Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

Annual Report **2020**

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ABOUT **THIS REPORT**

Malaysian Pacific Industries Berhad's Integrated Annual Report 2020 provides information of how we create value for our stakeholders and manage the material matters. This report covers our strategic and performance tracking.

REPORTING PRINCIPLES AND FRAMEWORK

The Malaysian Pacific Industries Berhad Annual Report ("MPIAR") complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and adopts the guidance from the International Integrated Reporting Framework.

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

SCOPE AND BOUNDARIES

This MPIAR presents the information on the performance of value creating activities within our reporting boundaries.

It explains the relationship between the resources used, the actions taken and the value being created. It also discloses the financial and non-financial risks coupled with opportunities for the company to sustain its growth.

The information in this report covers all our business operations during the period from 1 July 2019 to 30 June 2020 ("FY20"), unless otherwise indicated.

FORWARD-LOOKING STATEMENT AND DISCLAIMER

This report contains forward-looking statements that are subject to risks and uncertainties that could cause some variance between actual results and the expectations communicated by our forward-looking statements. These forward-looking statements should not be construed as guarantees or predictions of our Group's future performance. We make no express or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements, or the historical information presented in this report.

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 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-2088 8818
Fax: 03-2088 8990

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-ninth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 4 November 2020 at 3.00 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 2020.

2. To approve the payment of Director Fees of RM462,000/- (2019: RM462,000/-) for the financial year ended 30 June 2020 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM69,000/- from the Fifty-ninth Annual General Meeting ("AGM") to the Sixtieth AGM of the Company. **Resolution 1**

3. To re-elect YBhg Dato' Mohamad Kamarudin Bin Hassan as a Director. **Resolution 2**

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

SPECIAL BUSINESS

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

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

   "**THAT** subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 Act 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 Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

6. **Ordinary Resolution**
   - Proposed Renewal Of 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 6 October 2020 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 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 do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 5**

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

"**THAT** subject to the Companies Act 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 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 at 30 June 2020, the audited retained profits of the Company was RM484,399,000/-); 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;

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 6**

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

By Order of the Board

Joanne Leong Wei Yin
SSM PC No. 202008002079
MAICSA 0877466
Company Secretary

Kuala Lumpur
6 October 2020

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 27 October 2020 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 (1) 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 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.*

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 or lodged electronically via email at cosec-hlmg@hongleong.com.my 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.*

Explanatory Notes:

1. Resolution 1 - Director Fees And Directors' Other Benefits

   Director Fees of RM462,000/- 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 RM34,000/- as well as Chairman's car benefit of up to RM35,000/-.

2. Resolution 4 - 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 6 November 2019 and which will lapse at the conclusion of the Fifty-ninth 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 5 - Proposed Renewal Of 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 6 - Proposed Renewal Of Authority For The Purchase Of Own Shares By The Company

   The proposed ordinary resolution, if passed, will empower the Directors to exercise the power of the Company to purchase its own shares ("Proposed Share Buyback") up to 10% of the 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 6 October 2020 which is available on the Company's website at www.mpind.my/GeneralMeetings/Latest.asp.

STATEMENT ACCOMPANYING NOTICE OF **ANNUAL GENERAL MEETING**

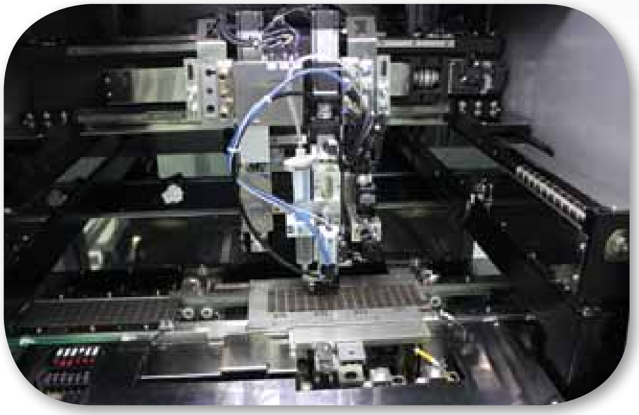
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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

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



Malaysian Pacific Industries Berhad ("MPI") was incorporated in Malaysia under the Companies Ordinances 1940 to 1946 as a private limited company on 5 October 1962 under the name of Federal Paper Products Limited. The Company was converted to a public company on 21 April 1969. The Company's name was changed from Federal Paper Products Berhad to MPI on 25 May 1983 and was admitted to the Official List of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) on 29 September 1983.

MPI is principally an investment holding company whilst its subsidiaries are mainly engaged in the provision of outsourced semiconductor packaging and testing services (OSAT) and the manufacture and sale of leadframes. The key subsidiaries are Carsem (M) Sdn Bhd ("Carsem M"), Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem SZ") and Dynacraft Industries Sdn Bhd ("DCI").

Founded in 1972, Carsem M is a leading provider of turnkey packaging and test services to the semiconductor industry, offering one of the largest package and test portfolios in the world. The current combined operations of Carsem M and Carsem SZ, also known as "Carsem", makes it one of the largest independent semiconductor sub-contract assembly houses in the world, producing over 100 million units per week, with more than 65% of this volume shipped as fully tested products.

Carsem's product offering covers the widest package range in the industry from simple low pin count micro devices to the more advanced high pin counts and high value packages. Carsem's end-market is relatively diversified due to its wide range of integrated circuits packages. Carsem also provides a full range of turnkey test services for radio frequency, mixed-signal, analog, digital and power devices. This flexibility in product offering allows Carsem to supply to different market sectors, such as the industrial, telecommunications, information technology, consumer (including smartphone and tablet) and automotive sectors thus avoiding overdependence on any particular sector. Carsem also offers overall final test services, supported by extensive research and development ("R&D") and failure analysis laboratories.

Carsem M has two plants located in Ipoh, Perak in Malaysia, while Carsem SZ is located in the Suzhou Industrial Park in Jiangsu province, China. Carsem is supported by a global network of sales and technical support offices in North America, Europe and Taiwan.

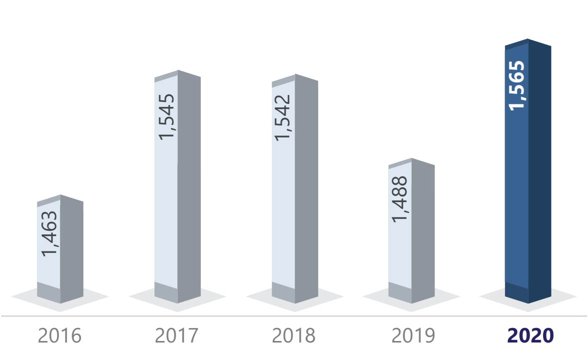
DCI was originally set up in 1974 as a subsidiary of a USA-based multinational company, providing semiconductor leadframe and semiconductor materials support to their Integrated Circuit (IC) assembly plants in the Asia Pacific region. In January 1996, DCI was acquired by MPI and became a member of the Hong Leong Group. DCI operates its factory in Bayan Lepas Free Industrial Zone in Penang, Malaysia.

DCI's main leadframe products come in etched leadframes. DCI supplies semiconductor manufacturers and assembly contractors with the packaging needed to connect the chips to their products. Leadframes are used in a broad range of electronic products, such as computers, automotive components, and telecommunications.

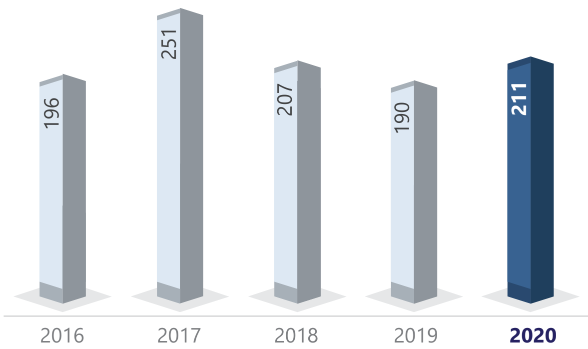
FINANCIAL HIGHLIGHTS

RM'Mil	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	1,463	1,545	1,542	1,488	**1,565**
Profit Before Taxation	196	251	207	190	**211**
Profit Attributable Owners Of The Company	158	178	142	128	**153**
Net Earnings Per Share (sen)	83	94	75	68	**80**
Net Dividend Per Share (sen)	23	27	29	27	**27**
Total Equity	1,170	1,329	1,405	1,499	**1,619**
Total Assets	1,371	1,631	1,696	1,708	**2,010**
Capital Expenditure	125	129	171	195	**249**

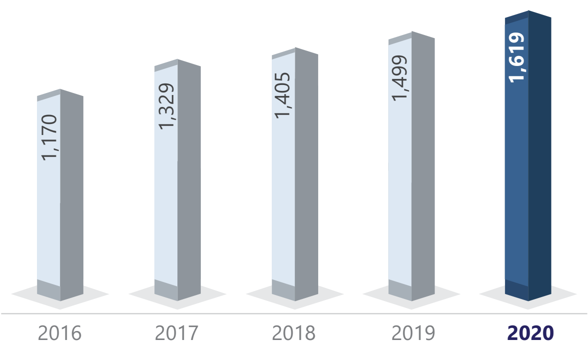
REVENUE
(RM'million)



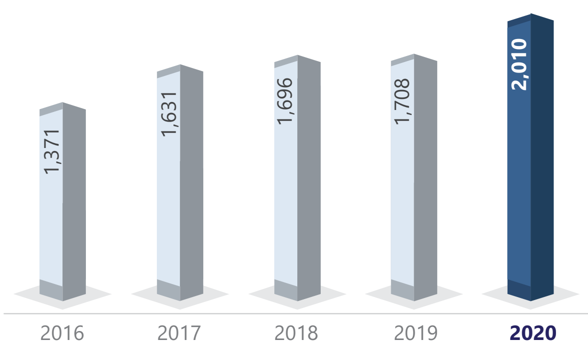
PROFIT BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)



Dear valued shareholders,

It is my honour to write to you as Chairman of the Board of Directors of Malaysian Pacific Industries Berhad (the "Company"), to present to you the Annual Report and Financial Statements of the Group and of the Company for the financial year ("FY") ended 30 June 2020 ("FY20").

The Semiconductor Industry Association has reported that sales for the industry have declined by 12% in the calendar year 2019. This has been largely due to the ongoing China-USA trade conflict, and it seems to have no immediate resolution.

The market re-alignment arising from the trade conflict, however, has benefited our operations in China, resulting in significant revenue increase as a result of increased in-sourcing supply within China.

In early 2020, the outbreak of the COVID-19 pandemic and subsequent containment actions taken by many countries have caused severe disruptions in the supply chain and adverse impact on the global economy.

Amidst these challenging times, I am pleased that the Group has achieved revenue of RM1.56 billion for FY20, a growth of 5% compared to FY ended 30 June 2019. The Group has also generated healthy cash flow for investment in production equipment totalling RM249 million for business growth and for dividend payments totalling RM51 million to reward our shareholders.

The months ahead are still uncertain due to the COVID-19 pandemic. The Group is taking appropriate cost containment measures and re-assessing its business portfolio to mitigate possible adverse impact of events beyond the Group's control.

I would like to take this opportunity to express my heartfelt gratitude to my fellow board members for their contributions and support during this challenging year. I would also like to thank our management and employees for their dedication and commitment.

Last but not least, I would like to express my sincere appreciation to our customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group. I look forward to enhancing our collaborations and working relationships in the years to come.

DATUK KWEK LENG SAN
Chairman

BUSINESS ENVIRONMENT

The business performance of the Group is influenced by various factors in the environment we operate in, including competition, demand volatility, technology changes and experienced personnel.

Competition

The outsourced assembly and test market are intensely competitive on the basis of price, quality, service and technology.
It is a highly fragmented market with competition coming from the newly set-up and growing Outsourced Semiconductor Assembly & Test ("OSAT") companies and integrated device manufacturers' in-house capacity.

Demand Volatility

The unsettling trade conflict between USA and China and the outbreak of COVID-19 had caused uncertainty in global economic growth. This uncertainty had affected the investors' confidence and their investment decision, the volatility of the foreign currency exchange and capital control being implemented in certain countries.
This industry is cyclical in nature and affected by fluctuating customer demand.

Technology Changes

The end markets of customer's products are characterised by technological changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards, and lengthy qualifications.

Experienced Personnel

The business operations require specialised engineering and talents of different disciplines but the market for employees in this industry is extremely competitive.
The business must have the ability to identify, attract, retain and motivate them.

STAKEHOLDER ENGAGEMENT

The role that every stakeholder plays within our business activities is important. An engagement platform has been set up to understand the stakeholders' expectations and strategies to grow the business sustainability.

STAKEHOLDER GROUPS AND TYPES OF ENGAGEMENTS

Employees

- Employee engagement survey
- Communication session
- Recreational event
- Training
- Reward and Recognition Programme
- Scholarship/Academic Excellence Award
- Employee Union Representative

Customers

- Audit & survey
- Meeting
- Trade Shows Convention
- Technical Seminar

Local Community

- Site visit
- Corporate Social Responsibility event

Suppliers/Business Partners

- Site visit & meeting
- Audit & Survey
- Vendor registration
- Technical roadshow
- Supplier's rating

Regulators

- On-site inspection
- Correspondence on regulation
- Dialogue

Shareholders/ Investors

- Annual General Meeting
- Corporate affairs Correspondence
- Investor Briefing

BUSINESS MODEL

OUR CAPITAL INPUT

CAPITALS	COMPONENTS OF VALUE CREATION
FINANCIAL	Finance • Market capitalisation more than RM2 billion • Strong financial position with Net Assets of RM1.6 billion • Optimise capital structure with net cash of RM826 million
HUMAN	People • Highly skilled workforce with approximately 8,000 employees • Diverse talent pool • Competitive remuneration and benefits policies for staff retention programme
INTELLECTUAL	Intellect • Dedicated research and development ("R&D") team • Professional management team • Knowledge-based and data driven team
MANUFACTURED	Infrastructure and facilities • Advance manufacturing facilities moving towards 4th Industrial Revolution (IR4.0). • State-of-the-art R&D center
SOCIAL	Relationship - building relationship with • Customers, employees, suppliers, regulators, shareholders and local communities.
NATURAL	Natural resources • Energy • Water • Gas

VALUE CREATION PROCESS

The Group's value creation process consists of four (4) dynamic aspects of the global manufacturing standards which build competitiveness, resilience, independence and sustainability into our businesses:

SALES AND MARKETING

- To be a major player in the targeted areas of growth.
- Create recognition in the targeted areas for a sustainable market share

COST AND QUALITY COMPETITIVENESS

- Maintain cost efficiency and competitiveness
- Achieve quality and service indices benchmarked against the best in the world

INNOVATION AND TECHNOLOGY

- Product and process innovation to achieve competitive advantage
- Effective use of information technology as a competitive tool

PEOPLE AND TEAM

- Staffed with the right people with the right competencies and attributes that function together as a team to deliver excellence.
- Continuous review of staff competencies, implement talent management and development programmes.
- Reward and recognition of initiatives and positive contribution to motivate and retain staff

RISK MANAGEMENT

The semiconductor industry is highly competitive and volatile, operating under constant change of technologies and market demand. The management believes that effective identification and management of risk are important to achieve the Group's strategic objectives.

