Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT **2018**

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COMPANY PROFILE

MALAYSIAN PACIFIC INDUSTRIES BERHAD ("MPI")

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

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

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Manuel Zarauza Brandulas
(Group Managing Director)

Ms Lim Tau Kien

Ir. Dennis Ong Lee Khian

YBhg Dato' Mohamad Kamarudin Bin Hassan

Dr Tunku Alina Binti Raja Muhd Alias

COMPANY SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

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

REGISTRAR

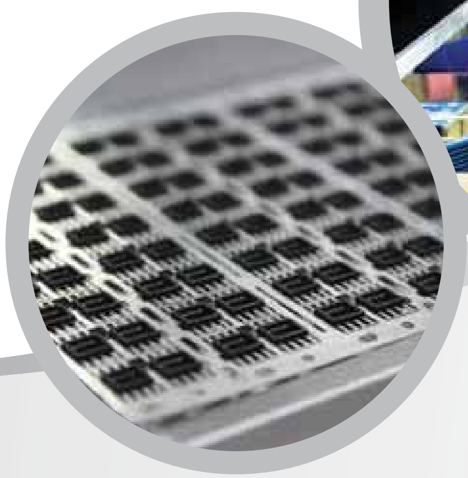
Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 1818
Fax: 03-2164 3703

REGISTERED OFFICE

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-2080 9200
Fax: 03-2080 9238

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-seventh Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2018.

2. To approve the payment of Director fees of RM477,561/- (2017: RM422,000/-) for the financial year ended 30 June 2018 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM68,000/- from the Fifty-seventh Annual General Meeting ("AGM") to the Fifty-eighth AGM of the Company. **Resolution 1**

3. To re-elect the following Directors:

   (a) YBhg Datuk Kwek Leng San **Resolution 2**
   (b) Mr Manuel Zarauza Brandulas **Resolution 3**
   (c) Dr Tunku Alina Binti Raja Muhd Alias. **Resolution 4**

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) 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 allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of Part A of the Circular to Shareholders dated 25 September 2018 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 7**

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

"**THAT** subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares in the Company's issued ordinary share capital on Bursa Securities subject further to the following:

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

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the retained profits of the Company based on its latest audited financial statements available up to the date of the transaction. (As of 30 June 2018, the audited retained profits of the Company was RM479,424,000/-); and

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

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

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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

(a) cancel the Said Shares; or
(b) retain the Said Shares as treasury shares; or
(c) retain part of the Said Shares as treasury shares and cancel the remainder; or
(d) distribute all or any of the Said Shares as dividends to shareholders; or
(e) resell all or any of the Said Shares in accordance with the relevant rules of Bursa Securities; or
(f) transfer all or any of the Said Shares for the purposes of or under an employees' share scheme; or
(g) transfer all or any of the Said Shares as purchase consideration;

and/or in any other manner as may be prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Main Market Listing Requirements of Bursa Securities and any other relevant authority for the time being in force; **AND THAT** the authority to deal with the Said Shares shall continue to be valid until all the Said Shares have been dealt with by the Directors of the Company." **Resolution 8**

8. To consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
25 September 2018

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 16 October 2018 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

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

3. *Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

5. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Explanatory Notes:

1. Resolution 1 - Director Fees And Other Benefits

   Director Fees of RM477,561/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM33,000/- as well as Chairman's car benefits of up to RM35,000/-.

2. Resolution 6 - Authority To Directors To Allot Shares

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

   As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 25 October 2017 and which will lapse at the conclusion of the Fifty-seventh AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. Resolution 7 - Proposed Renewal Of And New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

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

4. Resolution 8 - Proposed Renewal Of Authority For The Purchase Of Own Shares By The Company

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

Detailed information on the Proposed Shareholders' Mandate and Proposed Share Buyback are set out in the Circular to Shareholders/Share Buyback Statement dated 25 September 2018 which is despatched together with the Company's Annual Report.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

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

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of the Fifty-seventh Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent
Age 63, Male, Singaporean

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

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

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

MR MANUEL ZARAUZA BRANDULAS

Group Managing Director/Non-Independent
Age 47, Male, Spanish

Mr Manuel Zarauza Brandulas graduated from University of Westminster, London with a Bachelor of Business BA (Honours) in Finance and Marketing. He also holds a Master of Business Administration from University of Bath, United Kingdom ("UK") and a Master Degree in Leadership and Organisation from Instituto de la Empresa, Madrid.

Mr Manuel Zarauza brings with him 22 years of working experience across various manufacturing sectors. He started his career in Siemens before joining Osram Opto Semiconductors as Vice President, Sales in Germany, Hong Kong and China. Subsequently, he moved to Seoul Semiconductor as Managing Director in Switzerland and Seoul, Korea.

Mr Manuel Zarauza joined HLMG Management Co Sdn Bhd, a related company, as its Managing Director in April 2015, a position he held until August 2016. Subsequently, he was appointed as Group Managing Director of MPI on 8 August 2016. He does not sit on any committee of MPI.

BOARD OF DIRECTORS
cont'd

MS LIM TAU KIEN
Non-Executive Director/Independent
Age 62, Female, Malaysian

Ms Lim Tau Kien is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland and a member of the Malaysian Institute of Accountants.

Ms Lim began her career with Ernst & Young, UK, before serving the Ministry of Finance and Prime Minister's Department as a Federal Accountant. Subsequently, she joined the Royal Dutch Shell Group where she held various senior finance positions over a period of 25 years in Malaysia, Australia and China, her last position being the Country Chief Financial Officer/Finance Director/ Country Controller of the Shell Companies of China from 2004 to 2008.

Ms Lim has been a director of listed and non-listed companies since 1997. She was appointed to the Board of MPI on 1 July 2013 and is the Chairman of the Board Audit & Risk Management Committee of MPI.

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

IR. DENNIS ONG LEE KHIAN
Non-Executive Director/Independent
Age 63, Male, Malaysian

Ir. Dennis Ong Lee Khian graduated from University of Swinburne, Australia with a Bachelor of Civil Engineering and is registered as a Professional Engineer with Practising Certificate with the Board of Engineer Malaysia. He is a Fellow of the Institution of Engineers Malaysia, a Fellow of the Institution of Engineers Australia and a Chartered Professional Engineer under the National Professional Engineers Register, Australia.

Ir. Dennis Ong started his career in Shell Malaysia in 1981. He held various senior management positions in Shell's downstream businesses in Malaysia as well as the ASEAN countries and Hong Kong. He was the Managing Director of Shell Timur Sdn Bhd prior to his retirement from the industry. Thereafter, Ir. Dennis Ong joined the School of Engineering of Monash University, Malaysia as a senior lecturer.

Ir. Dennis Ong was appointed to the Board of MPI on 17 November 2014. He is the Chairman of the Nominating Committee and a member of the Board Audit & Risk Management Committee of MPI.

BOARD OF DIRECTORS
cont'd

YBHG DATO' MOHAMAD KAMARUDIN BIN HASSAN

Non-Executive Director/Independent
Age 63, Male, Malaysian

Dato' Mohamad Kamarudin Bin Hassan graduated from University of Malaya with a Bachelor of Economics (Honours) (Majoring in Business Administration) and also holds a Master of Business Administration (Majoring in Finance) from Oklahoma City University, the United States of America ("USA").

Dato' Mohamad Kamarudin began his career with the Administrative and Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1987, he was placed in the Ministry of International Trade and Industry (MITI) where he had served in various divisions of the Ministry. From 1992 to 1994, he was posted to the Malaysian Embassy in Washington DC, USA, as an Economic Counselor. Subsequently, in January 2006, Dato' Mohamad Kamarudin was seconded to Malaysia External Trade Development Corporation (MATRADE) as Deputy Chief Executive Officer, a post he held until his retirement on 1 September 2013. In June 2014, he was appointed as a consultant to the International Finance Corporation, a member of the World Bank Group.

Dato' Mohamad Kamarudin was appointed to the Board of MPI on 19 March 2015 and is a member of the Board Audit & Risk Management Committee of MPI.

He is a Director of CCM Duopharma Biotech Berhad and Muhibbah Engineering (M) Bhd, companies listed on the Main Market of Bursa Malaysia Securities, and ManagePay Systems Berhad, a company listed on the ACE Market of Bursa Securities. He is also a Director of Diversified Holdings Berhad, a public company.

BOARD OF DIRECTORS
cont'd

DR TUNKU ALINA BINTI RAJA MUHD ALIAS

Non-Executive Director/Independent
Age 54, Female, Malaysian

Dr Tunku Alina Binti Raja Muhd Alias graduated from University of Malaya with a Bachelor of Law degree. She also holds a Master in Law (LLM) (Corporate and Commercial Law) from King's College, UK, and a PhD in Islamic Finance, International Centre for Education in Islamic Finance, Malaysia.

Dr Tunku Alina started her career as a Legal Assistant with Skrine & Co ("Skrine") in February 1987. After working for 5 years with Skrine, she started and co-established a legal firm known as 'Wong Lu Peen & Tunku Alina' in April 1992 and served as the Managing Partner until December 2011. Subsequently, she was appointed as Consultant of the firm until to date.

She has more than 25 years of experience in leading business and community development, client negotiation, legal consultation, dispute resolution and goal setting and specialises in managing clients' compliance and regulatory aspects for investments and development of properties in Malaysia and abroad.

Dr Tunku Alina was appointed to the Board of MPI on 18 January 2018. She is a member of the Nominating Committee of MPI.

She is a Director of IJM Corporation Berhad and Batu Kawan Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of MBSB Bank Berhad and Raja Alias Foundation.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan, a major shareholder of MPI. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of MPI.

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with MPI.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2018.

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

KEY SENIOR MANAGEMENT

MR ERIC CHEAH WING KET

Chief Financial Officer, Malaysian Pacific Industries Berhad
Age 52, Male, Malaysian

Mr Eric Cheah Wing Ket is a qualified Chartered Accountant with the Malaysian Institute of Certified Public Accountants. He is also a member of the Malaysian Institute of Accountants.

Mr Eric Cheah has extensive experience of more than 29 years in an international auditing firm and large-scale semiconductor manufacturing operations. He forged his early career with KPMG Malaysia. He led many audit assignments of private and public listed companies in specialised industries and has been involved in various corporate exercises including due diligence and investigation. Subsequently in 1994, Mr Eric Cheah joined Carsem Group where he held various senior financial positions over a period of 12 years covering financial management, taxation, treasury, risk management and restructuring exercise.

Mr Eric Cheah is the Chief Financial Officer of Malaysian Pacific Industries Berhad ("MPI") since 1 February 2006, a senior management position overseeing both the Malaysian and overseas operations in the United States of America ("USA"), Europe and China in financial management, strategy development and execution.

MR INDERJEET SINGH A/L PERTAP SINGH

General Manager, Carsem (M) Sdn Bhd, S-site
Age 49, Male, Malaysian

Mr Inderjeet Singh A/L Pertap Singh graduated from University of Leicester, United Kingdom with a Bachelor of Electrical & Electronic Engineering.

Mr Inderjeet Singh joined Carsem (M) Sdn Bhd ("Carsem Ipoh") in 1991. He gained 27 years of experience in various roles from different departments in Carsem Ipoh.

Mr Inderjeet Singh was appointed as General Manager of Carsem Ipoh, S-site, on 1 September 2011.

KEY SENIOR MANAGEMENT
cont'd

MS SHARON KO MEI WAN
General Manager, Carsem (M) Sdn Bhd, M-site
Age 46, Female, Malaysian

Ms Sharon Ko Mei Wan graduated from University of Waikato, New Zealand with a Bachelor of Science & Technology in Computer Science & Physics (double major). She also holds a Master of Science and Technology (First Class Honours) in Physics. She is a full American Field Scholar and New Zealand Government Scholar.

Ms Sharon Ko joined Carsem Ipoh in 2006. She brings with her 23 years of diversified experience in the semiconductor and electronics industry. Ms Sharon Ko started her career in semiconductor manufacturing with Siemens Components (Advanced Technology) Sdn Bhd (now known as Infineon Technologies (Malaysia) Sdn Bhd). Subsequently, she joined National Semiconductor Sdn Bhd where she held various senior management positions in development, technical research, engineering and manufacturing operations.

Ms Sharon Ko is the inventor of 11 international patents (including 9 USA patents & 1 European patent) in the area of semiconductor technology and manufacturing. In 2004, she was awarded 'Malaysia's Best Employee' presented personally by the then Prime Minister of Malaysia.

Ms Sharon Ko was appointed as General Manager of Carsem Ipoh, M-site on 1 September 2011.

MR LEE CHOE KHEAN
General Manager, Carsem Semiconductor (Suzhou) Co., Ltd
Age 51, Male, Malaysian

Mr Lee Choe Khean graduated from Northern University of Malaysia with a Bachelor Degree in Public Administration.

Mr Lee started his career in National Semiconductor Sdn Bhd as Production Executive in 1991. Subsequently, he joined Carsem Ipoh in 1992 where he moved from production control planning to logistics. Mr Lee has built up his solid foundation in the area of production control, planning and scheduling, covering both assembly and test as well as materials management during his first 10 years in Carsem Ipoh. In 2004, Mr Lee was transferred to Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou") as its Senior Supply Chain Manager. The last 12 years of his challenges in the start-up of Carsem Suzhou have broadened his management scope in the entire semiconductor industry.

Mr Lee was appointed as General Manager of Carsem Suzhou on 15 August 2015.

KEY SENIOR MANAGEMENT
cont'd

MR TAN BOO WEI

General Manager, Dynacraft Industries Sdn Bhd
Age 49, Male, Malaysian

Mr Tan Boo Wei graduated from Nanyang Technological University, Singapore with a Bachelor of Electrical and Electronic Engineering (Honours).

He has close to 25 years of experience in the semiconductor industry. His career began in a multinational semiconductor company in Singapore before joining Carsem Ipoh in 1997. In 2005, he furthered his role in Carsem China where he held various management positions in process engineering, research and development, operation and sales.

Mr Tan has published and presented technical papers at semiconductor conferences organised by the Institute of Electrical and Electronics Engineers (IEEE) in Malaysia and China. He is also a holder of a number of patents on semiconductor manufacturing technology registered in China.

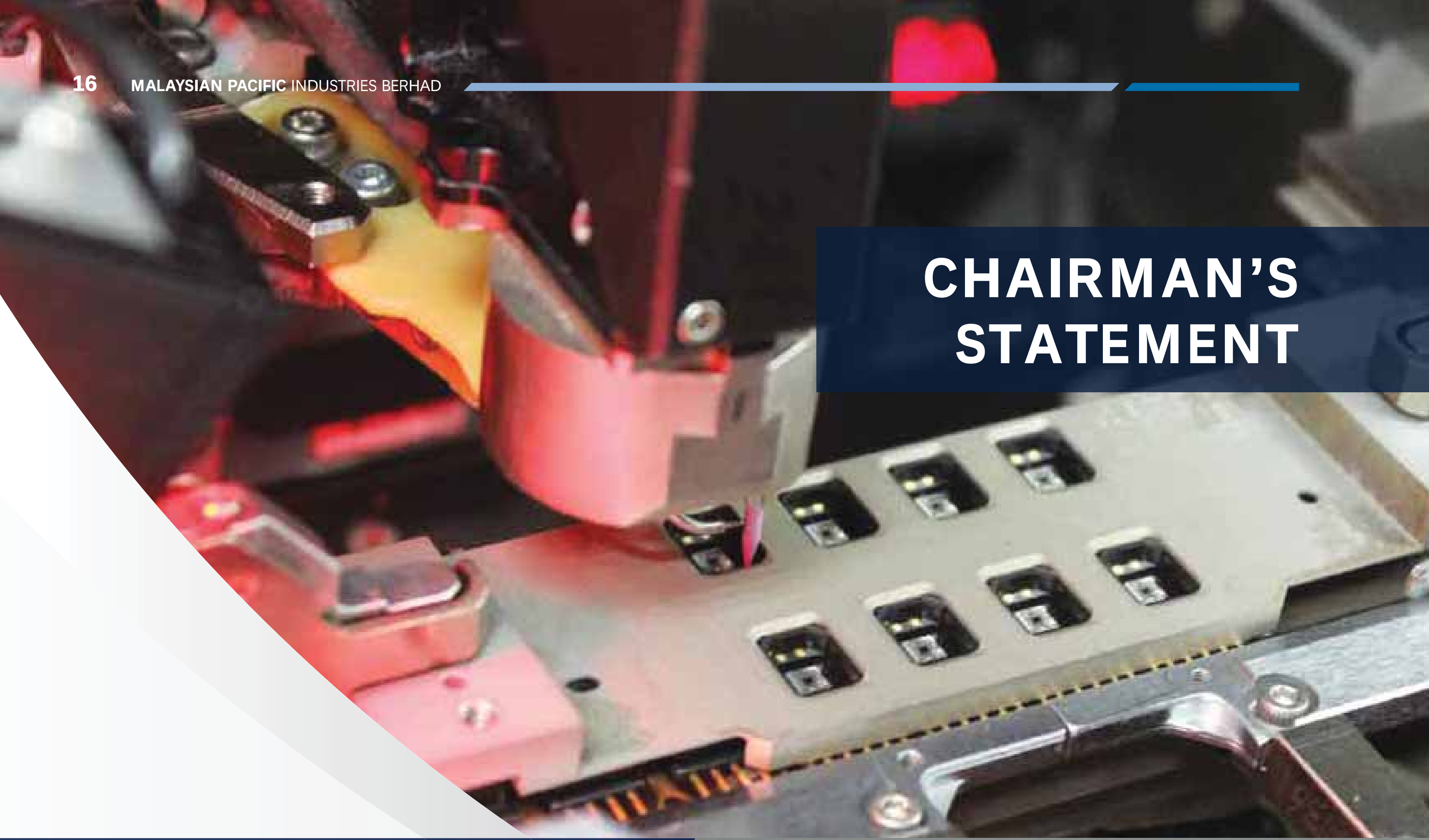
Mr Tan was appointed as General Manager of Dynacraft Industries Sdn Bhd on 2 April 2018.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of MPI.

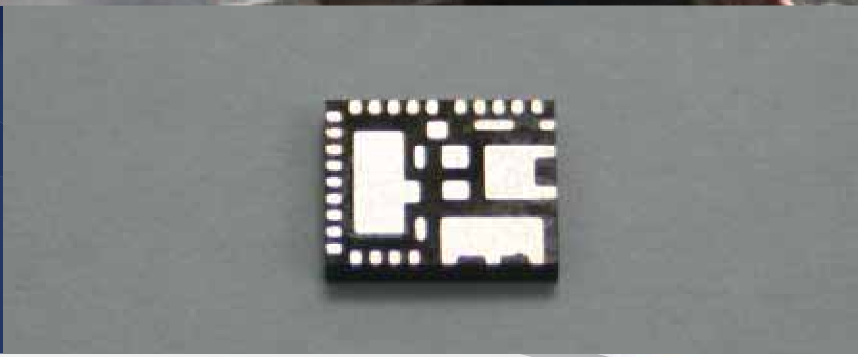
2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with MPI.

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2018.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Malaysian Pacific Industries Berhad (the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ("FY") ended 30 June 2018 ("FY 2018").



The Semiconductor Industry Association reported another year of revenue growth for global semiconductor market in calendar year ("CY") 2017. However, increasing competition from China and the Malaysian Ringgit (RM) appreciation have posed many challenges to the Group. With the Group's well executed strategies and dedicated workforce, the Group was able to achieve another year of satisfactory performance. The operations continued to generate healthy cash flow and enabled the Group to report a strong net cash position of RM573 million. This has enabled the Group to continue to invest in new technologies, plant and equipment totalling RM171 million for future growth and pay dividends of RM55 million to the shareholders of the Company as compared with RM51 million for FY2017.

As semiconductors become more embedded in increasing number of industrial and consumer products coupled with the latest revenue forecast growth rate ranging between 4% and 5% by the World Semiconductor Trade Statistics for CY2018/CY2019, the Group anticipates the performance for the coming financial year to remain satisfactory.

On behalf of the Board, I welcome Dr Tunku Alina Binti Raja Muhd Alias joining us as an Independent Non-Executive Director of the Company during the financial year. We look forward to her contribution.

I also extend our thanks to YBhg Datuk Syed Zaid Bin Syed Jaffar Albar who resigned as a Director of the Company in March 2018 after serving over 23 years on the Board. We wish him all the best in his future endeavours.

Lastly, I would like to express my sincere appreciation to each and every Board members, management and staff for their contribution, commitment and dedicated services. Our appreciation goes also to our valued customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATIONS

Malaysian Pacific Industries Berhad ("MPI") is principally an investment holding company whilst the principal activities of its subsidiaries are broadly grouped into the following:

a) Provision of outsourced semiconductor packaging and testing services (OSAT).

b) Manufacture and sale of lead frames.

The key subsidiaries are as follows:

- Carsem (M) Sdn Bhd ("Carsem M") offers full turnkey solutions for leaded and leadless semiconductor packaging and test services.

- Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou") is a leading provider of outsourced semiconductor packaging and testing services in China focusing on MLP-Micro Leadframe Package (QFN format), flip chip and ball grid array technology.

- Dynacraft Industries Sdn Bhd ("DCI") is one of the largest manufacturers of lead frames in the region.

MPI has four manufacturing operations of which two are located in Ipoh, one in Penang, and one in Suzhou, China.

KEY BUSINESS SEGMENT

The management reviews and assesses the performance based on geographical segments by location of customers from Asia, Europe and the United States of America ("USA"). Our customers are fabless companies, integrated device manufacturers and semiconductors companies.

Additional information is set out in Note 21 (Operating Segments) of the Notes to the financial statements.

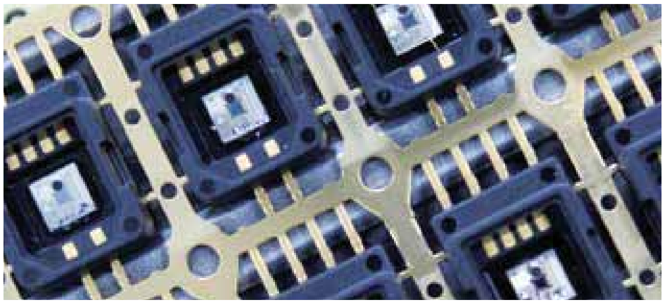
SEGMENT REVIEW

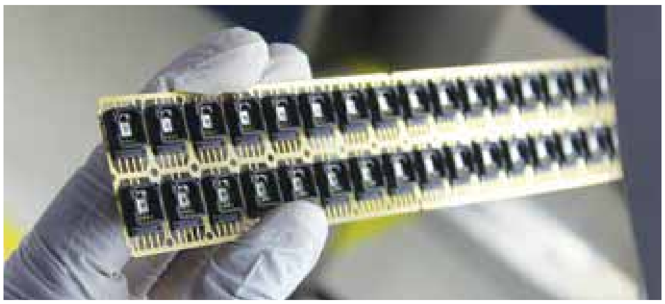
European segment has the most promising growth opportunities where customers are majoring in automotive and original equipment manufacturer (OEM) including power management chips. The market in this segment is expanding towards electric vehicles, autonomous driving, advanced driver assistance safety systems and increasing demand to support data storage and server farm. Thus, electronic sensors and power management chips have become the major enabling components in both the automotive and today's data-driven eco system. Most products from this segment have very long product life cycle which provide a strategic counterbalance and cushion the volatility and cyclical demand in other segments.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Asia segment customers mainly focus on designing their end products and applications for consumer electronics, smartphones, industrial and consumer sensors, and computing devices. This segment is typically driven by the shorter demand cycle and thus, growth rates fluctuate sharply.

