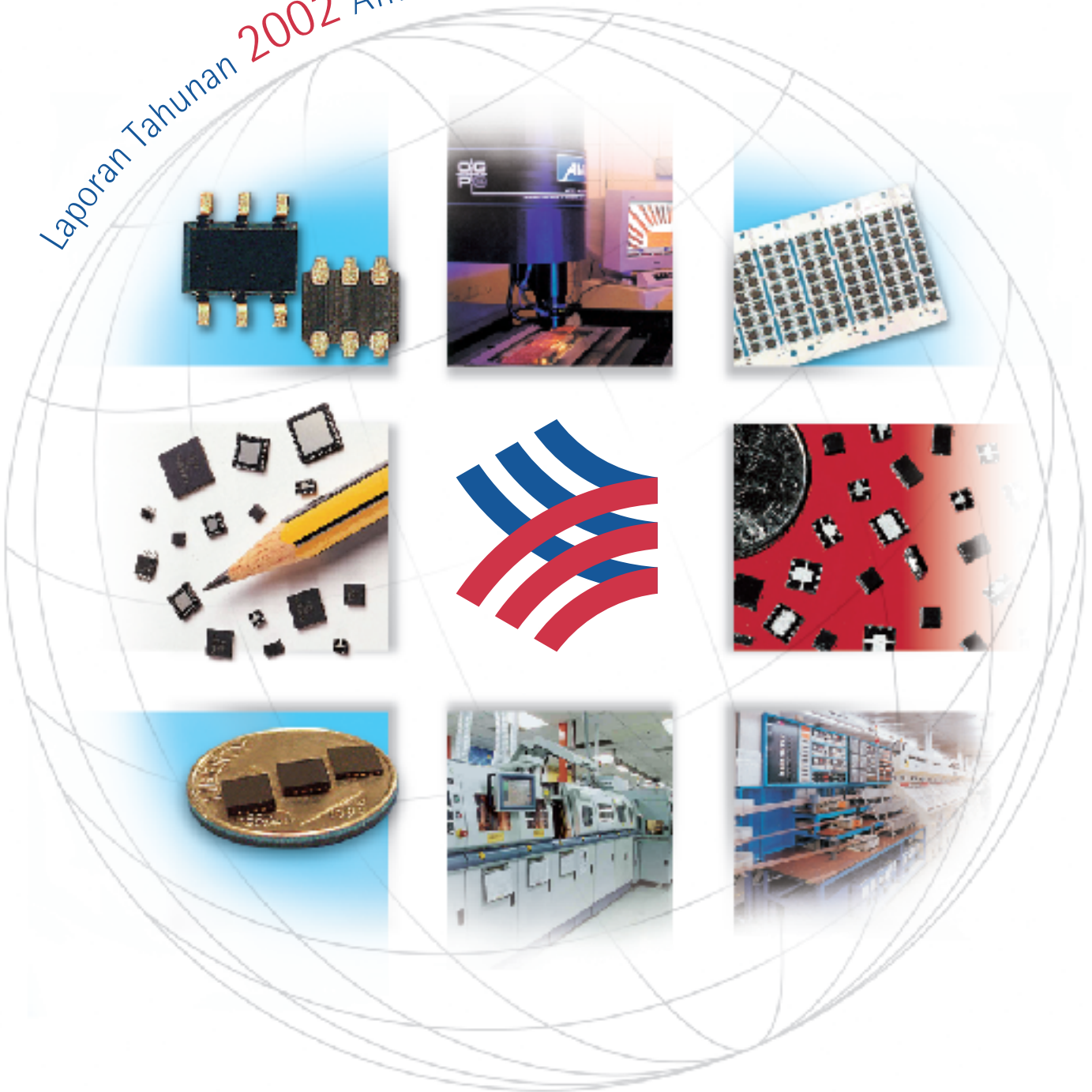


Laporan Tahunan 2002 Annual Report



Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group Malaysia

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COMPANY PROFILE

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

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

Directors

Mr Kwek Leng San
(Executive Chairman)

Mr David Edward Comley
(Group Managing Director)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

Secretaries

Ms Queek Chai Choo

Ms Joanne Leong Wei Yin

Auditors

KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2095 3388
Fax: 03-2095 0971

Registrar

Hong Leong Nominees Sendirian Berhad
Level 5, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel: 03-2164 1818
Fax: 03-2164 3703

Registered Office

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

Country Of Incorporation

Malaysia

DIRECTORS' PROFILE

Mr Kwek Leng San

Executive Chairman/Non-Independent

Mr Kwek Leng San, aged 47, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He was appointed as a Director of Malaysian Pacific Industries Berhad ("MPI") on 20 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. Presently, he is the Executive Chairman of MPI and the President & Chief Executive Officer of Hong Leong Industries Berhad ("HLI") and Hume Industries (Malaysia) Berhad.

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

He is the Executive Chairman of Guolene Packaging Industries Berhad, Chairman of Industrial Concrete Products Berhad, Group Managing Director of Camerlin Group Berhad and a Director of Hume Cemboard Berhad ("HCB"), O.Y.L. Industries Bhd, Southern Steel Berhad and Hong Leong Company (Malaysia) Berhad.

He attended all the Board meetings of MPI held during the financial year ended 30 June 2002.

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

Mr David Edward Comley

Group Managing Director/Non-Independent

Mr David Edward Comley, aged 53, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to joining MPI as a Director and subsequently as the Group Managing Director on 16 August 1993 and 1 May 1994 respectively, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

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

Mr David Comley attended all the Board meetings of MPI held during the financial year ended 30 June 2002.

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 convictions for offences within the past ten years.

Syed Zaid bin Syed Jaffar Albar

Non-Executive Director/Non-Independent

Syed Zaid bin Syed Jaffar Albar, aged 48, a Malaysian, qualified 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 22 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

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

He attended all the Board meetings of MPI held during the financial year ended 30 June 2002.

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

DIRECTORS' PROFILE

(continued)

Mr Tan Keok Yin

Non-Executive Director/Independent

Mr Tan Keok Yin, aged 58, a Malaysian, graduated from University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM for eleven (11) years. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and assumed the position of Chief Executive Officer ("CEO") in 1981 till 1999. As CEO of FMM, he represented the organisation on various Government boards and committees and internationally at the World Economic Forum (WEF) East Asian Conference and ASEAN Chambers of Commerce and Industry on trade and industrial cooperation. He also served as a Management Board member of EAN International located in Brussels, which develops and promotes the commercial usage of the EAN – UCC bar codes and product numbering system in over 98 countries and regions.

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

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

Mr Tan has attended all the Board meetings of MPI held during the financial year ended 30 June 2002.

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

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Non-Independent

Tan Sri Asmat bin Kamaludin, aged 58, 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 over 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in February 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 committees of MPI.

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

He attended three (3) out of four (4) Board meetings of MPI held during the financial year ended 30 June 2002.

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 convictions for offences within the past ten years.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Constitution

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

During the financial year ended 30 June 2002, the Board Audit Committee has been re-designated as the Board Audit & Risk Management Committee ("the Committee").

Composition

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

Mr Tan Keok Yin
(Independent Non-Executive Director)

Mr Kwek Leng San
(Non-Independent Executive Director)

Secretary

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

Terms Of Reference

The terms of reference of the Committee have been revised to conform to the Listing Requirements of the Kuala Lumpur Stock Exchange.

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

Authority

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(continued)

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) 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 2002, 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 2002, the internal audit department carried out its duties covering business audit, system and financial audit.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-first Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 2.00 p.m. in order:-

1. to receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2002;
2. to approve the payment of Directors' fees of RM170,000/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect Syed Zaid bin Syed Jaffar Albar, the retiring Director;
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:-

Authority To Directors To Issue Shares

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."; and

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

By Order of the Board,

OUEEK CHAI CHOO

JOANNE LEONG WEI YIN

Secretaries

Kuala Lumpur

21 October 2002

NOTES:

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

[Pursuant to Article 115 of the Company's Articles of Association](#)

Syed Zaid bin Syed Jaffar Albar

NOTE:

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

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2002. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 to 5 of the Annual Report.

