amounts whilst the Group's profit for the current financial year was higher by RM1,292,000 resulting from the cessation of amortisation of goodwill.

FRS 101 : Presentation of Financial Statements

The adoption of revised FRS 101 requires new presentation of the financial statements.

In the consolidated income statement, minority interests are presented as an allocation of the total profit for the financial year between the equity holders of the parent and minority interests. In the consolidated balance sheet and consolidated statement of changes in equity, minority interests are presented within total equity. FRS 101 also requires disclosure on the face of the consolidated statement of changes in equity, a total for recognised income and expenses for the financial period, showing separately the amount attributable to the equity holders of the parent and the minority interests.

The presentation of this financial report is based on the revised requirements of FRS 101 in which certain comparative figures have been restated to conform with the current year's presentation.

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The following comparatives have been restated due to the adoption of new and revised FRSs and IC Interpretation which have retrospective impact on the preceding year's financial statements:-

Group	30 June 2006 As previously reported RM'000	Effect of adoption of IC Interpretation 112 RM'000	As restated RM'000
Balance Sheet			
Other assets	39,570	(39,570)	-
Reserves	754,985	(39,570)	715,415
Statement of changes in equity			
Reserve for own shares at 1 July 2006	-	(42,603)	(42,603)
Retained profits at 1 July 2006	506,487	3,033	509,520
Reserve for own shares at 1 July 2005	-	(5,811)	(5,811)
Retained profits at 1 July 2005	473,943	1,685	475,628
Dividends	(74,591)	1,050	(73,541)
Cash Flow Statement			
Changes in trade and other receivables	(103,954)	35,742	(68,212)
Dividend paid to equity holders of the Company	(74,591)	1,050	(73,541)
Purchase of Trust Shares	-	(36,792)	(36,792)

The MASB has issued the following FRSs and IC Interpretations that are effective for annual periods beginning after 1 October 2006 and that have not been applied in preparing these financial statements.

Standard/Interpretation		Effective date
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119_{2004}	Employees Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007

Notes To The Financial Statements (cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Standard/Interpretation		Effective date
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004}, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group and the Company plan to first adopt FRS 107, FRS 112, FRS 117, FRS 118, FRS 124, FRS 137 and the Amendment to FRS 121 for the financial year beginning 1 July 2007.

The first adoption of the FRS 107, FRS 112, FRS 118, FRS 119, FRS 137 and Amendment to FRS 121 is not expected to have any material impact on the financial statements of the Group and the Company.

The effects resulting from the adoption of FRS 117, FRS 124 and FRS 139 upon first adoption of these standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective standards.

FRS 6, FRS 129, the Amendment to FRS 119_{2004} and the Interpretations listed above are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

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 2007 %	2006 %	Principal activity
Carsem (M) Sdn Bhd	Malaysia	**70**	70	Manufacturing and testing of semiconductor devices and electronic components
Carsem Semiconductor Sdn Bhd +	Malaysia	**70**	70	Dormant
Carsem Holdings Limited *	Bermuda	**100**	100	Investment holding
Carsem Semiconductor (Suzhou) Co., Ltd. +#@	The People's Republic of China	**100**	100	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

Notes To The Financial Statements (cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of subsidiary	Country of incorporation	Effective interest 2007 %	Effective interest 2006 %	Principal activity
Carsem Inc. +*	United States of America	**70**	70	Semiconductor devices' and electronic components' marketing agent
Dyna-Craft Industries, Inc.*	United States of America	**100**	100	Dormant
MPI (BVI) Limited #	British Virgin Islands	**100**	100	Investment holding and trading in securities

\+ Sub-subsidiary.

\# Subsidiary not audited by KPMG.

@ This subsidiary is consolidated based on unaudited financial statements. The subsidiary's latest audited financial statements is for the financial year ended 31 December 2006. The financial year end of this subsidiary is 31 December as required under the local regulations in its country of incorporation.

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

4. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land RM'000	Building RM'000	Long term leasehold land RM'000	Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 July 2005	822	4,597	28,336	235,753	2,090,486	51,183	2,411,177
Additions	-	-	-	5,913	311,852	52,282	370,047
Disposals	-	-	-	-	(10,686)	-	(10,686)
Write off	-	-	-	-	(40,321)	-	(40,321)
Reclassification	-	-	10	44,437	32,807	(77,254)	-
Currency translation differences	(142)	(790)	4	45	159	-	(724)
At 30 June 2006/1 July 2006	680	3,807	28,350	286,148	2,384,297	26,211	2,729,493
Additions	-	-	-	10,990	176,147	26,643	213,780
Disposals	(639)	(3,579)	-	-	(13,944)	-	(18,162)
Write off	-	-	-	(83)	(22,586)	-	(22,669)
Transfers	-	-	123	-	18,701	(18,824)	-
Reclassifications	-	-	-	1,818	(1,818)	-	-
Currency translation differences	(41)	(228)	(37)	(398)	(1,743)	-	(2,447)
At 30 June 2007	**-**	**-**	**28,436**	**298,475**	**2,539,054**	**34,030**	**2,899,995**