USA segment is a matured market where the customers are mainly large multi-national corporations. This segment continues to see growth from smartphones, Internet of Things ("IoT") and advanced chips designed into Industry 4.0 applications.





REVIEW OF OPERATING ACTIVITIES

The Group achieved another year with revenue of RM1.5 billion despite the appreciating Ringgit Malaysia ("RM") and the growth (USD revenue) was led by the strength in the automotive and power management chips. The Group generated profit before tax of RM207 million on the back of a stronger RM and rising cost of commodities including copper and gold which are major raw materials.

The major factors included in the profit before tax were as follows:

a) Higher USD revenue of RM33 million arising from increasing volume from automotive and power management chips.

b) Negative impact from a weakening USD accounted for RM55 million.

c) Impact from rising cost of commodities accounted for RM11 million.

The Group's financial position remains strong with healthy Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) coupled with disciplined investment policy, the net cash has continued to improve from last year's closing of RM444 million to RM573 million for this financial year ("FY") ended 30 June 2018 ("FY 2018"). This has taken into account the funding of capital expenditure of RM171 million and rewards to shareholders as dividend totaling RM55 million.

The outsourced assembly and test business continues to embark on the strategy to focus on the following growth opportunities:

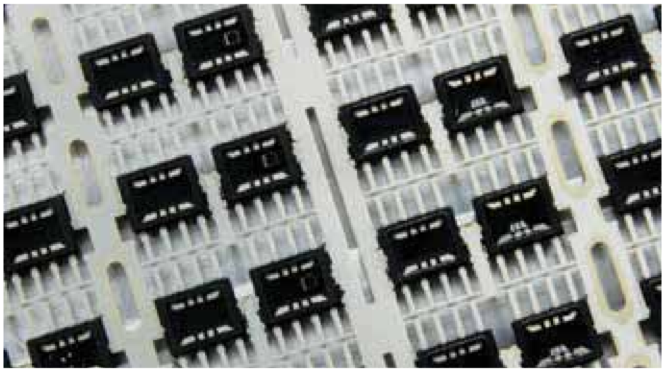
Significant focus has been put into driving the value engineering work in the Power Management product portfolio especially in the Copper Clip technology ("CuClip"). We have won the business and now fully engaged with the leading CuClip customer for the server market to drive production volume and capabilities to capture the high demands. The continuing growth in Cloud Computing, IoT, Artificial Intelligence and Industry 4.0 will fuel the increasing demand for data and thus data centre which require greater efficiency in the server farms to save power and reduce heat dissipation. Carsem has started the new generation of CuClip designs which will further propel the growth in this sector.

Another target market to grow is the protection devices which are high performance devices against voltage surges such as electrostatic discharge and electrical overstress. These are critical to broad range of applications including smartphones, set-top boxes, handheld electronic devices, industrial instruments and automobile. We have developed advanced capabilities and quality performance to expand our share of market and continue to offer competitive value to our customers.

On the leaded package portfolio, we took steps to exit some businesses that did not show long term promise or in line with our growth strategies. This has allowed the team to refocus more effort in expanding our area of core expertise, which is in automotive semiconductor packaging technologies. The automotive semiconductor content continues to grow in line with advancements in electric vehicles, enhanced safety regulations and the autonomous driving market.

This year, we identified another strategic growth market in Sensors or Micro-Electro-Mechanical Systems (MEMS) where there are significant content opportunities and where we have niche expertise and technology. The growing end markets include automotive, consumer and industrial electronics. We have and will continue to invest in this to build our capabilities and grow with this growing market.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd



DCI's business continues to focus only on the profitable etched lead frame business. Development and capacity expansion of advanced photoresist plating and copper roughening solutions will be the main drivers to support growing numbers of new product launches over the next few quarters.

OPERATIONAL RISKS

The semiconductor industry is a highly competitive, highly volatile industry and operate under constantly changing technologies and market demand forces. The entire semiconductor market is over USD400 billion sales per annum and operates within a very complex supply chain of a huge global electronics market.

The major operational risks comprised:

a) Competition
b) Demand volatility
c) Technology changes
d) Key management and experienced personnel changes.

The outsourced assembly and test market is intensely competitive on the basis of price, quality, service and technology. There are over 200 or more OSAT companies coupled with many new set-up in China due to government funding and competition from integrated device manufacturers who have in-house capacity. Further, many of major players are getting even bigger market share with some substantial merger and acquisition activities in recent years. The Group holds strong to our core value to consistently provide goods and services of the highest quality at competitive prices to our customers. However, some of our competitors have access to capital funding from their central government in the form of incentives or grants and these financial assistance could negatively impact our business and profitability if the Group fails to compete effectively.

The semiconductor industry is cyclical in nature and typically impacted by fluctuating consumer demand and broad economic factors. While the Group will continue to review measures to counterbalance the different cyclical demands and requirements of the market, it is difficult to predict the timing and the strength of the recovery which is often uneven. This could pose a challenge for business decisions and thus there is no assurance that the measures taken will be adequate to address such risks.

The end markets of our customers' products are characterised by technological change, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards and lengthy qualifications. Availability of resources including capital and human resources may allow the competition to have competitive advantage. The Group builds upon the long term relationship with customers in developing technology roadmap together, and we have our in-house Research and Development ("R&D") centre with dedicated production capabilities to perform product qualification, and Materials Laboratory to develop advanced materials. However, new research works are developed in anticipation of future demand and there is inherent risk in new product or technology introduction in a timely and cost effective manner that is responsive to our customers' needs. As such, it is difficult to ensure the success of these introductions.

One of our 4 key tenets is human resource development and our future success depends to a certain extent upon the abilities and continued efforts of our existing directors, key management and technical personnel and on our ability to continue to identify, attract, retain and motivate them. Our business operations require specialised engineering and other talents while the market for employees in our industry is extremely competitive. We have developed human resource strategy on employee engagement and training which is central to employee retention and motivation apart from benchmarked-driven competitive remuneration package. However, if we are unable to attract and retain qualified employees, our business may be hindered.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

FINANCIAL RISK

As a global player, we face foreign exchange exposure including capital control in certain countries. We carry out risk assessment on the foreign exchange impact on the results of the operations, and sensitivity analysis on the re-measurement of monetary assets and liabilities on the balance sheet which are denominated in foreign currencies. Through the various types of foreign exchange hedging instruments, we manage the risk of the foreign currency fluctuations and mitigate the exposure.

The Group's financial risks are set out in Note 24 under the Notes to the financial statements.

DIVIDEND

The Company declared and paid a first and second interim single tier dividends totalling 29 sen per share for FY 2018.

Dividend payout is one of the important elements considered by the Company in enhancing its shareholder value. Earnings, capital expenditure requirements, borrowings repayment, capital adequacy, dividend yield and other relevant factors are considered by the Board in determining the actual dividend payout.

PROSPECTS AND OUTLOOK

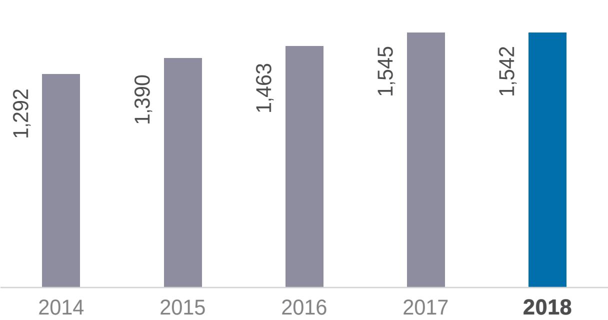
The positive market outlook in the semiconductor and electronics manufacturing sectors with the drive towards higher electronics content and internet of everything especially in the electric vehicles, industrial and consumer sensors and power management market have provided encouraging prospects over the next few years.

Our key strategy is to build on our core strength and continue the good work in the R&D into automotive, sensors and power management packaging solutions as we gear up to see more product introductions in the near future. Building on the sales pipeline and increasing the customer base, we are optimistic that the Group will continue to perform satisfactorily in the coming years.

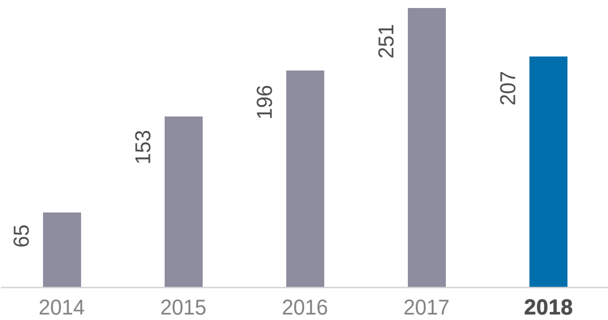
GROUP FINANCIAL HIGHLIGHTS

RM'Million	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Revenue	1,292	1,390	1,463	1,545	**1,542**
Profit before taxation	65	153	196	251	**207**
Profit attributable owners of the Company	45	108	158	178	**142**
Net earnings per share (sen)	24	57	83	94	**75**
Net dividend per share (sen)	15	20	23	27	**29**
Total equity	907	1,028	1,170	1,329	**1,405**
Total assets	1,193	1,386	1,371	1,631	**1,696**
Capital expenditure	72	176	125	129	**171**

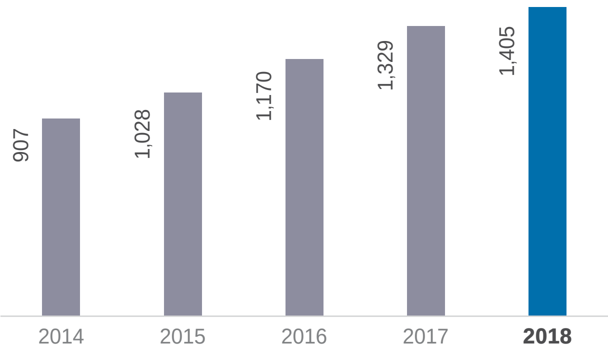
REVENUE
(RM'Million)



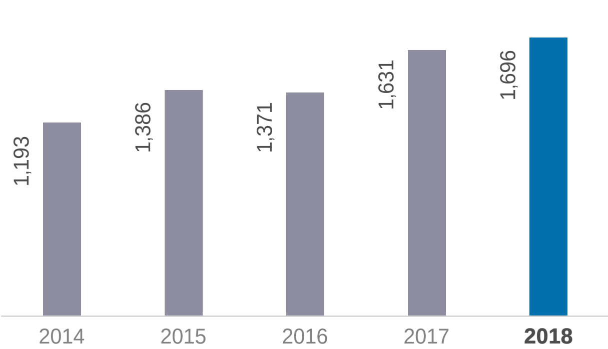
PROFIT BEFORE TAXATION
(RM'Million)



TOTAL EQUITY
(RM'Million)



TOTAL ASSETS
(RM'Million)



SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

PERIOD COVERED:
FINANCIAL YEAR ENDED 30 JUNE 2018
(1 JULY 2017 – 30 JUNE 2018)

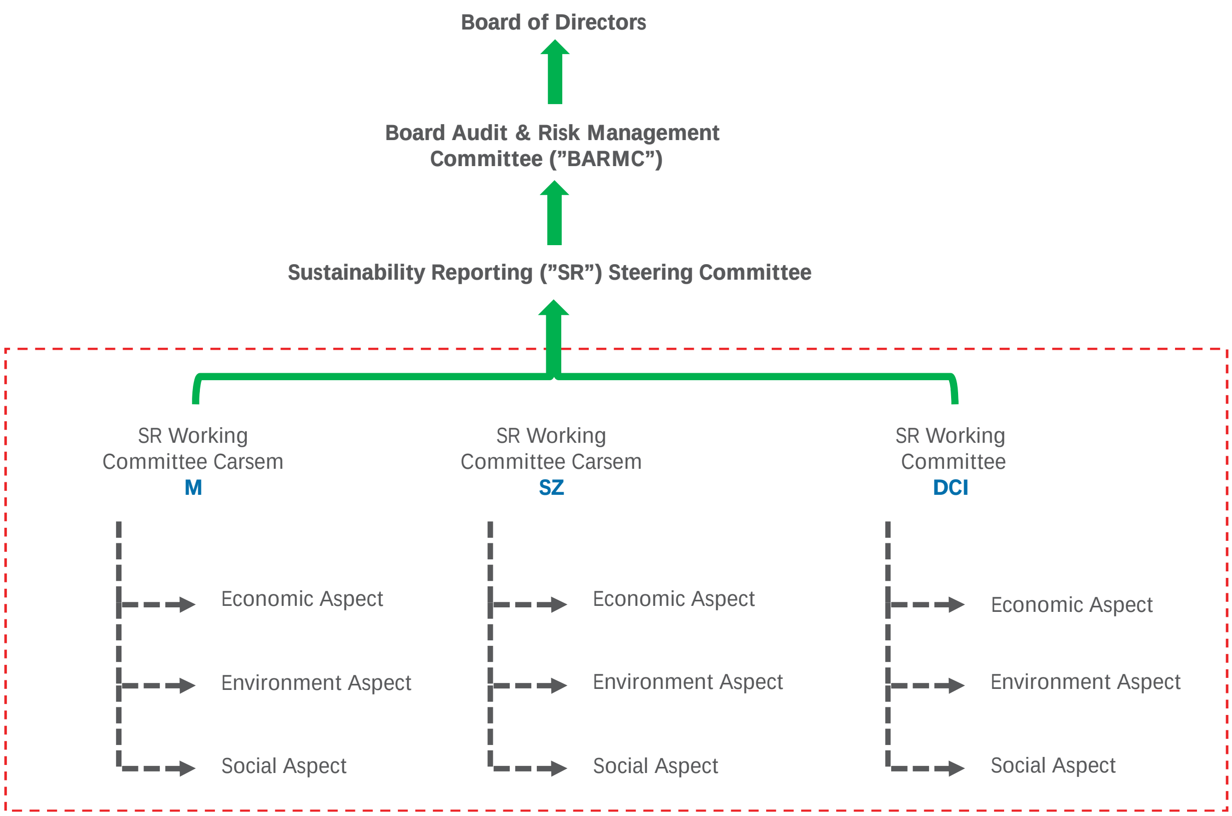
COVERAGE:
The statement covers our business presence in Malaysia, namely Carsem (M) Sdn Bhd ("Carsem M") and Dynacraft Industries Sdn Bhd ("DCI"), and China, namely Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem SZ")

The Group recognises that the sustainability and growth of our business are interconnected with the challenges that both positively and negatively impacting our environment, economies and social system. We at Malaysian Pacific Industries Berhad ("MPI") are committed to being a responsible company to deliver sustainable solutions for today and tomorrow across all our business practices.

The scope of our Sustainability Statement covers the period from 1 July 2017 to 30 June 2018 and the reporting boundary includes all the operating companies, both in Malaysia and China.

This Sustainability Statement resembles how the Group manages the business impacts on Economic, Environmental and Social ("EES") indications. It also introduces the values and governance model as well as to demonstrate the link between its approach and dedication to a sustainable global economy of the Group. In this report, we will be providing an overview of our stakeholder's engagement and governance structure with the descriptions of the initiatives under each of the sustainability elements within the scope mentioned.

SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT
cont'd

Our commitment to sustainability comes from the very top of our organisation. Accountability for these best practices is in the hands of our Board of Directors who provide guidance on key business, social and environmental issues.

Our sustainability governance structure comprises the Board of Directors as the highest governing body and they play a critical role in approving sustainability and risk management framework, deliberate reports from the BARMC on sustainability and risk governance issues. The SR Steering Committee which includes the Group Managing Director ("GMD") and the Chief Financial Officer ("CFO") acts as an advisor and bridge between the Board of Directors and the operating companies ("OC") which are supported by their respective SR Working Committees.

The three groups of working committees from each OC are grouped according to the aspect of EES based on the Global Reporting Initiative (GRI) G4 Sustainability Indicators. This structure enables us to continue to add value to our stakeholders in all aspects of our business.

The team integrates sustainability into the business strategy on a daily basis and also to facilitates the Group's sustainability-related work with government and nongovernmental organisations (NGOs), universities, and technology and industry leaders. These collaborations enable us to implement sustainability best practices in areas such as product innovation, employee engagement, operations, supply chain and advocacy. MPI is committed to maintaining sound corporate governance, continuously practicing ethics in all areas of our business, and complying with all laws and applicable regulations where we operate.

The responsibilities of the SR Working Committees (as shown in the diagram above) are illustrated as below:

Working committee	Responsibilities
Economic Aspect	Ensuring continuously improvement in: ✧ Economic development ✧ Supply chain development ✧ Product innovation ✧ Quality
Environment Aspect	Constantly managing the usage and disposal system of: ✧ Water ✧ Energy ✧ Waste
Social Aspect	Continuously monitoring and ensuring sustaining labour rights: ✧ Human Rights ✧ Safety and health ✧ Training & education ✧ Corporate Social Responsibility ("CSR") programme

SUSTAINABILITY STATEMENT
cont'd

CORE VALUES

Our values are built on the strong heritage of value creation for our stakeholders and communities within which we operate. These values are the foundation of our enduring success as a company that can be trusted by employees, customers, suppliers, shareholders and the communities in which we operate. We not only operate in accordance with the laws and the highest standards of ethical conduct, but do what is right for our stakeholders, environment and society.

Our core values continue to serve as our compass in all that we do.

OUR VALUES

To consistently provide goods and services of the highest **quality** at affordable prices

To create wealth for the **betterment of society**

To enhance the quality of **human resources** as the essence of management excellence

To improve existing operations and to position for expansion and new opportunities in pursuit of **progress**

To nurture and be committed to **innovation**

To ensure **oneness** in purpose, harmony and friendship in the pursuit of prosperity for all

To conduct business with **honour**

To pursue management vision and foster **entrepreneurship**

STAKEHOLDERS ENGAGEMENT

Stakeholders are defined as a party that has interest in the company and can either affect or be affected by the business. We derive significant value from our diverse stakeholders such as the management, customers, employees, suppliers, local community, and maintain formal management systems to engage with them. Communicating with our stakeholders is key to the long-term and continuous improvement of our company. Through dedicated communication mechanisms, we collect and incorporate important stakeholder feedback into our strategies. An important goal of stakeholder engagement is to seek feedback from diverse stakeholder groups and transform that feedback into action. The outcome of these engagements was considered in the course of our materiality assessment and sustainability matters.

Key Stakeholder Groups and the Types of Engagements Conducted

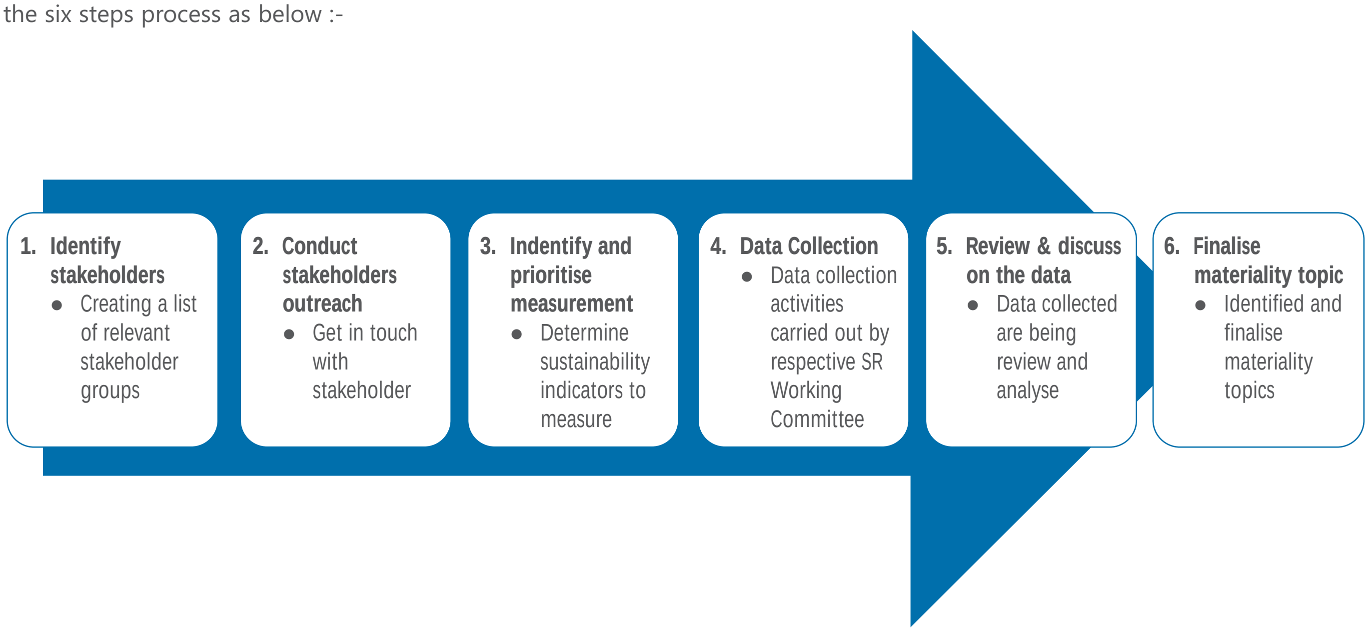
STAKEHOLDER GROUP	Type of engagement	Sustainability Topic Discussed
CUSTOMERS	• Survey • Meeting • Trade Shows Convention • Technical Seminar • Audit	• Supply Chain Responsibility • Product Responsibility
EMPLOYEES	• Employee engagement survey • Communication session • Recreational event • Training • Reward and Recognition programme • Scholarships/Academic excellence award	• Safety and Health • Labour Practices • Ethics and Compliance