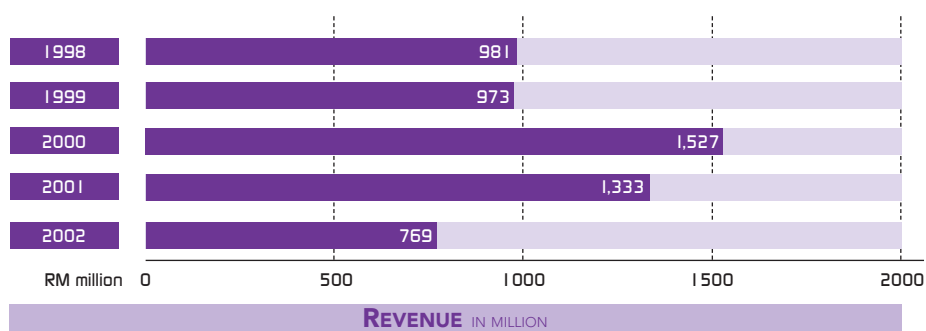
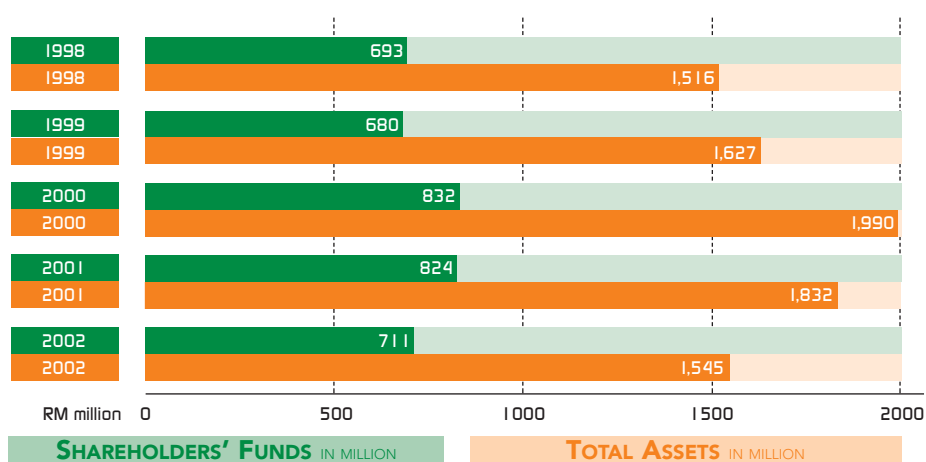
3. Place, Date and Time of Forty-first Annual General Meeting

The Forty-first Annual General Meeting of the Company will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 2.00 p.m.

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

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

GROUP FINANCIAL HIGHLIGHTS



	2002	2001	2000	1999	1998
	RM Million	RM Million	RM Million	RM Million	RM Million
Revenue	769	1,333	1,527	973	981
(Loss)/Profit Before Taxation	(18)	318	501	101	125
Net (Loss)/Profit	(33)	201	327	39	85
Net (Loss)/ Earnings Per Share (sen)	(17)	101	161	19	41
Net Dividend Per Share (sen)	41	66	56	19	12
Shareholders' Funds	711	824	832	680	693
Total Assets	1,545	1,832	1,990	1,627	1,516
Capital Expenditure	115	338	424	188	272

CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

~Finance Committee on Corporate Governance

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

A. Directors

I The Board

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

II Board Balance

The Board of Directors comprises five (5) directors, three (3) of whom are non-executive. Of the non-executive directors, one (1) is independent. The profiles of the members of the Board are provided in the Annual Report.

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

The Board met four (4) times during the financial year ended 30 June 2002.

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

III Supply of Information

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

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

IV Appointments to the Board

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

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

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

During the financial year just ended, all directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysis Malaysia ("RIIAM"), an affiliate company of the Kuala Lumpur Stock Exchange. Subsequently, all directors are required to attend the Continuous Education Programme conducted by RIIAM.

V Re-election

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

B. Directors' Remuneration

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

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

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

Directors' Remuneration (continued)

II Procedure

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

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

III Disclosure

The aggregate remuneration of directors for the financial year ended 30 June 2002 is as follows:-

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	163,000	2,544,000	2,707,000
Non-Executive Directors	90,000	35,000	125,000

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

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	3
50,001 – 350,000	-	-
350,001 – 400,000	1	-
400,001 – 2,700,000	-	-
2,700,001 – 2,750,000	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, circular to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

II Annual General Meeting ("AGM")

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

D. Accountability and Audit

The Board Audit Committee was established on 12 July 1994. The Board Audit Committee has been re-designated as the Board Audit & Risk Management Committee ("the Audit & Risk Committee") on 27 August 2001. The financial reporting and internal control system of the Group is overseen by the Audit & Risk Committee which comprises a majority of non-executive directors. The primary responsibilities of the Audit & Risk Committee are set out in the Board Audit & Risk Management Committee Report.

The Audit & Risk Committee met four (4) times during the financial year ended 30 June 2002. All meetings were attended by all members of the Audit & Risk Committee.

The Head of Internal Audit reports directly to the Audit & Risk Committee and provides the Audit & Risk Committee and management with an independent assessment of the adequacy of risk management practices. Significant breaches and deficiencies identified are discussed at the Audit & Risk Committee and the relevant management meetings where appropriate actions are 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 Audit & Risk Committee which assesses the financial statements with the assistance of the external auditors.

Accountability and Audit (continued)

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 Audit & Risk Committee which determines the remuneration of the external auditors. The external auditors meet with the Audit & Risk Committee to:-

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

E. Statement On Internal Control

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

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

The Board has entrusted the newly designated Board Audit & Risk Management Committee ("the Audit & Risk Committee") with the responsibility to oversee the implementation of the risk management framework of the Group.

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

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

The Audit & Risk Committee, assisted by the Internal Audit Department, provides oversight on the proper functioning of the risk management framework as part of its function of monitoring compliance with the business objectives, policies, reporting standards and control procedures of the Group.

These on going processes have been in place for the year under review and reviewed regularly by the Audit & Risk Committee.

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

F. Directors' Responsibility In Financial Reporting

The Listing Requirements of the Kuala Lumpur Stock Exchange require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of financial year and of the results and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2002, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2002.

FINANCIAL REVIEW

The financial year ended 30 June 2002 has been a most challenging one for MPI, with the business environment being tenuous for most of the year. The Group, however, managed to return to profitability in the last quarter of this financial year. This late turnaround, though, was not enough to prevent the Group from reporting an overall loss of RM33.3 million for the year.

For the year, turnover amounted to RM768.8 million, a decrease of over 42% from last year. Profit attributable to shareholders fell RM234.3 million into a loss of RM33.3 million, representing a loss per share of RM0.167, compared with earnings per share of RM1.006 for the previous year. Included in the loss were some one-off restructuring charges amounting to RM8.4 million.

In spite of the adverse business conditions, the Group's operations still generated healthy cash flows during the financial year, thus, enabling the Group to pay dividends of RM81.2 million.



DIVIDEND

A second interim was paid during June 2002 in lieu of a final dividend. As such, the Board will not be recommending a final dividend. Total dividends paid for the financial year was 90%, comprising 60% tax exempt and 30% less tax.

BUSINESS REVIEW

The exceptionally high inventory levels throughout the electronics sector that had caused revenues to drop so significantly from the beginning of calendar year 2001, continued to be a problem throughout the Group's financial year.

Revenues for the first three quarters were essentially flat with considerable variation and fluctuation in the different sectors. For example, the second quarter showed strong growth of components for cellphones but this was offset by declines in other sectors.

There were indications of an industry pick-up in March and this continued into the fourth quarter with revenue growth of 25% over the third quarter, thus returning the Group to profitability.