Notes To The Financial Statements (cont'd)

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

Group

	Freehold land RM'000	Building RM'000	Long term leasehold land RM'000	Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 July 2005	-	3,356	7,094	68,387	1,305,964	-	1,384,801
Charge for the financial year	-	-	278	13,417	202,733	-	216,428
Disposals	-	-	-	-	(9,237)	-	(9,237)
Write off	-	-	-	-	(37,883)	-	(37,883)
Currency translation differences	-	(865)	-	(7)	20	-	(852)
At 30 June 2006/1 July 2006	-	2,491	7,372	81,797	1,461,597	-	1,553,257
Charge for the financial year	-	-	344	14,335	214,654	-	229,333
Disposals	-	(2,491)	-	-	(10,157)	-	(12,648)
Write off	-	-	-	(25)	(22,086)	-	(22,111)
Transfers	-	-	-	61	(61)	-	-
Currency translation differences	-	-	21	(47)	(357)	-	(383)
At 30 June 2007	**-**	**-**	**7,737**	**96,121**	**1,643,590**	**-**	**1,747,448**
Carrying amounts							
At 1 July 2005	822	1,241	21,242	167,366	778,442	51,183	1,020,296
At 30 June 2006/ 1 July 2006	680	1,316	20,978	204,351	922,700	26,211	1,176,236
At 30 June 2007	**-**	**-**	**20,699**	**202,354**	**895,464**	**34,030**	**1,152,547**

Company

	Equipment and motor vehicles RM'000
Cost	
At 1 July 2005	1,050
Disposals	(4)
At 30 June 2006/1 July 2006	1,046
Write off	(2)
At 30 June 2007	**1,044**
Accumulated depreciation	
At 1 July 2005	429
Charge for the financial year	156
Disposals	(4)
At 30 June 2006/1 July 2006	581
Charge for the financial year	155
Write off	(2)
At 30 June 2007	**734**

Notes To The Financial Statements (cont'd)

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

Company	Equipment and motor vehicles RM'000
Carrying amounts	
At 1 July 2005	621
At 30 June 2006/ 1 July 2006	465
At 30 June 2007	**310**

Included in property, plant and equipment of the Group are plant and machinery acquired under finance lease agreement with a net book value of RM1,137,000 (2006: RM3,222,000).

Included in property, plant and equipment of the Group during the previous financial year was interest capitalised of RM124,000 at a rate of 3.6% per annum.

The building of a subsidiary is situated on land held under a long term operating lease (Note 22).

5. INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Long term				
Unquoted shares, at cost:				
Subsidiaries	**-**	-	**530,813**	555,813
Less: Impairment losses	**-**	-	**(46,615)**	(45,615)
	-	-	**484,198**	510,198
Other investments	**693**	693	**693**	693
	693	693	**484,891**	510,891

Impairment losses are recognised based on the excess of carrying amounts over its recoverable amounts of investment, which is determined based on the net assets value of the investee companies.

6. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
Cost			
At 1 July 2005/30 June 2006	36,722	2,400	39,122
Effect of adoption of FRS 3	(24,329)	-	(24,329)
At 1 July 2006, restated/30 June 2007	**12,393**	**2,400**	**14,793**

Notes To The Financial Statements (cont'd)

6. INTANGIBLE ASSETS (cont'd)

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
Accumulated amortisation			
At 1 July 2005	20,646	1,800	22,446
Amortisation charge for the financial year	1,838	600	2,438
Write off	1,845	-	1,845
At 30 June 2006/1 July 2006	24,329	2,400	26,729
Effect of adoption FRS 3	(24,329)	-	(24,329)
At 1 July 2006, restated/30 June 2007	**-**	**2,400**	**2,400**
Carrying Amounts			
At 1 July 2005	16,076	600	16,676
At 30 June 2006/1 July 2006	12,393	-	12,393
At 30 June 2007	**12,393**	**-**	**12,393**

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to a subsidiary's operating divisions which represent the lowest level within that subsidiary at which the goodwill is monitored for internal management purposes.

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

Value in use was determined by discounting the future cash flows generated form the continuing use of the unit and was based on the recent financial projections approved by the management. These projections cover a period of ten years, using projected growth rate of between 5% to 10% for the first 5 years and discounted by the prevailing interest rates. The cash flows are extrapolated in perpetuity due to the long term perspective of these business within that subsidiary.

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

7. OTHER ASSETS

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

Notes To The Financial Statements (cont'd)

8. INVENTORIES

	Group 2007 RM'000	Group 2006 RM'000
Raw materials	**55,697**	52,637
Work-in-progress	**18,526**	12,999
Finished goods	**21,000**	17,693
Consumable spares	**11,360**	7,484
	106,583	90,813

Inventories amounted to RM528,303,168 (2006: RM460,138,976) were recognised as cost of sales.