SUSTAINABILITY STATEMENT
cont'd

Key Stakeholder Groups and the Types of Engagements Conducted		
STAKEHOLDER GROUP	**Type of engagement**	**Sustainability Topic Discussed**
SUPPLIERS	• Meeting • Audit • Supplier's training • Survey • Technical roadshow • Supplier's rating	• Supply Chain Responsibility • Procurement Practices • Ethics and Compliance
REGULATORS	• Periodic meeting • On-site inspection • Correspondence on regulation	• Regulatory Compliance
LOCAL COMMUNITIES	• Site visit • CSR event	• CSR
SHAREHOLDERS	• Annual General Meeting • Investor briefing • Corporate affairs correspondence	• Corporate Governance • Economic Performance
MANAGEMENT	• Management review • Operational review • Various communication session	• Sustainability Issues • Economic performance • Regulatory Compliance • Labour Practices • Ethics and Compliance

MATERIALITY ASSESSMENT

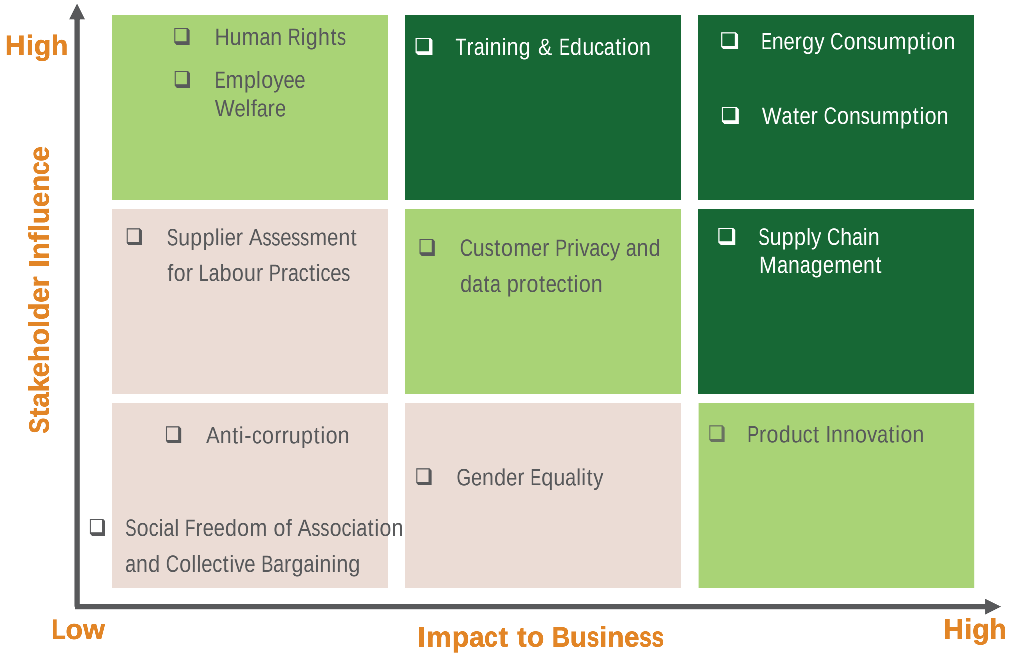
The material aspects of EES are identified based on the Global Reporting Initiative (GRI) G4 Sustainability Indicators by following the six steps process as below :-

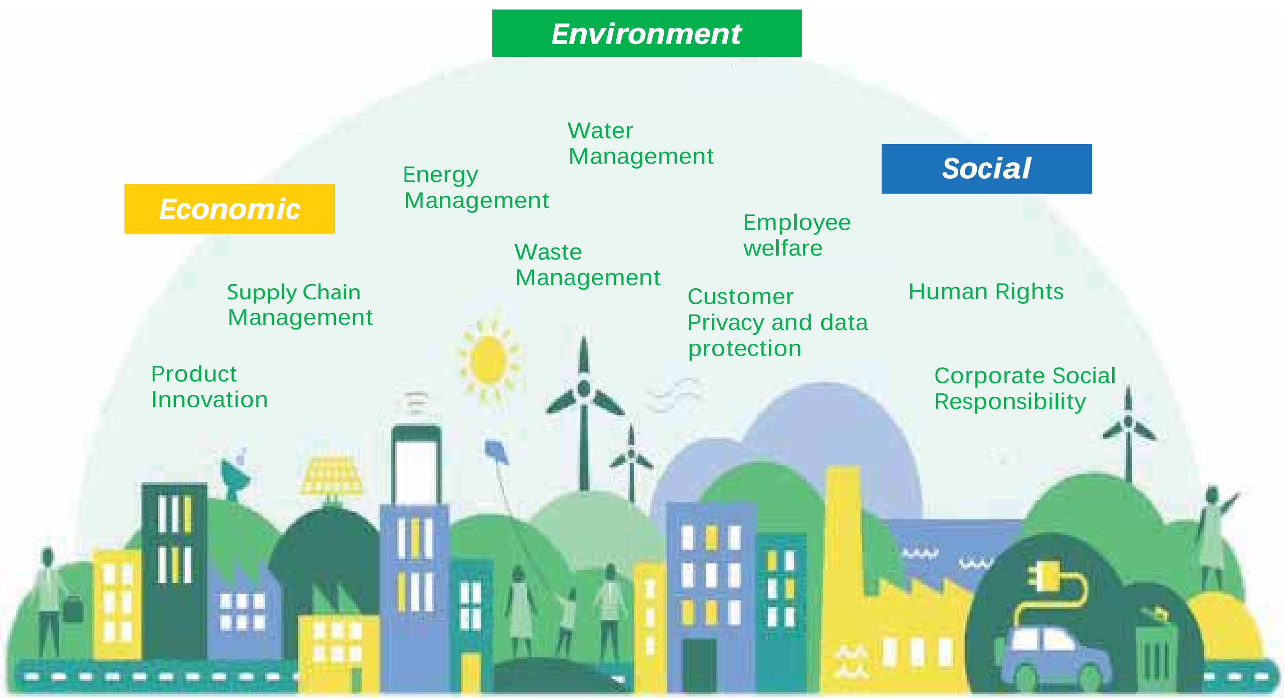


SUSTAINABILITY STATEMENT
cont'd

Through these steps, we have identified the four highest ranked ESS aspects which are crucial to our business :-

1. **Energy consumption**
2. **Water consumption**
3. **Supply chain management**
4. **Training and education**





SUSTAINABILITY STATEMENT
cont'd

PERFORMANCE HIGHLIGHTS

100% Complaint
No Conflict Minerals purchased

Energy consumption reduced by
14% kWh/k unit

67% scheduled waste recycled

100% operator trained

We are continuously looking for improvement in all areas of our operations, from the welfare of employees to protecting the environment since we started our first sustainability reporting in 2017.

In 2018, we will be reporting the highlights as mentioned above and will be continuously identifying opportunities for streamlining work and reducing waste.

ECONOMIC

In this section of the report, we will be discussing our initiatives and strategies on issues which are material to our economic sustainability such as managing risk, regulations compliance, ethical sourcing and procurement practices, product management and our commitment towards innovations. We believe that such strategies will provide long term benefits and help drive progress towards a smart, sustainable and inclusive growth for the Group.

SUSTAINABILITY STATEMENT
cont'd

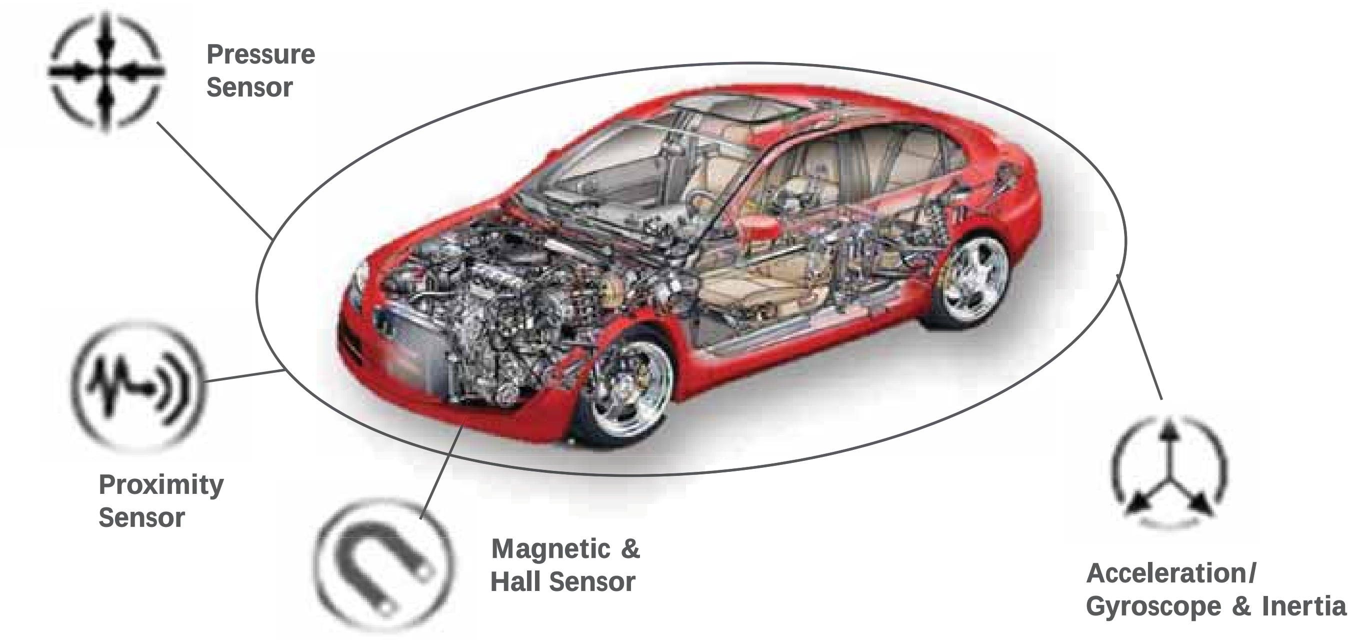
PRODUCT MANAGEMENT & INNOVATION

The Group aligns the resources based on the key technology drivers of the semiconductor industry which includes the following:

Technology Drivers			
Interconnect scaling	**Form Factor**	**Power Delivery**	**Sensing**
• Managing interactions between Silicon/ package/PCB including footprint & short signal path	• Meeting Form, Fit & Function boundary conditions of the system especially thinner and smaller footprint	• Dissipation of Heat coupled with power efficiency	• Interaction between environment, system and human

In support of this, the Group Technology Centre ("CTC") together with the Research & Development ("R&D") teams are coming out with solutions to address these strategic segments:

1. Automotive – under the hood and automotive sensors
2. Power – servers in Cloud Computing & Radio Frequency ("RF") power
3. Microelectromechanical System (MEMS)/Sensors – both commodity and automotive
4. Internet of Things – protection circuits, RF based applications & Sensors



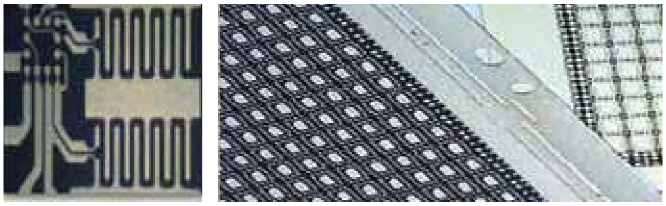
We are being acknowledged by market leading players in the automotive and power management sectors as their development partners serving the Cloud Computing and automotive sensors market.

We have expanded our portfolio in Flip-Chip, Land Grind Array (LGA)/Ball Grind Array (BGA), Microelectromechanical System (MEMS), Molded Wafer Level Packaging, multi-layer Molded Interconnect Substrate (MIS), System in Package (SiP), Cavity packages as well as customised packaging especially in automotive safety and sensors.

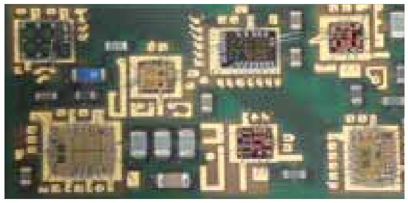
SUSTAINABILITY STATEMENT
cont'd

Below are some of the examples of our product portfolio:-

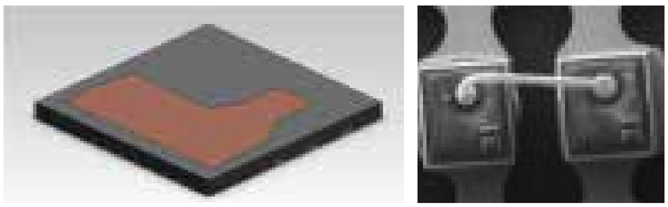
MIS (FC and Multi-layer – RF and new segments like Bitcoin



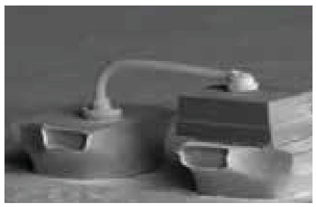
Complex SiP



Advanced Cu Clip (Power segments especially servers)



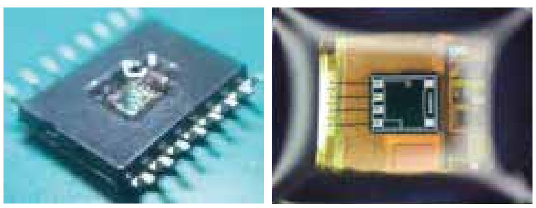
Molded WLP (New segment)



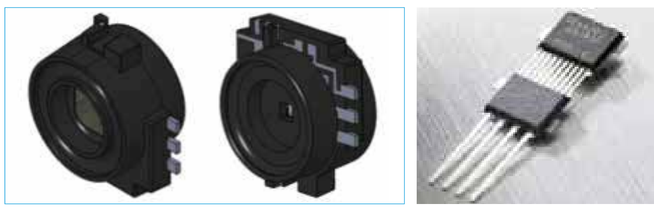
Ultra-Thin RF Packaging (0.3mm– especially IoT & handheld segments)

Miniaturisation (Protection circuits)

Cavity Packaging (Sensors & Specialised applications)



Custom Packaging (Automotive)



Our CTC is focusing on long term development for the future replacement materials for plumbum free, high thermal, low stress for power & automotive markets as well as Electro Magnetic Interference (EMI) shielding for RF applications.

In addition to this approach, there will also be specialised R&D teams at each site focusing on different business segments. This will help enhance the speed of response, time to market and provide focus to the respective targeted business segments in each site.

SUSTAINABILITY STATEMENT
cont'd

We will continue to demonstrate our core value to nurture engineers working with selected Universities, be committed to innovations through innovative package design, advanced process & materials by working closely with key customer partners and suppliers of equipment and materials who are market leaders.

Regular customer roadshows, meetings and annual road map sharing are conducted to ensure the requirements of the focused market segments are closely aligned. Our CTC actively participates in the regional semiconductor organisations and seminars especially Semiconductor South East Asia (SEA). This includes co-hosting and paper presentations where the Chief Technology Officer (CTO) is a panel member of the SEA Semiconductor panel who guides and coordinates the long-term strategies and directions of the Semiconductor members in SEA including Multinational Original Equipment Manufacturers (OEMs), Outsourced Semiconductor Assembly and Tests (OSATs), wafer fabrication and equipment companies worldwide that have facilities in SEA region.

Intellectual Property is a key aspect of innovation management in response to resolving Customer & market needs. We have actively registered our patents to protect our process, equipment and design. Selection is typically based on whether the intellectual property is useful to safeguard the Group from the competition and/or from the potential value in licensing in the future. We will continue to maintain our intellectual portfolio that are still active in countries whereby the packages/services are still active. Currently, we have more than 20 active patents in numerous countries including USA, China, Malaysia and Europe.

INDUSTRY 4.0

In the manufacturing domain, a company's progressive culture is evaluated based on its scale of automation and a systematic approach to enhanced business performance with structured innovation.

The Group not only envisions to achieve reduced dependency on operators but also to create knowledge based resources by investing in advanced high-tech. equipment and smart manufacturing concepts moving forward.

Due to the speedy development of advanced process capability given package miniaturisation and rapid technology advancement in the automotive and consumer market, the Group has established a dedicated Automation Group that has dedicated resources for R&D and process development to promote factory automation and smart manufacturing. The Group is also partnering with higher learning institutes to focus on projects leading towards predictive Artificial Intelligence ("AI") to embrace automation and data exchange in manufacturing technologies that promote factory automation.

The Group has embarked on this journey towards adopting Industry 4.0 spanning across 3 phases.

PHASE 1	PHASE 2	PHASE 3
MANUFACTURING AND DIGITALISATION	**AUTOMATION OF MATERIAL MOVEMENT**	**BIG DATA AND PREDICTIVE AI**
➢ PROCESS RECIPE MANAGEMENT SYSTEM ➢ INTERNAL LEADFRAME TRACKING THROUGH 2D CODE ➢ UNIT LEVEL TRACEABILITY ➢ DEFECT IDENTIFICATION BY eMAP ➢ TOOL MANAGEMENT SYSTEM ➢ AUTOMATED MATERIAL AND INVENTORY MANAGEMENT	➢ VIRTUAL FACTORY SIMULATION ➢ AUTOMATED MATERIAL HANDLING SYSTEM (AGV AND CONVEYOR) ➢ MATERIAL CONTROL SYSTEM	➢ APC AND FDC (ADVANCE PROCESS CONTROL & FAULT DETECTION AND CLASSIFICATION) ➢ DATA ANALYSIS ➢ DATA VISUALIZATION ➢ PREDICTIVE AI ➢ SYSTEM INTEGRATION WITH MES ➢ DASHBOARD DEVELOPMENT - VISUALIZED LINE PERFORMANCE

The Group is moving towards AI and big data analysis by developing automated systems and enhance the efficiency of the factory using predictive AI. Through these initiatives, the Group primarily hopes to achieve a pioneering data analysis system to enhance production efficiency and service quality.

SUSTAINABILITY STATEMENT
cont'd

PRODUCT RESPONSIBILITY

Our commitment is to provide the highest quality for our products and services to our customers. In early 2018, our Quality Management System (QMS) has been upgraded to meet and comply to the new International Standards for ISO9001/IATF16949 aligning with our increasing focus on growing automotive business over the existing business segments.

We are able to provide Grade 1 and Grade Zero products with high reliability that meet our customers' expectations for the Automotive market. Our reliable products not only meet regulatory, safety and health standards but also customers' specific requirements.

Customers' scope of requirements cover:

- Product assembly and test requirements (product specific)
- Process specific requirements
- Process Change Notification (PCN) requirements/Systems requirements
- Product safety requirements
- Regulatory/statutory requirements
- Environmental/EHS/hazardous materials/RoHS/conflict minerals.

Our strong quality management systems framework is based on a "process oriented approach" that monitors and evaluates the external and internal factors which influences our business growth with continuous improvement and risk-based thinking. This is part of our preventive quality culture.

Our process controls and monitoring systems are structured to ensure that we proactively identify potential opportunity risk areas through effective Risk Assessment-Failure Modes and Effect Analysis (FMEA) control methods.

We have established internal auditing process that assess-evaluates the effectiveness, deployment of the quality standards and the compliance of customer requirements.

Our commitment to drive prevention of risk through effective controls, systems, and organisational focus in delivering quality products and services to our valued customers.

SUPPLY CHAIN DEVELOPMENT

The Group is committed to partnering with our suppliers to ensure working conditions of the supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

The supply chain is a critical extension of the Group's value chain. We are actively involved in the sustainable development work of our supply chain to ensure our tier 1 suppliers provide high quality products and services in a sustainable, ethical and responsible fashion.

Management Approach

Focus	Key Items	Performance Indicators
Supply Chain Management	Procurement Policy Risk Management Assessment and Audit criteria and frequency	Supplier sustainability assessment Supplier risk assessment
Supplier Management	Working condition of labor Environmental responsibility Health and Safety of workforce Ethical business operation	Suppliers audits
Conflict Mineral Management	Conflict minerals management approach	SEC Conflict minerals compliance

SUSTAINABILITY STATEMENT
cont'd

Conflict Minerals Compliance

As of one of the manufacturers in the Semiconductor Industry, the Group has the responsibility to commit itself to purchase conflict-free raw materials to eliminate serious conflicts and inhumane acts caused by the funding of violent organisations directly or indirectly. We examine our manufacturing material suppliers and identify if the material contains 3TG metals and obtain suppliers' Smelters or Refiners (SoRs) source information in our supply chain through Conflict Minerals Reporting Template (CMRT). It has taken us several years to validate that the conflict minerals in our products are from responsible sourced conflict-free minerals and we finally had achieved 100% compliance in 2015. The Conflict Minerals monitored by our suppliers are gold and tin from the certified smelters by Conflict-Free Smelter Programme (CFSP) or other 3rd party audit programme.

Conflict Minerals – Number of Suppliers/Smelters

	2015	2016	2017	2018
Number of material suppliers involved in the EICC-GeSI Due Diligence Survey	12	12	12	12
% of involves 3TG that have completed EICC-GeSI Due Diligence survey	12	12	12	12
Number of smelters identified in The Group's raw material supply chain	22	20	20	20

Conflict Minerals Inquiry Results - 2018

	GOLD	TIN
Number of smelters	6	8
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Management Approach

Conflict Mineral Management Requirement	We seek our suppliers to be diligent in assessment and validation of their supply chains and encourage them to only source for conflict-free smelters
Reasonable Country of Origin Inquiry (RCOI)	We identify suppliers who contains 3TG *metals in our supply chain through CMRT
Independent Private-Sector Audit (IPSA)	We undertake an Independent Private Sector Audit (IPSA) of our Conflict Minerals Report in compliance with the requirements in the SEC Conflict Minerals Final Rule and subsequent SEC Guidance

Supply Chain Overview

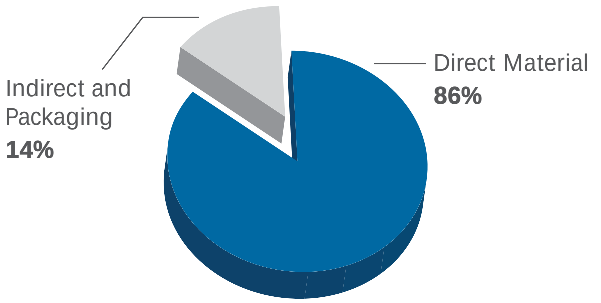
Our manufacturing outsourced facilities for assembly and testing are located at Ipoh and Suzhou. Our supply chain is divided into the following categories according to procurement type: raw materials, equipment, facility/engineering contractors and service-oriented outsource. Out of the said procurement types, the raw material suppliers have more significantly impact on our daily operations and manufacturing. According to the material attributes, there are 2 types of suppliers: direct material suppliers that provide directly manufacturing related materials, and indirect and packaging suppliers that provide non-manufacturing related materials.