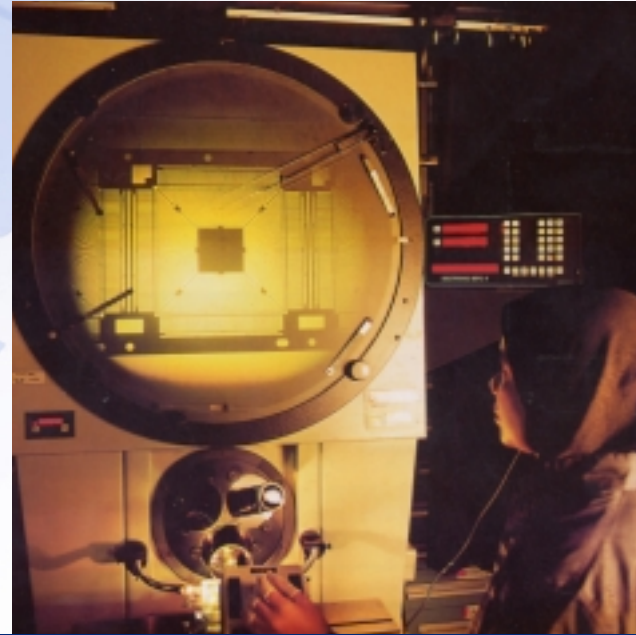
This year has been one of many challenges, with semiconductor companies making the most of excess capacities in the market to reduce selling prices and accelerate their demands for additional services. The Group responded by offering competitive selling prices and focused on cost reduction programmes to ensure that profitability is restored.

Emphasis on the development of new products, processes and technologies and aggressively promoting them in the USA and Europe, have continued to generate strong interest from customers, old and new. It was most heartening for the Group to witness significant increases in demand over the year for these new products and technologies.

OTHER DEVELOPMENTS

In an effort to expand its semiconductor assembly and test business into the People's Republic of China (PRC), the Group has, during the year, incorporated a wholly-owned subsidiary in the PRC, known as "Carsem Semiconductor (Suzhou) Co. Ltd.". The right to use a 60,000 square meter plot of land located in the Suzhou Industrial Park, about one and a half-hours drive west of Shanghai, was acquired. The plant is expected to be operational by the end of 2003.

The Group underwent a restructuring which resulted in the closure of Dynacraft's USA operations and relocating the Cerdip manufacturing to Penang. This, coupled with a combination of higher capacity utilisation, yield and cost improvements, have returned Dynacraft Industries Sdn Bhd to profitability in the fourth quarter.

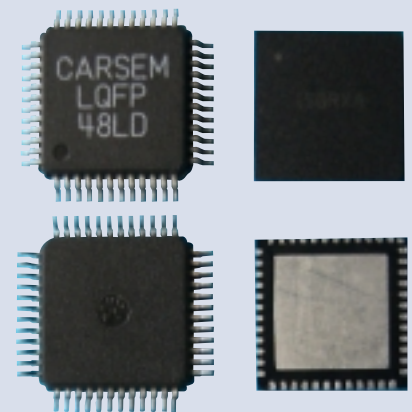


THE FUTURE

The Group has invested RM119 million into buildings, plant and equipment over the past twelve months. A substantial portion of these investments was into research and development, covering new products, processes and computer systems.

Carsem's capabilities on the Micro Lead Package (MLP) and System-In-a-Package (SIP) families, together with the patented flip-chip process, were expanded. The Group believes that many of its customers have accepted these technologies and have designed their usage into their next generation applications. Sales of these new products showed encouraging improvement during the last few months of the financial year, thus setting a good base for further growth next year.

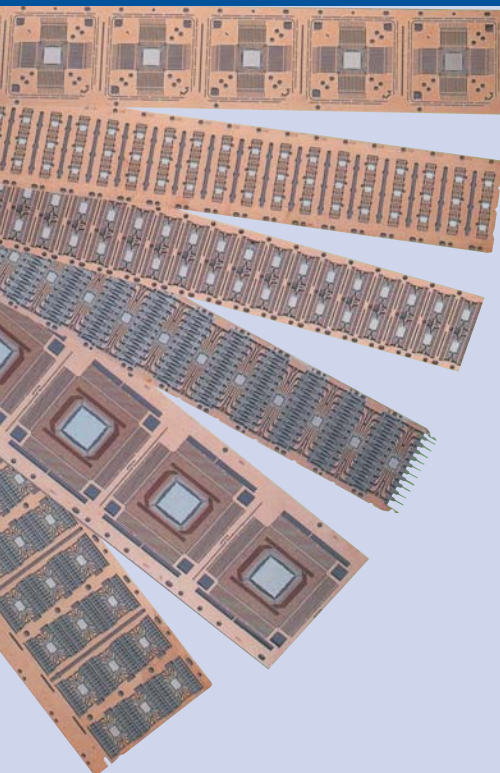
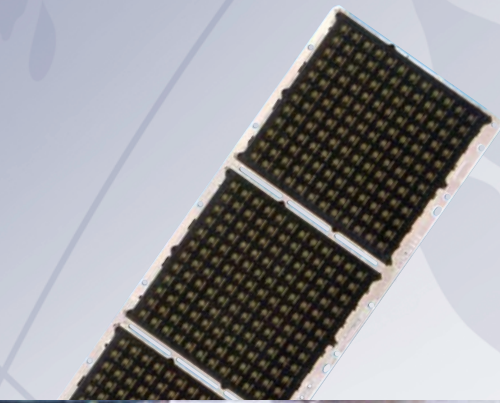
The business model is changing in that, an increasing number of customers today demand full turnkey assembly and test solutions, such that without test capability, subcontractors would not get to assemble the products. The demand for test is also rising as more



customers chose to outsource more operations to reduce cost and delivery time. With its investments into test over the last few years, Carsem (M) Sdn Bhd and Carsem Semiconductor Sdn Bhd are well positioned for this change.

The highly advanced computerised integrated manufacturing and planning system, which went live at Carsem Semiconductor Sdn Bhd last year, lived up to expectations in bringing quantum leap improvements to productivity, cycle-time and production data visibility. It allows the company to go paperless, produce data that will drive the many productivity programmes and allow customers to access information on their product from anywhere in the world. The pilot run in Carsem (M) Sdn Bhd has also delivered encouraging results.

The Group's leadframe design and manufacturing arm ("Dynacraft") continues to provide the latest product innovations to meet customers' and industry's demands. Utilising advanced materials, designs and manufacturing technologies,



Dynacraft ensures the highest quality stamped and etched leadframes. Dynacraft is an industry leader in preplated leadframe (PPF) technology and is in the process of perfecting a lead-free PPF solution to meet future industry environmental standards and requirements. Its success in developing and promoting this technology has paved the way for it to increase its market share with a number of key customers.

PROSPECTS

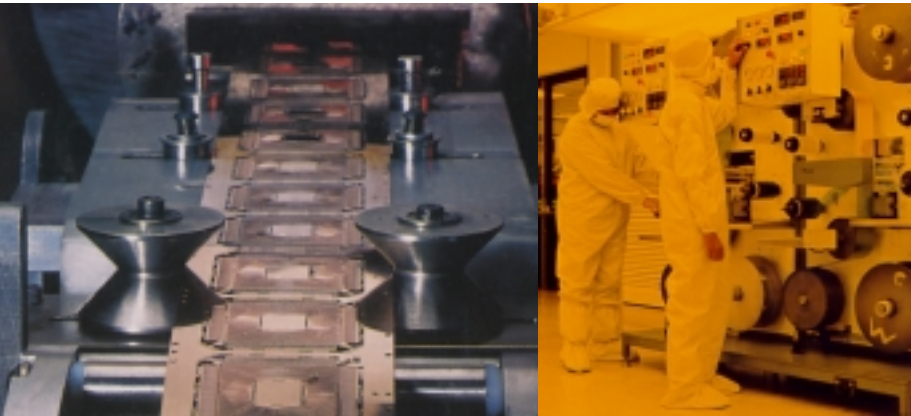
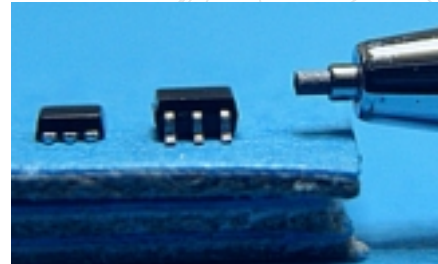
Notwithstanding poor visibility, the new financial year is expected to start slowly before building momentum from September in preparation for the year-end festive season. Beyond that, the Board believes that the industry is still in recovery mode and much would depend on an overall sustained global recovery.