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Trade receivables	a	**196,114**	217,002	**-**	-
Amounts due from subsidiaries	b	**-**	-	**32,616**	33,557
Other debtors		**4,477**	6,474	**18**	16
Deposits		**971**	972	**5**	4
Prepayments		**9,841**	11,365	**15**	5
		211,403	235,813	**32,654**	33,582

Group

Note a

Trade receivables amounted to RM190,613,000 (2006: RM206,498,000) are denominated in US Dollar.

Company

Note b

Amounts due from subsidiaries are non-trade, unsecured and have no fixed terms of repayment. The amounts are interest free except for an advance to a subsidiary in the previous financial year amounted to RM33,188,000 which borne interest between 4.0% to 4.3% per annum.

Amounts due from subsidiaries amounted to RM31,752,000 (2006: RM33,557,000) are denominated in US Dollar.

Notes To The Financial Statements (cont'd)

10. CASH AND BANK BALANCES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Deposits with:				
Licensed banks	**82,472**	55,663	**1,434**	2,187
Discount house	**7,518**	16,088	**7,518**	13,088
	89,990	71,751	**8,952**	15,275
Cash and bank balances	**16,768**	13,003	**119**	201
	106,758	84,754	**9,071**	15,476

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

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Deposits and bank balances	**62,297**	443	**119**	201

Cash and bank balances amounted to RM6,510,322 (2006: RM7,223,278) and RM1,813,823 (2006: RM1,754,532) are denominated in US Dollar and RMB respectively.

11. SHARE CAPITAL

	Group and Company			
	2007		2006	
Ordinary shares of RM0.50 each	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
At 1 July/30 June	**400,000**	**200,000**	400,000	200,000
Issued and fully paid:				
At 1 July/30 June	**209,884**	**104,942**	209,884	104,942

During the financial year, the Company bought back 4,000 of its own shares at an average price of RM10.20 per ordinary share from the open market. As at 30 June 2007, the total number of shares bought back was 10,980,000 (2006: 10,976,000) ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Notes To The Financial Statements (cont'd)

12. RESERVES

	Note	Group 2007 RM'000	Group Restated 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Reserves consist of:					
Share premium		**249,952**	249,952	**249,952**	249,952
Capital redemption reserve	a	**560**	310	**-**	-
Exchange fluctuation reserve		**895**	(1,764)	**-**	-
Reserve for own shares	b	**(42,603)**	(42,603)	**-**	-
Share option reserve	c	**689**	-	**47**	-
Retained profits	d	**563,033**	509,520	**250,074**	270,693
		772,526	715,415	**500,073**	520,645

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

Reserve for own shares represents advances given to a trustee to purchase the Trust Shares as disclosed in Note 2.2(l)(iv).

There were no Trust Shares purchased by the trustee during the financial year. As at 30 June 2007, the total number of Trust Shares purchased by the trustee was 4,000,000 (2006: 4,000,000) ordinary shares of RM0.50 each.

Note c

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

Note d

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 credit and tax exempt income to frank in full all its retained profits at 30 June 2007 if paid out as dividends.

13. BORROWINGS (UNSECURED)

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Current					
Term loans	a	**108,739**	107,144	**32,304**	51,994
Bank overdrafts	a	**-**	45	**-**	45
Bankers' acceptances	a	**69,935**	99,436	**-**	-
Finance lease	b	**70**	1,568	**-**	-
Revolving credit	a	**40,000**	80,000	**40,000**	12,000
		218,744	288,193	**72,304**	64,039

Notes To The Financial Statements (cont'd)

13. BORROWINGS (UNSECURED) (cont'd)

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Non-current					
Term loans	a	**142,810**	132,285	**14,629**	49,597
Finance lease	b	**-**	69	**-**	-
		142,810	132,354	**14,629**	49,597
		361,554	420,547	**86,933**	113,636

Note a

Group

Terms and debt repayment schedule

	Year of maturity	Carrying Amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2007					
Term loans	**2008 - 2010**	**251,549**	**108,739**	**74,674**	**68,136**
2006					
Term loans	2006 - 2009	239,429	107,144	70,306	61,979

There are no covenant for the term loans.

The following term loans are denominated in foreign currencies:

	Group 2007 RM'000	Group 2006 RM'000
USD loan	**110,544**	211,841
RMB loan	**9,072**	27,588
	119,616	239,429

The term loans bear interest from 4.1% to 6.4% (2006: 4.3% to 6.2%) per annum.

The bank overdraft in the previous financial year borne interest of 3.8% per annum.

The bankers' acceptances bear interest of 3.4% to 4.2% (2006: 2.9% to 4.3%) per annum.

The revolving credit which is repayable on demand is subject to interest of 4.1% to 4.4% (2006: 4.1% to 4.4%) per annum.