SUSTAINABILITY STATEMENT
cont'd

To develop stable partnership with suppliers, we try to enhance faster services, shorter lead time as well as lower cost. We support sourcing from local suppliers to promote growth of the local economy.

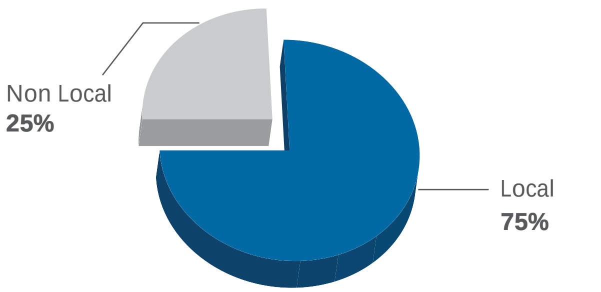
In 2018, there are a total 1216 suppliers supplying materials, equipment and services and 86% is from direct materials based on purchasing spending.

2018 Raw Material Supplier Category
(* by annual procurement amount)



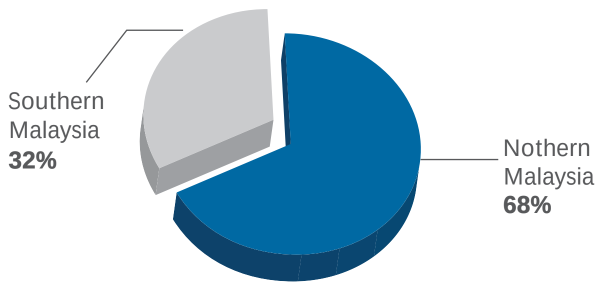
In 2018, our local purchasing spending is 75% of the total spending, excluding capital expenditure.

2018 Total Purchase Distribution
(* by annual procurement amount)

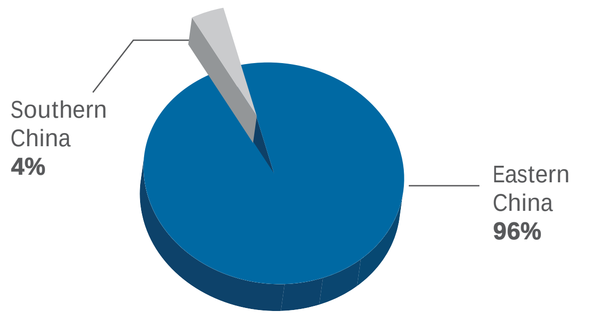


In the local (Malaysia) purchase distribution, a majority purchase is from northern Malaysia which is approximately 68% and the balance 32% is from southern Malaysia. Whereas in China, a majority of the purchases (96%) is from eastern China with the remaining from southern China as shown below.

2018 Local Purchase Distribution Areas (Carsem Ipoh)
(* by annual procurement amount)



2018 Local Purchase Distribution Areas (Carsem Suzhou)
(* by annual procurement amount)



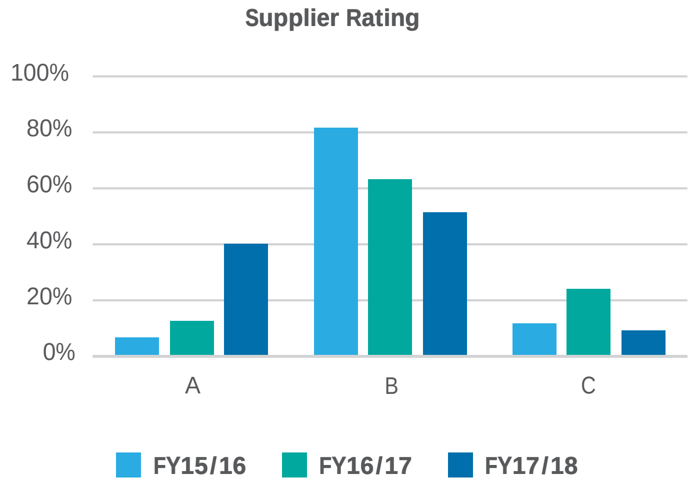
Supplier Quarterly Rating

We conduct supplier rating on quality, continuous improvement, delivery and service on quarterly basis. There are 27 suppliers involved under direct and packing material categories. The purchase values of these suppliers are above 80% of the total annual purchase of the specific categories. The suppliers' consistent performance is important to support our business and growth. Below is the quarterly performance for 2016, 2017 and 2018.

The number of A rating suppliers has been increasing since year 2015. Hence, it reflects a decrease in B rating suppliers consecutively for 3 years. There is no supplier falling under D rating.

SUSTAINABILITY STATEMENT
cont'd

Scoring Matrix



GRADE	POINTS	RATING
A	>85%	Excellent
B	65% - 84%	Good
C	55% - 64%	Average
D	<55%	Poor

Supplier Management - Risk Management, Environmental Management and Social Responsibility

Since 2016, we have been conducting annual survey with 8 major suppliers for direct material category through survey questionnaire on Risk Management, Environmental and Social Responsibility as part of the sustainability assessment. These 8 suppliers' total purchase made up 70% of the overall purchase of direct materials. We target to extend the same survey to the remaining suppliers which fall under the quarterly supplier rating by 2019.

The annual survey consists of suppliers' Risk Management, Environmental Management and Social Responsibility.

Risk Management – assesses the suppliers' Risk Management plan according to the manufacturing location, procurement amount and manufacturing process.

Environmental Management – assesses the suppliers' Environmental Management on waste, water, air pollution and energy controls and monitoring.

Social – assesses suppliers' compliance on minimum wages, working hours and labour rights.

ENVIRONMENT

We recognise and evaluate the environmental impact from our daily business activities. Environmental stewardship is our top priority and our commitment includes:-

- Conservation of Energy and Natural Resources – We will conserve electricity and water resources which are the main resources consumed in our operations.

- Waste and Emission – We will drive towards reduction of generation at source with focus on recycling to minimise needs for treatment or disposal to conserve resources.

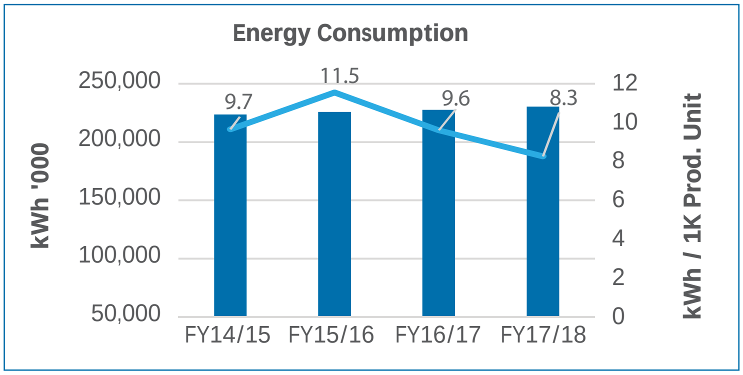
SUSTAINABILITY STATEMENT
cont'd

ENVIRONMENTAL SAFETY AND HEALTH (ESH) MANAGEMENT SYSTEM

Energy Management

Our sole energy source is electricity purchased from local power provider. Our combined energy consumption in all our factories is above 220 000 MWh per year.

We set multilayer goals focused on operations efficiency. One of the goals is reducing energy consumption to produce our semiconductor products based on the KWH/k units produced indices. The target is 10% annual reduction. With the exception of the increase in 2016, the implementation of various projects since has seen significant reduction of the kWh/k unit indices.



The Group has implemented the Efficient Electrical Energy Management Policy, which is in line with Regulation 6 of the Efficient Management of Electrical Energy Regulation 2008. This helped to drive numerous initiative programmes on energy conservation resulting in a reduction over previous year's baseline by 17% kWh/k unit or 1,659 MWh in 2017 and another 14% kWh/k unit or 2,898 MWh in 2018.

SUSTAINABILITY STATEMENT
cont'd

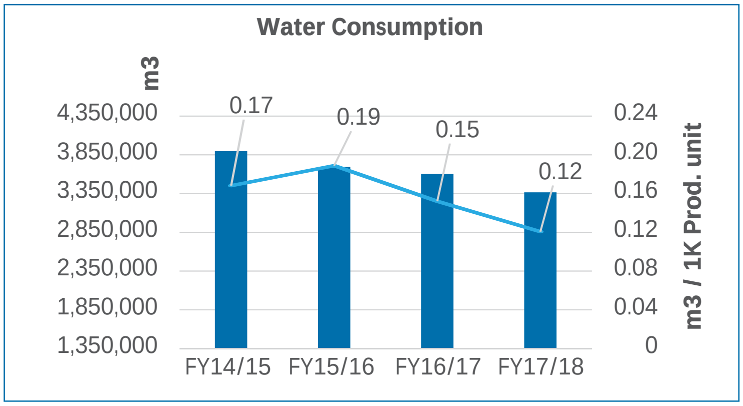
Water Management

We use water from public sources. A significant portion of our water is treated to produce the high purity deionised (DI) water necessary for our manufacturing process. MPI continues to fund capital improvement projects to further reduce, recycle and reuse water as part of our commitment to preserve water natural resources.

A substantial portion of backwash water used in Waste Water Treatment Plant (WWTP) operations is reclaimed and recycled from treated water.

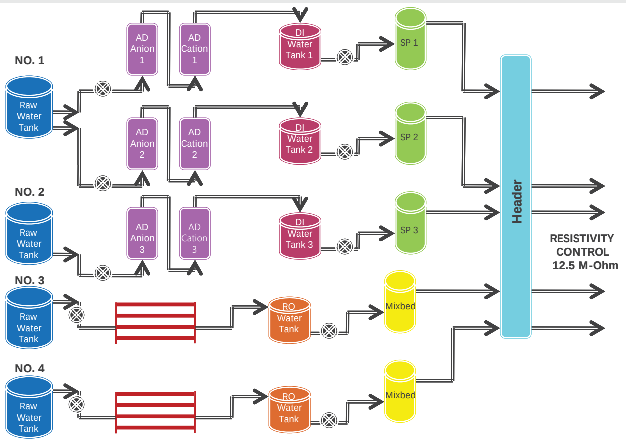
In 2017, 30% of our withdrawn water was reused to support the Group's operations. In 2018, further optimisation of DI water usage had contributed to reduction of water consumption amounting to 24 million gallons in 2017 and 62 million gallons in 2018. This is 27% and 20% annual reduction respectively.

We continue to pursue reduction in water usage. In 2018, we invested in recycling reject water from our DI plant and our sawing operations using Reverse Osmosis (RO) technology. Foundation works have started and this project will be completed in 2019. This is projected to support our target of another 10% reduction in 2019.

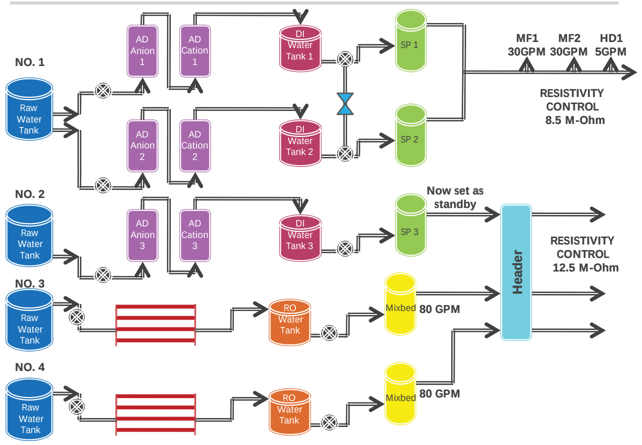


The project is our commitment to continuously reduce our water consumption and reducing waste water. In addition to recycling and reuse water, this project will also enable Carsem M to shut down one mix bed DI plant resulting in reduction of chemicals and electricity to run the DI plant.

AMBERPACK DEIONIZER SYSTEM BEFORE



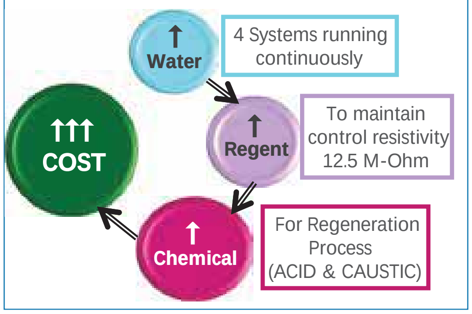
AMBERPACK DEIONIZER SYSTEM AFTER



SUSTAINABILITY STATEMENT
cont'd

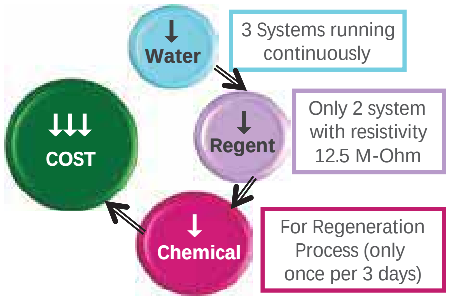
AMBERPACK DEIONIZER SYSTEM BEFORE

- Early JUNE 2017, new RODI plant started running.
- Currently now there are 4 systems in operation to support production lines (HD1, MF1, MF2, Backgrind & CSMO)
- All systems used to supply DI Water with resistivity control 12.5 M-Ohm.
- Unfortunately, it caused water continuously overflow from DI Water Tank & Raw Water Tank.



AMBERPACK DEIONIZER SYSTEM AFTER

- After some study and problem searching, we found correct tune for water flow system.
- On SEPTEMBER 2017, we divert the pipe from system No.1 to support MF1, MF2 & HD1 EOL with resistivity 8.5 M-Ohm.
- System No. 2 set as standby for backup system No. 3 & 4 with same resistivity 12.5 M-Ohm.

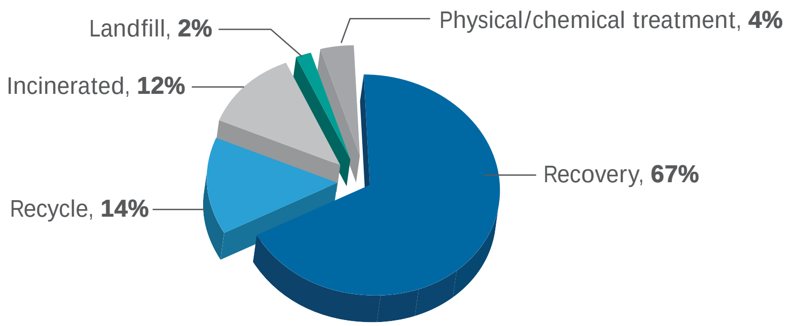


Sustaining and protecting the environment through conservation of energy (both electricity and water) including driving reduction in our consumption of natural resources, is our commitment in the conservation and preservation of our environment.

Waste Management

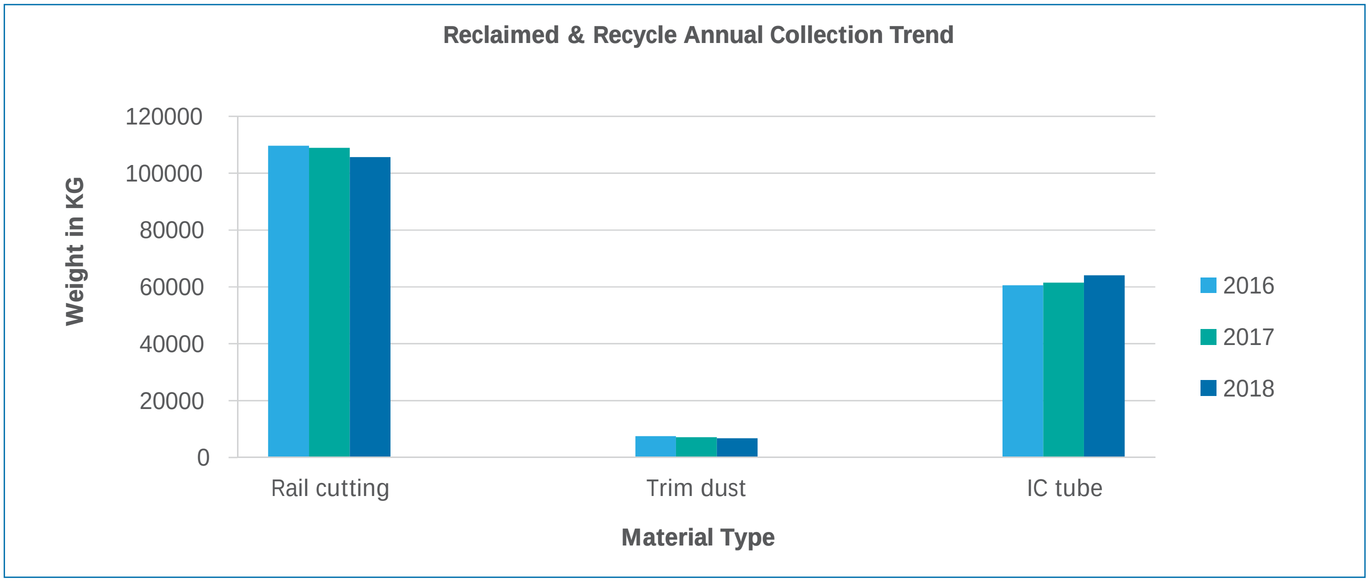
As hazardous waste can be harmful to people's health and safety and to the environment, we need to handle, treat and dispose of all hazardous waste properly. All the hazardous waste is treated locally by an approved and specialised company. In 2017, 412 metric tons of hazardous waste were generated. A total of 68% of the waste was recovered, 14% recycled, 9% incinerated, 9% was physically or chemically treated and 0% went to landfill. Over the years, we have continuously improved the disposal method. For MPI overall, the hazardous waste disposal channel was 67% recovered, 14% recycled, 12% incinerated, 4% were physically/chemically treated and 2% went to landfill.

MPI - FY18 Hazardous Disposal Channel



SUSTAINABILITY STATEMENT
cont'd

Reclaimed Product and Packaging Material



The Group is committed to reduce product packaging and waste. Hence, we had initiated collection of recycled and reclaimed product waste and packing materials. The collection involves waste from one of the main direct material Lead frame with 30% in 2016, 32% in 2017 and 34% in 2018 of the total direct material annual purchase and IC plastic tube with 29% in 2016, 30% in 2017 and 31% in 2018 of the total packaging material annual purchase.

Below is the type of collection and yearly trend for the past 3 years:

1) Monthly E-waste collection consists of metal rail cutting and metal dust.
2) Used packing IC plastic tube to recycle back to manufacturer.

"A company is not an organisation. It takes people to transform a company into an organisation. The sum total of the staff is the Group's strength, and their contributions are the Group's Results"

Tan Sri Quek Leng Chan
Executive Chairman of the Hong Leong Group

We have put in significant efforts to ensure long-term employee development by fostering employees' abilities, making the most of their talents and developing their potentials to contribute to the success of the company. We commit to ensure that we provide standard training and education for policies and procedures concerning working conditions, safety, and health of the workers and also practicing fair and non – discriminatory labor practices across regions where we operate. In addition, our investments and engagement around social issues generate significant value for us and for our stakeholders.

SUSTAINABILITY STATEMENT
cont'd

TRAINING & EDUCATION

MPI views employees as the asset of the organisation, and continuous learning & training is crucial in order to ensure that our employees have the required competencies to perform their work and deliver their best. Employee training has a positive impact on employee satisfaction, performance and retention.

Learning & training in our organisation focuses on addressing competency/skill gaps, especially for critical or high-risk jobs. We have a wide spectrum of employees' development programmes including collaboration with external bodies to develop technical courses which are highly customised to the specific needs of the operations, arranging on–the–job attachment and engaging specialists to facilitate knowledge transfer. In addition, up-skilling and retraining existing employees is also carried out on a regular basis.

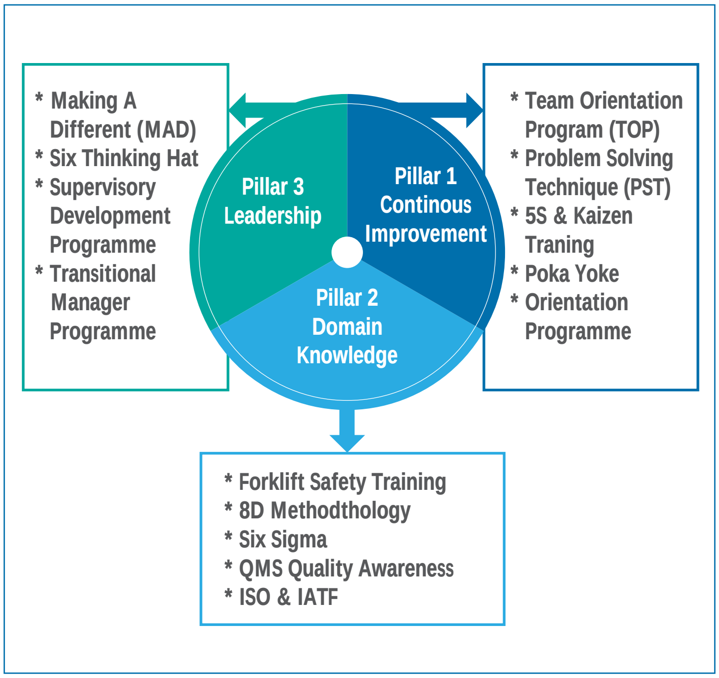
There are four main categories of Learning and Development ("L&D") programme in the Group:-

a) 3-pillar L&D programme

The 3-pillar L & D programme focuses on skill enhancement for all employees in an organisation.

It consists of:-

I. Pillar 1 – Continuous Improvement – for all level of employees
II. Pillar 2 – Domain Knowledge - industry specific skill for technical and process related employees
III. Pillar 3 – Leadership Programme for supervisors and above



In Pillar 1, we view orientation programme as an important introduction to new employees to adapt to the culture and work environment. 5S and Kaizen training helps our employees to sustain an organised workplace which reduces non-value-added activities. In addition, 5S generates positive impact on the quality of products, safety, cost, productivity, and employees' morale. We also embark on Kaizen training which builds on 5S fundamental to cultivate continuous improvement mindset in the organisation.

In Pillar 2-Domain Knowledge, the Group has more than 90 processes related to training. Every operator hired is trained and certified online theory via Learning & Certification Management System and practical test before they start to operate equipment in production line. All production instructors are trained and tested strictly to ensure that we have the best coaching resource. Also, to further improve operators' technical skill, we offer Production Specialist I & II Training through Technical Skills Development Centre (TSDC) technical programme, which includes basic technician knowledge and skill, thus our operators can contribute more for the production and develop technical career path in their future.

SUSTAINABILITY STATEMENT
cont'd

Quality improvement training is one of our most critical training in the Group which comprise ISO9001, ISO140001 and IATF training. Our engineers are trained with FMEA, Six Sigma, DMAIC (Define, Measure, Analyze, Improve, Control) technical courses to keep abreast with the latest preventive methodology to ensure quality processes throughout the operations.