The following are the details of the risks and how the management manages them:

Nature of Risks	Description	Strategies
Competition	The outsourced assembly and test market are intensely competitive on the basis of price, quality, service and technology. There are over 200 or more OSAT companies coupled with many new set-ups in China due to government funding and competition from integrated device manufacturers who have in-house capacity.	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 competitions have access to capital funding from their central government in the form of incentives or grants and these financial assistances could negatively impact our business and profitability if the Group fails to compete effectively.
Demand volatility	The semiconductor industry is cyclical in nature and typically impacted by fluctuating consumer demand and broad economic factors. The unsettling trade war is the case in point, affecting demand and the entire supply chain.	While the Group continues 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.
Technology changes	The end markets of our customers' products are characterised by technological change, frequency of 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 gain competitive advantage.	The Group focuses on building long-term relationships with customers through developing technology roadmaps together, and utilising the Group's in-house R&D centre with dedicated production capabilities to perform product qualification, and Materials Laboratory to develop advanced materials. Although new research works are developed in anticipation of future demand, there is inherent risk in introducing new product or technology in a timely and cost effective manner that is catered to our customer's needs. As such, it is difficult to ensure the success of these introductions.

RISK MANAGEMENT *cont'd*

Nature of Risks	Description	Strategies
Key Management and experienced personnel changes	Human resource development is one of our 4 key tenets. Our future success depends, to a large extent, on the abilities and continued efforts of our 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 demand for such talents is extremely competitive.	We have developed human resource strategy on talent management, employee engagement and training which are central to employee retention and motivation, apart from benchmark-driven competitive remuneration packages. However, if we are unable to attract and retain qualified employees, our business could be hindered.

Financial Risks

Description	Strategies
As a global player, we face foreign currency risk exposure including capital control in certain countries. We carry out risk assessment on the foreign currency impact on the results of the operations, and sensitivity analysis on the re-measurement of monetary assets and liabilities on the statement of financial position which are denominated in foreign currencies.	The risk of foreign currency fluctuations are managed through various types of foreign currency hedging instruments.

Cyber Risk

Description	Strategies
Cyber risk is the risk associated with failure in the use and control of Information Technology ("IT") systems. The ascent of the knowledge economy and the Digital Revolution has prompted companies to progressively advance on risk relating to data, information processing and particularly IT. Cyber attacks can lead to the commercial losses and negative effect on the business procedures.	The Group strategises to be resilient against cyber risk by educating its staff on cyber risk and creating a cyber security culture. Assessment of the cyber risk/threat landscape is done followed by risk mitigation planning based on the Group's risk appetite and implementation of a proactive approach to manage any cyber breach before, during and after it occurs.

The Group's financial risks are set out in Note 28 under the Notes to the financial statements.

BUSINESS REVIEW

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 SZ") is a leading provider of outsourced semiconductor packaging and testing in China, focusing on the 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 leadframes in the region.

MPI has four manufacturing operations, of which three are located in Malaysia and one in 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 25 (Operating Segments) of the notes to the financial statements.

Segment review

The European market represents 22% of Group sales. The growth in Europe is driven by power management chips targeted for data server and automotive industry as the market leaders in these sectors are primarily from Europe. It is expected that the major growth driver for the automotive market will be the new and upcoming applications related to autonomous driving, Micro-Electro-Mechanical Systems (MEMS) for safety & security, electric vehicles (EV), hybrid electric vehicles (HEV), powertrains and automotive power management for safer, greener and more comfortable automobiles.

With the design and technology acquired for power management products, the Group will be venturing into the Automotive EV/HEV & Base Station for 5G market segments especially in the adoption of SiC & GaN wafer technology. In addition, due to the recent COVID-19 outbreak, the Group foresee the demand for the server base & cloud computing will continue to grow in the coming financial year ("FY"). These products typically have a longer product life cycle and will cushion the volatility and cyclical demand in other segments especially in consumers and smart-phones applications.

Customers in the Asia segment (64%) focus mainly on developing smartphone components and applications for connectivity. The market re-alignment arising from the ongoing trade war between USA and China had shifted the orders to OSAT within China for all branded smartphone players and those involved on 5G technology. The Group expect the growth in this segment to continue in the coming FY. However, as the life cycle for these products is dynamic, it will typically lead to uneven growth rate.

The USA segment (14%) customer base mostly comprises multi-national corporations with design capability, in-house wafer fab and back-end facilities in production. Applications from this segment are very wide, serving across many consumer and industrial market. Continuing growth in this segment is also driven by strong engineering capability, leading technology and perfect quality performance delivered by the factory. This segment remains a very important growth area comprising components for connectivity, Internet of Things ("IoT") and advanced chips designed into the Industry 4.0 market.

Review of Operating Activities

During FY ended 30 June 2020 ("FY20"), the Group reported higher revenue of RM1.56 billion against RM1.49 billion for the last FY, a growth of 5% which was led by the strong performance in our China operations. Consequently, the Group generated profit before tax of RM211 million for FY20 due to the following factors:

a) Higher USD revenue contributed RM11 million to additional gross profit.

b) Favourable foreign currency differences of RM5 million.

The Group's strong performance has further built up the net cash position to RM826 million after investment in production equipment totalling RM249 million for business growth and for dividend payments totalling RM51 million to reward our shareholders for FY20.

Carsem M is strengthening its position in the power management chip market by rolling out several new packaging and assembly technologies such as:

1) Transistor Outline-type of packages in modules
2) Multi die eutectic die attach
3) Wedge bonding capabilities for heavy wires
4) Silicon Carbide sawing

We have launched our first high power packaging production line with a leading RF power player using the advanced SiC and GaN technologies. This market segment will continue to see new pipelines as the adaptation of SiC & GaN technologies increases, especially in the automotive industry.

The automotive industry is facing a structural transformation and is expected to see more changes in the coming years. The demand for more intelligent cars, autonomous vehicles and mobility safety will continue to push more semiconductors requirements. Carsem M has a strong design team and experienced engineering knowledge to grow with this demand together with our proven capability in providing customised solutions on leadframe based packages which are also integrated with system in package (SiP) technology.

The growing market for MEMS sensors in smartphones, tablets, wearables, AR/VR devices, drones, robots, smart home and the IoT is the Group targeted area of growth for Carsem M. The Group continue to see growth from the current portfolio of customers in the Europe and USA markets while gradual increasingly new demands are coming from Japan and Korea as well. The Group advanced engineering skills, detailed knowledge of the industries and increasing robotised automation in the manufacturing floor are catalysts for the Group to win new businesses in this market.

Carsem Suzhou's long-term sustainability is to build a strong foundation of manufacturing and technology. A holistic approach is taken to explore business opportunities and further widen our customer base through strategic capital investment, technology innovation, engineering capabilities enhancement and talent pool development. As a result, the customer base has grown by 51% from last year where the majority is from within China. The operation is geared up to provide operational excellence to grow in the robust market from the 5G smartphone (RF), 5G base station, WIFI 6 devices and Dr MOS power modules.

DCI's business continues to focus on etched leadframe business in both the China and South East Asia markets. China has the most promising growth opportunities with the government supporting towards growing the semiconductor industry. Development and capacity expansion of advanced photoresist plating, namely the Plate Before Etch technology phasing into mass production in FY ending 30 June 2021 ("FY21"). Bigger frame size solutions continue to be the main drivers to support the growing numbers of new product development. The Group foresee demand for leadframes will remain strong in specific segments related to the 5G market power management chip.

Dividend

The Company declared and paid single tier dividends totalling 27 sen per share for FY20.

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

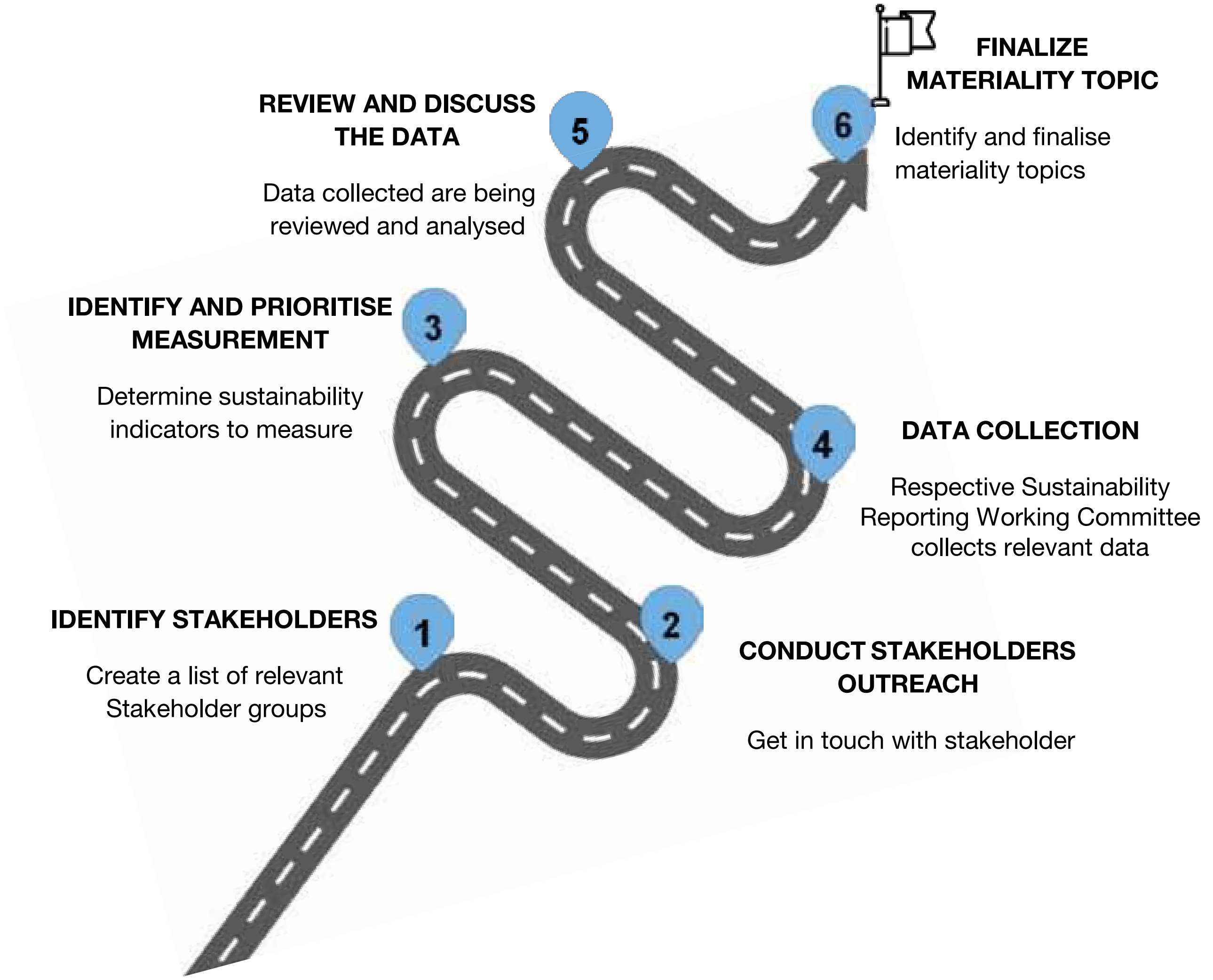
There has been production disruption and demand slowdown due to the COVID-19 pandemic and trade-related uncertainties but the global semiconductor requirements remain a growing trend. As reported by the Semiconductor Industry Association, the global semiconductor market is projected to grow modestly by 3.3% in 2020 and a further 6.2% in 2021.

The major technology catalysts that will drive long term demand are:

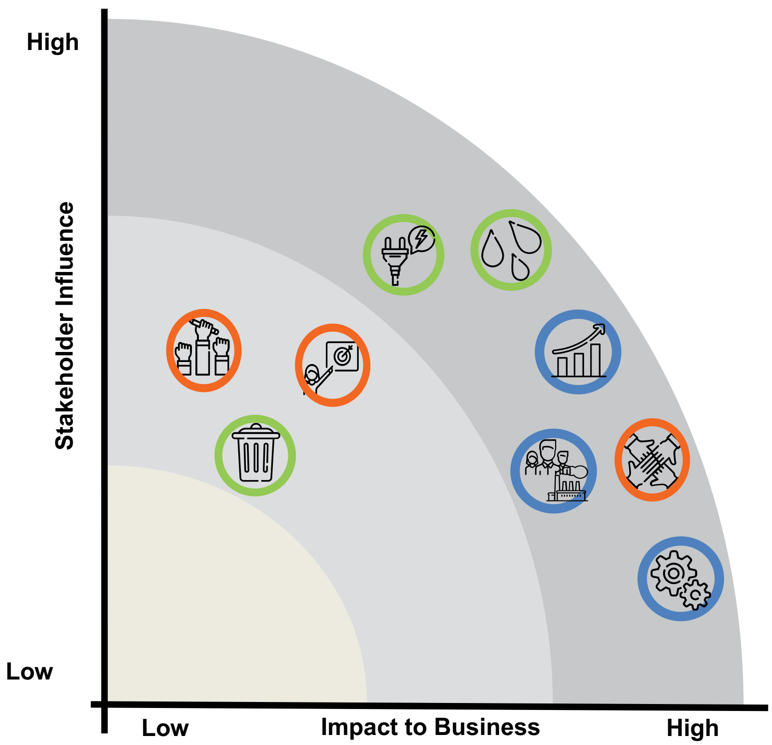
- 5G is expected to fuel the future growth as this technology is beginning to show actual progress towards realisation.
- The increasing usage of automotive electronics, MEMS sensors designed into EVs and HEVs and safety systems will provide a push for growth in this industry.
- There will be an increase in the adoption of IoT devices due to the increased connectivity.
- Apart from smartphones, the demand from wearables is expected to fuel the growth of OSAT market as they become an integral part of people's lives.
- Power semiconductor module for both high and low power applications including energy efficiency, wireless charging and power conversion devices will continue to see robust growth for 5G rollout and server market. Another very promising portfolio of growth comes from IC devices/transistors for power surge protection, anti-electrostatics and electrical over-stress.

MATERIALITY ASSESSMENT

The materiality aspects of EES (economic, environment and social) are identified based on the Global Reporting Initiative (GRI) G4 Sustainability Indicators by the following six steps process :



Garnering the insights from our stakeholders' engagement activities, we have tabulated the nine most material issues in the Materiality Matrix as follows:



FY20 Performance Highlights

10% reduction in kWh/1K unit of energy consumption

7% reduction of net water savings index

Zero landfill waste

68% achievement for versatile and cross-training

ECONOMIC

MPI has defined a drawn out objective to develop the business with help from key partners. Product management innovations combined with supply chain development are our main concerns to make this objective a triumph.

PRODUCT INNOVATION

Despite a challenging year, where the world is affected by the COVID-19 pandemic, the Group continues to forge on its research and development activities focusing in meeting the technical and manufacturing demands of its 4 key focus market segments, namely Radio Frequency (RF), Power, MicroElectroMechanicalSystems (MEMS)/Sensor and Automotive.