Solid business fundamentals, an experienced management team, a strong balance sheet, healthy cash flow and being a leader in new packaging technologies would ensure that the prospects of the Group remain sound. The Group is well positioned with its new offerings, which continue to gain acceptance in the electronics industry as more applications are discovered in different markets, thus providing a certain degree of optimism.

Barring any unforeseen circumstances, the Board expects the Group to perform satisfactorily in the next financial year.

APPRECIATION

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



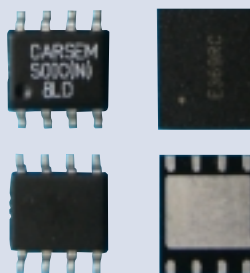
Our appreciation also goes to our valued customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group.

KWEK LENG SAN

Chairman

Kuala Lumpur

15 August 2002



DIRECTORS' REPORT

for the year ended 30 June 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2002.

Principal activities

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

Results

	Group RM'000	Company RM'000
Net (loss)/profit for the year	(33,263)	57,161

Dividends

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

- (i) a first interim dividend of 30% tax exempt amounting to RM29,837,763 on 19 March 2002 in respect of the financial year ended 30 June 2002; and
- (ii) a second interim dividend of 60% (30% tax exempt and 30% less tax) amounting to RM51,320,952 on 18 June 2002 in respect of the financial year ended 30 June 2002.

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

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year.

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, Tuan Syed Zaid bin Syed Jaffar Albar retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' REPORT

for the year ended 30 June 2002 (continued)

Directors' interests

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

	Nominal value per share	Number of ordinary shares/new shares to be issued arising from the exercise of options/warrants/irredeemable convertible unsecured loan stocks*			
		At 1.7.2001	Acquired	Sold	At 30.6.2002
Interests of Mr Kwek Leng San in:-					
Hong Leong Company (Malaysia) Berhad	RM1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	RM0.50	1,550,000	-	-	1,550,000
	-	400,000*	250,000*	-	650,000*
Malaysian Pacific Industries Berhad	RM0.50	339,000	-	24,000	315,000
HLG Capital Berhad	RM1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	RM1.00	385,000	-	-	385,000
Interest of Mr David Edward Comley in:-					
Malaysian Pacific Industries Berhad	RM0.50	262,000	-	-	262,000
	-	400,000*	-	-	400,000*
Interests of Tuan Syed Zaid bin Syed Jaffar Albar in:-					
HLG Capital Berhad	RM1.00	105,000	-	-	105,000
Hong Leong Credit Berhad ("HLC")	RM1.00	4,400	733	-	5,133
	-	800*	40@	-	840#

@ Adjustment arising from the rights issue.

All outstanding HLC Replacement Warrants not exercised had lapsed and became null and void on 27 December 2001.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of 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.

DIRECTORS' REPORT

for the year ended 30 June 2002 (continued)

Executive Share Option Scheme ("ESOS")

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

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

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

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

	Offer date	Number of unissued ordinary shares of RM0.50 each Balance at 1.7.2001	Options granted	Options lapsed/ cancelled	Options exercised	Balance at 30.6.2002
Option price of RM25.62	28.12.1999	4,087,200	-	(144,000)	-	3,943,200
Option price of RM42.35	17.04.2001	270,500	-	(4,000)	-	266,500
Option price of RM22.97	15.11.2001	301,000	-	-	-	301,000
		4,658,700	-	(148,000)	-	4,510,700

Share capital

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

There was no share buyback from the open market during the financial year. As at 30 June 2002, the total number of shares bought back was 10,966,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Options granted over unissued shares

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

DIRECTORS' REPORT

for the year ended 30 June 2002 (continued)

Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

On behalf of the Board,

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur

15 August 2002

BALANCE SHEETS

as at 30 June 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	1,031,493	1,159,557	200	286
INVESTMENTS	4	55,541	70,171	270,294	270,025
INTANGIBLE ASSETS	5	23,167	27,379	-	-
CURRENT ASSETS					
Inventories	6	50,714	54,435	-	-
Trade and other receivables	7	206,391	234,155	69,773	108,685
Tax recoverable		6,821	6,900	6,821	5,692
Deposits, cash and bank balances	8	171,123	279,604	63,235	80,155
		435,049	575,094	139,829	194,532
CURRENT LIABILITIES					
Trade and other payables	9	189,937	236,369	2,647	2,413
Borrowings (unsecured)	10	106,922	110,092	33,568	30,757
Provision for taxation		18,114	34,424	-	-
		314,973	380,885	36,215	33,170
NET CURRENT ASSETS		120,076	194,209	103,614	161,362
		1,230,277	1,451,316	374,108	431,673
SHARE CAPITAL AND RESERVES					
Share capital	11	104,942	104,942	104,942	104,942
Reserves	12	769,674	883,142	299,876	323,874
Treasury shares, at cost		(163,620)	(163,620)	(163,620)	(163,620)
		710,996	824,464	241,198	265,196
MINORITY SHAREHOLDERS' INTERESTS		239,158	285,742	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings (unsecured)	10	221,225	299,179	132,600	166,167
Retirement benefits		4,078	4,119	310	310
Deferred taxation	13	54,820	37,812	-	-
		280,123	341,110	132,910	166,477
		1,230,277	1,451,316	374,108	431,673

The financial statements were approved and authorised for issue by the Board of Directors on 15 August 2002.

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

INCOME STATEMENTS

for the year ended 30 June 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
REVENUE	14	768,842	1,332,682	116,728	132,968
OPERATING (LOSS)/PROFIT	14	(8,293)	337,182	69,696	131,459
Net financing costs	16	(9,498)	(12,692)	(4,053)	(4,164)
Exchange loss on foreign currency	17	-	(6,832)	-	(6,832)
(LOSS)/PROFIT BEFORE TAXATION		(17,791)	317,658	65,643	120,463
Taxation	18	(20,085)	(24,049)	(8,482)	(10,673)
(LOSS)/PROFIT AFTER TAXATION		(37,876)	293,609	57,161	109,790
Minority interests		4,613	(92,597)	-	-
NET (LOSS)/PROFIT FOR THE YEAR		(33,263)	201,012	57,161	109,790
Basic (loss)/earnings per ordinary share (sen)	20	(16.72)	100.56		
Diluted (loss)/earnings per ordinary share (sen)	20	(16.72)	100.56		
Dividends per share - net (sen)	19	40.80	65.80		