The Group believes that at every employee level there are leaders, thus Pillar 3 Leadership training provides leadership course for all levels of employees including supervisors and line leaders in supervisory skills development. Besides that, the Group also conducts managerial programme such as first-time managers training and transitional manager training to improve management skills and knowledge, which provide a structured team leading the organisation towards its business goals and provide a platform for personal growth.

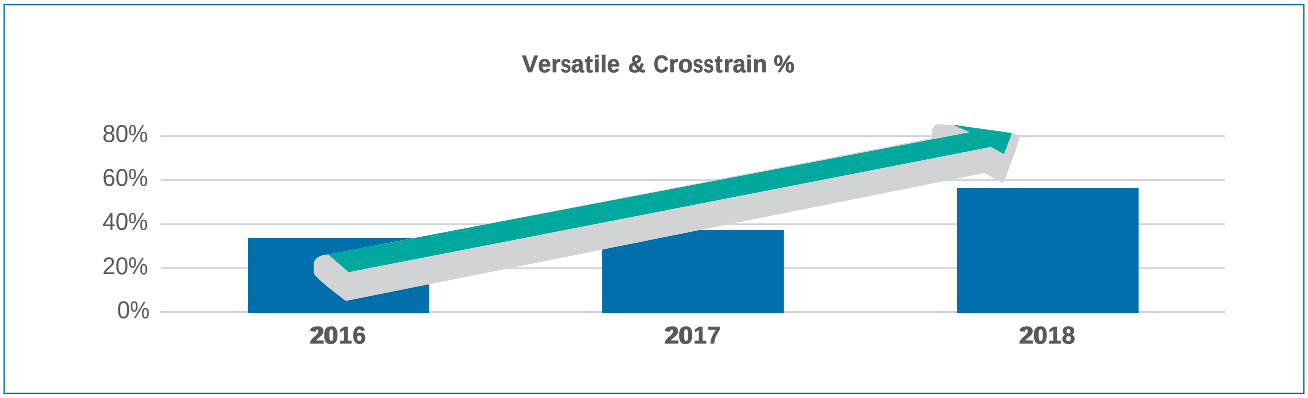
b) Succession planning and training programme to ensure continued employability

We have introduced succession planning as we strongly believe in promoting internally and develop leaders that will lead the Group into the sustainable future. The purpose of the succession programme is to identify and groom existing employees who may take over the role of the current employees when they leave or retire. Succession programme increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Our succession planning focuses on senior management position as well as critical technical position at the work station.

c) Embark on versatile & cross-training workforce

The Group embarks on versatile & cross-training workforce with the aim to have a flexible workforce and multi-skilled employees, which provides us the ability to schedule and arrange employees to a specific work station to meet business needs. Employees are able to fill in for absent co-workers and work in any area that requires increased manpower at any time.

From the aspect of employee satisfaction, multi skilled employees are not threatened by obsolescence when new technology changes the method of production, as employees are used to learn new skills constantly which help them to adapt to changes in production. Employee satisfaction boosts morale that leads to increase in productivity and employee retention rates.



SUSTAINABILITY STATEMENT
cont'd

We promote the importance of skills development and QPP spirit by organising Skill Olympics competition. It's a good way to increase employees' interest in skill upgrade and improving their competencies.





Team building exercises are conducted regularly to enhance new operators' cooperation, induce team spirit, cultivate positive attitude, improve employee engagement and promote QPP spirit, the Group organizes team buildings to engage, motivate and improve retention rate.



HUMAN RIGHTS

We believe in respecting and safeguarding human rights. We design and plan for fair working conditions, employee rights, and the rejection of all forms of discrimination, forced labour, and child labour.

These expectations are formulated in our Code of Ethic and Electronic Industry Citizenship Coalition (EICC) Code of Conduct which is now renamed as Responsible Business Alliance (RBA). The responsibility for human rights issues lies with the Corporate Social Responsibility(CSR)/Electronic Industry Citizenship Coalition (EICC) Management System Organisation led by our Group Managing Director. These are clearly communicated to all our employees, customers and business partners.

All our employees receive training which includes information on respecting human rights in the course of our business operations as stipulated within the Code of Ethic. In particular, the managers responsible for the security units are sensitised with such compliance processes. Security personnel are also informed about our requirements and instructions for respecting human rights in line with our wide procurement guidelines.

SUSTAINABILITY STATEMENT
cont'd

CORPORATE SOCIAL RESPONSIBILITY PROGRAMME

Local Communities

In line with one of the Hong Leong Group's core values to create wealth for the betterment of the society, the Group is committed to continuously support the community in all business aspects. Local communities are essential to us and we strive to add value to the communities within which we operate. Various activities at group level, factory level and employee level are launched and participated widely all year round to reflect our commitment to positively impact our community.

DCI has made contribution during a major flood in Penang. The Gan En Zhi home and a few of DCI employees home were affected during the flood in Nov 2017. DCI CSR donated a sum of money to the home and to individual employees.

The Group Charity Chest

In 2018, the Group, through Carsem Charity Chest (CCC), donated a total of RM25,680 to the community. A total of 14 recipients comprising 10 employees or families in need and 4 children homes have benefited from the total contribution. A Charity Bi-cycle ride was organised to assist Children Home in Chemor to complete their new shelter. Its involves 110 Carsem volunteers.

In Carsem SZ, the company regularly organises charitable activities where every employee as well as the management team take part with enthusiasm, showing full support and care for everyone involved. Employees contribute and volunteer in the charitable activities demonstrating "THE CARSEM BOLEH" spirit.

Employee Communications

An employees' communications programme is in place to ensure that all employees are kept up to date with the latest business changes, consistent feedback and also to encourage their involvement with company's activities. Various communication channels include:

SUSTAINABILITY STATEMENT
cont'd

Academic Excellence Award

We have awarded RM24,700 in 2014, RM20,400 in 2015, RM10,300 in 2016 and RM19,000 in 2017 to employees' children who have excelled in public examinations such as UPSR, PT3, SPM and STPM.

Employee Engagement

The Group continuously drives programmes to unite our people at various levels through different activities as we believe that people are the key enabler to drive results. At the Hong Leong Manufacturing Group ("HLMG") level, HLMG Sports Tournament is organised with participation coming from over 22 companies whereas at the MPI Group level, we organised MPI Kaizen competition to promote continuous improvement initiative and a variety of sport carnivals are organised in Carsem M under the umbrella of C.E.R.I.A (Carsem Employee Recreational Integration Activities).

Carsem SZ since 2009 has taken part in the Foreign Investment Enterprises Games in Suzhou and has come away with excellent achievements.

Employee Care

We have a wealth of employees' programme including the following care and welfare programme:

a) Compensation

- Men and women, local and foreign, are paid equally according to their respective grades.
- Employees are remunerated according to:
  - Job Requirement
  - Work Performance
  - Local Market Requirement in compliance to the local wage standard such as the Minimum Wage Act
  - Contributions are made to the Employees Provident Fund and Social Security Organisation for all eligible employees.

SUSTAINABILITY STATEMENT
cont'd

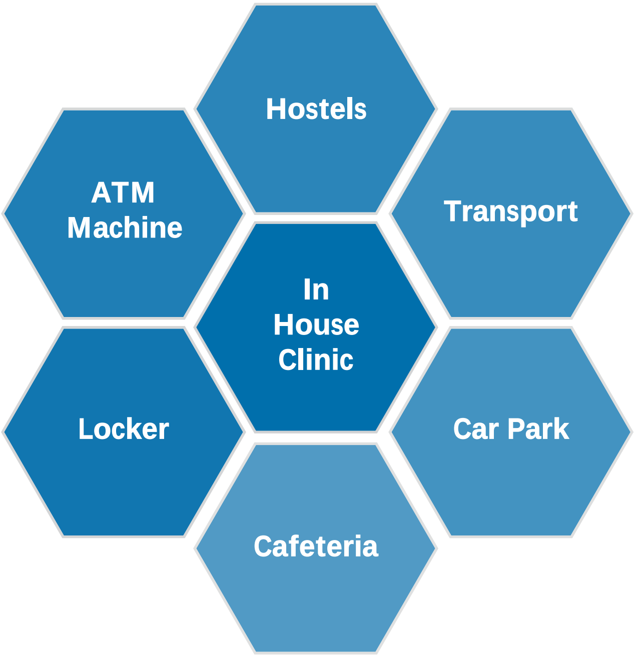
b) Insurance Programme

- All employees have an insurance coverage such as:

  i. Health Insurance
  ii. Accident Insurance
  iii. Life Insurance

Employee Welfare

Employees are able to enjoy in house facilities such as:



CUSTOMER PRIVACY

Ensuring Customer Privacy is a paramount requirement. We use several key tools :-

MPI Standards of Business Conduct

As part of the Hong Leong Group, all employees at MPI are required to sign a Standards of Business Conduct document, which under item 2 – Integrity and Protection and Use of the Group's Assets.

Resources and Information and its sub-section (a) – Confidentiality and Proprietary Information strictly mentions the obligation of an employee to maintain the privacy of any information relating to the Group's business, operations, policies, processes, plans, inventions, product information, know-how, designs, rights, drawings, blueprints, charts, techniques, sources of supply, formulae, analyses, reports, methods of working, data and specifications, trade secrets, price list, cost information, computer programmes, market opportunities, customers and suppliers information, financial information, business and research plans and any other information of any kind, which the Group deems as confidential that the employee may have access to.

Employees are bound to take all necessary care and security measures to protect the confidentiality, secrecy and safety of the Confidential Information.

Standard Operating Procedure (SOP)

We follow the SOP to manage Proprietary Documents and to control its Distribution, adhering to the scope and requirements of the MPI Standards of Business Conduct document.

The **Purpose** of this SOP is to control and protect proprietary documents and our customers from the unauthorised use or release.

The **Scope** of this SOP includes all drawings, specifications, quality data's, engineering studies, internal audit, customer quality feedback, business plan, cost related records, customer documents and other documents classified as proprietary or labelled as 'confidential' or similar implication.

The **Procedure** to control distribution of protected documents is the responsibility of Specification Department clerks by ensuring that the proper forms are appropriately completed and submitted before issuing any documents to the requestor. The clerks are authorised to reject requests which do not comply with the requirements.

SUSTAINABILITY STATEMENT
cont'd

To safeguard the proprietary information from unauthorised use, anyone other than our employees wishing to enter the production floor must always be accompanied by authorised personnel designated by the management. Any reproduction of proprietary information is limited to document control personnel or the document owners.

It is a strictly enforced requirement that a Non-Disclosure Form is signed by the recipient, even if the requestor is a Non Group Employee. Any generic specification posted on the Group Customer Centre Web Base is made accessible by customers via their respective passwords only and a Non-Disclosure Undertaking is displayed as a "warning" to users for not to disclosing information relating to process, devices and equipment, which is deemed to be confidential or proprietary(hereinafter referred to as "Confidential Information"), and stating that both parties desire to use such Confidential Information only for the provision of subcontract assembly services.

Data Security

The elements of Security which we focus to include are multi-levelled access control to all systems, secured data centres to prevent unauthorised access into this very critical area, strong network protection through firewall and antivirus protection software and separated LAN (Local Area Network) for production and office.

Customer Data is fully secured through different levels of access controls policy. The highest level of access rights is authorised to only the IT administrators. Other access rights are authorised based on the user's job function. Upon cessation of employment, the access rights of that employee shall be automatically removed upon the end of the last working day.

Data centres are strictly for authorised personnel only and are secured with authorisation access card. The access card system is also equipped with access logging which allows monitoring of personnel going in and out of the Data centres.

Network protection is managed with optimal priority. A highly secured firewall is setup to protect the network from intruders.

All devices connected to the network are installed with antivirus and automatically updated with latest security patch. To further mitigate the risks of cyberattack and spread of virus, the Production and Office LAN are kept separated from each other.

We have a successful track record in our commitment to protect the security, privacy and integrity of customers' data.

Besides providing high security to customers' data, we have taken a step further to ensure that there is no redundancy in the infrastructure that supports customers' data. Disaster recovery and business continuity has been built into the Group's infrastructure.

For business continuity, we had set up another Data Centre in a separate building away from the main Data Centre. The main objective of this Business Continuity Centre (BCC) is to ensure no data is lost when any infrastructure is interrupted in the main Data Centre and there is a readily available Data Centre to take over the functionality almost immediately. The Business Continuity failover drill is performed yearly according to procedure.

Disaster recovery initiatives, is another effort to prepare the customers' data in backup media tapes for offsite safekeeping. The purpose of this back-up is to have the customers' data secured and ready for restoration into a new hardware to recover from any disaster, example fire or flood.

Improvements

As part of the continuous efforts to improve the requirement to protect the privacy of customers, we are constantly reviewing the processes of submitting and recording complaints. This would ensure that if there are any loopholes in the system, they may be properly captured and addressed to avoid repetition.

SUSTAINABILITY STATEMENT
cont'd

CONCLUSION

We recognise that there is much more that can be done in the sustainability development in creating positive economic, social and environmental impact. We are committed and excited, together with our stakeholders, to continue fostering business growth that is sustainable together with our stakeholders for the future.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG"), namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2018 of the Company in relation to this statement is published on the Company's website, www.mpind.my ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and chief executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

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

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Group and tracking compliance and business progress.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A. Roles And Responsibilities Of The Board *cont'd*

Independent Non-Executive Directors ("ID" or "IDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises six (6) Directors, four (4) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The policy includes the following:

- The board shall determine the appropriate size of the board to enable an efficient and effective conduct of Board deliberation.
- The board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the board.
- The board shall include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. In line with gender diversity, there are two (2) women Directors on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2018, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. Board Committees

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

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") are set out in the Board Audit & Risk Management Committee Report in this Annual Report.

  The TOR of the BARMC are published on the Website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC

The NC was established on 29 April 2013. The NC has been re-constituted as follows:

Ir. Dennis Ong Lee Khian
Chairman, Independent Non-Executive Director
(Appointed on 30 March 2018)

Dr Tunku Alina Binti Raja Muhd Alias
Independent Non-Executive Director
(Appointed on 30 March 2018)

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

Ms Lim Tau Kien
Independent Non-Executive Director
(Resigned on 30 March 2018)

YBhg Datuk Syed Zaid Bin Syed Jaffar Albar
Independent Non-Executive Director
(Resigned on 30 March 2018)

The TOR of the NC are published on the Website.

(i) New Appointments

All candidates to the Board are assessed by the NC prior to their appointments, taking into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, independence and time commitment, before they are recommended to the Board for approval. The Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In evaluating any new appointment of senior management, the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability, and senior management positions are awarded based on qualifications, experience and potential.

In the case of chief executive, the NC will take into account the candidate's knowledge and experience in the industry, market and segment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

(ii) Re-election/Retention

The nomination and approval process for re-election/retention of directors shall be as follows:

• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The Chairman, Directors and chief executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, and for IDs, their continued independence.

(iii) Removal

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

(iv) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of directors for Board Committees	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual director, Board Committee member, chief executive and chief financial officer on an annual basis ("Annual Board Assessment"). For newly appointed chairman, directors, chief executive and chief financial officer, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

  The NC met once during the FY ended 30 June 2018 ("FY 2018") where all the NC members attended. Recommendations and decisions were also taken by way of Circular Resolutions.

  The NC carried out its duties in accordance with its TOR during FY 2018. The NC considered and reviewed the following:

  ➢ revised NC Charter, revised Process and Procedure of Assessment for New Appointment, Re-Election or Retention of Directors or Chief Executive and Removal of Directors and revised policies on Board Composition, Independence of Directors, Board Diversity, and Directors' Training;
  ➢ composition of the Board and Board Committees;
  ➢ mix of skills, professional qualification, experience and other qualities of Directors including gender, ethnicity and age balance;
  ➢ independence of IDs and their tenure;
  ➢ trainings undertaken by Directors and recommendation of training programmes for Directors; and
  ➢ appointment and re-election of Directors.

  Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

  The NC has also evaluated the performance of the Board, Board Committees, each individual director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2018. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- Remuneration Committee ("RC")

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

D. Remuneration

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

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

The remuneration packages of executive directors are reviewed by the entire Board. Executive directors shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. The Board, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

D. Remuneration *cont'd*

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

The detailed remuneration of each director is set out in the CG Report which is published on the Website.

Hong Leong Manufacturing Group adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The company's rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances; performance based variable pay, long term incentives, benefits and other employees' programmes.

The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in; delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.

E. Independence

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an independent director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. It further states that in the event the Board wishes to retain an independent director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an independent director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought through a two-tier voting process.

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. In addition, the ID Policy states that the Company shall seek shareholders' approval at the AGM every year to retain IDs who have served on the Board for a period of 9 years continuously or more as IDs, with justifications and subject to favourable assessment of the NC and the Board.

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

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

Currently, the tenure of all the IDs on the Board does not exceed 9 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

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

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016 and they are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow amongst the Board, Board Committees and senior management. The Company Secretaries attend programmes and seminars to keep abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

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

The Board met four (4) times for FY 2018 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Manuel Zarauza Brandulas	4/4
Ms Lim Tau Kien	4/4
Ir. Dennis Ong Lee Khian	4/4
YBhg Dato' Mohamad Kamarudin Bin Hassan	4/4
Dr Tunku Alina Binti Raja Muhd Alias *(Appointed on 18 January 2018)*	2/2*
YBhg Datuk Syed Zaid Bin Syed Jaffar Albar *(Resigned on 30 March 2018)*	3/3*

* *Reflects the attendance and the number of meetings held during the period the Director held office.*

The Company recognises the importance of continuous professional development and training for its Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which includes visits to the Group's various business operations and meetings with senior management, is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

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

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2018, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its Directors and senior management.

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

During FY 2018, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- MCCG Update and Cyber Security Awareness Session
- Digital Transformation and Impact to Businesses
- Journey Toward Industry 4.0
- Oil Hedging Overview, Tools and Risks
- FX Market Development
- MOPS Pricing Methodology and Market Outlook
- Executive Presentation on Board Online Software
- Fraud Risk Management Workshop
- Boards in the Digital Economy
- Capital Market Conference 2017
- Directors CPD
- International Directors Summit 2017
- CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous World
- The Corporate Intelligence: A Director's Understanding & Access to Evidence – Based Foresight
- Case Study Workshop for Independent Directors
- CG Breakfast Series Entitled: Leading Change @ The Brain
- Malaysian Financial Reporting Standards 17 (MFRS 17) Insurance Contracts
- The Outward Mindset: Leadership & Self-Betrayal
- Driving Financial Integrity & Performance-Enhancing Financial Literacy
- Economic Forum: The Future of Globalisation & Liberalisation: Are we Losing the Battle?

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

- Bursa Risk Management Training for Directors
- Director's Guide to Fraud & Corruption Risks
- Effective oversight of IS Functions – Are boards in sync with regulatory expectations?
- Case study workshop for independent directors on Rethinking role of Independent Directors A New Frontier
- Securities Commission's Conversation with Audit Committee on MFRS 9 & 15
- Quality Assurance & Quality Control & Regulatory Requirements/Compliance
- Sustainability Statement
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- CG Breakfast Series: Integrate an Innovation Mindset with Effective Governance
- Independent Directors Programme: The Essence Of Independence
- The ASEAN Women of Tomorrow Conference
- CG Briefing Session: MCCG Reporting and GC Guide
- Palm Oil: Scourge of the Earth or Wonder Crop?
- Women Directorship Program: Enhancing Board Leadership
- Impact of Innovation & RD on boosting yield and sustainable plantation practices
- Steve Hagger's Post GE14 outlook

G. Strengthening CG Culture

- **Code of Conduct and Ethics**

  The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities.

  The Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees; and

  - any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff.

- Whistleblowing Policy

  A Whistleblowing Policy has also been established by the Company and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

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

The BARMC is supported by the Internal Audit Department ("IAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks; operational audits to identify opportunities for operational improvement; and also ensure compliance with standard operating procedures of the Group. Investigation or special review will be carried out at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I. Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility In Financial Reporting

The MMLR requires the directors to prepare financial statements for each FY which give a true and fair view of the financial position of the Group and of the Company as at the end of the FY and of the financial performance and cash flows of the Group and of the Company for the FY.

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2018 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

III. Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") provides an overview of the system of internal controls and risk management framework of the Group.

- Responsibility of the Board

  The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets. The Board adopts MS ISO 31000:2010 as its risk management framework.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- Risk Management Framework

  For FY 2018, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

  - establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
  - identify risks in relation to the objectives of every business function of the Group's operating companies;
  - identify emerging risks faced by the Group in the operating environment of its various industries;
  - assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
  - evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
  - record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

  Further, on an on-going basis, each operating company's chief executive and authorised risk owners have clear accountabilities to:

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

- System of Internal Controls

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

  - A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  - Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
  - Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
  - Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
  - Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk & control assurance framework; provide the breadth in risk and control assurance; and demonstrate management's commitment to effective risk management.
  - Risk-based internal audits carried out by the Group's IAD focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2018 cover tender and procurement; overtime management; hostel management and recruitment management.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- Management and Decision-Making Processes

  The internal control and risk management processes of the Group are in place for the year under review and up to the date of approval of the SORMIC for inclusion in the annual report; and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

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

  The SORMIC has not dealt with or included the state of risk management and internal control of the associates.

- Review of the SORMIC by External Auditors

  Pursuant to paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2018 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- Board's Opinion

  The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, Messrs KPMG PLT. The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the MIA, Messrs KPMG PLT rotates its Engagement Partner and Concurring Partner once every 5 years to ensure objectivity, independence and integrity of the audit opinions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

IV. Relationship with Auditors *cont'd*

The external auditors meet with the BARMC to:

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

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

For FY 2018, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

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

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

B. Shareholders

I. Dialogue between Companies and Investors

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

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

Shareholders can access for information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. A summary of the key pertinent matters discussed at the AGM is published on the Website.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

B. Shareholders *cont'd*

I. Dialogue between Companies and Investors *cont'd*

Queries may be conveyed to the following person:

Name	:	Mr Manuel Zarauza Brandulas
Tel No.	:	05-312 3333
Fax No.	:	05-312 5333
Email address	:	IRelations@mpind.my

II. AGM

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

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

At the last AGM held on 25 October 2017 of which all Directors attended, the Company adopted electronic voting for the conduct of poll on all resolutions.