In FY20, Carsem Technology Centre (CTC) has been working in collaboration with a key player in the high power IC market to launch its first high power packaging line. This refers to the main power amplifiers used in baseband stations with power requirements and also high power diodes ranging from 100W-1000W. This collaboration brings in new packaging and assembly technology capabilities to Carsem such as:

1)	Transistor Outline-type of packages in modules
2)	Multi die eutectic die attach
3)	Wedge bonding capabilities for heavy wires
4)	Silicon Carbide sawing

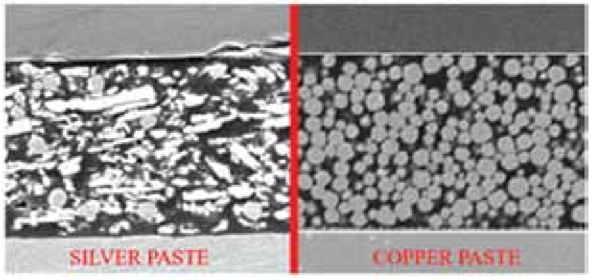
In addition, CTC also launched the following new processes and materials to support the new product needs for our customers:

Materials:

1)	Automotive Grade Zero Mold Compound that is able to withstand >150degree Celsius operating temperature
2)	Copper Paste as a Lead free cost efficient option
3)	Sintered Silver paste for thin dies (75um die thickness)

Process:

1)	Taiko Ring Removal Capability
2)	100x300mm leadframe strip size for Copper Clip packages
3)	Traceability from singulated unit up to die level (without the need to have embedded die identification)



CTC has been actively participating in customer roadshows, international seminars and conferences such as the International Electronics Manufacturing Technology and SEMICON Southeast Asia. This year, CTC was invited to present a paper on the Role of Semiconductor Packaging in today's Automotive Industries in the International Conference on Computer-Aided Design in Nanjing.

Intellectual Property Management is key as it reflects the innovation of a company. This year, the Group has been working on revamping and tightening the selection criteria to ensure that our intellectual properties bring in more value for the Group. We will continue to maintain our intellectual portfolios that are still relevant in some countries where the packages and services are active.

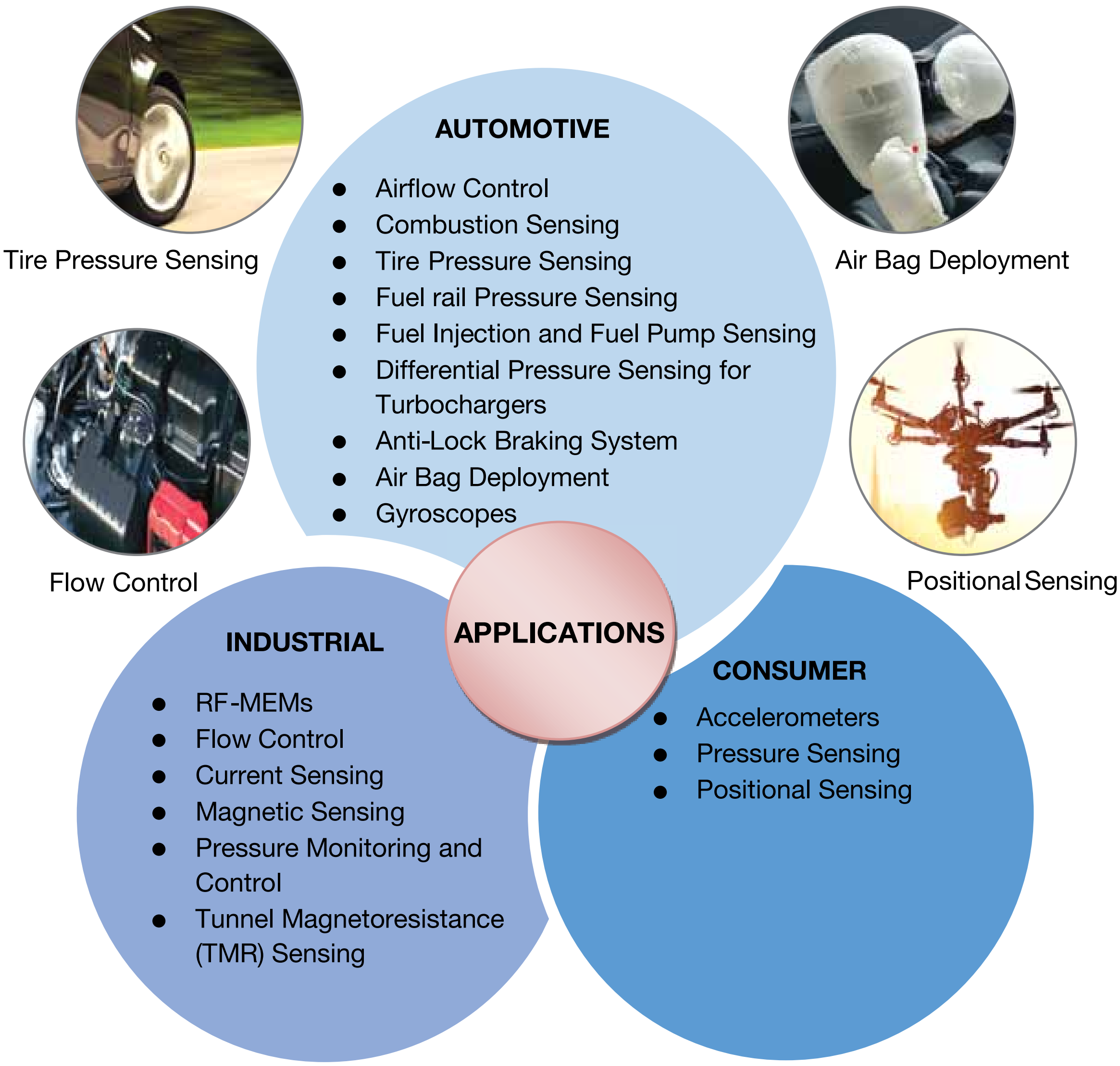
To emphasise, we have 36 active patents worldwide including USA, China, Malaysia and Europe.

The traditional manufacturing industry is progressing towards an industry transformation that is accelerated by exponentially growing technologies like intelligent robots, sensors and big data. Companies and their individual processes are adapting to this rapid change in order to enhance business performance and structurally innovate to scale the level of automation.

Over the last 3 years, Carsem had systematically embarked on this journey towards adopting Industry 4.0 where automated systems would enhance the efficiency of the factory using predictive Artificial Intelligence (AI).

The MEMS & Sensor Unit (MSU) inaugurated the automated line located in a 1K clean room environment where Automated Guided Vehicles and Robots have replaced human dependency in the operations from Die Attach (DA) to 3rd Optical Inspection. Through this initiative, we are one step closer towards the primary goal of achieving Zero Defect quality and to be at the forefront of Industry 4.0 progression in the MEMS Sensors' design, research, packaging and manufacturing domain.

We have an array of standard and customised packages in the MEMS portfolio in the automotive, consumer and industrial sensor domains that cover a wide spectrum of applications.



Quality System Certification

Carsem as one of the leading providers of turnkey packaging and test services, has always been maintaining the prestigious IATF 16949 and ISO 9001 Quality Management System Certification.

IATF 16949 with additional quality requirements is applicable exclusively to the automotive sector. With the certification of these standards, it clearly shows that Carsem has a certified global quality management system that covers the automotive, commercial and industrial products.

Carsem emphasises on continuous improvement, prevention actions and reduction of variation to further enhance the quality and the Quality Management System. Carsem M has received the IATF 16949 Quality Management System Certification on 3rd June 2018 and the certification is valid for 3 years.

Carsem's policy is to provide products and services of the highest quality through "**ZERO DEFECTS**", a preventive quality culture. Employees will act with trustworthiness, sincerity and operate as a team to continuously strive for enhancements in quality, productivity, delivery, services and cost in order to be competitive and profitable. Zero Defects quality is the responsibility of every employee with the motto, "**Quality Begins with me**".

SUPPLY CHAIN DEVELOPMENT

Governing Our Supply Chain with the MPI Code of Conduct

The Group is aware of our responsibility to ensure our sourcing strategy enables us to deliver products on time and to remain in compliance with laws and regulations. Provision to our Group CSR Policy and MPI Code of Conduct are to ensure our supply chain management practices are aligned with industry and customers' expectation, and we are able to adhere to industry best practices.

Key direct material suppliers and service providers are required to comply with the provision of our Group Code of Conduct by signing a Letter of Conformance.

Supplier Assessment and Audit

Assessment of sustainability performance of our key direct material suppliers is conducted annually through Self-Assessment Questionnaire ("SAQ") and audit schedules are planned to ensure on-site verification of compliances are in place.

As part of our due diligence process, all key direct material suppliers are required to complete the SAQ on their own sites. The results of the SAQ identify high risk areas in labour, ethics, health, safety and environmental management systems, and potential gaps against the MPI Code of Conduct.

There are 18 key direct material suppliers who are directly involved in the Supply Chain Development programme and supplying to the manufacturing process. They contribute 72% of the total annual purchases excluding capital expenditure.

All key direct material suppliers will be periodically audited on-site based on their level of conformance and also the SAQ.

Management Approach

Focus	Key Items	Performance Indicators	Results
Supply Chain Management	• Procurement Policy • Risk Management • Assessment and Audit criteria and frequency	• Supplier sustainability assessment • Supplier risk assessment	• Full compliance from 8 key suppliers
Supplier Management	• Working condition of labor • Environmental responsibility • Health and Safety of workforce • Ethical business operation	• Suppliers audits	• Full compliance from 8 key suppliers
Conflict Mineral Management	• Conflict minerals management approach	• SEC Conflict minerals compliance	• Full compliance from 14 suppliers

Conflict Minerals Compliance

The Group's Policy upholds our commitment to prohibit our suppliers from sourcing conflict minerals and to work with our suppliers to identify the metals sourced from conflict minerals in the supply chain. These metals are tin, tantalum, tungsten and gold.

We obtain supplier's Smelters or Refiners (SoRs) source information created by Responsible Minerals Initiative (RMI) via Conflict Mineral Reporting Template (CMRT). The Group conducts yearly validation that the minerals in our products are responsibly sourced conflict-free minerals. 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

Conflict Minerals		FY18	FY19	FY20
Number of material suppliers involved in the EICC-GeSI Due Diligence Survey		12	10	10
% of involves 3TG that have completed EICC-GeSI Due Diligence survey		100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain		20	15	11
Number of smelters	Gold	6	6	5
	Tin	8	9	6
Number of smelters which are CSF validated	Gold	100%	100%	100%
	Tin	100%	100%	100%

Conflict Minerals Management Approach

Conflict Mineral Management Requirement

- We require 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 which contains 3TG-metals 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

The Group's efforts to support local suppliers remain challenging especially for alternate source substitute machines and spare parts from overseas manufacturer. Our supply chain is divided into the following categories according to procurement type: raw materials, equipment, facility/engineering contractors and service-oriented outsourcers, and among which the raw material suppliers have more significant impacts on our daily operations and manufacturing. According to the material attributes, there are 2 types of suppliers: direct material suppliers that provide manufacturing related materials, and indirect and packaging suppliers that provide non-manufacturing related materials.

In FY20, there was a total of 1212 suppliers supplying materials, equipment and services to the Group and 85% of which is from direct material based on purchasing spending.

In FY20, Carsem's local purchasing spending was 75% of total spending (excluding capital expenditure), a slight increasing of 1% as compared with FY19.

Direct material spending trend from local supplier exclude CAPEX		
Local Suppliers	FY19	FY20
	74%	75%

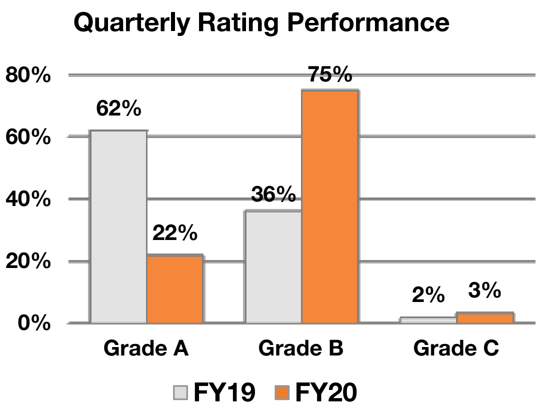
Supplier Quarterly Rating

Carsem's Tier 1 supplier performance is key to ensure seamless supply chain in order to support Carsem and our customer's business and growth. There was a total of 28 suppliers in first half and 32 suppliers in second half involved under the Direct and Packing material categories which are rated based on Quality, Continuous Improvement, Delivery and Service. The purchase values of these suppliers are above 80% of the total annual purchase of the specific category. The goal is to maintain all suppliers' rating meeting Grade B and above.

Below is the Quarterly Rating Performance for FY19 and FY20:

New Supplier Assessment

As part of Carsem's quality system management and BCP (Business Continuity Plan) requirements, sourcing and selection of new suppliers receive greater focus and attention from our sourcing team. New suppliers undergo a stringent due diligence process conducted by the Quality Assurance and Procurement Department.



Cross functional teams from the Quality Assurance, Engineering, Technology and Procurement Department will conduct assessment for all new key direct material suppliers.

SCORING MATRIX		
Grade	Ponts	Rating
A	> 85%	Excellent
B	65% - 84%	Good
C	55% - 64%	Average
D	< 55%	Poor

Supplier assessment profiles are updated through internet plans to kick start by FY21. This will help in managing supplier/vendor data base, upkeep the latest information and assist to perform cross check of critical information.

Fair Procurement Practices

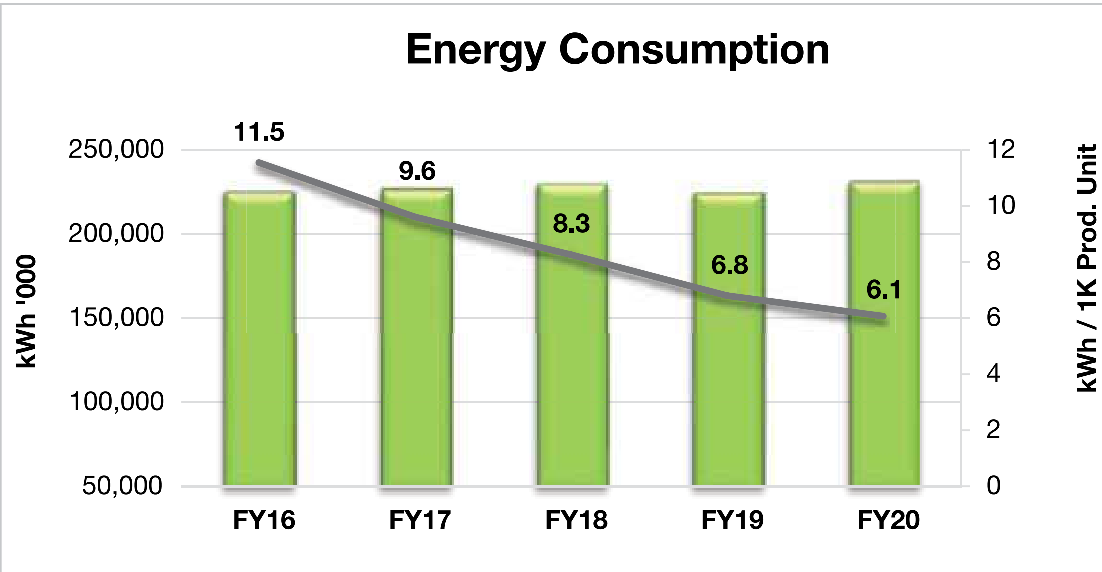
The Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and are in the best interest of the Group, fixed pricing and void of collusion. Our policy seeks to maintain confidentiality and prevent conflicts of interest in transactions with our suppliers.