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2002

Group	Note	Share capital RM'000	Share premium* RM'000	Exchange fluctuation reserve* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000
At 1 July 2000		104,926	249,148	(6,053)	567,823	(83,700)	832,144
Currency translation differences		-	-	462	-	-	462
Issued under ESOS		16	804	-	-	-	820
Share buy-back		-	-	-	-	(79,920)	(79,920)
Net profit for the year		-	-	-	201,012	-	201,012
Dividends	19	-	-	-	(130,054)	-	(130,054)
At 30 June 2001/1 July 2001		104,942	249,952	(5,591)	638,781	(163,620)	824,464
Currency translation differences		-	-	954	-	-	954
Net loss for the year		-	-	-	(33,263)	-	(33,263)
Dividends	19	-	-	-	(81,159)	-	(81,159)
At 30 June 2002		104,942	249,952	(4,637)	524,359	(163,620)	710,996
		Note 11	Note 12	Note 12	Note 12		
Company	Note	Share capital* RM'000	Share premium* RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000	
At 1 July 2000		104,926	249,148	94,186	(83,700)	364,560	
Issued under ESOS		16	804	-	-	820	
Share buy-back		-	-	-	(79,920)	(79,920)	
Net profit for the year		-	-	109,790	-	109,790	
Dividends	19	-	-	(130,054)	-	(130,054)	
At 30 June 2001/1 July 2001		104,942	249,952	73,922	(163,620)	265,196	
Net profit for the year		-	-	57,161	-	57,161	
Dividends	19	-	-	(81,159)	-	(81,159)	
At 30 June 2002		104,942	249,952	49,924	(163,620)	241,198	
		Note 11	Note 12	Note 12			

* - Non-Distributable

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

CASH FLOW STATEMENTS

for the year ended 30 June 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(17,791)	317,658	65,643	120,463
Adjustments for:				
Amortisation of development expenditure	300	300	-	-
Amortisation of foreign exchange differences	-	6,832	-	6,832
Amortisation of goodwill	1,836	2,066	-	-
Depreciation	210,022	208,318	86	90
Dividend income	(969)	(1,829)	(116,728)	(132,968)
(Gain)/Loss on disposal of investment	(7,694)	-	2,835	-
Gain on foreign exchange-realised	(570)	(602)	(121)	(602)
Goodwill written off	2,078	-	-	-
Interest expense	22,939	34,929	13,489	19,772
Interest income	(13,441)	(22,237)	(9,436)	(15,608)
Inventories written off	-	200	-	-
Investment written off	-	-	42,957	-
Loss/(Gain) on disposal of property, plant and equipment	5,926	(101)	-	(95)
Property, plant and equipment written off	3,291	859	-	-
Provision for retirement benefit	840	960	-	-
Writeback of bad and doubtful debts	-	(965)	-	-
Operating profit/(loss) before working capital changes	206,767	546,388	(1,275)	(2,116)
(Increase)/Decrease in working capital:				
Inventories	3,721	18,360	-	-
Trade and other receivables	28,332	136,748	39,033	176,277
Trade and other payables	(36,457)	(84,352)	234	(15,336)
Cash generated from operations	202,363	617,144	37,992	158,825
Income taxes paid	(19,308)	(13,847)	(1,144)	(361)
Interest expense	(22,939)	(34,929)	(13,489)	(19,772)
Interest income	13,441	22,237	9,436	15,608
Net dividend received	969	1,829	108,261	122,529
Retirement benefits paid	(881)	(868)	-	-
Net cash generated from operating activities	173,645	591,566	141,056	276,829

CASH FLOW STATEMENTS

for the year ended 30 June 2002 (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	13,940	2,207	-	95
Purchase of property, plant and equipment	(115,090)	(338,315)	-	(234)
Purchase of investment securities	(3,915)	-	-	-
Purchase of additional shares in subsidiary companies	-	-	(51,340)	-
Purchase of own shares	-	(79,920)	-	(79,920)
Proceeds from disposal of investment	26,239	-	5,279	-
Net cash used in investing activities	(78,826)	(416,028)	(46,061)	(80,059)
Cash flows from financing activities				
Net repayments of loans/bonds	(73,163)	(62,925)	(30,756)	(64,277)
Dividend paid to minority shareholders	(41,971)	(52,224)	-	-
Dividend paid to shareholders of the Company	(81,159)	(202,497)	(81,159)	(202,497)
Proceeds from issuance of shares	-	820	-	820
Net cash used in financing activities	(196,293)	(316,826)	(111,915)	(265,954)
Net decrease in cash and cash equivalents	(101,474)	(141,288)	(16,920)	(69,184)
Effect of exchange rate changes	954	462	-	-
Cash and cash equivalents at beginning of year	259,009	399,835	80,155	149,339
Cash and cash equivalents at end of year	158,489	259,009	63,235	80,155

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits, cash and bank balances	171,123	279,604	63,235	80,155
Bank overdrafts	(12,634)	(20,595)	-	-
	158,489	259,009	63,235	80,155

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

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

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

(c) Property, plant and equipment and depreciation

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

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

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

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

Leasehold land	Over period of lease between 60 to 90 years
Buildings	5%
Building improvement	10%
Plant, equipment and motor vehicles	10% - 50%

(d) Investments

Long term investments are stated at cost. An allowance is made when Directors are of the view that there is a diminution in their value which is other than temporary. Short term investments are marked to market on an investment portfolio basis.

(e) Intangible assets

i) Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

(e) Intangible assets (continued)

ii) *Research and development expenditure*

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

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

(f) Inventories

Raw materials, consumable spares, work-in-progress and finished goods are valued at the lower of cost determined by the weighted average basis and net realisable value. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(g) Receivables

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

(h) Taxation

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

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

(i) Retirement benefits

Executive staff

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

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

(j) Foreign currency transactions

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

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

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

	2002	2001
1USD	RM3.80	RM3.80
1SGD	RM2.15	RM2.24
100JPY	RM3.18	RM3.05

1. Summary of significant accounting policies (continued)

(k) Revenue recognition

i) Goods sold and services rendered

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

ii) Dividend income

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

(l) Expenses

i) Operating lease payments

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

ii) Net financing costs

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

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(m) Cash and cash equivalents

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

(n) Repurchase of shares

When shares are repurchased, the amount of the consideration paid including directly attributable cost, is recognised as cost and set off against equity.

(o) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

2. Companies in the Group

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

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2002 %	2001 %	
Subsidiary Companies				
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacture and test of semiconductor devices and electronic components
Carsem Semiconductor Sdn Bhd	Malaysia	70	70	Manufacture and test of semiconductor devices and electronic components
Carter Realty Sdn Bhd	Malaysia	70	70	Investment holding
+Signal Technology Sdn Berhad	Malaysia	70	70	In member's voluntary liquidation
+*Carsem Inc.	USA	70	70	Semiconductor devices' and electronic components' marketing agents
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacture and sale of leadframes
Dyna-Craft Industries, Inc.	USA	100	100	Ceased operation during the year
* Dyna-Craft Marketing, Inc.	USA	100	100	Ceased operation during the year
# MPI (BVI) Limited	British Virgin Islands	100	100	Investment trading
Carsem Advanced Technologies Sdn Bhd	Malaysia	100	100	Dormant
Carsem Semiconductor (Suzhou) Co. Ltd.	People's Republic of China	100	-	Dormant. The intended activities are the design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components
Classic Products Sdn Bhd	Malaysia	-	100	Dormant

On 26 March 2002, the Group incorporated a wholly-owned subsidiary, Carsem Semiconductor (Suzhou) Co. Ltd. in the People's Republic of China. The acquisition was accounted for using the acquisition method of accounting. For the year ended 30 June 2002, the subsidiary remained dormant and has been consolidated based on unaudited management financial statements as no audit is required in the country of incorporation yet.

During the year, the Group underwent a restructuring which resulted in the closure of Dynacraft's USA operations and relocation of the Cerdip manufacturing operations to Penang.

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

+ Sub-subsidiary companies.