This Corporate Governance Overview Statement, Risk Management And Internal Control is made in accordance with the resolution of the Board of Directors.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

The Committee has been re-constituted as follows:

Ms Lim Tau Kien
Chairman, Independent Non-Executive Director
(Redesignated as Chairman on 30 March 2018)

Ir. Dennis Ong Lee Khian
Independent Non-Executive Director

YBhg Dato' Mohamad Kamarudin Bin Hassan
Independent Non-Executive Director
(Appointed on 30 March 2018)

YBhg Datuk Syed Zaid Bin Syed Jaffar Albar
Independent Non-Executive Director
(Resigned on 30 March 2018)

SECRETARY

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

AUTHORITY

The Committee is authorised by the Board of Directors ("Board") to review any activity of the Group within its Terms of Reference, details of which are available on the Company's website at www.mpind.my. The Committee is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

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

MEETINGS

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

MEETINGS *cont'd*

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

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each Committee meeting, the Chairman of 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

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2018 ("FY 2018") was carried out by the Nominating Committee ("NC"). The NC and the Board are satisfied that the Committee and its members had carried out their duties in accordance with the Committee's Terms of Reference.

During FY 2018, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Ms Lim Tau Kien	4/4
Ir. Dennis Ong Lee Khian	4/4
YBhg Dato' Mohamad Kamarudin Bin Hassan *(Appointed on 30 March 2018)*	1/1*
YBhg Datuk Syed Zaid Bin Syed Jaffar Albar *(Resigned on 30 March 2018)*	3/3*

* *Reflects the attendance and the number of meetings held during the period the Committee member held office.*

The Committee carried out the following key activities during FY 2018:

- Reviewed the quarterly reports and annual financial statements of the Group prior to submission to the Board for consideration and approval.

- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.

- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised and the external auditors conveyed that they had been maintaining a cordial Auditor-Client relationship.

- Met with the external auditors and discussed the audit plan 2018 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, 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.

- Discussed with the external auditors the potential key audit matters and other significant audit matters identified by the external auditors.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

ACTIVITIES *cont'd*

- Reviewed and recommended to the Board for approval the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. It also reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2018 are stated in the Notes to the Financial Statements.

- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.

- 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.

- Reviewed and approved the Internal Audit Policy Manual.

- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit findings and recommendations.

- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.

- Reviewed the Policy and Procedure of Recurrent Related Party Transactions and various recurrent related party transactions ("RRPT") carried out by the Group.

- Reviewed the proposed mandate for RRPT with various related parties prior to Board's recommendation for shareholders' approval.

- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to Board's approval for inclusion in the Company's Annual Report.

- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.

- Reviewed and recommended to the Board for approval the appointment of Chairman and a member of the Committee.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HLMGMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were eight (8) staff in the IA Department during FY 2018 and the total cost incurred by the IA Department amounted to RM 1,625,538.

The IA Department, led by the Head of IA, reports to the Committee which has the authority to decide, among others, the appointment and removal; scope of work; and performance evaluation of the internal audit function. Mr Teh Boon Ang is Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Advanced Diploma in Commerce, and is a Professional Member of the Institute of Internal Auditors Malaysia, Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators, and Certified Fraud Examiner from the Association of Certified Fraud Examiners, USA. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

INTERNAL AUDIT ("IA") *cont'd*

The IA Department supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The IA Department also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations; usage of assets and resources; and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the IA Department for FY 2018 whereby it is satisfied with the performance of the IA Department. The Committee had also reviewed the IA Department's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the IA Department and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the IA Department is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2018 are described in the SORMIC.

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

The IA Department applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures; and is committed to continuously monitoring and improving the internal audit function.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the financial year ended 30 June 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes as disclosed in Note 3 to the financial statements.

There have been no significant changes in these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	142,464	75,582
Non-controlling interests	29,979	-
	172,443	75,582

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 11 and Note 19 to the financial statements.

DIVIDENDS

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

(i) a first interim single tier dividend of 10 sen per share amounting to RM19,889,642 in respect of the financial year ended 30 June 2018 on 8 December 2017; and

(ii) a second interim single tier dividend of 19 sen per share amounting to RM37,790,320 in respect of the financial year ended 30 June 2018 on 20 June 2018.

The Directors do not recommend a final dividend for the financial year ended 30 June 2018.

DIRECTORS' REPORT

for the financial year ended 30 June 2018
cont'd

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

YBhg Datuk Kwek Leng San, Chairman
Mr Manuel Zarauza Brandulas, Group Managing Director
Ms Lim Tau Kien
Ir. Dennis Ong Lee Khian
YBhg Dato' Mohamad Kamarudin Bin Hassan
Dr Tunku Alina Binti Raja Muhd Alias (Appointed on 18 January 2018)
YBhg Datuk Syed Zaid Bin Syed Jaffar Albar (Resigned on 30 March 2018)

The directors' name and their remuneration details are set out in the subsidiaries' statutory financial statements and the said names and details are deemed incorporated herein by such reference and made a part thereof.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

	Nominal value per share	Number of ordinary shares/ordinary shares to be received arising from vesting of share grant*/ ordinary shares to be acquired arising from the exercise of options@ At 1.7.2017	Acquired	Sold	At 30.6.2018
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,300,000	-	-	2,300,000
Malaysian Pacific Industries Berhad	(1)	1,260,000	-	-	1,260,000
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Guoco Group Limited	US$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
The Rank Group Plc	GBP13 8/9p	45,800	-	-	45,800
Hume Industries Berhad	(1)	3,921,600	-	-	3,921,600
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	3,000,000 @	-	-	3,000,000 @
		-	100,000 *	-	100,000 *

DIRECTORS' REPORT
for the financial year ended 30 June 2018
cont'd

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share	Number of ordinary shares/ordinary shares to be received arising from vesting of share grant*/ ordinary shares to be acquired arising from the exercise of options@			
		At 1.7.2017	Acquired	Sold	At 30.6.2018
Shareholdings in which Directors have indirect interests					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13$^{8/9}$p	10,661 (2)	-	-	10,661 (2)
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	12,500 (2)	10,000 (2)	-	22,500 (2)
Southern Steel Berhad	(1)	-	10,400 (2)	-	10,400 (2)

Legend:
(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.
(2) Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member.

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remuneration, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 23.2 to 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.

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

ISSUE OF SHARES AND DEBENTURES

There were no issue shares and debentures of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

for the financial year ended 30 June 2018
cont'd

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Malaysian Pacific Industries Berhad and its subsidiaries) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, *inter alia*, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM43,663 and the apportioned amount of the said premium paid by the Company was RM7,309.

OTHER STATUTORY INFORMATION

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

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

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

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

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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 financial performance of the Group and of the Company for the financial year ended 30 June 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Pursuant to Section 247(7) of the Companies Act 2016, the Registrar of Companies has granted an order authorising Carsem Semiconductor (Suzhou) Co., Ltd to continue its financial year end of 31 December, which does not coincide with that of the Company, its ultimate holding company, in accordance with and as required by the local regulations of its country of incorporation.

DIRECTORS' REPORT
for the financial year ended 30 June 2018
cont'd

AUDITORS

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

The auditors' remuneration is disclosed in Note 16 to the financial statements.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 23 August 2018

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Property, plant and equipment	4	**646,693**	671,193	**371**	492
Investment properties	5	**31,569**	32,499	**-**	-
Investments	6	**46**	46	**432,133**	432,133
Total non-current assets		**678,308**	703,738	**432,504**	432,625
Inventories	8	**118,078**	110,819	**-**	-
Trade and other receivables including derivatives	9	**248,865**	275,772	**34,136**	35,987
Tax recoverable		**2,988**	4,514	**-**	-
Cash and cash equivalents	10	**647,621**	535,793	**199,488**	179,062
Total current assets		**1,017,552**	926,898	**233,624**	215,049
TOTAL ASSETS		**1,695,860**	1,630,636	**666,128**	647,674
Equity attributable to owners of the Company					
Share capital	11	**352,373**	352,373	**352,373**	352,373
Reserves	12	**998,989**	931,435	**476,585**	458,378
Treasury shares		**(163,816)**	(163,816)	**(163,816)**	(163,816)
		1,187,546	1,119,992	**665,142**	646,935
Non-controlling interests		**217,383**	208,965	**-**	-
TOTAL EQUITY		**1,404,929**	1,328,957	**665,142**	646,935
LIABILITIES					
Loans and borrowings	13	**-**	28,553	**-**	-
Deferred tax liabilities	7	**30**	2,003	**-**	-
Employee benefits	14(a)	**245**	245	**245**	245
Total non-current liabilities		**275**	30,801	**245**	245
Trade and other payables including derivatives	15	**210,558**	205,459	**741**	494
Loans and borrowings	13	**75,030**	63,450	**-**	-
Current tax liabilities		**5,068**	1,969	**-**	-
Total current liabilities		**290,656**	270,878	**741**	494
TOTAL LIABILITIES		**290,931**	301,679	**986**	739
TOTAL EQUITY AND LIABILITIES		**1,695,860**	1,630,636	**666,128**	647,674

The notes on pages 78 to 139 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue					
- Sale of goods		**1,535,418**	1,540,468	**-**	-
- Dividend income		**6,902**	4,077	**80,902**	82,727
Cost of sales		**(1,300,975)**	(1,237,277)	**-**	-
Gross profit		**241,345**	307,268	**80,902**	82,727
Distribution expenses		**(23,989)**	(22,019)	**-**	-
Administrative expenses		**(46,766)**	(43,428)	**(3,209)**	(3,000)
Other operating income		**54,144**	32,524	**156**	4,977
Other operating expenses		**(16,599)**	(22,714)	**(2,476)**	(123)
Results from operations		**208,135**	251,631	**75,373**	84,581
Interest income		**2,044**	1,778	**356**	231
Finance costs		**(3,209)**	(2,422)	**(1)**	(1)
Profit before taxation	16	**206,970**	250,987	**75,728**	84,811
Taxation	17	**(34,527)**	(32,247)	**(146)**	(107)
Profit for the year		**172,443**	218,740	**75,582**	84,704
Profit attributable to:					
Owners of the Company		**142,464**	177,915	**75,582**	84,704
Non-controlling interests		**29,979**	40,825	**-**	-
		172,443	218,740	**75,582**	84,704
Earnings per ordinary share (sen)	18	**74.99**	93.68		
Profit for the year		**172,443**	218,740	**75,582**	84,704
Other comprehensive (expense)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		**(16,611)**	18,241	**-**	-
- Cash flow hedge		**(6,336)**	(5,428)	**-**	-
Total other comprehensive (expense)/income for the year	19	**(22,947)**	12,813	**-**	-
Total comprehensive income for the year		**149,496**	231,553	**75,582**	84,704
Total comprehensive income attributable to:					
Owners of the Company		**120,953**	192,006	**75,582**	84,704
Non-controlling interests		**28,543**	39,547	**-**	-
		149,496	231,553	**75,582**	84,704

The notes on pages 78 to 139 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2018

Group	Share capital	Share premium	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company											
	Non-distributable								Distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2016	104,942	247,431	16,414	5,327	75,361	(53,833)	2,367	(163,816)	745,453	979,646	190,470	1,170,116
Other comprehensive income/ (expenses)												
- foreign currency translation differences	-	-	-	-	18,241	-	-	-	-	18,241	-	18,241
- cash flow hedge	-	-	-	(4,150)	-	-	-	-	-	(4,150)	(1,278)	(5,428)
Profit for the year	-	-	-	-	-	-	-	-	177,915	177,915	40,825	218,740
Total comprehensive income/(expense) for the year	-	-	-	(4,150)	18,241	-	-	-	177,915	192,006	39,547	231,553
Dividends (Note 20)	-	-	-	-	-	-	-	-	(51,280)	(51,280)	(20,850)	(72,130)
Share-based payment	-	-	-	-	-	-	(380)	-	-	(380)	(202)	(582)
Total transactions with owners of the Company	-	-	-	-	-	-	(380)	-	(51,280)	(51,660)	(21,052)	(72,712)
Transfer to other reserve	-	-	2,842	-	-	-	-	-	(2,842)	-	-	-
Transfer in accordance with Section 618(2) of the Companies Act 2016 *	247,431	(247,431)	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	352,373	-	19,256	1,177	93,602	(53,833)	1,987	(163,816)	869,246	1,119,992	208,965	1,328,957
	Note 11		Note 12	Note 12	Note 12	Note 12	Note 12		Note 12			

* Pursuant to Section 618(2) of the Companies Act 2016 , any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2018
cont'd

Group	Share capital	Share premium	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company											
	Non-distributable								Distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2017	352,373	-	19,256	1,177	93,602	(53,833)	1,987	(163,816)	869,246	1,119,992	208,965	1,328,957
Other comprehensive income/ (expenses)												
- foreign currency translation differences	-	-	-	-	(16,611)	-	-	-	-	(16,611)	-	(16,611)
- cash flow hedge	-	-	-	(4,900)	-	-	-	-	-	(4,900)	(1,436)	(6,336)
Profit for the year	-	-	-	-	-	-	-	-	142,464	142,464	29,979	172,443
Total comprehensive income/ (expense) for the year	-	-	-	(4,900)	(16,611)	-	-	-	142,464	120,953	28,543	149,496
Dividends (Note 20)	-	-	-	-	-	-	-	-	(55,104)	(55,104)	(21,000)	(76,104)
Share-based payment	-	-	-	-	-	-	1,243	-	-	1,243	875	2,118
ESS trust shares exercised	-	-	-	-	-	790	(103)	-	(225)	462	-	462
Total transactions with owners of the Company	-	-	-	-	-	790	1,140	-	(55,329)	(53,399)	(20,125)	(73,524)
Transfer to other reserve	-	-	5,311	-	-	-	-	-	(5,311)	-	-	-
At 30 June 2018	**352,373**	**-**	**24,567**	**(3,723)**	**76,991**	**(53,043)**	**3,127**	**(163,816)**	**951,070**	**1,187,546**	**217,383**	**1,404,929**
	Note 11		Note 12	Note 12	Note 12	Note 12	Note 12		Note 12			

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2018
cont'd

Company	← *Non-distributable*				→	*Distributable*	
	Share capital	**Share premium**	**Reserve for own shares**	**Executive share scheme reserve**	**Treasury shares**	**Retained earnings**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 2016	104,942	247,431	(3,134)	-	(163,816)	430,331	615,754
Profit/Total comprehensive income for the year	-	-	-	-	-	84,704	84,704
Dividends (Note 20)	-	-	-	-	-	(53,611)	(53,611)
Share-based payment	-	-	-	88	-	-	88
Total transactions with owners of the Company	-	-	-	88	-	(53,611)	(53,523)
Transfer in accordance with Section 618(2) of the Companies Act 2016 *	247,431	(247,431)	-	-	-	-	-
At 30 June 2017/1 July 2017	352,373	-	(3,134)	88	(163,816)	461,424	646,935
Profit/Total comprehensive income for the year	-	-	-	-	-	75,582	75,582
Dividends (Note 20)	-	-	-	-	-	(57,582)	(57,582)
Share-based payment	-	-	-	207	-	-	207
Total transactions with owners of the Company	-	-	-	207	-	(57,582)	(57,375)
At 30 June 2018	**352,373**	**-**	**(3,134)**	**295**	**(163,816)**	**479,424**	**665,142**
	Note 11		Note 12	Note 12		Note 12	

* Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

The notes on pages 78 to 139 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	**206,970**	250,987	**75,728**	84,811
Adjustments for:				
Depreciation of property, plant and equipment	**180,920**	192,076	**121**	111
Depreciation of investment properties	**930**	930	**-**	-
Dividend income	**(14,848)**	(9,205)	**(80,902)**	(82,727)
Finance costs	**3,209**	2,422	**1**	1
Interest income	**(2,044)**	(1,778)	**(356)**	(231)
Fair value loss on financial instruments designated as hedge instruments	**114**	1,064	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	**261**	(422)	**-**	(150)
Property, plant and equipment written off	**15**	380	**-**	-
Share-based payment	**2,118**	(582)	**207**	-
Unrealised (gain)/loss on foreign exchange	**(15,980)**	12,368	**2,096**	(4,500)
Operating profit/(loss) before working capital changes	**361,665**	448,240	**(3,105)**	(2,685)
Inventories	**(11,725)**	(14,883)	**-**	-
Trade and other receivables	**24,857**	(45,213)	**(245)**	22
Trade and other payables	**15,841**	94	**247**	(5)
Cash generated from/(used in) operations	**390,638**	388,238	**(3,103)**	(2,668)
Tax paid	**(29,985)**	(38,996)	**(146)**	(107)
Finance costs paid	**(3,209)**	(2,422)	**(1)**	(1)
Interest income received	**2,044**	1,778	**356**	231
Dividends received	**14,848**	9,205	**80,902**	82,727
Net cash generated from operating activities	**374,336**	357,803	**78,008**	80,182

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018
cont'd

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**731**	2,205	**-**	152
Purchase of property, plant and equipment	**(170,730)**	(128,981)	**-**	(595)
Net cash used in investing activities	**(169,999)**	(126,776)	**-**	(443)
Cash flows from financing activities				
Repayment from subsidiaries	**-**	-	**-**	39,990
Dividends paid to owners of the Company	**(55,104)**	(51,280)	**(57,582)**	(53,611)
Dividends paid to non-controlling shareholder of a subsidiary company	**(21,000)**	(20,850)	**-**	-
Repayments of borrowings	**(65,270)**	(34,898)	**-**	-
Drawdown from borrowings	**53,066**	91,553	**-**	-
Proceeds from ESS shares exercised	**462**	-	**-**	-
Net cash used in financing activities	**(87,846)**	(15,475)	**(57,582)**	(13,621)
Net change in cash and cash equivalents	**116,491**	215,552	**20,426**	66,118
Effect of exchange rate fluctuation on cash held	**(4,663)**	2,902	**-**	-
Cash and cash equivalents as at beginning of year	**535,793**	317,339	**179,062**	112,944
Cash and cash equivalents at end of year	**647,621**	535,793	**199,488**	179,062

CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposit with licensed banks	**462,900**	424,422	**198,900**	178,700
Cash and bank balances	**184,721**	111,371	**588**	362
	647,621	535,793	**199,488**	179,062

The notes on pages 78 to 139 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2018 comprise the Company, its subsidiaries and special purpose entities (together referred to as "the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2018 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiaries are as disclosed in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

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

There are no significant areas of estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

Note 9 – Trade and other receivables, including derivatives and Note 26 – Changes in accounting policy

The management applied new judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to the early adoption of accounting standard, MFRS 9 as described in Note 2.2(e). The carrying amounts of trade and other receivables, including derivatives are shown in Note 9. The new accounting policy is shown in Notes 2.2(e) and 2.2(h). The change in accounting policy is shown in Note 26.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

(iii) Acquisitions of non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(iv) Special purpose entities

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

(v) Loss of control

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(i) Recognition and measurement *cont'd*

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Investment property

Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.2(b).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 10-50 years for buildings and improvements. Leasehold land is depreciated over the lease term.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(d) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Leased assets *cont'd*

(ii) Operating lease

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

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(e) Financial instruments

During the year, the Group and the Company early adopted MFRS 9, *Financial Instruments* which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company have chosen not to restate the comparatives. The effect of the change in accounting policies are disclosed in Note 26 to the financial statements.

(i) Recognition and initial measurement

Current financial year

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

Financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

Previous financial year

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Fair value through other comprehensive income

I. Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

II. Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

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

Financial assets *cont'd*

Current financial year *cont'd*

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 2.2(h)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139 as follows:

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

(b) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

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

Financial assets *cont'd*

Previous financial year *cont'd*

(c) Available-for-sale financial assets

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

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

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

Financial liabilities

Current financial year

All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effect of changes in the own credit risk would create or enlarge an accouting mismatch, and remaining amount of the change in fair value in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

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

Financial liabilities *cont'd*

Current financial year *cont'd*

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses is also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date in the current year.

Trade date accounting refers to:

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

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the entity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(iii) Regular way purchase or sale of financial assets *cont'd*

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(iv) Hedge accounting *cont'd*

(b) Cash flow hedge *cont'd*

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging; they are recognised in other comprehensive income and accumulated in a cost of hedging reserve as a separate component within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the control of the asset is not retained or substantially all risks and rewards of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(v) Derecognition *cont'd*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(f) Inventories

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

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

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

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

During the year, the Group and the Company early adopted MFRS 9, *Financial Instruments* which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives. The effect of the change in accounting policies are disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Impairment *cont'd*

(i) Financial assets

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments and interests in subsidiaries.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 month expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Impairment *cont'd*

(i) Financial assets *cont'd*

Current financial year *cont'd*

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Impairment *cont'd*

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

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

(i) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Equity instruments *cont'd*

(iii) Repurchase, disposal and reissue of share capital

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

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

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in retained earnings.