Notes To The Financial Statements (cont'd)

13. BORROWINGS (UNSECURED) (cont'd)

Note a (cont'd)

Company

Terms and debt repayment schedule

	Year of maturity	Carrying Amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2007					
Term loans	**2007 - 2009**	**46,933**	**32,304**	**14,629**	**-**
2006					
Term loans	2006 - 2009	101,591	51,994	33,556	16,041

There are no covenants for the term loans. The term loans are denominated in Ringgit Malaysia.

The term loans bear interest from 4.1% to 6.4% (2006: 5.6% to 6.1%) per annum.

The bank overdraft in the previous financial year borne interest of 3.8% per annum.

The revolving credit which is repayable on demand is subject to interest of 4.1% to 4.4% (2006: 4.1% to 4.4%) per annum.

Note b

Group

Finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments RM'000	Interest RM'000	Principal RM'000	Minimum lease payments RM'000	Interest RM'000	Principal RM'000
Less than 1 year	**93**	**23**	**70**	1,629	61	1,568
Between 1 and 5 years	**-**	**-**	**-**	92	23	69
	93	**23**	**70**	1,721	84	1,637

The finance lease arrangement bears interest of 1.5% to 1.9% (2006:1.5% to 1.9%) per annum.

14. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
At 1 July/30 June	**506**	506	**245**	245

Notes To The Financial Statements (cont'd)

14. EMPLOYEE BENEFITS (cont'd)

(b) Share-based payments

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

Malaysian Pacific Industries Berhad ("MPI") had granted conditional incentive share options ("Options") over 250,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd, a wholly-owned subsidiary of the Company, whilst Carsem (M) Sdn Bhd ("C(M)") and Dynacraft Industries Sdn Bhd ("DCI"), both subsidiaries of the Company, had granted Options over a total of 3,400,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to the eligible executives of C(M) and DCI.

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

The Options, if vested, will be satisfied by existing MPI shares held by the ESOS Trust set up for the Options.

The movement in the number and weighted average exercise prices of the Options are as follows:

	Number of Options	Weighted average exercise price ("WAEP")
Outstanding at 1 July 2006	-	-
Granted during the current financial year	3,650,000	RM10.61
Outstanding at 30 June 2007	**3,650,000**	**RM10.61**

No Options were vested during the current financial year. The weighted average share price for the year was RM10.30.

The Options outstanding as at the end of the current financial year have a WAEP of RM10.61 and are exercisable from 1 July 2009 to 31 December 2011, if vested.

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

Fair value of Options measured at grant date and assumptions

Weighted average fair value at grant date	RM1.08
Weighted average share price	RM10.70
Exercise price	RM10.61
Expected volatility	14.97%
Options life	5 years
Expected dividends	4.64%
Risk-free interest rate (based on Malaysian government bonds)	3.69%

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

Notes To The Financial Statements (cont'd)

15. DEFERRED TAXATION

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2007			2006		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Group						
Property, plant and equipment	**12,340**	**(67,457)**	**(55,117)**	17,964	(50,787)	(32,823)
Provisions	**4,945**	**-**	**4,945**	6,507	-	6,507
Other items	**745**	**-**	**745**	-	-	-
Tax assets/(liabilities)	**18,030**	**(67,457)**	**(49,427)**	24,471	(50,787)	(26,316)
Set off of tax	**(18,030)**	**18,030**	**-**	(24,471)	24,471	-
Net tax liabilities	**-**	**(49,427)**	**(49,427)**	-	(26,316)	(26,316)

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

In recognising the deferred tax assets attributable to unutilised capital allowance carried-forwards (included in deductible temporary differences of property, plant and equipment), the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised capital allowance carried-forwards amounting to approximately RM47,462,000 will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM12,340,000.

Unrecognised deferred tax assets

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

	Group	
	2007 RM'000	2006 RM'000
Deductible temporary differences	**-**	475
Unutilised tax losses	**780**	844
	780	1,319

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax losses amounting to RM3,000,000 will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Notes To The Financial Statements (cont'd)

16. TRADE AND OTHER PAYABLES

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Trade payables	a	**83,825**	85,953	**-**	-
Amounts due to:					
- Related companies	b	**103**	257	**-**	-
- Subsidiaries	c	**-**	-	**2,654**	282
Other payables		**94,713**	123,453	**-**	-
Accrued expenses		**34,304**	48,814	**1,001**	943
		212,945	258,477	**3,655**	1,225

Group

Note a

Trade payables denominated in foreign currencies are as follows:

	2007 RM'000	2006 RM'000
U.S. Dollar	**36,200**	36,823
JPY	**657**	2,924
Others	**228**	2,996

Note b

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

Company

Note c

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

17. PROFIT BEFORE TAXATION

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Allowance for slow moving inventories	**6,907**	5,037	**-**	-
Amortisation of development expenditure	**-**	600	**-**	-
Amortisation of goodwill	**-**	1,838	**-**	-
Auditors' remuneration				
Holding company's auditors				
- current year	**105**	96	**17**	17
- other services	**3**	20	**-**	-
Other auditors	**-**			
- current year	**26**	25	**-**	-
- other services	**13**	-	**-**	-
Bad debts recovered	**-**	(6)	**-**	-
Depreciation	**229,333**	216,428	**155**	156

Notes To The Financial Statements (cont'd)

17. PROFIT BEFORE TAXATION (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors' remuneration				
- Fees	**230**	300	**190**	230
- Other emoluments	**2,551**	2,249	**401**	401
Gain on disposal of property, plant and equipment	**(1,503)**	(1,818)	**-**	-
Gain on disposal of investments	**-**	(2,162)	**-**	-
Goodwill written off	**-**	1,845	**-**	-
Gross dividends from:				
Unquoted subsidiaries	**-**	-	**(64,266)**	(122,140)
Investments quoted in Malaysia	**-**	(20)	**-**	-
Impairment loss of investment in a subsidiary	**-**	-	**1,000**	-
Interest expense				
- Term loan	**14,723**	14,810	**3,946**	7,132
- Others	**6,034**	2,285	**1,327**	-
Net loss/(gain) on foreign exchange				
- realised	**2,229**	12,555	**(3,538)**	(681)
- unrealised	**318**	2,878	**1,981**	(2,413)
Personnel expenses:				
Contributions to Employees Provident Fund	**24,618**	22,986	**13**	13
Wages, salaries and others	**284,808**	274,139	**113**	125
Share-based payment	**689**	-	**-**	-
Property, plant and equipment written off	**558**	2,438	**-**	-
Provision for early separation	**19**	8,193	**-**	-
Rental of property, plant, equipment and office	**2,210**	3,589	**55**	52
Rental income	**(4)**	(283)	**-**	-
Research and development expenditure	**13,907**	13,118	**-**	-

The estimated monetary value of Directors' benefits-in-kind of the Group is RM100,081 (2006: RM106,000).

18. TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current taxation				
Malaysian tax				
- current year	**51**	-	**51**	-
- prior years	**(470)**	(2,011)	**-**	(1,331)
Overseas				
- current year	**-**	88	**-**	-
- prior years	**(22)**	-	**-**	-
	(441)	(1,923)	**51**	(1,331)
Deferred taxation				
- current year	**23,111**	17,434	**-**	-
	22,670	15,511	**51**	(1,331)

18. TAXATION (cont'd)

Reconciliation of taxation	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Profit before taxation		**189,637**	165,381	**58,994**	117,901
Taxation at Malaysian statutory tax rate of 27% (2006:28%)		**51,202**	46,307	**15,928**	33,012
Effect of change in tax rates	a	**(3,230)**	-	**-**	-
Non-deductible expenses		**3,229**	5,307	**1,488**	1,187
Losses not available for set off	b	**11**	761	**-**	-
Tax exempt income		**(44,242)**	(42,548)	**(17,351)**	(34,199)
Effect of temporary differences arising in pioneer period		**24,318**	12,145	**-**	-
Effect of deferred tax assets not recognised		**(128)**	(4,129)	**-**	-
Tax incentive		**(8,790)**	-	**-**	-
Changes in unrecognised temporary differences previously not recognised		**683**	-	**-**	-
Effect of different tax rate		**175**	-	**-**	-
Others		**(66)**	(321)	**(14)**	-
		23,162	17,522	**51**	-
Overprovision in prior years		**(492)**	(2,011)	**-**	(1,331)
Taxation		**22,670**	15,511	**51**	(1,331)

Note a

With effect from year of assessment ("YA") 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in YA 2008. Consequently deferred tax assets and liabilities are measured using these tax rates.

Note b

Certain subsidiaries have been granted extension to the existing pioneer status until year 2010 by the Ministry of International Trade and Industry under Section 127 of the Income Act, 1967 and in accordance with the Promotion of Investments Act, 1986.

19. 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 equity holders of the Company of RM131,725,000 (2006: RM107,135,000) by the weighted average number of ordinary shares outstanding during the financial year of 194,906,345 (2006: 197,150,181) calculated as follows:-

Weighted average number of ordinary shares

	Group/Company 2007 '000	Group/Company 2006 '000
Issued ordinary shares at 1 July	**194,908**	198,568
Effect of purchase of treasury shares	**(2)**	(3)
Effect of purchase of Trust Shares	**-**	(1,415)
Weighted average number of ordinary shares	**194,906**	197,150

Notes To The Financial Statements (cont'd)

19. EARNINGS PER ORDINARY SHARE (cont'd)

Diluted earnings per ordinary share

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

The Group had no dilution in its earnings per ordinary share in the previous financial year as there were no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

20. DIVIDENDS

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

Ordinary Shares	Per share (Tax exempt) Sen	Group RM'000	Company RM'000	Date of payment
2007				
First Interim	**17.0**	**33,134**	**33,814**	6 December 2006
Second Interim	**23.0**	**44,828**	**45,748**	21 June 2007
		77,962	**79,562**	
2006				
First Interim	15.0	29,687	29,837	23 December 2005
Second Interim	22.5	43,854	44,754	20 June 2006
		73,541	74,591	

Dividend received by the ESOS Trust amounted to RM1,600,000 (2006: RM1,050,000) are eliminated against the dividend expense of the Company following the consolidation of ESOS Trust as disclosed in Note 2.2 (l) (iv).