Subsidiary company not audited by KPMG.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

Group	Long term leasehold land and building improvement RM'000	Freehold land and buildings RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2001	157,826	14,206	1,732,540	49,425	1,953,997
Additions	1,784	384	71,596	41,326	115,090
Disposals	-	-	(61,166)	(91)	(61,257)
Write off	-	-	(70,134)	(5,575)	(75,709)
Reclassification	58	-	7,069	(7,127)	-
At 30 June 2002	159,668	14,590	1,679,905	77,958	1,932,121
Accumulated depreciation					
At 1 July 2001	41,152	2,670	750,618	-	794,440
Charge for the year	7,174	2,148	200,700	-	210,022
Disposals	-	-	(41,351)	-	(41,351)
Write off	-	-	(62,483)	-	(62,483)
Reclassification	2	-	(2)	-	-
At 30 June 2002	48,328	4,818	847,482	-	900,628
Net book value					
At 30 June 2002	111,340	9,772	832,423	77,958	1,031,493
At 30 June 2001	116,674	11,536	981,922	49,425	1,159,557
Depreciation charge for the year ended 30 June 2001					
	6,852	471	200,995	-	208,318

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Company	Equipment and Motor vehicles RM'000
Cost	
At 1 July 2001	577
Disposal	(6)
At 30 June 2002	571
Accumulated Depreciation	
At 1 July 2001	291
Charge for the year	86
Disposal	(6)
At 30 June 2002	371
Net book value	
At 30 June 2002	200
At 30 June 2001	286
Depreciation charge for the year ended 30 June 2001	90

The building of a subsidiary company is situated on the land held under operating leases (Note 22).

4. Investments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Long term				
Quoted investments in shares, at cost:				
In Malaysia	50,878	46,962	-	-
Outside Malaysia	3,970	14,402	-	-
	54,848	61,364	-	-
Unquoted investments in shares, at cost:				
Subsidiary companies	-	-	312,558	261,218
Less: Allowance for diminution in value	-	-	(42,957)	-
	-	-	269,601	261,218
Other investments	693	8,807	693	8,807
	693	8,807	270,294	270,025
	55,541	70,171	270,294	270,025
Market value of quoted investments in shares:				
In Malaysia	57,254	26,011	-	-
Outside Malaysia	6,942	26,450	-	-
	64,196	52,461	-	-

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
Cost			
At 1 July 2001	40,165	2,400	42,565
Acquisition of subsidiary company	-	2	2
Write off	(3,443)	-	(3,443)
At 30 June 2002	36,722	2,402	39,124
Cumulative amortisation			
At 1 July 2001	14,586	600	15,186
Amortisation charge for the year	1,836	300	2,136
Write off	(1,365)	-	(1,365)
At 30 June 2002	15,057	900	15,957
At cost less cumulative amortisation			
At 30 June 2002	21,665	1,502	23,167
At 30 June 2001	25,579	1,800	27,379
Amortisation charge for the year ended 30 June 2001			
	2,066	300	2,366

6. Inventories

At cost	Group	
	2002 RM'000	2001 RM'000
Raw materials	19,745	22,298
Work-in-progress	11,364	10,378
Finished goods	12,888	15,227
Consumable spares	6,717	6,532
	50,714	54,435

7. Trade and other receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	126,541	118,766	-	-
Less: Allowance for doubtful debts	(123)	(1,906)	-	-
	126,418	116,860	-	-
Amount due from:				
Subsidiaries	-	-	11,403	21,504
Related company	56,444	84,436	56,444	84,436
Other receivables, deposits and prepayments	23,529	32,859	1,926	2,745
	206,391	234,155	69,773	108,685

NOTES TO THE FINANCIAL STATEMENTS

7. Trade and other receivables (continued)

Group

The allowance for doubtful debts in respect of previous year of RM1,906,000 was written off against trade receivables during the year.

Company

The amounts due from subsidiary companies are non-trade, unsecured and have no fixed term of repayments. Interest charged during the year was nil (2001 - 3.1%) per annum.

Group and Company

The amount due from a related company is from a subsidiary of Hong Leong Industries Berhad and non-trade in nature, unsecured and have no fixed terms of repayment. Interest charged during the year was 8.5% (2001 - 8.5%) per annum.

Included in other receivables are rental deposits paid to a related company amounting to RM87,638 (2001 - RM87,638).

8. Deposits, cash and bank balances

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits held with:				
Licensed banks	90,728	179,175	12,500	22,572
Other corporations	7,500	15,073	7,500	15,073
	98,228	194,248	20,000	37,645
Cash and bank balances	72,895	85,356	43,235	42,510
	171,123	279,604	63,235	80,155

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits and bank balances	16,482	111,590	3,672	3,031

9. Trade and other payables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	46,446	39,364	-	-
Amount due to related companies	356	132	-	-
Bankers' acceptances	70,735	99,895	-	-
Other payables and accrued expenses	72,400	96,978	2,647	2,413
	189,937	236,369	2,647	2,413

Group

The amounts due to related companies are unsecured and have no fixed terms of repayment. Interest charged during the year ranged from 4.5% to 5.5% (2001 - 4.5% to 5.5%) per annum.

The bankers' acceptances bear interest from 2.8% to 3.5% (2001 - 3.1% to 3.6%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

10. Borrowings (unsecured)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current				
Term loans	77,955	61,757	33,568	30,757
Bank overdrafts	12,634	20,595	-	-
Other borrowings	16,333	27,740	-	-
	106,922	110,092	33,568	30,757
Non-current				
Term loans	96,225	174,179	7,600	41,167
Bonds	125,000	125,000	125,000	125,000
	221,225	299,179	132,600	166,167
	328,147	409,271	166,168	196,924

Group

The term loans are repayable in varying instalments and at various dates during the years 2002 to 2004 (2001 - 2001 to 2004). The term loans bear interest from 2.75% to 4.88% (2001 - 4.81% to 8.47%) per annum and variable interest rate at the bank's USD Cost of Funds (COF) plus 0.75% per annum (2001 - USD COF plus 0.75% per annum). Included in term loans are foreign currency term loans amounting to RM174.2 million (2001 - RM232.7 million).

The bank overdrafts bear interest from 2.18% to 7.80% (2001 - 3.55% to 7.80%) per annum.

The other borrowings bear interest from 2.18% to 7.80% (2001 - 5.39% to 7.91%) per annum.

Company

The term loans bear interest from 2.75% to 4.88% (2001 - 4.81% to 8.47%) per annum and are repayable in varying instalments and at various dates during the years 2003 to 2004 (2001 - 2001 to 2004). The term loans are denominated in foreign currency.

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

11. Share capital

	Group and Company			
	2002		2001	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance at 1 July	209,884	104,942	209,852	104,926
Issued under ESOS	-	-	32	16
Balance at 30 June	209,884	104,942	209,884	104,942

There was no share buyback from the open market during the financial year (2001 - bought back 3,469,000). As at 30 June 2002, the total number of shares bought back was 10,966,000 (2001 - 10,966,000) ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The average price paid for the shares bought back in last financial year was RM22.91 per ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

12. Reserves

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Reserves consist of				
Share premium	249,952	249,952	249,952	249,952
Exchange fluctuation reserves	(4,637)	(5,591)	-	-
Retained profits	524,359	638,781	49,924	73,922
	769,674	883,142	299,876	323,874

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all its distributable reserves at 30 June 2002 if paid out as dividends.

13. Deferred taxation

	Group	
	2002 RM'000	2001 RM'000
Balance at 1 July	37,812	21,000
Transfer from Income Statement (Note 18)	17,008	16,812
Balance at 30 June	54,820	37,812

Deferred tax liabilities have been fully provided for in the current year. No provision for deferred tax liabilities were made for the previous year amounting to RM26,000,000 as capital allowances from a subsidiary were expected to arise from the subsidiary's expansion programme in the foreseeable future and consequently, this deferred tax liability was not expected to crystallise in the future.