(j) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plan

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

(iii) Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Employee benefits *cont'd*

(iii) Share-based payments *cont'd*

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

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

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

(k) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currencies at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of reporting date, except for those that are measured at fair value are retranslated to the functional currencies at the exchange rate at the date that fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial assets categorised as equity instruments designated upon initial recognition (available-for-sale equity instruments in the previous financial year) or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Foreign currency *cont'd*

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

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

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

(l) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Contingent liabilities

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

(n) Revenue and other income

(i) Goods sold

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Revenue and other income *cont'd*

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(o) Borrowing costs

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

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Taxation

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(p) Taxation *cont'd*

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

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

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

(q) Earnings per ordinary share

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

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

(r) Operating segments

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

(s) Research and development

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

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

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(t) Fair value measurement *cont'd*

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

When measuring the fair value measurement of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have early adopted MFRS 9, *Financial Instruments* for the financial year ended 30 June 2018. This standard replaces MFRS 139, *Financial Instruments: Recognition and Measurement*. The financial impacts of the early adoption of MFRS 9 during the current financial year ended are as disclosed in Note 26 to the financial statements.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefit (Plan Amendments, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

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

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for amendments and interpretations which are not applicable to the Group and the Company; and

- from the annual period beginning on 1 July 2019 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019, except for amendments and interpretations which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company have assessed that the financial impact that may arise from the adoption of MFRS 15 is not material.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

(ii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. COMPANIES IN THE GROUP

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

Name of subsidiary	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Carsem (M) Sdn Bhd	Malaysia	**70**	70	Manufacturing and testing of semiconductor devices and electronic components
Carsem Holdings Limited *♦	Bermuda	**100**	100	Investment holding
• Carsem Holdings (HK) Limited #♦	Hong Kong	**100**	100	Sale and marketing of semiconductor devices and electronic components
• Carsem Semiconductor (Suzhou) Co., Ltd #	The People's Republic of China	**100**	100	Manufacturing and testing of semiconductor devices and electronic components
Dynacraft Industries Sdn Bhd	Malaysia	**100**	100	Manufacturing and sale of leadframes
Carter Resources Sdn Bhd	Malaysia	**70**	70	Investment holding
• Carsem Inc. *♦	United States of America	**70**	70	Semiconductor devices' and electronic components' marketing agent
Technoplex Realty Sdn Bhd	Malaysia	**100**	100	Dormant

Notes:

- • Sub-subsidiary companies.
- # The financial statements of these subsidiary companies are not audited by KPMG PLT.
- ♦ These subsidiary companies have been consolidated based on unaudited financial statements.
- * These financial statements are not required to be audited in their respective countries of incorporation.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings*/ Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2016	20,791	373,250	3,014,059	14,685	3,422,785
Additions	-	647	122,596	5,738	128,981
Disposals	-	-	(18,341)	-	(18,341)
Write off	-	-	(1,703)	-	(1,703)
Transfers	-	11,575	6,975	(18,550)	-
Currency translation differences	173	5,212	35,763	534	41,682
At 30 June 2017/1 July 2017	20,964	390,684	3,159,349	2,407	3,573,404
Additions	-	226	157,975	12,529	170,730
Disposals	-	(654)	(81,024)	-	(81,678)
Write off	-	-	(10,837)	-	(10,837)
Transfers	-	291	5,133	(5,424)	-
Currency translation differences	(146)	(4,771)	(33,912)	-	(38,829)
At 30 June 2018	**20,818**	**385,776**	**3,196,684**	**9,512**	**3,612,790**
Accumulated depreciation and impairment losses					
At 1 July 2016					
Accumulated depreciation	9,228	229,867	2,426,042	-	2,665,137
Accumulated impairment losses	-	-	37,681	-	37,681
	9,228	229,867	2,463,723	-	2,702,818
Charge for the year	245	12,927	178,904	-	192,076
Disposals	-	-	(16,558)	-	(16,558)
Write off	-	-	(1,323)	-	(1,323)
Currency translation differences	47	1,551	23,600	-	25,198
At 30 June 2017/1 July 2017					
Accumulated depreciation	9,520	244,345	2,610,665	-	2,864,530
Accumulated impairment losses	-	-	37,681	-	37,681
	9,520	244,345	2,648,346	-	2,902,211
Charge for the year	244	12,805	167,871	-	180,920
Disposals	-	(654)	(79,321)	-	(79,975)
Write off	-	-	(10,682)	-	(10,682)
Reversal of impairment losses	-	-	(851)	-	(851)
Currency translation differences	(44)	(1,634)	(23,848)	-	(25,526)
At 30 June 2018					
Accumulated depreciation	9,720	254,862	2,664,685	-	2,929,267
Accumulated impairment losses	-	-	36,830	-	36,830
	9,720	**254,862**	**2,701,515**	**-**	**2,966,097**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Group	Leasehold land RM'000	Buildings*/ Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts					
At 1 July 2016	11,563	143,383	550,336	14,685	719,967
At 30 June 2017/1 July 2017	11,444	146,339	511,003	2,407	671,193
At 30 June 2018	**11,098**	**130,914**	**495,169**	**9,512**	**646,693**

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2016	794
Additions	595
Disposal	(784)
At 30 June 2017/1 July 2017/30 June 2018	**605**
Accumulated depreciation	
At 1 July 2016	784
Charge for the year	111
Disposal	(782)
At 30 June 2017/1 July 2017	113
Charge for the year	121
At 30 June 2018	**234**
Carrying amounts	
At 1 July 2016	10
At 30 June 2017/1 July 2017	492
At 30 June 2018	**371**

* The buildings of the Group are situated on leasehold land owned by the Group except for certain buildings with a carrying amount of RM12,902,000 (2017: RM13,882,000) of a subsidiary which are situated on a land classified as an operating lease (Note 22).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT PROPERTIES

Leasehold land and building	Group RM'000
Cost	
1 July 2016/30 June 2017/1 July 2017/30 June 2018	**46,283**
Accumulated depreciation	
1 July 2016	
Accumulated depreciation	12,782
Accumulated impairment losses	72
	12,854
Charge for the year	930
At 30 June 2017/1 July 2017	
Accumulated depreciation	13,712
Accumulated impairment losses	72
	13,784
Charge for the year	930
At 30 June 2018	
Accumulated depreciation	14,642
Accumulated impairment losses	72
	14,714
Carrying amounts	
At 1 July 2016	33,429
At 30 June 2017/1 July 2017	32,499
At 30 June 2018	**31,569**
Fair value	
At 30 June 2017	70,000
At 30 June 2018	**70,000**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT PROPERTIES *cont'd*

The followings are recognised in profit or loss in respect of investment properties:

	Group	
	2018	2017
	RM'000	RM'000
Rental income	**6,300**	4,619
Direct operating expenses		
- income generating investment properties	**1,046**	747
- non-income generating investment properties	**-**	319

Fair value information

Fair value of investment properties are categorised as Level 3:

Level 3 fair values have been determined by Directors' valuation using sales comparison approach. Sales price of comparable properties are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/decrease if expected value per square feet of recent sales and listing of similar properties were higher/lower.

6. INVESTMENTS

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Unquoted shares in subsidiaries, at cost		**-**	-	**432,087**	432,087
Equity instrument at fair value through other comprehensive income designated upon intial recogniton	6.2	**46**	-	**46**	-
Other investments categorised as available-for-sale	6.2	**-**	46	**-**	46
		46	46	**432,133**	432,133

The subsidiary companies and their principal activities are disclosed in Note 3 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENTS *cont'd*

6.1 Non-controlling interest in subsidiary

The subsidiary that has material non-controlling interests ("NCI") is as follows:

	Carsem (M) Sdn Bhd	
	2018	**2017**
	RM'000	**RM'000**
NCI percentage of ownership interest and voting interest	**30%**	30%
Carrying amount of NCI	**213,435**	205,362
Profit allocated to NCI	**29,580**	40,630

Summarised financial information before intra-group elimination

	Carsem (M) Sdn Bhd	
	2018	**2017**
	RM'000	**RM'000**
Statements of financial position		
Total assets	**860,377**	868,720
Total liabilities	**(105,048)**	(115,795)
Net assets	**755,329**	752,925

	Carsem (M) Sdn Bhd	
	2018	**2017**
	RM'000	**RM'000**
Statements of profit or loss and other comprehensive income for the year		
Profit for the year	**98,601**	135,432
Total comprehensive income	**72,404**	178,885
Statements of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	**17,282**	110,896
Dividends paid to NCI	**21,000**	20,850

6.2 Changes in classification of other investments

During the current financial year, the Group and the Company designated the other investments as equity securities as at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for the long-term for strategic purposes. In the previous financial year, these investments were categorised as available for sale.

No strategic investments were disposed during the current financial year, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. DEFERRED TAXATION

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**-**	-	**(1,777)**	(1,426)	**(1,777)**	(1,426)
Other items	**1,747**	-	**-**	(577)	**1,747**	(577)
Deferred tax liabilities	**1,747**	-	**(1,777)**	(2,003)	**(30)**	(2,003)

Movement in temporary differences during the year

Group	**At 1.7.2016 RM'000**	**Recognised in profit or loss (Note 17) RM'000**	**Recognised in other comprehensive income (Note 19) RM'000**	**At 30.6.2017/ 1.7.2017 RM'000**	**Recognised in profit or loss (Note 17) RM'000**	**Recognised in other comprehensive income (Note 19) RM'000**	**At 30.6.2018 RM'000**
Property,plant and equipment	(1,373)	(53)	-	(1,426)	(351)	-	**(1,777)**
Other items	(2,275)	353	1,345	(577)	551	1,773	**1,747**
	(3,648)	300	1,345	(2,003)	200	1,773	**(30)**

8. INVENTORIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
Raw materials	**61,320**	71,922
Work-in-progress	**19,461**	13,997
Finished goods	**17,014**	12,709
Consumable spares	**20,283**	12,191
	118,078	110,819
Recognised in profit or loss:		
Inventories recognised as cost of sales	**1,109,935**	1,047,231

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. TRADE AND OTHER RECEIVABLES INCLUDING DERIVATIVES

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Trade receivables		**217,986**	201,967	**-**	-
Allowance for impairment losses		**(7,996)**	(7,765)	**-**	-
		209,990	194,202	**-**	-
Amounts due from subsidiaries	a	**-**	-	**33,774**	35,870
Other debtors		**18,543**	55,723	**299**	88
Deposits		**1,676**	1,674	**5**	5
Prepayments		**18,656**	21,903	**58**	24
Derivative used for hedging					
- Forward exchange contracts		**-**	2,270	**-**	-
		248,865	275,772	**34,136**	35,987

Note a

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

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**462,900**	424,422	**198,900**	178,700
Cash and bank balances	**184,721**	111,371	**588**	362
	647,621	535,793	**199,488**	179,062

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and bank balances	**466,205**	425,836	**199,475**	179,049

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At beginning of year	**209,884**	**352,373**	209,884	104,942
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 11.1)	**-**	**-**	-	247,431
At end of year	**209,884**	**352,373**	209,884	352,373
		Note 11.2		Note 11.1

There were no shares bought back from the open market during the financial year (2017: Nil). As at 30 June 2018, the total number of shares bought back was 10,988,000 (2017: 10,988,000) ordinary shares which are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

Note 11.1

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Note 11.2

Included in share capital is share premium amounting to RM247,431,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Companies Act 2016).

12. RESERVES

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Other reserve	12.1	**24,567**	19,256	**-**	-
Exchange fluctuation reserve	12.2	**76,991**	93,602	**-**	-
Reserve for own shares	12.3	**(53,043)**	(53,833)	**(3,134)**	(3,134)
Executive share scheme reserve	12.4	**3,127**	1,987	**295**	88
Hedging reserve	12.5	**(3,723)**	1,177	**-**	-
Retained earnings		**951,070**	869,246	**479,424**	461,424
		998,989	931,435	**476,585**	458,378

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. RESERVES *cont'd*

Note 12.1

Other reserve comprises capital redemption reserve and capital reserve.

Capital redemption reserve in the previous financial year represented a transfer from the revenue reserve arising from the redemption of redeemable preference shares by a subsidiary of the Company.

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

Note 12.2

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

Note 12.3

Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(j)(iii). As at 30 June 2018, the total number of shares held by the ESS Trusts was 8,890,000 (2017: 8,970,000) shares.

At the Group, during the financial year, a total of 80,000 existing ordinary shares in the Company held in the ESS Trust was transferred to an option holder arising from the exercise of options pursuant to the ESS.

As at 30 June 2018, the total number of MPI Shares held by ESS Trust of the Company was 336,400 (2017: 336,400) shares.

Note 12.4

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

Note 12.5

Hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedge related to hedged transactions that have not yet occurred.

13. LOANS AND BORROWINGS

	Group	
	2018	2017
	RM'000	RM'000
Non Current (unsecured)		
Term loan	-	28,553
Current (unsecured)		
Term loan	**75,030**	63,450
	75,030	92,003

NOTES TO THE FINANCIAL STATEMENTS
cont'd

13. LOANS AND BORROWINGS *cont'd*

	Group	
	2018	2017
	%	%
Term loan effective interest rate	**5.0 - 5.1**	4.6 - 5.0

(a) Reconciliation of movement of liabilities to cash flow arising from financing activities.

		Net changes from financing cash flows			
	At 1 July 2017	Drawdown	Repayment	Foreign exchange movement	At 30 June 2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Term loan	92,003	53,066	(65,270)	(4,769)	**75,030**

14. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Retirement benefits obligation	**245**	245	**245**	245

(b) Share-based payment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. EMPLOYEE BENEFITS *cont'd*

(b) Share-based payment *cont'd*

(ii) The aggregate number of shares comprised in:

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

shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

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

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

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

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

ESOS

During the previous financial years, conditional incentive share options ("Options') were granted to certain eligible executives of the Group as follows:

- The Company or MPI granted Options over 1,000,000 ordinary shares in MPI ("MPI Shares") at an exercise price of RM4.30 per MPI Share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), a wholly-owned subsidiary of the Company, all of which had lapsed.

- Carsem (M) Sdn Bhd ("Carsem"), a 70% subsidiary of the Company, granted Options over 7,900,000 MPI Shares at an exercise price of RM2.61 per MPI Share to certain eligible executives, all of which had lapsed.

- Dynacraft Industries Sdn Bhd ("DCI"), a wholly-owned subsidiary of the Company, granted Options over 1,700,000 MPI Shares at an exercise price of RM5.78 per MPI Share ("DCI Options") to certain eligible executives, out of which, DCI Options over 200,000 MPI Shares had been vested and 80,000 MPI Shares in the ESS Trust were transferred to DCI Option holder during the financial year ended 30 June 2018 ("FY 2018") arising from the exercise of DCI Options. The remaining DCI Options over 1,620,000 MPI Shares had lapsed.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. EMPLOYEE BENEFITS *cont'd*

(b) Share-based payment *cont'd*

ESOS *cont'd*

- Carsem granted Options over 4,100,000 MPI Shares at an exercise price of RM7.92 per MPI Share ("Carsem Options") to certain eligible executives subject to the achievement of certain performance criteria by the Carsem Option holders over the option performance period. None of the Carsem Options had been vested or exercised as at 30 June 2018.

- MPI granted Options over 75,000 MPI Shares and 250,000 MPI Shares, at the exercise price of RM7.92 per MPI Share ("MPI Options") to an eligible executive of Carsem Inc., a 70% subsidiary of the Company, and Carsem Suzhou respectively, subject to the achievement of certain performance criteria by the MPI Option holders over the option performance period. None of the MPI Options had been vested or exercised as at 30 June 2018.

During FY 2018, there were no Options granted to eligible executives of the Group. There were no grant or vesting of Options to directors and chief executives of the Group during FY 2018.

Since the commencement of the ESS, the Group granted a total of 15,025,000 Options, out of which, 200,000 Options had been vested and 80,000 Options had been exercised, with 4,425,000 Options remain outstanding as at 30 June 2018. The aggregate Options granted to directors (including a past director) and a chief executive of the Group amounted to 7,150,000 Options, out of which, 3,250,000 Options remain outstanding as at 30 June 2018. The actual percentage of total Options granted to director (including a past Director) and senior management of the Group was 4.98% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2018.

ESGS

During the FY 2018 and since the commencement of the ESS, Carsem granted 100,000 free MPI Shares to a director of the Group and none of the said MPI Shares had been vested. The actual percentage of total MPI Shares granted to a director of the Group was 0.05% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2018.

The aggregate allocation of Options and MPI Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. EMPLOYEE BENEFITS *cont'd*

(b) Share-based payment *cont'd*

Value of employee services received for issue of share options

	Group	
	2018	**2017**
	RM'000	**RM'000**
Share options granted in 2014	**-**	(1,802)
Share options granted in 2015	**(1,005)**	4
Share options granted in 2017	**2,793**	1,216
Share options granted in 2018	**330**	-
	2,118	(582)

(i) Options – Weighted average fair value and assumptions

	2018	**2017**
Weighted average fair value at grant date	**RM2.04**	RM1.94
At grant date:		
Weighted average share price	**RM8.06**	RM7.64
Weighted average exercise price	**RM7.92**	RM7.53
Expected volatility (weighted average volatility)	**30.93%**	31.55%
Option life (expected weighted average life)	**4 years**	4 years
Weighted average expected dividends	**3.76%**	3.91%
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.69%**	3.71%

(ii) MPI Shares granted – Fair value and assumptions

	2018
Fair value at grant date	**RM10.66**
At grant date:	
Weighted average share price	**RM10.49**
Exercise price	**Nil**
Expected volatility (weighted average volatility)	**28.48%**
Option life (expected weighted average life)	**3 years**
Weighted average expected dividends	**2.73%**
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.80%**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

15. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Trade payables		**86,836**	93,196	**-**	-
Amounts due to:					
- Related companies	a	**1,887**	1,789	**-**	-
Other payables		**69,468**	67,314	**-**	-
Accrued expenses		**46,440**	43,141	**741**	494
Derivative used for hedging					
- Forward exchange contracts		**5,927**	19	**-**	-
		210,558	205,459	**741**	494

Note a

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

16. PROFIT BEFORE TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other than those disclosed elsewhere in the financial statements, profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Holding company's auditors				
- Statutory audits	**152**	149	**31**	30
- Other services	**29**	32	**3**	8
Other auditors				
- Statutory audits	**62**	63	**-**	-
- Other services	**21**	21	**-**	-
Allowance for slow moving inventories	**3,083**	5,041	**-**	-
Fair value loss on financial instruments designated as hedging instruments	**114**	1,064	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	**261**	(422)	**-**	(150)
Loss/(Gain) on foreign exchange				
- Realised	**1,097**	(7,882)	**-**	(124)
- Unrealised	**(15,980)**	12,368	**2,096**	(4,500)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other than those disclosed elsewhere in the financial statements, profit before taxation is arrived at after charging/(crediting): *cont'd*				
Gross dividends from:				
- Unquoted subsidiaries	**-**	-	**(74,000)**	(78,650)
- Other investments	**(14,848)**	(9,205)	**(6,902)**	(4,077)
Property, plant and equipment written off	**15**	380	**-**	-
Personnel expenses (including Directors of the Company):				
- Wages, salaries and others	**343,955**	311,553	**-**	-
- Contributions to Employees Provident Fund	**43,693**	40,176	**-**	-
- Share-based payment	**2,118**	(582)	**207**	88
Rental of property, plant and equipment	**3,068**	3,552	**53**	53
Research and development expenditure	**29,550**	24,286	**-**	-

17. TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian				
- Current year	**18,500**	22,363	**143**	99
- Prior years	**69**	(1,007)	**3**	8
Overseas				
- Current year	**17,541**	18,439	**-**	-
- Prior years	**(1,383)**	(7,248)	**-**	-
	34,727	32,547	**146**	107
Deferred taxation				
- Current year	**(200)**	(300)	**-**	-
	34,527	32,247	**146**	107

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. TAXATION *cont'd*

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reconciliation of taxation				
Profit before taxation	**206,970**	250,987	**75,728**	84,811
Taxation at Malaysian statutory tax rate of 24%	**49,673**	60,237	**18,175**	20,355
Difference of tax rate in foreign jurisdiction	**(5,586)**	(5,200)	**-**	-
Non-deductible expenses	**6,935**	8,566	**717**	678
Tax exempt income (Note a)	**(15,181)**	(23,101)	**(18,749)**	(20,934)
	35,841	40,502	**143**	99
(Over)/under provision in prior years	**(1,314)**	(8,255)	**3**	8
	34,527	32,247	**146**	107

Note a

A subsidiary of the Company has been granted 100% pioneer tax exemption on the statutory income for 10 years beginning year of assessment 30 June 2015 in respect of the approved business by the Malaysian Investment Development Authority under the Income Tax (Exemption) (No. 11) Order 2006 [P.U. (A) 112/2006] of the Income Tax Act, 1967.

18. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM142,464,000 (2017: RM177,915,000) by the weighted average number of ordinary shares outstanding during the financial year of 189,981,433 (2017: 189,926,419) as follows:

Weighted average number of ordinary shares

	2018 '000	2017 '000
Issued ordinary shares at beginning of year	**209,884**	209,884
Less:		
Treasury shares held at beginning of year	**(10,988)**	(10,988)
Trust shares held at beginning of year	**(8,970)**	(8,970)
	189,926	189,926
Effect of Trust Shares vested	**55**	-
Weighted average number of ordinary shares at end of year	**189,981**	189,926
Basic earnings per ordinary share (sen)	**74.99**	93.68

NOTES TO THE FINANCIAL STATEMENTS
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18. EARNINGS PER ORDINARY SHARE *cont'd*

Diluted earnings per ordinary share

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

19. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2018			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	**(8,223)**	**1,753**	**(6,470)**
- Reclassification adjustments for gain included in profit or loss	**114**	**20**	**134**
	(8,109)	**1,773**	**(6,336)**
Foreign currency translation differences for foreign operations			
- Gain arising during the year	**(16,611)**	**-**	**(16,611)**
	(24,720)	**1,773**	**(22,947)**
2017			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	(7,837)	1,601	(6,236)
- Reclassification adjustments for gain included in profit or loss	1,064	(256)	808
	(6,773)	1,345	(5,428)
Foreign currency translation differences for foreign operations			
- Gain arising during the year	18,241	-	18,241
	11,468	1,345	12,813

NOTES TO THE FINANCIAL STATEMENTS
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20. DIVIDENDS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
First interim				
10.0 sen per share single tier (2017: 8.0 sen per share single tier)	**19,001**	15,194	**19,856**	15,885
Second interim				
19.0 sen per share single tier (2017: 19.0 sen per share single tier)	**36,103**	36,086	**37,726**	37,726
	55,104	51,280	**57,582**	53,611

Dividends received by the ESS Trusts for the Group and the Company amounting to RM2,576,000 (2017: RM2,421,900) and RM97,556 (2017: RM90,828) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(j)(iii).

21. OPERATING SEGMENTS

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

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

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

Segment profit

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

Segment assets

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

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

Segment liabilities

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

	Asia		USA		Europe		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Segment profit	**124,774**	145,788	**33,242**	42,927	**45,353**	59,752	**203,369**	248,467
Included in the measure of segment profit are:								
Revenue from external customers	**888,448**	852,812	**281,197**	300,099	**365,773**	387,557	**1,535,418**	1,540,468
Depreciation and amortisation	**111,805**	110,539	**32,672**	38,404	**37,234**	43,936	**181,711**	192,879
Property, plant and equipment written off	**-**	268	**-**	72	**-**	33	**-**	373

Reconciliations of reportable segment profit

	2018 RM'000	2017 RM'000
Profit		
Reportable segments	**203,369**	248,467
Non-reportable segments	**4,766**	3,164
Finance costs	**(3,209)**	(2,422)
Interest income	**2,044**	1,778
Consolidated profit before taxation	**206,970**	250,987

	2018		2017	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Reportable segments	**1,535,418**	**181,711**	1,540,468	192,879
Non-reportable segments	**6,902**	**139**	4,077	127
Total	**1,542,320**	**181,850**	1,544,545	193,006

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

Geographical segments

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

	Revenue	
	2018	2017
	RM'000	RM'000
Singapore	**348,743**	353,873
USA	**281,197**	300,099
Malaysia	**243,730**	253,837
Ireland	**123,957**	131,767
Taiwan	**159,706**	133,355
Switzerland	**52,892**	56,365
Others	**325,193**	311,172
	1,535,418	1,540,468

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

	Non-current assets	
	2018	2017
	RM'000	RM'000
Malaysia	**349,017**	356,549
The People's Republic of China	**329,203**	347,088
Others	**42**	55
	678,262	703,692

Major customer

During the financial year, revenue from three customers (2017: three customers) amounting to RM514,242,000 (2017: RM513,461,000) contributed to more than 10% of the Group's revenue.