21. SEGMENTAL INFORMATION

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

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

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

Business segments

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

Notes To The Financial Statements (cont'd)

21. SEGMENTAL INFORMATION (cont'd)

Geographical segments

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

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

(a) Business segments

	Semiconductor		Investment holdings		Consolidated	
						Restated
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Total revenue	**1,485,329**	1,359,745	**-**	20	**1,485,329**	1,359,765
Segment result	**209,509**	179,427	**(1,685)**	(542)	**207,824**	178,885
Interest expense					**(20,757)**	(17,095)
Interest income					**2,570**	3,591
Profit before taxation					**189,637**	165,381
Taxation					**(22,670)**	(15,511)
Profit after taxation					**166,967**	149,870
Minority interests					**(35,242)**	(42,735)
Profit for the financial year					**131,725**	107,135
Segment assets	**1,580,130**	1,580,872	**10,237**	19,340	**1,590,367**	1,600,212
Unallocated assets					**512**	6,003
Total assets					**1,590,879**	1,606,215
Segment liabilities	**486,715**	564,441	**86,933**	113,636	**573,648**	678,077
Unallocated liabilities					**50,784**	27,791
Total liabilities					**624,432**	705,868
Capital expenditure	**213,780**	370,047	**-**	-	**213,780**	370,047
Depreciation and amortisation	**229,178**	218,710	**155**	156	**229,333**	218,866
Non-cash expenses other than depreciation and amortisation	**(2,259)**	7,301	**3,824**	(140)	**1,565**	7,161

Notes To The Financial Statements (cont'd)

21. SEGMENTAL INFORMATION (cont'd)

(b) Geographical segments

	(Based on location of assets)			
	Segment assets		Capital expenditure	
		Restated		
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Malaysia	**1,424,253**	1,438,083	**191,502**	299,245
People's Republic of China	**164,945**	165,524	**22,250**	70,771
Others	**1,681**	2,608	**28**	31
	1,590,879	1,606,215	**213,780**	370,047

22. COMMITMENTS

	Group	
	2007	2006
	RM'000	RM'000
Property, plant and equipment:		
Authorised and contracted for	**91,509**	104,245
Authorised but not contracted for	**72,585**	67,172
	164,094	171,417
Lease commitments:		
Commitments under operating leases:		
Expiring within one year	**906**	1,197
Expiring between one to five years	**5,574**	4,190
Expiring after five years	**38,673**	41,030
	45,153	46,417

Group

The Group has lease commitments of RM906,000 (2006: RM906,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expire on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

Notes To The Financial Statements (cont'd)

23. RELATED PARTIES

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

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

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

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

(iii) O.Y.L. Industries Bhd ("O.Y.L.") is an associate of HLCM. O.Y.L. ceased to be an associate of HLCM on 6 October 2006; and

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

Significant transactions with related parties are as follows:

Transactions	Related parties	Group 2007 RM'000	Group 2006 RM'000
(a) Purchase of air-conditioners, air ventilation systems, compressors and related products	Subsidiary of O.Y.L.	**94**	247
(b) Rental of shared office space	HLA	**53**	52
(c) Receipt of insurance and insurance broking services, stock broking and corporate advisory services, hotel related services, security services, internet protocol services, after sales services in respect of air conditioners and related products	HLA, HLG and its subsidiaries, GLM, BIL and its subsidiaries, GSC, HLI and its subsidiaries and O.Y.L. and its subsidiaries	**177**	5,876
(d) Receipt of corporate office support services	Subsidiary of HLI	**678**	721
(e) Receipt of group management and/or support services	Subsidiary and an associated company of HLCM	**4,590**	5,280
(f) Payment for usage of the Hong Leong logo and trademark	HLCM	**2**	12
(g) Interest income	HLB and its subsidiary	**431**	1,032