14. Operating (loss)/profit

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue				
Sales of goods	767,873	1,330,853	-	-
Dividends	969	1,829	116,728	132,968
	768,842	1,332,682	116,728	132,968
Cost of sales				
Sales of goods	(715,406)	(907,956)	-	-
Gross profit	53,436	424,726	116,728	132,968
Distribution costs	(28,969)	(18,595)	-	-
Administration expenses	(38,819)	(55,896)	(1,361)	(2,206)
Other operating expenses	(7,910)	(17,404)	(2,835)	-
Other operating income	13,969	4,351	121	697
Allowance for diminution in value of investment	-	-	(42,957)	-
Operating (loss)/profit	(8,293)	337,182	69,696	131,459

NOTES TO THE FINANCIAL STATEMENTS

14. Operating (loss)/profit (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Operating (loss)/profit is arrived at after charging/(crediting):-				
Allowance for diminution in value of Investment	-	-	42,957	-
Allowance for doubtful debts	123	-	-	-
Amortisation of development expenditure	300	300	-	-
Amortisation of goodwill	1,836	2,066	-	-
Audit fee				
- current year provision	231	234	17	20
- (over)/underprovision in prior year	(3)	8	(3)	-
Auditors' remuneration				
- other services	363	138	-	-
Depreciation	210,022	208,318	86	90
Directors' remuneration				
Fees	253	235	170	152
Other emoluments	2,488	5,079	386	946
Gain on disposal of investment to a third party	(10,529)	-	-	-
Gain on foreign exchange - realised	(570)	(602)	(121)	(602)
Goodwill written off	2,078	-	-	-
Gross dividends from:				
Unquoted subsidiaries	-	-	(116,728)	(132,440)
Quoted investments in Malaysia	(809)	(867)	-	-
Unquoted investments in a related company in Malaysia	-	(528)	-	(528)
Quoted investment outside Malaysia	(160)	(434)	-	-
Insurance claim on consequential loss of profit	(383)	-	-	-
Inventories written off	-	200	-	-
Loss on disposal of investment to the holding company	2,835	-	2,835	-
Loss/(Gain) on disposal of property, plant and equipment	5,926	(101)	-	(95)
Office rental payable to a related company	265	364	105	364
Property, plant and equipment written off	3,291	859	-	-
Provision for retirement benefits	840	960	-	-
Rental expense on office, land and buildings	1,621	2,448	-	-
Research and development expenditure	9,069	11,525	-	-
Write back of allowance for bad and doubtful debts	-	(965)	-	-

The estimated monetary value of Directors' benefits-in-kind is RM91,000 (2001 - RM91,000).

NOTES TO THE FINANCIAL STATEMENTS

14. Operating (loss)/profit (continued)

Related parties

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

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

- i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a deemed substantial shareholder of the Company through Hong Leong Industries Berhad ("HLI"). YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a deemed substantial shareholder of the Company, is a Director and a substantial shareholder of HLCM. Mr Kwek Leng San ("Mr Kwek LS"), a Director of the Company, is a brother of Tan Sri Quek. Tan Sri Quek and Mr Kwek LS are persons connected to HLCM;
- ii) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected to YBhg Tan Sri Dato' Zaki bin Tun Azmi, a Director of certain related companies of the Company. BIB ceased to be a subsidiary of Hong Leong Credit Berhad ("HLC") on 29 January 2002; and
- iii) O.Y.L. Industries Bhd ("O.Y.L."), Hong Leong Properties Berhad ("HLPB"), HLC, Hong Leong Bank Berhad ("HLB") are subsidiaries of HLCM.

Significant transactions with related parties are as follows:

Transactions	Related parties	Group	
		2002 RM'000	2001 RM'000
a) Purchase of air-conditioners, compressors, air ventilation systems, heavy equipment and spare parts	Subsidiary company of HLI and subsidiary company of O.Y.L.	105	333
b) Rental of office space	Subsidiary company of HLPB	265	364
c) Receipt of insurance and insurance broking services	Hong Leong Assurance Berhad, a wholly-owned subsidiary of HLC, and BIB	3,589	2,152
d) Receipt of corporate office support services	Subsidiary company of HLI	592	178
e) Receipt of group management and/or support services	Subsidiary and associated companies of HLCM	2,512	6,597
f) Interest income	HLB	185	-
	Subsidiary company of HLI	6,560	9,853
g) Sales of unquoted investment	HLI	5,279	-

15. Employees information

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs	204,079	261,294	180	197

The number of employees of the Group and Company at the end of the year was 8,933 (2001 - 10,593) and 2 (2001 - 2) respectively.

NOTES TO THE FINANCIAL STATEMENTS

16. Net financing costs

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest payable:				
Term loan / bonds	19,398	30,885	13,390	18,569
Subsidiaries	-	-	-	1,067
Related companies	-	18	-	-
Others	3,541	4,026	99	136
	22,939	34,929	13,489	19,772
Interest receivable:				
Deposits held with licensed banks and other corporations	6,810	12,364	2,419	4,310
Subsidiaries	-	-	457	2,005
Related companies	6,560	9,853	6,560	9,293
Others	71	20	-	-
	13,441	22,237	9,436	15,608
	9,498	12,692	4,053	4,164

17. Exchange loss on foreign currency

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amortisation of deferred exchange differences	-	6,832	-	6,832

18. Taxation

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Tax expense				
Current year				
-Malaysia	3,063	6,965	8,468	10,673
Underprovision in prior years				
-Malaysia	14	182	14	-
-Overseas	-	90	-	-
	3,077	7,237	8,482	10,673
Deferred taxation (Note 13)	17,008	16,812	-	-
	20,085	24,049	8,482	10,673

The Group's taxation charge in the current year mainly relates to deferred taxation not fully provided for in certain subsidiary in the previous year being provided for in the current year (Note 13).

The Group's taxation charge was low in the previous year in relation to the profit as a result of pioneer status granted to certain subsidiaries, utilisation of capital allowances brought forward and partial provision of deferred tax liability in a certain subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

19. Dividends

	Group and Company	
	2002 RM'000	2001 RM'000
First interim:		
30% tax exempt per share paid on 19 March 2002 (2001 - 30% tax exempt)	29,838	29,853
Nil (2001 - 30% special tax exempt)	-	29,853
Second interim:		
30% tax exempt per share paid on 18 June 2002 (2001 - 30% tax exempt)	29,838	29,838
30% less tax per share paid on 18 June 2002 (2001 - 30% less tax)	21,483	21,483
Nil (2001 - 20% special tax exempt)	-	19,892
Write back of final dividend declared in respect of the previous year-end	-	(865)
	81,159	130,054

20. (Loss)/Earnings per ordinary share

Basic (loss)/Earnings per share

The basic (loss)/Earnings per ordinary share is calculated by dividing the Group loss after taxation and minority shareholders' interests of RM33,263,000 (2001 - profit after taxation and minority shareholders' interests of RM201,012,000) by the weighted average number of ordinary shares during the financial year of 198,918,419 (2001 - 199,897,614).

Diluted (loss)/Earnings per share

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

The diluted earnings per share for the previous year was calculated by dividing the earnings of RM201,012,000 by the weighted average number of ordinary shares of 199,897,614 that would be in issue at 1 July 2000 had all the options been exercised at that date.

21. Segmental information

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

	Revenue RM'000	(Loss)/profit before taxation RM'000	Total assets employed RM'000
2002			
Semiconductor	767,873	(19,890)	1,328,188
Others	969	2,099	217,062
	768,842	(17,791)	1,545,250
2001			
Semiconductor	1,330,853	326,896	1,562,366
Others	1,829	(9,238)	269,835
	1,332,682	317,658	1,832,201

NOTES TO THE FINANCIAL STATEMENTS

22. Commitments

	Group	
	2002 RM'000	2001 RM'000
Property, plant and equipment:		
Authorised but not contracted for	26,425	36,991
Authorised and contracted for	87,403	134,420
	113,828	171,411
Lease commitments:		
Commitments under operating leases:		
Expiring within one year	697	697
Expiring between one to five years	3,381	3,173
Expiring after five years	45,188	46,093
	49,266	49,963

Group

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

23. Holding companies

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

24. Significant events during the year

During the year:-

- a. The Company disposed of its entire equity interest in Classic Products Sdn Bhd comprising two (2) ordinary shares of RM1.00 each to Ms Yeo Soon Mui and Ms Lim Soo Sen, for a total cash consideration of RM2.00.
- b. The Company had incorporated a wholly-owned subsidiary in the People's Republic of China known as Carsem Semiconductor (Suzhou) Co. Ltd. to undertake the business of design, manufacture, assembly and testing of semiconductor devices and electronic components, marketing of such products and provision of related services.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 22 to 41, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2002 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

15 August 2002

STATUTORY DECLARATION

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

I, SOO KAH PIK, being the officer primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 22 to 41 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)	
abovenamed SOO KAH PIK at Kuala Lumpur)	SOO KAH PIK
in the state of Federal Territory on 15 August 2002)	

BEFORE ME

TEONG KIAN MENG

Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

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

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

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- i) the state of affairs of the Group and of the Company at 30 June 2002 and the results of their operations and cash flows for the year ended on that date; and
- ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

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

The subsidiaries in respect of which we have not acted as auditors are identified in Note 2 to the financial statements and we have considered their financial statements and the auditors' reports thereon. As for Carsem Inc. and Dyna-Craft Marketing, Inc. (both companies incorporated in the United States of America), their financial statements are not required to be audited in their respective countries of incorporation, but we have considered their financial statements.