ENVIRONMENT

MPI sees the significance of environmental effect on the business activities, hence our environmental management is progressing towards achieving energy efficiency and decreasing waste. We continue to be committed to:

- **Energy and Natural Resources Conservation – We will conserve the power and water resources which are the principle resources devoured in our operations.**
- **Waste and Emission – We will drive towards a focus on recycling to minimise treatment or disposal needs in order to conserve the resources.**

ENERGY MANAGEMENT



In all MPI's factories, our total energy consumption is about 220 000 MWh per year. The Group is implementing the enhancement projects every year to improve energy efficiency.

One of the objectives is to reduce the energy consumptions per K units produced (kWh/k units) indices.

For FY20, a further 10% reduction has been reached over the previous FY. Continuous energy consumption reduction is a reflection of MPI's, commitment towards the improvement of energy efficiency.

MPI continue to invest in energy reduction activities in FY20 as below:

1. Variable frequency technology applications:

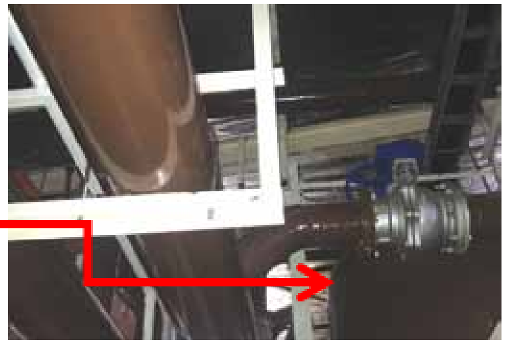
Energy saving	(kW)	Remarks
ZR250 Variable-Speed Drive (VSD) Air Compressor	150	Running in 60% which only consumes 150kW compared to the previous Centrifugal Type Air Compressor that consumes 300kW
Heat Recovery System	49	Switches off the metal finishing 49kW heater and uses heat recovery system to support machine
ZR315 VSD Air Compressor	15	Reduces pressure by 0.9 bar
Total energy saving	**214**	

2. De-bottleneck for Compressed Dry Air (CDA) and vacuum system piping:

   The main header and piping were redesigned and installed.

   Main header has been increased from 8" to 12" in diameter to reduce the friction loss and pressure loss across the pipeline and fitting.

Dryer inlet & outlet pipe has been changed all to 6" to support the main header.



Balance pipe between phase 1 and phase 2 building has been installed to de-bottleneck for CDA & vacuum supply piping system.

Energy saving	(kW)	Remarks
ZR400 VSD Air Compressor	28	Reduces pressure by 0.5bar in phase 1
Vacuum pump	37	Shutdowns one Vacuum pump @ 37kW
Total energy saving	**65**	

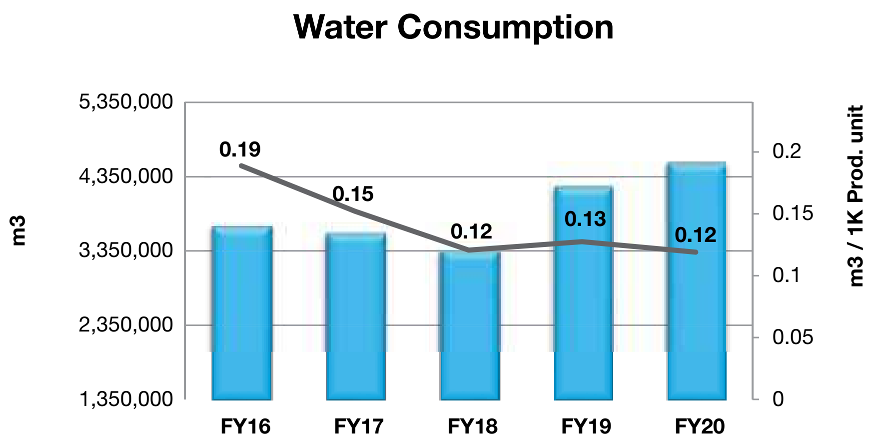
3. Improved energy conversion efficiency:

A successful programme has been implemented in FY20: Modification of the Wire Bonders (WB) vacuum generator to centralised vacuum pump supply. Wire Bonders are the major equipment in the semiconductor assembly operations. Previously, the WBs used individual vacuum generators which were driven by compressed air. The vacuum generator energy conversion rate was only 20% against the centralised vacuum pump.

A programme is implemented to replace all individual vacuum generators to centralise the vacuum pump systems. Up to June FY20, we have completed around 50% of the WBs upgrading, and have achieved energy saving of 57000 kWh per month. We will continue the rest of the WBs modification in FY21.

WATER MANAGEMENT

MPI's factories uses water supply from local water authorities. The water is further treated to produce the high purity deionised (DI) water required for our manufacturing process.



In FY20, additional demand for water was required to support additional process that requires water usage. Water conservation programmes became more essential. A successful programme in Carsem M was completed in August 2019 which resulted in the reduction of water consumption for the factory. The net water savings index for the Group reduced by 7%.

Deionised (DI) water system upgrade:

Installation of the 200GPM DI Water Pre-Treatment system to replace the 3A and 3B with Reverse Osmosis (RO) System.

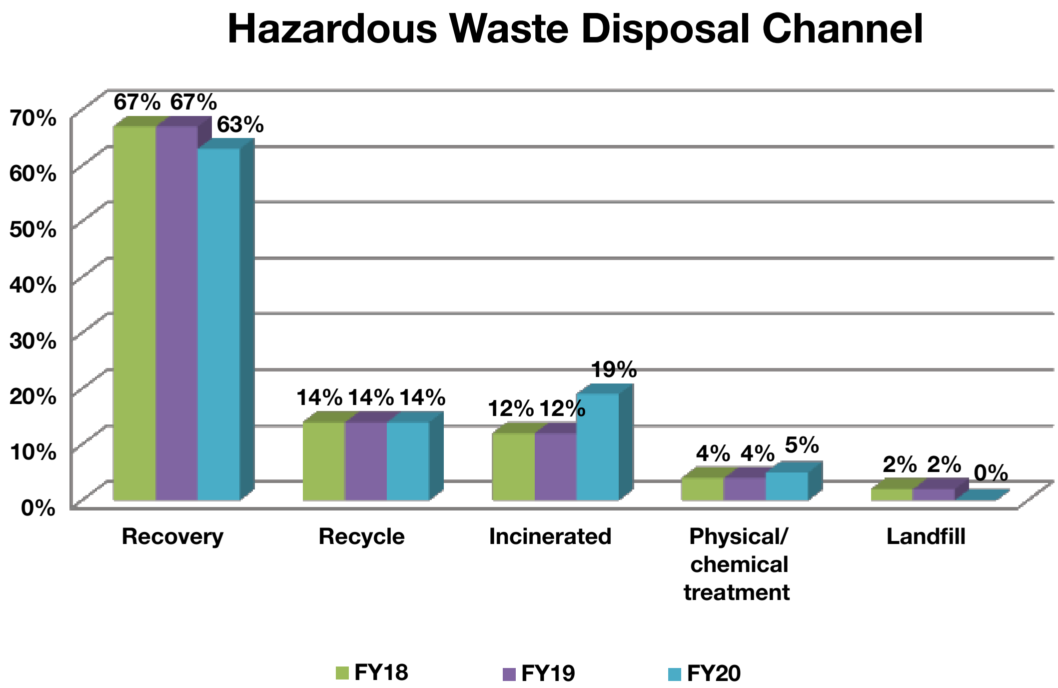
The benefits are:

- Capacity increased from 400GPM to 500GPM
- Saving up to 64% Hydrochloric Acid and 54% Sodium Hydroxide Chemical usage
- 200 m3 per month of waste water is eliminated. 1,760 m3 per month of RO rejects water being recycled.

WASTE MANAGEMENT

Hazardous wastes are also classified as scheduled waste that must be handled, treated and disposed of properly according to the Scheduled Waste Regulations. All hazardous wastes are treated locally by approved and specialised companies.

For FY20, fewer hazardous wastes were being generated and the previous landfill disposal was gone for incinerated treatment. Consequently, the disposal channel of hazardous waste was 63% recovered, 14% recycled, 19% incinerated and 5% physically or chemically treated with no landfill disposal.



SOCIAL

In MPI, we perceive that all development is dependent upon the exhibition of human capital. Therefore, the employees are our top priority. We also strongly believe that by contributing to society, we will be able to accomplish more objectives in various aspects. With the effective execution of the underneath key angles, we accept that our business will keep expanding with progress.

TRAINING AND DEVELOPMENT

A. Learning and Development Programme

Graduate Development Programme ("GDP")

GDP is a programme which attracts, develops and retains graduates who have completed their degree programme especially with relevant industry experience. The candidates will undergo specific training as a development path and a well experienced mentor will be assigned to each graduate to coach them along the programme. Carsem M and DCI have been running this programme since 2016. However, Carsem SZ has just launched this programme in FY20.

Under this programme, majority of the candidates will join the Assembly, Test and Quality Assurance (QA) as engineers. The graduates will go through the On the Job Training (OJT) at the production line to learn the skills of related process which is the fundamental knowledge for engineers. The graduates will also undergo cross-training on the core competencies of an engineer and the necessary knowledge of the role of a technician.

In addition to the GDP programme, a fundamental financial management training course, namely Investment Management Discipline (IMD) and Financial Management Discipline (FMD) were conducted by our Chief Financial Officer and financial trainers from Hong Leong Group at Carsem M in October 2019. The participants were from companies such as Carsem M, Hume Cement Sdn Bhd and Southern Steel Bhd Group Penang.

This training is held to introduce to non-finance participants, financial governance policies, financial ratios, usage of universal accounting tools, cash management and other basic accounting concepts, terms and business fundamentals. The training consisted of group activities such as sharing session, discussions, case study and exercises which enable participants to develop their skills and knowledge on major financial areas.

Engineer Training Camp (ETC)

Carsem SZ has come out with a practical way to upskill the engineering community by organising a weekend Engineer Training Camp. It is organised for engineers who have been on board for more than 1.5 years to offer them a series of core competencies with systematic training and learning path by professional trainers.

The course is to impart and enhance their knowledge and skills to be applied in the real working environment. Participants are given the opportunity to share their concerns and problems during chat group off class. An assessment will be conducted for each participant based on their attendance, learning performances and team work after completing the courses.

Their Head of Department or supervisors are invited to attend their graduation and award ceremony. Incentives were offered to encourage participation.

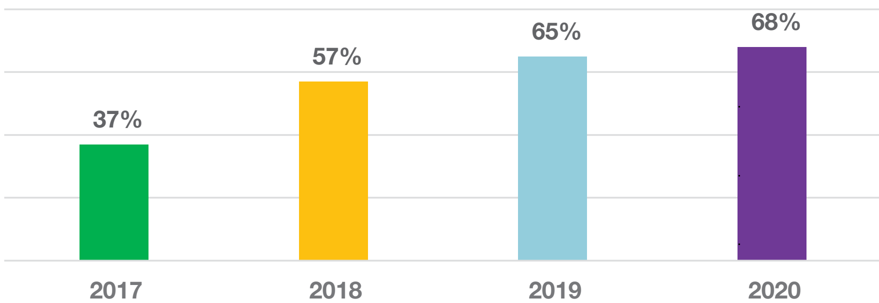
B. Embark on Versatile and Cross-Training Workforce

Carsem Group sets out the versatile and cross-training modules with the objective of having an adaptable multi-talented workforce. Trained employees can fill in for the absent co-workers to quickly increase the labour capacity in any operation.

Employees are continually learning new skills that help them to adjust to changes in the production, boost up their morale and encourage employee retention.

Throughout the years, the percentage of achievement for versatile and cross-training has increased from 37% (2134 employees) to 68% (3923 employees) from FY17 to FY20.

VERSATILE & CROSS-TRAIN %



Year	2017	2018	2019	2020
Number of employees	2134	3288	3750	3923

Employee and workplace safety is of paramount importance. In FY20, we organised an in-house training, namely Chemical Safety Management training for key personnel to obtain the necessary skills and knowledge on managing chemicals at the workplace safely. The training was conducted via classroom lecture, group discussion, case study, site assessment and finally, certification test.

C. Succession Planning

MPI continuously develops talent and promotes internal leaders who are able to lead the Group to the next phase. Our succession planning focuses on the senior management positions as well as critical technical positions. Critical position is defined as a position that would have a significant impact on the organization. Hence, this type of position cannot be left vacant for long. The 9 Box Talent Assessment Grid is used to identify the whereabout of the existing employees and the strategies to develop their capabilities. This tool is very helpful in identifying high performers and key players.

D. Skills Development

Curriculum Development Based on Vocational Ability Structure (CUDBAS)

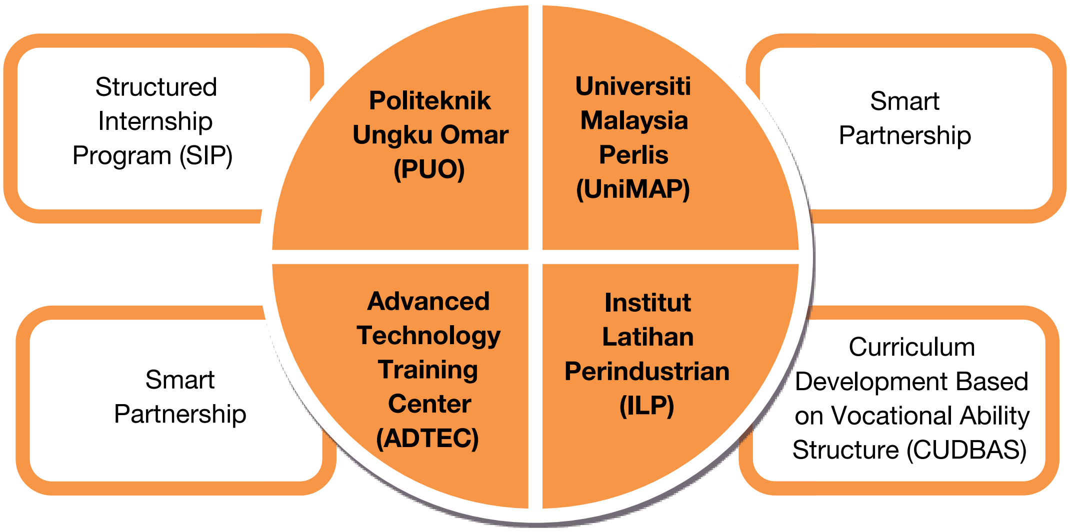
CUDBAS is a collaboration programme between the Industrial Training Institute (ILP), and Carsem M to develop Wire Bond (WB) and Die Attach (DA) syllabus programme for Production Specialist.