	2018	2017
All common control of Companies	RM'000	RM'000
Customer A	**185,964**	174,727
Customer B	**171,033**	173,871
Customer C	**157,245**	164,863
	514,242	513,461

NOTES TO THE FINANCIAL STATEMENTS

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22. COMMITMENTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Property, plant and equipment:		
Contracted but not provided for	**25,015**	24,522
Authorised but not contracted for	**-**	4,945
	25,015	29,467
Leases as lessees		
Operating lease commitments:		
Expiring within one year	**1,532**	1,532
Expiring between one to five years	**7,891**	7,432
Expiring after five years	**22,001**	23,993
	31,424	32,957

Group

The Group has lease commitments of RM1,532,000 (2017: RM1,532,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expires on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2019, 2024 and 2029. None of the leases include contingent rental.

23. RELATED PARTIES

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

(i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM, and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

(ii) Hong Leong Industries Berhad ("HLI"), HLMG Management Co Sdn Bhd ("HLMGMC"), Hong Leong Assurance Berhad ("HLA"), Hong Leong Capital Berhad ("HLCB"), GuocoLand (Malaysia) Berhad ("GLM"), GL Limited ("GL"), GuoLine Intellectual Assets Limited ("GIAL") and GuoLine eMarketing Sdn Bhd ("GuoLine eMarkerting") are subsidiaries of HLCM; and

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

NOTES TO THE FINANCIAL STATEMENTS
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23. RELATED PARTIES *cont'd*

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

Significant transactions with related parties are as follows:

	Transactions	Related party	Group 2018 RM'000	Group 2017 RM'000
(a)	Rental of properties	HLMGMC	**53**	53
(b)	Receipt of insurance and insurance broking services, stock broking and corporate advisory services, hotel-related services, security guard services, after sales services in respect of air conditioners and related products	HLA, HLCB and its subsidiaries, GLM, GL and its subsidiaries, GSC, HLI and its subsidiaries	**67**	68
(c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**11,160**	12,102
(d)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**22**	21
(e)	Purchase of motor vehicles, electrical/electronic products	GuoLine eMarketing	**-**	523

Significant balances with related parties at the reporting date are disclosed in Note 9 and Note 15 to the financial statements.

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

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

The fees, remuneration and other benefits of the Directors of the Company are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive Directors				
Remuneration and other benefits	**6,362**	3,119	**-**	-
Non-Executive Directors				
Fees *	**518**	462	**478**	422

* This includes fee for a Director which has been assigned in favour of the Company where the Director is appointed.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

23. RELATED PARTIES *cont'd*

23.3 The estimated monetary value of benefit-in-kind of the Directors of the Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Executive Directors	**176**	166	**-**	-
Non-Executive Directors	**28**	28	**28**	28
	204	194	**28**	28

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

(a) Fair value through other comprehensive income ("FVOCI"):
- Equity instrument designated upon initial recognition ("EIDUIR");

(b) Financial assets measured at amortised cost ("FAAC"); and

(c) Financial liabilities measured at amortised cost ("FLAC").

2018	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
Financial assets				
Group				
Other investments	**46**	**-**	**46**	**-**
Trade and other receivables including derivatives (excluding prepayments)	**230,209**	**230,209**	**-**	**-**
Cash and cash equivalents	**647,621**	**647,621**	**-**	**-**
	877,876	**877,830**	**46**	**-**
Company				
Other investments	**46**	**-**	**46**	**-**
Trade and other receivables including derivatives (excluding prepayments)	**34,078**	**34,078**	**-**	**-**
Cash and cash equivalents	**199,488**	**199,488**	**-**	**-**
	233,612	**233,566**	**46**	**-**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.1 Categories of financial instruments *cont'd*

2018	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
Financial liabilities				
Group				
Loans and borrowings	**75,030**	**75,030**	**-**	**-**
Trade and other payables including derivatives	**210,558**	**204,631**	**-**	**5,927**
	285,588	**279,661**	**-**	**5,927**
Company				
Trade and other payables including derivatives	**741**	**741**	**-**	**-**

The table below provides an analysis of financial instruments categorised under MFRS 139 as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities measured at amortised cost ("FL").

2017	Carrying amount RM'000	L&R/ FL RM'000	AFS RM'000	Derivatives used for hedging RM'000
Financial assets				
Group				
Other investments	46	-	46	-
Trade and other receivables including derivatives (excluding prepayments)	253,869	251,599	-	2,270
Cash and cash equivalents	535,793	535,793	-	-
	789,708	787,392	46	2,270
Company				
Other investments	46	-	46	-
Trade and other receivables including derivatives (excluding prepayments)	35,963	35,963	-	-
Cash and cash equivalents	179,062	179,062	-	-
	215,071	215,025	46	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.1 Categories of financial instruments *cont'd*

2017	Carrying amount RM'000	L&R/ FL RM'000	AFS RM'000	Derivatives used for hedging RM'000
Financial liabilities				
Group				
Loans and borrowings	92,003	92,003	-	-
Trade and other payables including derivatives	205,459	205,440	-	19
	297,462	297,443	-	19
Company				
Trade and other payables including derivatives	494	494	-	-

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Net gains/(losses) arising from:				
Loans and receivables	**-**	108,400	**-**	8,932
Financial assets measured at amortised cost	**(3,566)**	-	**5,162**	-
Other financial liabilities measured at amortised cost	**-**	(97,300)	**-**	(1)
Financial liabilities measured at amortised cost	**35,166**	-	**(1)**	-
	31,600	11,100	**5,161**	8,931

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.1 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographic region was:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Singapore	**63,423**	60,663
USA	**20,404**	37,869
Malaysia	**27,673**	28,998
Ireland	**15,276**	13,610
Taiwan	**20,192**	18,787
Switzerland	**486**	377
Others	**62,536**	33,898
	209,990	194,202

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.1 Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2017 and 30 June 2018

The Group uses an allowance matrix to measure the ECL of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial stength of the receivable.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 30 June 2018.

Group	Gross	Loss allowance	Net
	RM'000	RM'000	RM'000
Current (not past due)	**153,379**	**-**	**153,379**
Past due 1 – 30 days	**57,926**	**(1,315)**	**56,611**
Past due 31 – 60 days	**5,434**	**(5,434)**	**-**
Past due 61 – 90 days	**861**	**(861)**	**-**
Past due more than 90 days	**386**	**(386)**	**-**
	217,986	**(7,996)**	**209,990**

Comparative under MFRS 139, Financial Instruments

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 30 June 2017 is as follows:

	Gross	Individual impairment	Net
	RM'000	RM'000	RM'000
2017			
Not past due	146,420	-	146,420
Past due 1 – 30 days	50,988	(3,206)	47,782
Past due 31 – 60 days	2,316	(2,316)	-
Past due more than 60 days	2,243	(2,243)	-
	201,967	(7,765)	194,202

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.1 Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2017 and 30 June 2018 *cont'd*

Movements in the allowance for impairment in respect of trade receivables

On the date of initial application of MFRS 9, there was no adjustment on the ending balance of the allowance for impairment reported under the previous MFRS 139 to derive the opening balance of the allowance for impairment loss determined in accordance with MFRS 9.

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

	MFRS 9 RM'000	MFRS 139 RM'000
Group		
Balance at 1 July 2017/2016	**7,765**	7,242
Net measurement of loss allowance	**231**	523
Balance at 30 June	**7,996**	7,765

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

Comparative amounts for 2017 represent the allowance account for impairment losses under MFRS 139, *Financial Instruments*.

Expected credit loss of other receivables

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk and credit quality

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.1 Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2017 and 30 June 2018 *cont'd*

Intercompany balances *cont'd*

Impairment losses

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

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents of the Group and the Company are placed with licensed financial institutions which are mainly placed with a related company licensed financial institutions as disclosed in Note 14 to the financial statements.

Exposure to credit risk and credit quality

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

Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk.

Outstanding forward exchange contract

Forward exchange contracts are entered into with licensed banks with good credit rating. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

24.3.2 Liquidity risk

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significant different amounts.

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

24.3 Financial risk management *cont'd*

24.3.2 Liquidity risk *cont'd*

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000
2018					
Group					
Non-derivative financial liabilities					
Trade and other payables	**204,631**		**204,631**	**204,631**	**-**
Loans and borrowings	**75,030**	**5.0 - 5.1**	**78,362**	**78,362**	**-**
Derivative financial liabilities					
Forward exchange contracts					
Outflow	**5,927**	**-**	**340,051**	**340,051**	**-**
Inflow	**-**	**-**	**(334,124)**	**(334,124)**	**-**
	285,588		**288,920**	**288,920**	**-**
Company					
Non-derivative financial liabilities					
Trade and other payables	**741**	**-**	**741**	**741**	**-**
2017					
Group					
Non-derivative financial liabilities					
Trade and other payables	205,440	-	205,440	205,440	-
Loans and borrowings	92,003	4.6 - 5.0	94,794	63,767	31,027
Derivative financial liabilities					
Forward exchange contracts					
Outflow	19	-	14,267	14,267	-
Inflow	-	-	(14,248)	(14,248)	-
	297,462		300,253	269,226	31,027
Company					
Non-derivative financial liabilities					
Trade and other payables	494	-	494	494	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.3 Market risk

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

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in USD	
	2018	**2017**
Group	**RM'000**	**RM'000**
Trade receivables	**185,529**	170,093
Forward exchange contracts – receivables	**(334,124)**	(205,567)
Cash and cash equivalents	**164,853**	81,965
Trade and other payables	**(97,889)**	(97,104)
Net exposure	**(81,631)**	(50,613)

Currency risk sensitivity analysis

A 5% (2017: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have increased profit before taxation of the Group by RM4,082,000 (2017: RM2,531,000). A 5% (2017: 5%) weakening of the Ringgit Malaysia against USD would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.3 Market risk *cont'd*

Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Deposits with licensed banks	**462,900**	424,422	**198,900**	178,700
Floating rate instruments				
Loans and borrowings	**(75,030)**	(92,003)	**-**	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points (bp) (2017: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation and equity of the Group by RM375,000 (2017: RM460,000). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

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

24.3 Financial risk management *cont'd*

24.3.4 Hedging activities

24.3.4.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions. These forward exchange contracts have a total notional amount of USD84,050,000 (2017: USD47,130,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

The following table indicates the periods in which the cash flows associated with the foreign exchange currencies are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
2018			
Forward exchange contract	**(5,927)**	**(5,927)**	**(5,927)**
2017			
Forward exchange contract	2,251	2,251	2,251

During the financial year, a loss of RM6,470,000 (2017: a loss of RM6,236,000) was recognised in other comprehensive income and RM134,000 (2017: RM808,000) was reclassified from equity to profit or loss as other operating income (2017: other operating expenses).

Ineffectiveness gain amounting to RM115,000 (2017: Loss of RM112,000) was recognised in profit or loss during the financial year in respect of the hedge.

24.3.5 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.6 Fair value hierarchy

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2018			
Financial assets			
Investments	**-**	**46**	**-**
Financial liabilities			
Forward exchange contracts	**-**	**(5,927)**	**-**
2017			
Financial assets			
Investments	-	46	-
Forward exchange contracts	-	2,270	-
Financial liabilities			
Forward exchange contracts	-	(19)	-

The table below analyses financial instruments not carried at fair value, by valuation method. The different levels have been defined as follows:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2018			
Financial liabilities			
Term loan	**-**	**-**	**-**
2017			
Financial liabilities			
Term loan	-	-	(28,553)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. FINANCIAL INSTRUMENTS *cont'd*

24.3 Financial risk management *cont'd*

24.3.6 Fair value hierarchy *cont'd*

Level 2 fair value

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

Level 3 fair value

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

25. CAPITAL MANAGEMENT

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

The debt-to-equity ratios are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Total loans and borrowings	**75,030**	92,003
Less: Cash and cash equivalents	**(647,621)**	(535,793)
Net cash	**(572,591)**	(443,790)
Total equity	**1,404,929**	1,328,957
Debt-to-equity ratio	**Nil**	Nil

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. CHANGES IN ACCOUTING POLICIES

Classification of financial assets and financial liabilities upon early adoption of MFRS 9

The following table shows the previous measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and of the Company's financial assets and financial liabilities as at 1 July 2017 based on the business model assessment done.

Group

Notes	Financial assets	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000
6	Other investments	Available-for-sale	Fair value through other comprehensive income – equity instrument designated upon initial recognition ("FVOCI-EIDUIR")	46	46
9	Trade and other receivables, including derivatives (excluding prepayments)	Loans and receivables	Amortised cost	253,869	253,869
10	Cash and cash equivalents	Loans and receivables	Amortised cost	535,793	535,793
	Total financial assets			789,708	789,708

Company

Notes	Financial assets	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000
6	Other investments	Available-for-sale	Fair value through other comprehensive income – equity instrument designated upon initial recognition ("FVOCI-EIDUIR")	46	46
9	Trade and other receivables, including derivatives (excluding prepayments)	Loans and receivables	Amortised cost	35,963	35,963
10	Cash and cash equivalents	Loans and receivables	Amortised cost	179,062	179,062
	Total financial assets			215,071	215,071

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. CHANGES IN ACCOUTING POLICIES *cont'd*

Classification of financial assets and financial liabilities upon early adoption of MFRS 9 *cont'd*

Group

Notes	Financial liabilities	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000
13	Loans and borrowings	Other financial liabilities	Amortised cost	92,003	92,003
15	Trade and other payables, including derivatives	Other financial liabilities	Amortised cost	205,459	205,459
	Total financial liabilities			297,462	297,462
Company					
15	Trade and other payables, including derivatives	Other financial liabilities	Amortised cost	494	494
	Total financial liabilities			494	494

(a) Reclassification from available-for-sale to FVOCI-EIDUIR

Investments in quoted and unquoted shares are investments that the Group and the Company intend to hold for long term strategic purposes. As permitted by MFRS 9, the Group and the Company have designated these investments as measured at FVOCI at the date of initial application.

(b) Reclassification from loans and receivables to amortised cost

Trade and other receivables are reclassified from loan and receivables to amortised cost under MFRS 9. There are no changes in the allowance for impairment of trade receivables that was recognised in opening retained earnings at 1 July 2017.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 71 to 139 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 23 August 2018

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Cheah Wing Ket, the officer primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 71 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Cheah Wing Ket, MIA CA9244 at Kuala Lumpur in the Federal Territory on 23 August 2018.

Cheah Wing Ket

Before me:

Mohan A.S. Maniam
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad
(Company No. 4817-U) (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysian Pacific Industries Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad
(Company No. 4817-U) (Incorporated In Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

1. Revenue recognition

Refer to Note 2.2(n)(i) to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recorded RM1,535 million of revenue for the current financial year. Revenue of the Group comprises manufacturing and testing of semiconductor devices and electronic components, and sale of leadframes. We have identified revenue recognition as a key audit matter because of the variety of goods sold and services rendered by the Group, with different pricing and terms relating to customers' acceptance, for different customers. Accordingly, there was a risk that the amount and timing of revenue were not recognised in the respective financial period.	Our audit procedures included, among others: • We evaluated the design and implementation, and tested the operating effectiveness of selected controls over the process of revenue recognition. • We checked samples of sales transactions recorded throughout the financial year to invoices and delivery documents that substantiated the significant risks and rewards of ownership of the goods have been transferred in the respective financial periods. • We checked samples of transactions that were recorded before and after the financial year end date of 30 June 2018 to invoices and delivery documents to assess whether the revenue was recognised in the respective financial periods.

2. Adoption of MFRS 9, *Financial Instruments*

Refer to the accounting policies in Note 2.1 Basis of preparation – use of estimates and judgements, Note 2.2(e) Financial Instruments, Note 2.2(h)(i) Impairment of Financial Assets, Note 24 – Financial Instruments and Note 26 – Changes in accounting policy, to the financial statement.

The key audit matter	How the matter was addressed in our audit
The Group and the Company early adopted MFRS 9 in the current financial year ended 30 June 2018. MFRS 9 requires the Group and the Company to change accounting policies to account for financial instruments. New judgments were applied to classify financial assets and to measure impairment loss using the expected credit loss model. In addition, additional disclosures were made to comply with the requirements of MFRS 7, *Financial Instruments: Disclosures*. This is a key audit matter because of the complexities and subjective judgements of MFRS 9 and surrounding classification and measurement which increased the risks of material misstatements.	Our audit procedures included, amongst others: • Evaluated the appropriateness of the accounting policies based on the requirements of MFRS 9; • Evaluated the appropriateness of the classification and measurement of financial assets of the Group and the Company; • Challenged the adequacy of the impairment losses recorded by the Group and the Company by comparing them with our expectations; and • Assessed the disclosures made by comparing them with the requirements of MFRS 7.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad
(Company No. 4817-U) (Incorporated In Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad
(Company No. 4817-U) (Incorporated In Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysian Pacific Industries Berhad
(Company No. 4817-U) (Incorporated In Malaysia)
cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 03232/02/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 23 August 2018

OTHER INFORMATION

1. PROPERTIES HELB BY THE GROUP AS AT 30 JUNE 2018

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 18 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	22 - 43	6,590
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	20 -30	7,114
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	22 - 30	246
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	8,828
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	24	131
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	11	4,102
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,966	27	21,396
No.88, West Shen Hu Road Suzhou Industrial Park Suzhou, Province of Jiangsu 215021 The People's Republic of China	19 Aug 2052	Office and factory building	30 Apr 2002	645,823	15	78,196
Lot 2367, Bayan Lepas Pulau Pinang	30 Aug 2031	Office and factory building *	18 Jun 1995	257,000	24	12,903
Lot 8, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building ^	18 Jun 1995	227,441	19	11,615
Plot 15, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building ^	24 Feb 2005	208,357	13	19,954

Notes:

* *These buildings are situated on an operating lease land as disclosed in Note 22 of the financial statements*

^ *These buildings are classified as investment properties as disclosed in Note 5 of the financial statements*

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2018

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	705	16.83	14,718	0.01
100 – 1,000	1,609	38.42	972,213	0.49
1,001 – 10,000	1,361	32.50	4,671,879	2.35
10,001 – 100,000	380	9.07	12,313,771	6.19
100,001 – less than 5% of issued shares	132	3.15	76,537,750	38.48
5% and above of issued shares	1	0.03	104,386,088	52.48
	4,188	100.00	198,896,419	100.00

* *Excluding 10,988,000 shares bought back and retained by the Company as treasury shares.*

List Of Thirty Largest Shareholders As At 30 August 2018

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn. Bhd.	104,386,088	52.48
2.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (Carsem-ESOS)	7,783,600	3.91
3.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	6,747,000	3.39
4.	Kumpulan Wang Persaraan (Diperbadankan)	5,297,100	2.66
5.	AmanahRaya Trustees Berhad - Public Smallcap Fund	4,114,700	2.07
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	3,521,000	1.77
7.	AmanahRaya Trustees Berhad - Public Islamic Opportunities Fund	2,924,500	1.47
8.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	2,438,469	1.23
9.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 9)	2,222,400	1.12
10.	Citigroup Nominees (Asing) Sdn Bhd - CBLDN for Polunin Emerging Markets Small Cap Fund, LLC	1,976,200	0.99
11.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	1,749,600	0.88

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2018 *cont'd*

	Name of Shareholders	No. of Shares	%
12.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	1,400,000	0.70
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,145,525	0.58
14.	AmanahRaya Trustees Berhad - PB Smallcap Growth Fund	1,042,300	0.52
15.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	995,500	0.50
16.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	990,000	0.50
17.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Saham Amanah Sabah (Acc 2-940410)	902,800	0.45
18.	AmanahRaya Trustees Berhad - PB Islamic Smallcap Fund	840,500	0.42
19.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	773,400	0.39
20.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (DCI-ESOS)	770,000	0.39
21.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	763,713	0.38
22.	Hong Bee Hardware Company, Sdn. Berhad	757,250	0.38
23.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	704,700	0.35
24.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 1)	684,900	0.35
25.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AsianIslamic)	658,400	0.33
26.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Evli Emerging Frontier Fund	645,179	0.33
27.	Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for Manulife Investment Shariah Progress Fund	606,500	0.31
28.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Value Fund	594,600	0.30
29.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. LLC (Client)	572,200	0.29
30.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	566,600	0.29
		158,574,724	79.73

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2018 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	No. of shares	%	No. of shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	104,386,088	52.48	2,438,469	1.23^
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	107,719,757	54.16^
3.	YBhg Tan Sri Quek Leng Chan	-	-	108,715,257	54.66*
4.	HL Holdings Sdn Bhd	-	-	107,719,757	54.16#
5.	Hong Realty (Private) Limited	-	-	108,477,007	54.54*
6.	Hong Leong Investment Holdings Pte. Ltd.	-	-	108,477,007	54.54*
7.	Kwek Holdings Pte Ltd	-	-	108,477,007	54.54*
8.	Mr Kwek Leng Beng	-	-	108,477,007	54.54*
9.	Mr Kwek Leng Kee	-	-	108,477,007	54.54*
10.	Davos Investment Holdings Private Limited	-	-	108,477,007	54.54*
11.	Employees Provident Fund Board	11,848,000	5.96	-	-

Notes:

^ *Held through subsidiary(ies).*
* *Held through HLCM and a company in which the substantial shareholder has interest.*
\# *Held through HLCM.*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2018

Subsequent to the financial year end, there was no change, as at 30 August 2018, to the Directors' interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 67 to 68 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. 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, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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Malaysian Pacific Industries Berhad (4817-U)

A Member of the Hong Leong Group

FORM OF PROXY

I/We ______________________________

NRIC/Passport/Company No. ______________________________

of ______________________________

being a member of **MALAYSIAN PACIFIC INDUSTRIES BERHAD** ("the Company"), hereby appoint ______________________________

____

NRIC/Passport No. ______________________________

of ______________________________

____

or failing him/her ______________________________

NRIC/Passport No. ______________________________

of ______________________________

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-seventh Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 at 2.30 p.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director fees and Directors' Other Benefits		
2	To re-elect YBhg Datuk Kwek Leng San as a Director		
3	To re-elect Mr Manuel Zarauza Brandulas as a Director		
4	To re-elect Dr Tunku Alina Binti Raja Muhd Alias as a Director		
5	To re-appoint Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6	To approve the ordinary resolution on authority to Directors to allot shares		
7	To approve the ordinary resolution on the proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8	To approve the ordinary resolution on the proposed renewal of authority for the purchase of own shares by the Company		

Dated this __________ day of ______________________________ 2018

____
Number of shares held

____
Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 16 October 2018 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	***% of shareholdings to be represented***

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of the Fifty-seventh Annual General Meeting will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretary
Malaysian Pacific Industries Berhad (4817-U)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Malaysian Pacific Industries Berhad (4817-U)

Level 31, Menara Hong Leong
No.6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

www.mpind.my