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

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

KPMG

Firm Number: AF 0758

Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang

Partner

Approval Number: 2012/11/02(J)

Kuala Lumpur

15 August 2002

OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2002

Location	Tenure	Existing use	Date of Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2002 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh, Perak	20 Apr 2074	Factory Building & Office Building	21 Sep 1998	158,297	6-27	13,253
Jalan Lapangan Terbang 30720 Ipoh, Perak	15 Aug 2081	Factory Building & Office Building	21 Sep 1998	64,469	4-14	13,906
Jalan Lapangan Terbang 30720 Ipoh, Perak	23 May 2082	Factory Building & Office Building	21 Sep 1998	19,849	6-14	2,134
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2039	Industrial Land - Factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	15,549
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2039	Factory Building & Office Building	07 Apr 1989	45,680	8	6,515
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2078	8 Lots Of Vacant Leasehold Land	24 Feb 1998	61,676	-	1,330
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	29 Oct 2091	Factory Building & Office Building	30 Oct 1992	1,344,579	11	81,971
Shenxu Road Suzhou Industrial Park The Municipality of Suzhou The Province of Jiangsu The People's Republic of China	01 Jan 2052	Vacant Industrial Land	30 Apr 2002	430,550	-	1,870
Lot 2367, Bayan Lepas Pulau Pinang	2031	Factory Buildings, Office Building and Store	18 Jun 1905	257,000	9	25,681
Lot 8, Bayan Lepas Pulau Pinang	16 Jun 2058	Factory Buildings, Office Building and Store	18 Jun 1905	105,000	4	18,189
194, Goodview Drive Apollo, Pennsylvania, USA	Freehold	Factory Buildings, Office Building and Store	09 Jul 1997	22,700	42	2,659
4060, Norbatrol Ave Murrysville, Pennsylvania, USA	Freehold	Factory Buildings, Office Building and Store	22 Jan 1996	51,000	38	2,065

OTHER INFORMATION

2. Analysis Of Shareholdings As At 30 September 2002

Class of Share : Ordinary share of RM0.50 each

Voting Rights

- On show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule of Shareholders as at 30 September 2002

Size of holdings	No. of shareholders	%	No. of shares	%
Less than 1,000	497	13.09	150,860	0.07
1,000 - 10,000	2,699	71.10	6,537,083	3.29
10,001 - 100,000	441	11.62	14,752,932	7.42
100,001 - less than 5% of issued shares	158	4.16	57,912,186	29.11
5% and above of issued shares	1	0.03	119,565,358	60.11
	3,796	100.00	198,918,419	100.00

List of Thirty Largest Shareholders as at 30 September 2002

Name of shareholders	No. of shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	119,565,358	60.11
2. HSBC Nominees (Asing) Sdn Bhd - Emerging Markets Growth Fund	3,068,800	1.54
3. Employees Provident Fund Board	2,129,000	1.07
4. Assets Nominees (Tempatan) Sdn Bhd - Taman Terang Sdn Bhd	2,044,189	1.03
5. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	1,293,000	0.65
6. HSBC Nominees (Asing) Sdn Bhd - Capital International Emerging Markets Investment Fund	1,289,000	0.65
7. HSBC Nominees (Asing) Sdn Bhd - Abu Dhabi Investment Authority	1,282,000	0.64
8. Universal Trustee (Malaysia) Berhad - SBB Premium Capital Fund	1,161,000	0.58
9. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	1,110,000	0.56
10. HSBC Nominees (Asing) Sdn Bhd - Carifondo Paesi Emergenti	1,049,000	0.53
11. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,024,000	0.51
12. HSBC Nominees (Asing) Sdn Bhd - Pictet Targeted Fund FCP	1,022,000	0.51
13. Takaful Nasional Sdn Berhad	971,000	0.49
14. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	850,000	0.43
15. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	848,000	0.43

OTHER INFORMATION

2. Analysis Of Shareholdings As At 30 September 2002 (continued)

List of Thirty Largest Shareholders as at 30 September 2002 (continued)

Name of shareholders	No. of shares	%
16. Cartaban Nominees (Asing) Sdn Bhd - Morgan Stanley Investment Management Emerging Markets Trust	813,000	0.41
17. Mayban Nominees (Tempatan) Sdn Bhd - RHB Dynamic Fund	800,000	0.40
18. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	768,000	0.39
19. Malaysia National Insurance Berhad	740,000	0.37
20. RHB Capital Nominees (Tempatan) Sdn Bhd - Hongvest Sdn Bhd	735,000	0.37
21. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	731,000	0.37
22. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	705,000	0.35
23. AMMB Nominees (Tempatan) Sdn Bhd - BHLB Pacific Dana Al-Ihsan	699,000	0.35
24. SBBAM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	650,000	0.33
25. Universal Trustee (Malaysia) Berhad - CMS Premier Fund	641,000	0.32
26. RHB Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	639,000	0.32
27. HSBC Nominees (Asing) Sdn Bhd - The Malaysia Fund Incorporated	614,000	0.31
28. A.A. Assets Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Amanah Pencen	600,000	0.30
29. Mayban Nominees (Tempatan) Sdn Bhd - RHB Capital Fund	600,000	0.30
30. Universal Trustee (Malaysia) Berhad - BHLB Pacific Emerging Companies Growth Fund	598,000	0.30
	149,039,347	74.92

2. Analysis Of Shareholdings As At 30 September 2002 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2002 are as follows:-

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
YBhg Tan Sri Quek Leng Chan	53,500	0.03	122,939,009*	61.80*
Hong Leong Industries Berhad	119,565,358	60.11	2,044,189#	1.03#
Hong Leong Company (Malaysia) Berhad	-	-	122,939,009+	61.80+
HL Holdings Sdn Bhd	-	-	122,939,009*	61.80*
Hong Realty (Private) Limited	-	-	122,939,009*	61.80*
Hong Leong Investment Holdings Pte Ltd	-	-	122,939,009*	61.80*
Kwek Holdings Pte Ltd	-	-	122,939,009*	61.80*
Mr Kwek Leng Beng	-	-	122,939,009*	61.80*

Notes:-

- * Deemed interest through Hong Leong Company (Malaysia) Berhad.
- # Deemed interest through subsidiary company.
- + Deemed interest through subsidiary companies.

3. Directors' Interests As At 30 September 2002

Subsequent to the financial year end, there is no change as at 30 September 2002 to the Directors' interests in the ordinary shares and/or stock units and/or warrants/options/irredeemable convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' report on pages 18 to 21 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. Public Sanctions and/or Penalties

There are no public sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies.

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 the Kuala Lumpur Stock Exchange.

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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-first Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 2.00 p.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To receive the audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect Syed Zaid bin Syed Jaffar Albar 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 of2002

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 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. Pursuant to paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint 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.