We plan to work with 5 to 10 students to develop an adequate syllabus based on current industry needs so that they will be able to master the current skills and knowledge. Students from ILP will continue their practice with Carsem M after they have gone through the syllabus in ILP. This is another Technical and Vocational Education and Training (TVET) initiative by Carsem M with ILP to minimise the gaps within industry and academic institute.

We will also provide the classroom and technical training to the lecturers in ILP for them to gain more insights into the needs of the industry. This will help the lecturers to experience the actual working environment as well as to give relevant examples during the coaching session with the students.

E. Talent pipeline

Industry Academia Collaboration



The purposes of Structured Internship Programme (SIP) are to enhance the current curriculum, close the gap between the industry needs and facilitate a higher number of talents in the semiconductor industry. Hence, Carsem M has collaborated with several education institutes such as:

- Politeknik Ungku Omar(PUO)
- Community College
- British Council

Through smart-partnership, Carsem M engages and mentors the selected 2nd year onwards Microelectronics, Mechatronics and Electrical & Engineering students for their internship placement. Carsem M receives the alumni database for permanent placement hiring from the institutions that we are collaborating such as:

- Advanced Technology Training Center (ADTEC)
- Universiti Malaysia Perlis (UniMAP)
- Politeknik Ungku Omar (PUO)

For German Dual Vocational Training (GDVT), Carsem M has collaborated with Penang Skills Development Centre (PSDC) to establish 4 training modules that are used by the intern during their internship period. A total of 9 candidates have been selected and gone through the programme for 28 months. At the end of the programme, a total of 5 students were offered jobs as technicians. These modules have supported their training to make sure they have a better undertaking of Carsem's production line or process.

To support the Government initiatives on TVET, Carsem M has collaborated with MARA-Japan Industrial Institute (MJII) and Malaysia Automotive Robotics and IoT Institute (MARii) and had visited and discussed with them on the potential approach for academic collaboration, for instance, reviewing the syllabus to close the academic and industry gaps, internship and where we could build the scope of possibilities. This initiative will enhance the development in TVET which is in line with the objective to minimise gaps within industry and academic institute.

In August 2019, Carsem M was invited to attend Institusi Latihan Jabatan Tenaga Manusia (ILJTM) Convocation Ceremony to celebrate the success of students that have been graduated from Advanced Technology Training Center (ADTEC) and Institut Latihan Perindustrian (ILP) at Putrajaya International Convention Centre (PICC). As a part of our Industry Academia collaborations, Carsem has presented the Carsem Industry Award during the convocations.

HUMAN RIGHTS

Respecting and safeguarding human rights is among MPI's top priorities. We assign central importance to fair working conditions, employee rights, and the rejection of all forms of discrimination, forced labour and child labour.

These are based on requirements of the Responsible Business Alliance (RBA) formerly known as Electronic Industry Citizenship Coalition (EICC). In line with the expectations towards human rights policy, we have clearly defined what we expect from all of our customers, employees and business partners.

High expectations are formulated in our Code of Ethics and RBA Code of Conduct. The responsibility for human rights issues lies with the CSR/RBA Management System Organisation which is led by our Group Managing Director, Mr Manuel Zarauza.

100% of our employees received briefing and training which include information on respecting human rights in the course of our business operations as stipulated within the Code of Ethics.

In particular, the managers responsible for the security functions are sensitised with the compliance processes and all security personnels are educated about our requirements and instructions in respecting human rights in line with our wide procurement guidelines.

Employees and external informers can use various channels, such as e-feedback intranet portal, feedback box or the whistle-blower system and the Skip-Level platform, to report suspected human rights violations and obtain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights.

EMPLOYEE ENGAGEMENT

Employee engagement is a crucial aspects for the Group to grow together. Believing in the significance of employees as the key enabler in driving success in our business, The Group has organised some events to strengthen the bonding and unity between employees at various levels. Some of the activities and programmes that were held to preserve employee engagement are as below:

Carsem M held the C.E.R.I.A Inter-Department Sports Carnival with a motto "Together Everyone Achieve More" (T.E.A.M). The carnival consisted of friendly games such as football, bowling, futsal and Sepak Takraw.

Carsem M organised a Merdeka Nature Walk to celebrate Merdeka day at Gunung Lang, Ipoh. Carsem M has also distributed the Jalur Gemilang car flags to the employees. This event was participated by employees and their families of all ages.

Carsem M continuous celebrations of festive events such as Chinese New Year, Deepavali, Hari Raya Aidilfitri, Christmas and others brought excitement for our multiracial community.

Various activities were held such as :

Carsem M has consistently supported the Workplace Accident Free Week (WAFEW) organi sed by the Department of Occupational Safety & Health (DOSH).

Carsem M collaborated with the National Institute of Occupational Safety and Health (NIOSH) and Social Security Organization (SOCSO) on the launching of Total Wellness and Health Promotion (TWHP) programme.

A total of 20 employees participated and trained as the Carsem Wellness ambassadors. It was a one-day session by NIOSH and SOCSO filled with a lot of activities emphasizing on safety and health.

Carsem M KenDurian Day was held at Carsem M. This activity has drawn a huge crowd of durian lovers to come together to enjoy the king of fruits.

Carsem M celebrates the International Women's Day every year in Carsem to acknowledge women's achievement and honouring gender equality that is essential to thrive for a healthier, wealthier and harmonious community.

The "Welcome to School" event was specially designed for Carsem M employees' children that were stepping into Standard 1 in primary school. School bags and necessary stationery were provided for the kids to step into the schooling ambience.

Carsem SZ did not miss a chance to celebrate Chinese New Year. Dragon and lion dance were held around each department and floor to enlighten the celebration.

A rafting activity involving all operation workers and office staffs is held to forge ahead in a unity leadership to take up various challenges.

The outdoor activity also is held to enhance the relationship between employees while enjoying the beauty of nature.

Carsem SZ took part in the Foreign Investment Enterprises Games of Suzhou which is the highest level of sports games for foreign investment enterprise in Suzhou.

The government and other enterprises recognised Carsem SZ due to the great performance of sports team during the games.

Carsem SZ organised a hiking program at YiXing City to strengthen the teamwork spirit between employees and departments.

Anti-Bribery and Corruption Management System (ABCMS)

The ISO 37001:2016 is a new standard to help organisations to implement an anti-bribery management system to prepare adequate procedures to meet the corporate liability provision under the MACC Act 2018 which came into effect in June 2020.

MPI had organised a briefing by the Standard and Industrial Research Institute of Malaysia (SIRIM) to provide an introductory and overview of the ISO 37001 requirements and for the organization to establish measures to identify, prevent and address the risk of bribery and corruption. The session, was attended by MPI's directors, Carsem's directors, DCI's directors and the Carsem's management team.

Upon completion of the briefing, a pledge reading ceremony by all participants was held as a mark of the Launching of the ISO 37001:2016 on Anti-Bribery Management System for the Group.

Subsequently, MPI has conducted a series of workshops and trainings over several weeks for our employees of all levels to create awareness.

Union Signing Ceremony

In August 2019, Carsem M held the 1st Collective Agreement Signing Ceremony, involving our Group Managing Director, General Managers, senior managers, managers and Kesatuan Pekerja-Pekerja Carsem (KPPC) committee members.

A strong bonding between the employers and employees will contribute to a successful company. Mr. Kusaini, as the President of KPPC, is committed that the Union will always seek win-win solutions and promote positive collaboration.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Carsem M CSR programs for FY20

Carsem Charity Chest (CCC) had donated RM 5,000 to support a Charity Run and Charity Food Fair organised by Sekolah Semangat Maju

Contributed RM 3,600 to support the Yesteryears Carnival.

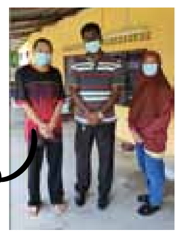
Collaborated with the Open University Malaysia (OUM) students to beautify the Darussalam Orphanage

Supported the Daybreak Center which is a handicraft workshop of talented special kids and adult by offering a space for them to promote and exhibit their products in Carsem M.

Carsem SZ and DCI CSR programmes for FY20

Carsem SZ participated in Winter Warm Charity to donate winter necessities to underprivileged students in China and was awarded with certificate for the participation

DCI held the Blood Donations Program with Penang General Hospital



DCI contributed donations to the old folks, the less fortunate employees and children home during Chinese New Year, Hari Raya Aidilfitri, and Deepavali

Climate Governance Initiative (CGI) Malaysia

MPI has contributed RM5,000 to support the Climate Governance Initiative (CGI) Malaysia. CGI Malaysia endeavours to synergise with the already existing initiatives to promote sustainable development and the implementation of the UN Sustainable Development Goals (SDGs) as climate governance is part of the broader sustainability agenda. CGI Malaysia will work with stakeholders to develop collaboration for mutually supportive outcomes. The stakeholders include Government Ministries such as Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), regulatory bodies like Bank Negara Malaysia, the Securities Commission, Bursa Malaysia, Institute of Corporate Directors Malaysia (ICDM), rating agencies, Non-Governmental Organisations (NGOs) and others.

Academic Excellence Award

A total of RM 8,400 has been awarded by Carsem M to congratulate the employees' children for their outstanding achievement in the public examinations such as UPSR, PT3, SPM and STPM. However, due to MCO, the award presentation ceremony was only attended by the parents to represent their children to receive the award.

COVID-19 Movement Control Order Programs

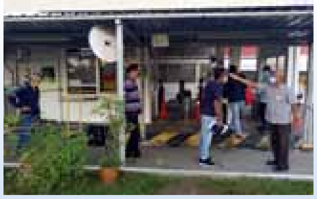
Precautionary and Preventive Measures by the Group against COVID-19

Adequate risk assessments undertaken to measure the safety and health at the workplace plays a crucial role in containing the spread of the virus while protecting employees as well as to ensure a safe working environment.

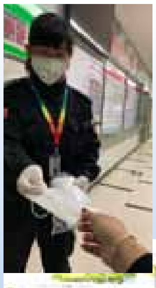
Due to the COVID-19, an immediate committee has been formed by the factories in the Group to carry out the prevention and control task under the leadership of the General Manager and operations teams. Every team carried out specific task to ensure a safe working environment, free from COVID-19.

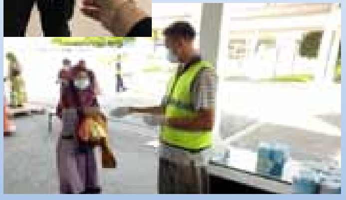
We closely monitored the public health guidelines about COVID-19 and regularly assessed our precautionary measures to support the health and safety of our employees. Our precautionary and preventive measures are:

Temperature scanning and recording at the entry point



Face mask distribution to all employees






Installation of additional washing area in hostels and factories


Canteen control that allows only 2 persons per table



Disinfection is being carried out at our plants covering every areas including our company buses and hostels.

Social distancing practice

In April 2020, with the help and assistance from the Government, Carsem SZ has successfully enlarged the factory power capability under the power expansion programme. With this power expansion, Carsem SZ managed to increase the production capacity to capture higher sales loading and recorded better contribution to local Suzhou development. It was not an easy process especially during the COVID-19 critical time, hence this achievement has received the coverage from the Jiangsu Broadcasting (for Suzhou News) to interview about this success.

Helping hand by the Carsem Prihatin COVID-19 CSR Team

Carsem M has taken initiatives to distribute 100,000 facemasks to all frontliners at various hospitals, clinics, law endorsement and government sectors as part of its corporate social responsibilities to fight against this pandemic.

The list of the face masks distribution recipients were as below:

- Hospital Sungai Siput
- Hospital Kuala Kangsar
- Hospital Raja Permaisuri Bainun, Perak
- Klinik Kesihatan Chemor
- Klinik Kesihatan Buntong
- Klinik Kesihatan Pasir Pinji
- Klinik Kesihatan Menglembu
- Klinik Kesihatan Gunung Rapat
- Klinik Kesihatan Tanjung Rambutan

- Majlis Bandaraya Ipoh (MBI)
- The Lighthouse Hope Society
- Jabatan Kastam Diraja Malaysia
- Balai Bomba dan Penyelamat Meru Raya
- Bahagian Kesihatan Pergigian Negeri Perak
- IPD Kuala Kangsar, IPD Sungai Siput and IPD Perak Tengah
- Bilik Gerakan COVID-19 at SUK
- Ibu Pejabat Polis Kontinjen Perak

AWARDS

In November 2019, Carsem M received the HR Best Practice Award 2019 from Malaysian Institute of Human Resource Management (MIHRM). The Human Resource Development (HRD) Awards is the highest National Recognition in the field of Human Resources Development, awarded by Pembangunan Sumber Manusia Berhad under the Ministry of Human Resources Malaysia.

Awards from Customers

Carsem M has won the "Best Assembly Support Award 2019" from Elmos Semiconductor for its excellent and dedicated assembly business support.

As in previous years, Carsem SZ continues to maintain its success in receiving the best supplier award as a recognition from the customers such as:

AOS Best Supplier Award 2019

MXD Best Supplier Award 2019

CETC Best Supplier Award 2019

Amazing Microelectronic Best Supplier Award 2019

Customer Appreciation Dinner 2019

We believe that engagement with our customers is vital in maintaining a strong partnership in our business. In January 2020, Carsem SZ has organised the Customer Appreciation Dinner 2019 to express its gratitude and appreciation to the customers who have been supporting our business throughout 2019. The dinner was also held to enhance the understanding and relationship between the company and its customers.

BOARD OF **DIRECTORS**

YBHG DATUK KWEK LENG SAN
Chairman; Non-Executive/Non-Independent
Age 65, Male, Singaporean

Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering). He also holds a Master of Science (Finance) 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, both public companies.

MR MANUEL ZARAUZA BRANDULAS
Group Managing Director/Non-Independent
Age 49, 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 in Leadership and Organisation from Instituto de la Empresa, Madrid.

Mr Manuel Zarauza has over 25 years of working experience across various manufacturing sectors. He started his career in Siemens before joining Osram Opto Semiconductors as Vice President, Worldwide Sales. Subsequently, he moved to Seoul Semiconductor as Managing Director in 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.

MS LIM TAU KIEN
Non-Executive Director/Independent
Age 64, Female, Malaysian

Ms Lim Tau Kien graduated from University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland and 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. She subsequently 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.

Ms Lim is also a director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust which is listed on the Main Market of Bursa Securities.

IR. DENNIS ONG LEE KHIAN
Non-Executive Director/Independent
Age 65, 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 Engineers 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 Shell Malaysia.

Ir. Dennis Ong held directorships in Shell Malaysia Trading Sdn Bhd, Champ Distributors Sdn Bhd, Lubetech Sdn Bhd, Assar Chemical Dua Sdn Bhd and was the Chairman of the Board for UMW Pennzoil Distributors Sdn Bhd.