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

Notes To The Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

Credit risk

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

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

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

Notes To The Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis

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

	Note	Weighted average effective interest rate %	Total RM'000	Less than 1 year RM'000	1-2 years RM'000
Group					
2007					
Financial assets					
Deposits with financial institutions	**10**	**3.2**	**89,990**	**89,990**	**-**
Financial liabilities					
Borrowings - floating rate	**13**	**5.0**	**282,477**	**282,477**	**-**
Borrowings - fixed rate	**13**	**2.8**	**9,072**	**9,072**	**-**
Bankers' acceptances	**13**	**3.6**	**69,935**	**69,935**	**-**
Finance lease	**13**	**1.9**	**70**	**70**	**-**
2006					
Financial assets					
Deposits with financial institutions	10	2.8	71,751	71,751	-
Financial liabilities					
Borrowings - floating rate	13	5.3	291,886	291,886	-
Borrowings - fixed rate	13	5.4	27,588	27,588	-
Bankers' acceptance	13	3.9	99,436	99,436	-
Finance lease	13	1.7	1,637	1,568	69
Company					
2007					
Financial assets					
Deposits with financial institutions	**10**	**3.3**	**8,952**	**8,952**	**-**
Financial liabilities					
Borrowings - floating rate	**13**	**4.2**	**86,933**	**86,933**	**-**
2006					
Financial assets					
Deposits with financial institutions	10	3.2	15,275	15,275	-
Financial liabilities					
Borrowings - floating rate	13	6.0	113,636	113,636	-

Notes To The Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

Fair Value

Recognised financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company as at 30 June 2007 approximate their fair value except as follows:-

Company	2007 Carrying amount RM'000	2007 Market value RM'000	2006 Carrying amount RM'000	2006 Market value RM'000
Other assets	**4,659**	**5,445**	14,674	15,000

Unrecognised financial instruments

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

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Forward foreign exchange contracts	**145,701**	587,352	**-**	2,032

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

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

25. CONTINGENT LIABILITIES

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

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

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

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

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

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 29 to 67 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2007 and of the results of their operations and cash flows for the year ended on that date.

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur
24 August 2007

Statutory Declaration

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

I, CHEAH WING KET, being the officer primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 67 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, CHEAH WING KET at Kuala Lumpur in the Federal Territory on 24 August 2007.

CHEAH WING KET

Before me:

S. MASOHOOD OMAR
Pesuruhjaya Sumpah
Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors To The Members

We have audited the financial statements set out on pages 29 to 67. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

 (i) the state of affairs of the Group and of the Company at 30 June 2007 and the results of their operations and cash flows for the year ended on that date; and

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

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

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon. We have also considered the financial statements of Carsem Inc. and Dyna-Craft Industries, Inc. (incorporated in the United States of America) which are not required to be audited in their respective countries of incorporation and Carsem Semiconductor (Suzhou) Co., Ltd whose latest audited financial statement is for the year ended 31 December 2006 as required under the local regulation in its country of incorporation.

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

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

KPMG
Firm Number: AF-0758
Chartered Accountants

NG SWEE WENG
Partner
Approval Number: 1414/03/08 (J/PH)

Kuala Lumpur
24 August 2007

Other Information

1. PROPERTIES HELD AS AT 30 AUGUST 2007

Location	Tenure	Existing use	Acquisition date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2007 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh Perak	20 Apr 2074	Factory Building & Office Building	21 Sept 1998	158,297	11-32	17,308
Jalan Lapangan Terbang 30720 Ipoh Perak	15 Aug 2081	Factory Building & Office Building	21 Sept 1998	64,469	9-19	16,797
Jalan Lapangan Terbang 30720 Ipoh Perak	23 May 2082	Factory Building & Office Building	21 Sept 1998	19,849	11-19	1,427
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Industrial Land - Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	18,285
Jalan Lapangan Terbang 30720 Ipoh Perak	08 May 2039	Factory Building & Office Building	07 Apr 1989	45,680	13	3,937
Jalan Lapangan Terbang 30720 Ipoh Perak	06 Nov 2063	Leasehold vacant land	07 Nov 2003	66,812	-	4,600
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Factory Building & Office Building	30 Oct 1992	1,348,704	16	87,133
Plot 73021, Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021, People's Republic of China.	01 Jan 2052	Factory Building & Office Building	30 Apr 2002	430,550	4	27,388
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory Buildings & Office Building	18 Jun 1995	257,000	13	25,888
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Factory Buildings & Office Building	18 Jun 1995	105,000	8	15,206
Plot 15,Bayan Lepas, Pulau Pinang	22 Feb 2065	Factory Buildings & Office Building	24 Feb 2005	174,243	-	25,552

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007

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

Distribution Schedule Of Shareholders As At 30 August 2007

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	197	6.62	5,012	0.00
100 – 1,000	1,373	46.12	993,046	0.50
1,001 – 10,000	1,169	39.27	3,934,259	1.98
10,001 – 100,000	174	5.84	5,340,405	2.68
100,001 – less than 5% of issued shares	62	2.08	66,030,450	33.20
5% and above of issued shares	2	0.07	122,601,247	61.64
	2,977	100.00	198,904,419	100.00

Note:
* Excluding 10,980,000 shares bought back and retained by the Company as treasury shares