In 2011, Ir. Dennis Ong joined the School of Engineering of Monash University, Malaysia as a senior lecturer managing the Engineering Leadership Program and lecturing the units on Project Management and Professional Practice until December 2018. He is currently a member of the Industry Advisory Panel for Monash Civil Engineering Department.

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.

YBHG DATO' MOHAMAD KAMARUDIN BIN HASSAN
Non-Executive Director/Independent
Age 65, 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, 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.

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 Duopharma Biotech Berhad and Muhibbah Engineering (M) Berhad, companies listed on the Main Market of Bursa Securities, and ManagePay Systems Berhad, a company listed on the ACE Market of Bursa Securities.

DR TUNKU ALINA BINTI RAJA MUHD ALIAS
Non-Executive Director/Independent
Age 56, Female, Malaysian

Dr Tunku Alina Binti Raja Muhd Alias graduated from University of Malaya with a Bachelor of Law. 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, both public companies.

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 2020.

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.

MR ERIC CHEAH WING KET
Chief Financial Officer, Malaysian Pacific Industries Berhad
Age 54, 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 30 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, coaching and mentoring.

MR INDERJEET SINGH A/L PERTAP SINGH
General Manager, Carsem (M) Sdn Bhd, S-site
Age 51, 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 started his career with Carsem (M) Sdn Bhd ("Carsem") as a fresh Process Engineer in September 1991. He was involved in various engineering and operational functions in Carsem and has consolidated and improved the productivity of a production line. He was promoted as Operation Manager in 2008.

Mr Inderjeet Singh held various management positions within Carsem Group prior to his appointment as General Manager of Carsem, S-site on 1 September 2011.

MS SHARON KO MEI WAN
General Manager, Carsem (M) Sdn Bhd, M-site
Age 48, 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 in 2006. She has over 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, M-site on 1 September 2011.

MR LEE CHOE KHEAN
General Manager, Carsem Semiconductor (Suzhou) Co., Ltd
Age 53, Male, Malaysian

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

Mr Lee started his career in National Semiconductor Sdn Bhd as Production Executive in 1991. Subsequently, he joined Carsem 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. 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.

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 2020.

"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 (3) 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 Corporate Governance Report 2020 of the Company in relation to this statement is published on the Company's website at 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 reviewing and approving corporate policies and broad 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.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

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

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.

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 ("CCM"), 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 2020, 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.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

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 the Annual Report.

  The TOR of the BARMC are published on the Website.

- **NC**

  The NC was established on 29 April 2013 and its TOR are published on the Website.

  The composition of the NC is as follows:

  Ir. Dennis Ong Lee Khian
  Chairman, Independent Non-Executive Director

  Dr Tunku Alina Binti Raja Muhd Alias
  Independent Non-Executive Director

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

  (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 ("SM"), 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. SM 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.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- **NC** *cont'd*

(ii) Re-election

The nomination and approval process for re-election 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 CFO 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. Recommendations and decisions may also be taken by way of Circular Resolutions.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- **NC** *cont'd*

The NC met once during FY ended 30 June 2020 ("FY 2020") where all the NC members attended.

The NC discharged its duties in accordance with its TOR during FY 2020. The NC considered and reviewed the following:

- Nominating Committee Charter and policies on Board Composition, Independence of Directors, Board Diversity and Directors' Training;
- Nominating Committee Report;
- 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
- 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 2020. 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 ("EDs") 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 EDs are reviewed by the entire Board. EDs 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 EDs, 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.

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 Corporate Governance 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 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 ID should not exceed a cumulative term of nine (9) years and upon completion of the nine (9) years, an ID 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 ID who has served a cumulative term of nine (9) years and above, shareholders' approval shall be annually sought with justification. In the event the board wishes to retain an ID who has served a cumulative term of twelve (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. The ID Policy states that the tenure of an ID shall not exceed a cumulative term of nine (9) years from the date of his or her first appointment in the Company.

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 nine (9) years.

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 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 a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and holds a practising certificate issued by CCM. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and SM. The Company Secretary attends 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 Secretary 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 2020 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	4/4

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

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 SM, 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/accounting, legal and regulatory framework, risk management, internal control, information technology, cyber security, anti-bribery and corruption, industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2020, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance, anti-bribery management and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and SM of the Company.

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 2020, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 4th Distinguished Board Leadership Series: Digital to the Core
- Addressing Corruption Risk to Safeguards Directors Against Corporate Liability
- Avoiding Competition Law Violations – Formulating an Effective Compliance Policy
- Awareness on ISO 37001:2016 Anti-Bribery Management System
- Beyond4Fest
- Board and Executive Pay During and Post COVID-19
- Challenging Times: What Role Must the Board Play?
- Climate Change
- Conversation with Audit Committees
- Corporate Liability and AMLA
- Creating Jobs in the Post-COVID World
- Crisis Management - Readiness, Response & Recovery
- Culture of Innovation
- Digitalisation – Cyber Security Considerations Amid a Global Pandemic
- Dramafree Tools for Managers

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

- Energy Thought Leaders Series: Energy Outlook – A View to 2040
- Energy Thought Leaders Series: Explore Equipment Life and Condition Monitoring
- Enterprise Risk Management
- ERM Risk Awareness
- Governance 4.0 and Digital Transformation Era for Corporate Leadership
- Harrison Assessment
- How to Invest (The Right Way) with ETFs
- International Conference on Emerging Issues in Public Policy: Global Trends and Projections
- Managing Cash Flow in Difficult Times
- Market Outlook: Navigating the COVID-19 Crisis
- MFRS 17 – Understanding its Impact and Consequences
- Outpace Change with Future Ready Finance (Design Thinking Discussion)
- Practical ERM Guide to Responding to COVID-19 Outbreak & Future Challenges
- Qualified Risk Director Program: The Role of Boards in Fraud Risk Management
- Resetting the Trust Compass
- Restructuring Businesses in Times of Crisis
- Retail Sector – Navigating COVID-19 Adjusting to A New Normal
- Risk Management in Banking
- Role of Social Media in Corporate Branding
- Section 17A MACC Act 2018: What You Need to Know & Implementing the Adequate Procedures
- SME DigitalFest 2020
- Sustainability Development Goals Summit
- Sustainability Inspired Innovations: Enablers of the 21st Century
- Sustainable Development Goal and Sustainability Awareness
- Sustainable Palm Oil in Food & Health
- Tax Implications for Debt Restructuring
- The Age of Regenerative Economy
- The Epidemiology and Economics of Coronavirus
- Theme Rebooting Corporate Malaysia
- Understanding Accounting & Analysing Financial Statements for Better Decision-making for Directors & Corporate Managers
- Value Based Intermediation: Directors' Role

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 ("HLMG Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of business and professional activities.

  The HLMG Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which the Group operates – 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.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

G. Strengthening CG Culture *cont'd*

- **Anti-Bribery and Corruption Policy**

  The Group has, during FY 2020, adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

  Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- **Whistleblowing Policy**

  The Company has a Whistleblowing Policy 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.

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 Group Internal Audit Department ("GIAD") 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 SM 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 2020 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.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

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 GIAD in this role.

- **Risk Management Framework**

  For FY 2020, 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.

  For bribery and corruption risks, the Group has, during FY 2020, adopted MS ISO 37001:2016 (Anti-Bribery Management Systems) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks.

  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.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

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

- **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 GIAD 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 2020 covered inventory management, human resource management and production yield management.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

- **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.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

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

- **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, *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 2020 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 of Directors 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.

- **The 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, KPMG PLT. The appointment of external auditors and their fees are recommended by the BARMC. 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, KPMG PLT rotates its Engagement Partner and Engagement Quality Control Review Partner once every seven (7) years to ensure objectivity, independence and integrity of the audit opinions.

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 SM.

For FY 2020, 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, corporate governance 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 the Company's 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.

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. SM and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors attended the last AGM held on 6 November 2019.

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.

The Company has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

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

CONSTITUTION

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

COMPOSITION

The composition of the Committee is as follows:

Ms Lim Tau Kien
Chairman, Independent Non-Executive Director

Ir. Dennis Ong Lee Khian
Independent Non-Executive Director

YBhg Dato' Mohamad Kamarudin Bin Hassan
Independent Non-Executive Director

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 ("TOR"), 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 four (4) times a year and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions. 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, at 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 Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at 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 2020 ("FY 2020") 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 TOR.

During FY 2020, 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	4/4

The Committee carried out the following key activities during FY 2020:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.
- 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.
- Met with the external auditors and discussed the audit plan 2020 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.
- Reviewed the impact of the COVID-19 pandemic in preparing the financial statements of the Group for FY 2020 and the external auditors' audit focus.
- 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. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2020 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 covering areas on strategic, compliance, operational and financial, 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.
- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's 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 ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.

ACTIVITIES *cont'd*

- 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.
- Recommended to the Board for approval the adoption of MS ISO 37001 as the Group's Anti-Bribery and Corruption Management System ("ABCMS") to provide adequate procedures to prevent bribery under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.
- Reviewed the ABCMS activities, including the progress updates on the Group's MS ISO 37001 certification.
- Reviewed and recommended to the Board for approval the Anti-Bribery and Corruption Policy and revision thereto, Hong Leong Manufacturing Group ABCMS Manual and ABCMS Register, revised Whistleblowing Communication Plan and Investigation Procedures, and revised Hong Leong Manufacturing Group Risk Management Policy.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, 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 seven (7) staff in the GIAD during FY 2020 and the total cost incurred by the GIAD amounted to RM1,919,540.

The purpose, authority, scope, independence and responsibilities of the IA function are provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, 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 IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from the Association of Certified Fraud Examiners, the United States of America ("USA"), Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators. 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.

The GIAD 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 GIAD 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 GIAD for FY 2020 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD'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 GIAD and that it has adequate resources to carry out its functions.

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

The annual audit plan prepared by the GIAD 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 2020 are described in the SORMIC.

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

The GIAD 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 IA function.

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

MALAYSIAN PACIFIC INDUSTRIES BERHAD

FINANCIAL **STATEMENTS**

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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing services of semiconductor packaging and testing, and manufacturing and sale of 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	152,989	46,669
Non-controlling interests	25,765	–
	178,754	46,669

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 13 and Note 23 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 2020 on 24 December 2019; and

(ii) a second interim single tier dividend of 17 sen per share amounting to RM33,812,391 in respect of the financial year ended 30 June 2020 on 23 June 2020.

The Directors do not recommend a final dividend for the financial year ended 30 June 2020.

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

The names of directors of subsidiaries 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 redeemable convertible unsecured loan stocks over ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

		Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ ordinary shares received or to be received arising from vesting of share grant*/ordinary shares to be acquired arising from the exercise of options@			
	Nominal value per share	**At 1.7.2019**	**Acquired**	**Sold**	**At 30.6.2020**
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	244,167(3)	–	**2,544,167**
		–	132,500*	44,167*(4)	**88,333***
Malaysian Pacific Industries Berhad	(1)	1,260,000	74,167(4)	–	**1,334,167**
		–	222,500*	74,167*(4)	**148,333***
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**
		2,017,142#	–	–	**2,017,142#**
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	50,000	433,334(4)	–	**483,334**
		3,000,000@	–	3,000,000@(5)	**–**
		150,000*	1,000,000*	433,334*(4)	**716,666***

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share	Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*/ordinary shares to be acquired arising from the exercise of options@			
		At 1.7.2019	Acquired	Sold	At 30.6.2020
Shareholdings in which Directors have indirect interests					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661(2)	–	–	**10,661(2)**
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	22,500(2)	–	–	**22,500(2)**
Southern Steel Berhad	(1)	10,400(2)	10,000	20,400	**–**
Hong Leong Bank Berhad	(1)	–	2,500	2,500	**–**

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 a family member.
(3) Inclusive of shares vested.
(4) Vesting of shares.
(5) Options ceased following the grant of shares in lieu thereof.

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 27.2 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 of 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.

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 RM50,209 and the apportioned amount of the said premium paid by the Company was RM9,824.

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 in the Company inadequate to any substantial extent, or

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2020 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.

OTHER STATUTORY INFORMATION *cont'd*

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.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 31 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 28 August 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
ASSETS					
Property, plant and equipment	4	**716,967**	663,977	**129**	250
Right-of-use assets	5	**42,921**	–	**–**	–
Investment properties	6	**29,709**	30,639	**–**	–
Investments	7	**46**	46	**432,133**	432,133
Total non-current assets		**789,643**	694,662	**432,262**	432,383
Inventories	9	**117,118**	105,432	**–**	–
Trade and other receivables	10	**262,127**	190,536	**43**	742
Tax recoverable		**5,600**	4,364	**35**	–
Cash and cash equivalents	11	**835,231**	713,386	**230,471**	236,077
Total current assets		**1,220,076**	1,013,718	**230,549**	236,819
TOTAL ASSETS		**2,009,719**	1,708,380	**662,811**	669,202
Equity attributable to owners of the Company					
Share capital	12	**352,373**	352,373	**352,373**	352,373
Reserves	13	**1,192,350**	1,080,654	**473,382**	479,859
Treasury shares		**(163,816)**	(163,816)	**(163,816)**	(163,816)
		1,380,907	1,269,211	**661,939**	668,416
Non-controlling interests		**238,233**	230,021	**–**	–
TOTAL EQUITY		**1,619,140**	1,499,232	**661,939**	668,416
LIABILITIES					
Deferred tax liabilities	8	**816**	2,082	**–**	–
Lease liabilities		**23,858**	–	–	–
Total non-current liabilities		**24,674**	2,082	**–**	–
Loans and borrowings	15	**9,250**	–	**–**	–
Lease liabilities		**2,735**	–	**–**	–
Trade and other payables including derivatives	16	**328,998**	194,298	**872**	786
Current tax liabilities		**24,922**	12,768	**–**	–
Total current liabilities		**365,905**	207,066	**872**	786
TOTAL LIABILITIES		**390,579**	209,148	**872**	786
TOTAL EQUITY AND LIABILITIES		**2,009,719**	1,708,380	**662,811**	669,202

The notes on pages 91 to 153 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

for the year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue					
- Sale of goods	17	**1,558,139**	1,480,497	**–**	–
- Dividend income	17	**6,461**	7,445	**49,861**	66,445
Cost of sales		**(1,301,181)**	(1,235,442)	**–**	–
Gross profit		**263,419**	252,500	**49,861**	66,445
Distribution expenses		**(19,753)**	(19,420)	**–**	–
Administrative expenses		**(47,962)**	(45,349)	**(3,982)**	(2,870)
Other operating income		**36,052**	35,787	**216**	1,442
Other operating expenses		**(22,123)**	(34,721)	**(26)**	(307)
Results from operations		**209,633**	188,797	**46,069**	64,710
Finance income	18	**3,719**	4,237	**814**	614
Finance costs	19	**(1,890)**	(3,242)	**(1)**	(2)
Profit before taxation	20	**211,462**	189,792	**46,882**	65,322
Taxation	21	**(32,708)**	(29,773)	**(213)**	(198)
Profit for the year		**178,754**	160,019	**46,669**	65,124
Profit attributable to:					
Owners of the Company		**152,989**	128,328	**46,669**	65,124
Non-controlling interests		**25,765**	31,691	**–**	–
		178,754	160,019	**46,669**	65,124
Basic/Diluted earnings per ordinary share (sen)	22	**80.42**	67.53		
Profit for the year		**178,754**	160,019	**46,669**	65,124
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		**7,360**	(1,566)	**–**	–
- Cash flow hedge		**(497)**	4,494	**–**	–
Total other comprehensive income for the year	23	**6,863**	2,928	**–**	–
Total comprehensive income for the year		**185,617**	162,947	**46,669**	65,124
Total comprehensive income attributable to:					
Owners of the Company		**160,016**	130,345	**46,669**	65,124
Non-controlling interests		**25,601**	32,602	**–**	–
		185,617	162,947	**46,669**	65,124

The notes on pages 91 to 153 are an integral part of these financial statements.

Group	Share capital RM'000	Other reserve RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owners of the Company										
	Non-distributable							*Distributable*			
At 1 July 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
Other comprehensive (expense)/income											
- foreign currency translation differences	–	–	–	(1,566)	–	–	–	–	(1,566)	–	(1,566)
- cash flow hedge	–	–	3,583	–	–	–	–	–	3,583	911	4,494
Profit for the year	–	–	–	–	–	–	–	128,328	128,328	31,691	160,019
Total comprehensive (expense)/income for the year	–	–	3,583	(1,566)	–	–	–	128,328	130,345	32,602	162,947
Dividends (Note 24)	–	–	–	–	–	–	–	(51,309)	(51,309)	(21,000)	(72,309)
Share-based payment	–	–	–	–	–	2,629	–	–	2,629	1,036	3,665
ESS trust shares vested	–	–	–	–	272	(371)	–	99	–	–	–
Total transactions with owners of the Company	–	–	–	–	272	2,258	–	(51,210)	(48,680)	(19,964)	(68,644)
Transfer to other reserve	–	5,475	–	–	–	–	–	(5,475)	–	–	–
At 30 June 2019	352,373	30,042	(140)	75,425	(52,771)	5,385	(163,816)	1,022,713	1,269,211	230,021	1,499,232
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13		Note 13			

Statements of Changes in Equity
for the year ended 30 June 2020
(cont'd)

Group	Share capital RM'000	Other reserve RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owners of the Company										
	Non-distributable							Distributable			
At 1 July 2019	352,373	30,042	(140)	75,425	(52,771)	5,385	(163,816)	1,022,713	1,269,211	230,021	1,499,232
Other comprehensive (expense)/income											
- foreign currency translation differences	–	–	–	7,360	–	–	–	–	7,360	–	7,360
- cash flow hedge	–	–	(333)	–	–	–	–	–	(333)	(164)	(497)
Profit for the year	–	–	–	–	–	–	–	152,989	152,989	25,765	178,754
Total comprehensive (expense)/income for the year	–	–	(333)	7,360	–	–	–	152,989	160,016	25,601	185,617
Dividends (Note 24)	–	–	–	–	–	–	–	(51,409)	(51,409)	(18,600)	(70,009)
Share-based payment	–	–	–	–	–	3,089	–	–	3,089	1,211	4,300
ESS trust shares vested	–	–	–	–	3,173	(4,149)	–	976	–	–	–
Total transactions with owners of the Company	–	–	–	–	3,173	(1,060)	–	(50,433)	(48,320)	(17,389)	(65,709)
Transfer to other reserve	–	8,304	–	–	–	–	–	(8,304)	–	–	–
At 30 June 2020	**352,373**	**38,346**	**(473)**	**82,785**	**(49,598)**	**4,325**	**(163,816)**	**1,116,965**	**1,380,907**	**238,233**	**1,619,140**
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13		Note 13			

Company	Non-distributable Share capital RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 July 2018	352,373	(3,134)	295	(163,816)	479,424	665,142
Profit/Total comprehensive income for the year	–	–	–	–	65,124	65,124
Dividends (Note 24)	–	–	–	–	(53,403)	(53,403)
Purchase of own shares	–	(8,654)	–	–	–	(8,654)
Share-based payment	–	–	207	–	–	207
Total transactions with owners of the Company	–	(8,654)	207	–	(53,403)	(61,850)
At 30 June 2019/1 July 2019	352,373	(11,788)	502	(163,816)	491,145	668,416
Profit/Total comprehensive income for the year	–	–	–	–	46,669	46,669
Dividends (Note 24)	–	–	–	–	(53,408)	(53,408)
Share-based payment	–	–	262	–	–	262
ESS trust shares vested	–	380	(373)	–	(7)	–
Total transactions with owners of the Company	–	380	(111)	–	(53,415)	(53,146)
At 30 June 2020	**352,373**	**(11,408)**	**391**	**(163,816)**	**484,399**	**661,939**
	Note 12	Note 13	Note 13		Note 13	

The notes on pages 91 to 153 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities					
Profit before taxation		**211,462**	189,792	**46,882**	65,322
Adjustments for:					
Depreciation of property, plant and equipment		**173,545**	172,989	**121**	121
Depreciation of right-of-use assets		**4,755**	–	**–**	–
Depreciation of investment properties		**930**	930	**–**	–
Dividend income from unquoted subsidiaries		**–**	–	**(43,400)**	(59,000)
Dividend income from other investments					
- Recognised in revenue		**(6,461)**	(7,445)	**(6,461)**	(7,445)
- Recognised in other operating income		**(8,639)**	(9,674)	**–**	–
Finance costs		**1,890**	3,242	**1**	2
Interest income		**(3,719)**	(4,237)	**(814)**	(614)
Fair value loss on financial instruments designated as hedging instruments		**111**	90	**–**	–
Gain on disposal of property, plant and equipment		**(140)**	(382)	**–**	–
Property, plant and equipment written off		**–**	19	**–**	–
Share-based payment		**4,300**	3,665	**–**	–
Write back of retirement benefits		**–**	(5)	**–**	(5)
Unrealised gain on foreign exchange		**(4,925)**	(7,911)	**–**	(1,257)
Operating profit/(loss) before changes in working capital		**373,109**	341,073	**(3,671)**	(2,876)
Inventories		**(11,117)**	14,288	**–**	–
Trade and other receivables		**(66,926)**	64,572	**961**	74
Trade and other payables		**133,818**	(11,210)	**86**	45
Cash generated from/(used in) operations		**428,884**	408,723	**(2,624)**	(2,757)
Tax paid		**(22,957)**	(22,580)	**(248)**	(198)
Retirement benefits paid		**–**	(240)	**–**	(240)
Finance costs paid		**(1,890)**	(3,242)	**(1)**	(2)
Interest income received		**3,719**	4,237	**814**	614
Dividends received		**15,100**	17,119	**49,861**	66,445
Net cash from operating activities		**422,856**	404,017	**47,802**	63,862
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**304**	405	**–**	–
Purchase of property, plant and equipment		**(249,090)**	(194,578)	**–**	–
Receipt of government grant		**14,472**	–	**–**	–
Net cash used in investing activities		**(234,314)**	(194,173)	**–**	–

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from financing activities					
Repayment from subsidiaries		**–**	–	**–**	34,784
Dividends paid to owners of the Company		**(51,409)**	(51,309)	**(53,408)**	(53,403)
Dividends paid to non-controlling shareholder of a subsidiary company		**(18,600)**	(21,000)	**–**	–
Repayments of borrowings	(ii)	**(23,343)**	(86,086)	**–**	–
Drawdown from borrowings	(ii)	**32,593**	12,088	**–**	–
Purchase of trust shares		**–**	–	**–**	(8,654)
Payment of lease liabilities	(i), (ii)	**(10,245)**	–	**–**	–
Net cash used in financing activities		**(71,004)**	(146,307)	**(53,408)**	(27,273)
Net change in cash and cash equivalents		**117,538**	63,537	**(5,606)**	36,589
Effect of exchange rate fluctuation on cash held		**4,307**	2,228	**–**	–
Cash and cash equivalents as at beginning of year		**713,386**	647,621	**236,077**	199,488
Cash and cash equivalents at end of year		**835,231**	713,386	**230,471**	236,077

(i) Cash outflows for leases as a lessee

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Included in net cash from operating activities:				
Payment relating to short-term leases	**6,670**	–	**–**	–
Interest paid in relation to lease liabilities	**1,415**	–	**–**	–
Included in net cash from financing activities:				
Payment of lease liabilities	**10,245**	–	**–**	–
Total cash outflows for leases	**18,330**	–	**–**	–

(ii) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 July 2018 RM'000	Drawdown RM'000	Repayments RM'000	Foreign exchange movement RM'000	At 30 June 2019 RM'000
Loans and borrowings	75,030	12,088	(86,086)	(1,032)	–
Lease liabilities	–	–	–	–	–
Total liabilities from financing activities	75,030	12,088	(86,086)	(1,032)	–

Group	At 30 June 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 July 2019 RM'000	Drawdown RM'000	Repayments RM'000	Acquisition of new lease RM'000	Other changes RM'000	At 30 June 2020 RM'000
Loans and borrowings	–	–	–	32,593	(23,343)	–	–	**9,250**
Lease liabilities	–	36,357	36,357	–	(10,245)	316	165	**26,593**
Total liabilities from financing activities	–	36,357	36,357	32,593	(33,588)	316	165	**35,843**

The notes on pages 91 to 153 are an integral part of these 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 addresses of its registered office and principal place of business are as follows:

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

Principal place of business
Jalan Lapangan Terbang,
31350 Ipoh,
Perak Darul Ridzuan.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2020 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 2020 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 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 financial statements were approved and authorised for issue by the Board of Directors on 28 August 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand ("RM'000"), unless otherwise stated.

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:

(i) Note 5 – Extension options and incremental borrowing rate in relation to leases

The management applied significant judgement whether it is reasonably certain to exercise the extension options. The management also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.1 Basis of preparation *cont'd*

(ii) Note 10 – Trade and other receivables

The management reviews the adequacy of allowance for impairment losses for trade and other receivables. The review requires management to apply judgement and assumptions to determine the recoverable amount of these trade and other receivables.

2.2 Summary of significant accounting policies

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations *cont'd*

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.

(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(k)(iii) is amalgamated 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 a 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(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) 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments

(i) Recognition and initial measurement

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

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial assets cont'd

(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 debt investment, 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 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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

(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 are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(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 other comprehensive income, are subject to impairment assessment (see Note 2.2(i)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(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 recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(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 on derecognition are also recognised in the 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 or settlement date accounting 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting *cont'd*

(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.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

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") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(i) Recognition and measurement *cont'd*

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. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Buildings	20 - 50 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases *cont'd*

Current financial year *cont'd*

(ii) Recognition and initial measurement *cont'd*

(a) As a lessee *cont'd*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES *cont’d*

2.2 Summary of significant accounting policies *cont’d*

(e) Leases *cont’d*

Current financial year *cont’d*

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “revenue”.

Previous financial year

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases *cont'd*

Previous financial year *cont'd*

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, the leased assets were not recognised on the statement of financial position.

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

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

(f) 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 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(d).

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) 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.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on 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.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income. Expected credit losses are a probability-weighted estimate of credit losses.

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 receivables are always measured at an amount equal to lifetime expected credit loss.

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.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month 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.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Impairment *cont'd*

(i) Financial assets *cont'd*

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.

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.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) 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 cash-generating unit (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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Equity instruments

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

(i) Issue expense

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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.

(k) 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.

(ii) State plans

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Employee benefits *cont'd*

(iii) Share-based payment transactions

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 ("ESS Trust Shares").

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings as applicable. 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.

(l) Provisions

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

(m) Revenue and other income

(i) Goods sold

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognise revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(i) Goods sold *cont'd*

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property are recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Government grants

Government grants are recognised by deducting the grant in arriving at the carrying amount of the assets when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

(iv) 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.

(v) Interest income

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

(n) Borrowing costs

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) 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 or receivable on the taxable income or loss 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 statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit 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.

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

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

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

(p) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume conversion of any dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment 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 to assess its performance, and for which discrete financial information is available.

(r) Research and development

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

(s) 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.

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 of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 accounting standards, interpretations and amendments:

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020.

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2023.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

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

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 2020 %	Effective interest 2019 %	Principal activities
Carsem (M) Sdn Bhd	Malaysia	**70**	70	Manufacturing services of semiconductor packaging and testing
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 and investment holding
• Carsem Semiconductor (Suzhou) Co., Ltd #	The People's Republic of China	**100**	100	Manufacturing services of semiconductor packaging and testing
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	Marketing agent for semiconductor devices and electronic components
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, Malaysia or other KPMG International member firms.

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 2018	20,818	385,776	3,196,684	9,512	3,612,790
Additions	–	1,076	184,309	9,193	194,578
Disposals	–	(390)	(71,159)	–	(71,549)
Write-off	–	(551)	(5,313)	–	(5,864)
Transfers	–	1,520	5,800	(7,320)	–
Currency translation differences	(48)	(1,556)	(11,654)	–	(13,258)
At 30 June 2019, *as previously reported*	20,770	385,875	3,298,667	11,385	3,716,697
Adjustment on initial application of MFRS 16	(20,770)	–	–	–	(20,770)
At 1 July 2019, *as restated*	–	385,875	3,298,667	11,385	3,695,927
Additions	–	1,877	234,468	12,745	249,090
Receipt of government grant	–	–	(14,472)	–	(14,472)
Disposals	–	(42)	(25,586)	–	(25,628)
Write-off	–	–	(74)	–	(74)
Transfers	–	423	4,411	(4,834)	–
Currency translation differences	–	689	7,287	–	7,976
At 30 June 2020	**–**	**388,822**	**3,504,701**	**19,296**	**3,912,819**
Accumulated depreciation and impairment losses					
At 1 July 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
Charge for the year	242	12,623	160,124	–	172,989
Disposals	–	(390)	(67,947)	–	(68,337)
Write-off	–	(551)	(5,229)	–	(5,780)
Reversal of impairment losses	–	–	(3,254)	–	(3,254)
Currency translation differences	(15)	(586)	(8,394)	–	(8,995)
At 30 June 2019, *as previously reported*					
Accumulated depreciation	9,947	265,958	2,743,239	–	3,019,144
Accumulated impairment losses	–	–	33,576	–	33,576
	9,947	265,958	2,776,815	–	3,052,720
Adjustment on initial application of MFRS 16	(9,947)	–	–	–	(9,947)
At 1 July 2019, *as restated*	–	265,958	2,776,815	–	3,042,773
Accumulated depreciation	–	265,958	2,743,239	–	3,009,197
Accumulated impairment losses	–	–	33,576	–	33,576
	–	265,958	2,776,815	–	3,042,773

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
Charge for the year	–	12,577	160,968	–	173,545
Disposals	–	(42)	(25,227)	–	(25,269)
Write-off	–	–	(74)	–	(74)
Reversal of impairment losses	–	–	(195)	–	(195)
Currency translation differences	–	342	4,730	–	5,072
At 30 June 2020					
Accumulated depreciation	–	278,835	2,883,636	–	3,162,471
Accumulated impairment losses	–	–	33,381	–	33,381
	–	278,835	2,917,017	–	3,195,852
Carrying amounts					
At 1 July 2018	11,098	130,914	495,169	9,512	646,693
At 30 June 2019, *as previously reported*	10,823	119,917	521,852	11,385	663,977
At 1 July 2019, *as restated*	–	119,917	521,852	11,385	653,154
At 30 June 2020	**–**	**109,987**	**587,684**	**19,296**	**716,967**

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2018/30 June 2019/1 July 2019/30 June 2020	605
Accumulated depreciation	
At 1 July 2018	234
Charge for the year	121
At 30 June 2019/1 July 2019	355
Charge for the year	121
At 30 June 2020	**476**
Carrying amounts	
At 1 July 2018	371
At 30 June 2019/1 July 2019	250
At 30 June 2020	**129**

5. RIGHT-OF-USE ASSETS

Group	Land RM'000	Buildings RM'000	Plant and equipments RM'000	Total RM'000
At 1 July 2019				
- Recognition of right-of-use assets	28,786	1,869	5,702	36,357
- Transfer from property, plant and equipment	10,823	–	–	10,823
	39,609	1,869	5,702	47,180
Addition	316	–	–	316
Depreciation	(2,633)	(888)	(1,234)	(4,755)
Derecognition	–	(4)	–	(4)
Currency translation differences	15	–	–	15
Remeasurement of lease liabilities	–	–	169	169
At 30 June 2020	**37,307**	**977**	**4,637**	**42,921**

The Group leases a number of land, buildings, plant and equipments that run between 1 - 71 years, with an option to renew the lease after that date.