List Of Thirty Largest Shareholders As At 30 August 2007

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	111,956,247	56.29
2. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	10,645,000	5.35
3. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	7,690,900	3.87
4. Employees Provident Fund Board	7,540,000	3.79
5. HSBC Nominees (Asing) Sdn Bhd - ABN Amro Bank N.V. (London Branch)	4,346,000	2.18
6. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (MPIB)	4,000,000	2.01
7. Pertubuhan Keselamatan Sosial	3,555,100	1.79
8. Hong Leong Industries Berhad	3,042,400	1.53
9. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	2,526,200	1.27
10. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	2,503,000	1.26
11. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	2,488,500	1.25
12. Citigroup Nominees (Asing) Sdn Bhd - Artradis Barracuda Fund	2,336,200	1.17

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2007 (cont'd)

Names of Shareholders	No. of Shares	%
13. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	2,217,800	1.12
14. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Bank Berhad	2,200,000	1.11
15. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	2,194,200	1.10
16. Valuecap Sdn Bhd	2,042,900	1.03
17. Permodalan Nasional Berhad	2,038,000	1.02
18. Hong Leong Assurance Berhad - As Beneficial Owner	1,370,800	0.69
19. HLG Nominee (Asing) Sdn Bhd - Asia Fountain Investment Company Limited	1,000,000	0.50
20. Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd	941,300	0.47
21. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	810,900	0.41
22. Assets Nominees (Tempatan) Sdn Bhd - HLCM Capital Sdn Bhd	735,000	0.37
23. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Assurance Malaysia Berhad	632,300	0.32
24. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Nasional 2	600,700	0.30
25. HSBC Nominees (Asing) Sdn Bhd - Vanguard Emerging Markets Stock Index Fund	550,000	0.28
26. CIMB Trustee Berhad - Amanah Saham Darul Iman	546,800	0.27
27. Citigroup Nominees (Asing) Sdn Bhd - AB2 Fund	507,900	0.26
28. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Foundation	500,000	0.25
29. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Amanah Pencen	460,000	0.23
30. Mayban Nominees (Tempatan) Sdn Bhd - Affin Equity Fund	452,000	0.23
	182,430,147	91.72

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2007 are as follows:

		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	YBhg Tan Sri Quek Leng Chan	-	-	120,643,609*	60.65*
2.	Hong Leong Industries Berhad	114,998,647	57.82	-	-
3.	Hong Leong Company (Malaysia) Berhad	-	-	120,590,109+	60.63+
4.	HL Holdings Sdn Bhd	-	-	120,590,109#	60.63#
5.	Hong Realty (Private) Limited	-	-	120,590,109#	60.63#
6.	Hong Leong Investment Holdings Pte Ltd	-	-	120,590,109#	60.63#
7.	Kwek Holdings Pte Ltd	-	-	120,590,109#	60.63#
8.	Mr Kwek Leng Beng	-	-	120,590,109#	60.63#
9.	Mr Kwek Leng Kee	-	-	120,590,109#	60.63#
10.	Davos Investment Holdings Private Limited	-	-	120,590,109#	60.63#
11.	Mr Quek Leng Chye	150,000	0.08	120,590,109#	60.63#
12.	Employees Provident Fund Board	10,174,800	5.12	-	-
13.	Citigroup Global Markets Limited (known as Salomon Brothers International Limited)	10,645,000	5.35	-	-

Notes:
* Held through Hong Leong Company (Malaysia) Berhad and a company in which YBhg Tan Sri Quek Leng Chan has interest.
+ Held through subsidiaries.
# Held through Hong Leong Company (Malaysia) Berhad.

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2007

Subsequent to the financial year end, there is no change as at 30 August 2007 to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 25 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of Ordinary Shares	%
Indirect Interest		
YBhg Tan Sri Asmat bin Kamaludin in:		
Hong Leong Industries Berhad	44,000^	0.02
Hong Leong Bank Berhad	3,000^	-

Note:
^ Held through children who are not directors of the Company.

Other Information (cont'd)

4. SHARE BUYBACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
November 2006	3,000	10.10	10.10	10.17	30,525
May 2007	1,000	10.20	10.20	10.28	10,276

Note:
* inclusive of transaction charges

5. MATERIAL CONTRACTS

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

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

FORM OF PROXY

I/We ____

of ____

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

____

of ____

or failing him/her ____

of ____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-sixth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 23 October 2007 at 10.15 a.m. and at any adjournment thereof.

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

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

Dated this .... day of 2007

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

Notes:

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

Board Audit & Risk Management Committee Report (cont'd)

AUTHORITY

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

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

MEETINGS

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

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2007, four (4) Committee meetings were held and all the meetings were attended by all the Committee members.

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

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

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

INTERNAL AUDIT

During the financial year ended 30 June 2007, the Internal Audit Department carried out its duties covering business audit. system and financial audit.

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