5.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to two years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of exercise of extension options %
Buildings	1,055	196	Nil

5.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

6. INVESTMENT PROPERTIES

	Group RM'000
Leasehold land and building	
Cost	
1 July 2018/30 June 2019/1 July 2019/30 June 2020	46,283
Accumulated depreciation	
1 July 2018	
Accumulated depreciation	14,642
Accumulated impairment losses	72
	14,714
Charge for the year	930
At 30 June 2019/1 July 2019	
Accumulated depreciation	15,572
Accumulated impairment losses	72
	15,644
Charge for the year	930
At 30 June 2020	
Accumulated depreciation	16,502
Accumulated impairment losses	72
	16,574
Carrying amounts	
At 1 July 2018	31,569
At 30 June 2019/1 July 2019	30,639
At 30 June 2020	**29,709**

Investment properties comprise of leasehold buildings that is leased to third parties.

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

	Group	
	2020 RM'000	**2019 RM'000**
Lease income	**7,240**	7,559
Direct operating expenses		
- income generating investment properties	**1,152**	1,047

6. INVESTMENT PROPERTIES *cont'd*

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

Group	2020 RM'000
Less than one year	**7,541**
One to two years	**8,446**
Two to three years	**8,446**
Three to four years	**6,335**
Total undiscounted lease payments	**30,768**

	2019 RM'000
Less than one year	7,240
Between one and five years	30,768
Total undiscounted lease payments	38,008

6.2 Fair value information

Fair value of investment property is categorised as Level 3 as follows:

	2020 RM'000	2019 RM'000
Leasehold land and building	**70,000**	70,000

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.

7. INVESTMENTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares in subsidiaries, at cost	**–**	–	**432,087**	432,087
Equity instrument at fair value through other comprehensive income designated upon initial recognition	**46**	46	**46**	46
	46	46	**432,133**	432,133

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

7.1 Non-controlling interest in subsidiary

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

	Carsem (M) Sdn Bhd 2020 RM'000	Carsem (M) Sdn Bhd 2019 RM'000
NCI percentage of ownership interest and voting interest	**30%**	30%
Carrying amount of NCI	**233,613**	225,544
Profit allocated to NCI	**26,137**	30,748

Summarised financial information before intra-group elimination

	Carsem (M) Sdn Bhd 2020 RM'000	Carsem (M) Sdn Bhd 2019 RM'000
Statement of financial position		
Total assets	**976,781**	893,043
Total liabilities	**(151,917)**	(108,536)
Net assets	**824,864**	784,507
Statement of profit or loss and other comprehensive income for the year		
Profit for the year	**87,125**	102,494
Total comprehensive income	**97,096**	98,869
Statement of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	**76,466**	43,964
Dividends paid to NCI	**18,600**	21,000

8. DEFERRED TAXATION

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Group	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Property, plant and equipment	**–**	–	**(1,517)**	(2,611)	**(1,517)**	(2,611)
Right-of-use assets	**–**	–	**(7,757)**	–	**(7,757)**	–
Lease liabilities	**6,382**	–	**–**	–	**6,382**	–
Other items	**2,076**	529	**–**	–	**2,076**	529
Tax assets/(liabilities)	**8,458**	529	**(9,274)**	(2,611)	**(816)**	(2,082)
Set off of tax	**(8,458)**	(529)	**8,458**	529	**–**	–
Net tax liabilities	**–**	–	**(816)**	(2,082)	**(816)**	(2,082)

Movement in temporary differences during the year

Group	**At 1 July 2018 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 23) RM'000**	**At 30 June 2019/ 1 July 2019 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 23) RM'000**	**At 30 June 2020 RM'000**
Property, plant and equipment	(1,777)	(834)	–	(2,611)	1,094	–	**(1,517)**
Right-of-use assets	–	–	–	–	(7,757)	–	**(7,757)**
Lease liabilities	–	–	–	–	6,382	–	**6,382**
Other items	1,747	–	(1,218)	529	1,375	172	**2,076**
	(30)	(834)	(1,218)	(2,082)	1,094	172	**(816)**

9. INVENTORIES

	Group	
	2020 RM'000	**2019 RM'000**
Raw materials	**65,103**	57,905
Work-in-progress	**22,503**	19,153
Finished goods	**20,526**	16,345
Consumable spares	**8,986**	12,029
	117,118	105,432
Recognised in profit or loss:		
Inventories recognised as cost of sales	**1,129,611**	1,059,588

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	**233,526**	177,705	**–**	–
Allowance for impairment losses	**(8,217)**	(7,831)	**–**	–
	225,309	169,874	**–**	–
Other debtors	**22,217**	7,703	**–**	690
Deposits	**1,750**	1,696	**5**	5
Prepayments	**12,851**	11,263	**38**	47
	262,127	190,536	**43**	742

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	**603,800**	621,557	**229,600**	234,950
Cash and bank balances	**231,431**	91,829	**871**	1,127
	835,231	713,386	**230,471**	236,077

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits and bank balances	**613,032**	525,495	**230,457**	236,063

12. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued ordinary shares:				
At beginning of year/end of year	**209,884**	**352,373**	209,884	352,373

There were no shares bought back from the open market during the financial year (2019: Nil). As at 30 June 2020, the total number of shares bought back was 10,988,000 (2019: 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.

13. RESERVES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Reserves consist of:					
Other reserve	13.1	**38,346**	30,042	**–**	–
Exchange fluctuation reserve	13.2	**82,785**	75,425	**–**	–
Reserve for own shares	13.3	**(49,598)**	(52,771)	**(11,408)**	(11,788)
Executive share scheme reserve	13.4	**4,325**	5,385	**391**	502
Hedging reserve	13.5	**(473)**	(140)	**–**	–
Retained earnings		**1,116,965**	1,022,713	**484,399**	491,145
		1,192,350	1,080,654	**473,382**	479,859

Note 13.1
Other reserve comprises mainly of capital reserve.

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

Note 13.2
Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 13.3
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(k)(iii). As at 30 June 2020, the total number of shares held by the ESS Trusts at the Group level was 8,292,597 (2019: 8,840,000) shares, inclusive of 8,333 shares which are in the process of being transferred to the eligible executive.

At the Group level, during the financial year, a total of 100,000 (2019: 50,000) existing ordinary shares in the Company held in the ESS Trusts was transferred to an option holder arising from the vesting of free MPI shares.

As at 30 June 2020, the total number of MPI Shares held by the ESS Trusts at the Company level was 1,078,966 (2019: 1,106,400) shares, including the 8,333 shares mentioned above.

Note 13.4
Executive share scheme reserve represents the corresponding share-based payments expense related to the Group's Executive Share Scheme as stated in Note 2.2(k)(iii).

Note 13.5
Hedging reserve comprises 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.

14. EMPLOYEE BENEFITS

Executive Share Scheme ("ESS")

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.

(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 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 By-Laws of the ESS.

14. EMPLOYEE BENEFITS *cont'd*

Executive Share Scheme ("ESS") *cont'd*

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 were vested and 80,000 MPI Shares in the ESS Trust were transferred to a DCI Option holder during the financial year ended 30 June 2018 arising from the exercise of DCI Options. The remaining DCI Options over 1,620,000 MPI Shares had lapsed.

- 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 ("Carsem Option Period"). At the end of the Carsem Option Period, the performance targets had been achieved.

- 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 ("MPI Option Period"). At the end of the MPI Option Period, the performance targets had been achieved.

During the financial year ended 30 June 2020,

(i) a total of 805,500 MPI Shares were granted, free of consideration ("free MPI Shares"), to Carsem Option holders in lieu of the outstanding Carsem Options over 3,800,000 MPI Shares. Accordingly, the Carsem Options over 3,800,000 MPI Shares had ceased to be valid;

(ii) a total of 53,000 free MPI Shares were granted to a MPI Option holder in lieu of the outstanding MPI Options over 250,000 MPI Shares. Accordingly, the MPI Options over 250,000 MPI Shares had ceased to be valid; and

(iii) there were no grant or vesting of Options granted to eligible executives (including directors and chief executives) of the Group.

Since the commencement of the ESS, the Group had granted a total of 15,025,000 Options, out of which, 200,000 Options had been vested, 80,000 Options had been exercised and 4,050,000 Options had ceased to be valid. The aggregate Options granted to directors/chief executives (including a past director/chief executive) of the Group amounted to 7,150,000 Options. No Options remain outstanding as at 30 June 2020. The actual percentage of total Options granted to directors (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 2020.

14. EMPLOYEE BENEFITS *cont'd*

Executive Share Scheme ("ESS") *cont'd*

ESGS

During the previous financial years, Carsem granted 200,000 free MPI Shares to an eligible executive of the Group and 50,000 of the said MPI Shares had been vested. During the financial year ended 30 June 2020, Carsem granted 1,259,900 free MPI Shares (out of which, 805,500 free MPI Shares were granted in lieu of the Carsem Options) to eligible executives of Carsem. A total of 519,969 free MPI Shares were vested and accordingly, 519,969 MPI Shares held by Carsem ESS Trust were transferred to the eligible executives. 889,931 of the said free MPI Shares granted remain outstanding as at 30 June 2020.

During the financial year ended 30 June 2020, MPI granted 107,300 free MPI Shares (out of which, 53,000 free MPI Shares were granted in lieu of the MPI Options) to eligible executives of Carsem Suzhou. A total of 35,767 free MPI Shares had been vested and 27,434 MPI Shares held in the MPI ESS Trust were transferred to an eligible executives while the remaining 8,333 MPI Shares were pending transfer. 71,533 of the said free MPI Shares granted remain outstanding as at 30 June 2020.

Since the commencement of the ESS, a total of 1,567,200 MPI Shares had been granted, out of which 605,736 had been vested with 961,464 MPI Shares remaining outstanding as at 30 June 2020. The aggregate of MPI Shares granted to directors/chief executives amounted to 1,282,300 MPI Shares, out of which, 510,768 MPI Shares had been vested, with 771,532 MPI Shares remaining outstanding. The actual percentage of total MPI Shares granted to a director/senior management of the Group was 0.77% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2020.

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.

Value of employee services received for issue of share options/grant

	Group	
	2020 RM'000	**2019 RM'000**
Recognised in profit or loss		
Granted in 2017	**817**	2,812
Granted in 2018	**157**	579
Granted in 2019	**594**	274
Granted in 2020	**2,732**	–
	4,300	3,665

14. EMPLOYEE BENEFITS *cont'd*

Executive Share Scheme ("ESS") *cont'd*

(i) Options – Weighted average fair value and assumptions

	2019
Weighted average fair value at grant date	RM2.04

At grant date:	
Weighted average share price	RM8.06
Weighted average exercise price	RM7.92
Expected volatility (weighted average volatility)	30.93%
Option life (expected weighted average life)	4 years
Weighted average expected dividends	3.76%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.69%

(ii) MPI Shares grant – Fair value and assumptions

	2019
Fair value at grant date on 21 February 2019	RM10.37

At grant date:	
Weighted average share price	RM10.26
Exercise price	Nil
Expected volatility (weighted average volatility)	37.50%
Expected weighted average life	3 years
Weighted average expected dividends	3.01%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.68%

	2020
Fair value at grant date on 2 March 2020	**RM10.79**

At grant date:	
Weighted average share price	**RM10.80**
Exercise price	**Nil**
Expected volatility (weighted average volatility)	**31.90%**
Expected weighted average life	**3 years**
Weighted average expected dividends	**1.92%**
Weighted average risk-free interest rate (based on Malaysian government bonds)	**1.82%**

15. LOANS AND BORROWINGS

	Group	
	2020	**2019**
	RM'000	**RM'000**
Current (unsecured)		
Bankers' acceptances	**1,250**	–
Term loan	**8,000**	–
	9,250	–

16. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

		Group		Company	
	Note	**2020**	**2019**	**2020**	**2019**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables		**114,228**	75,017	**–**	–
Amounts due to:					
- Related companies	16.1	**3,770**	2,057	**–**	–
- Subsidiary	16.2	**–**	–	**95**	–
Other payables		**106,926**	52,290	**206**	212
Accrued expenses		**102,959**	64,648	**571**	574
Derivative used for hedging					
- Forward exchange contracts		**1,115**	286	**–**	–
		328,998	194,298	**872**	786

Note 16.1

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

Note 16.2

Amount due to subsidiary is non-trade, unsecured, interest free and repayable on demand.

17. REVENUE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers	**1,558,139**	1,480,497	**–**	–
Other revenue				
- Dividend income	**6,461**	7,445	**49,861**	66,445
Total revenue	**1,564,600**	1,487,942	**49,861**	66,445

17. REVENUE *cont'd*

17.1 Disaggregation of revenue

Group	Asia 2020 RM'000	Asia 2019 RM'000	USA 2020 RM'000	USA 2019 RM'000	Europe 2020 RM'000	Europe 2019 RM'000	Total 2020 RM'000	Total 2019 RM'000
Major products and service								
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes	**1,006,617**	904,314	**214,633**	224,462	**336,889**	351,721	**1,558,139**	1,480,497
Timing and recognition								
At a point in time	**1,006,617**	904,314	**214,633**	224,462	**336,889**	351,721	**1,558,139**	1,480,497
Revenue from contracts with customers	**1,006,617**	904,314	**214,633**	224,462	**336,889**	351,721	**1,558,139**	1,480,497
Other revenue	**6,461**	7,445	**–**	–	**–**	–	**6,461**	7,445
Total revenue	**1,013,078**	911,759	**214,633**	224,462	**336,889**	351,721	**1,564,600**	1,487,942

17.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.	Revenue is recognised when the control of the goods are transferred to the customers.	Credit period of 30 - 60 days from invoice date.	Revision of selling price due to fluctuation of commodity prices.	Obligation for returns if goods are required for reworks.	Not applicable.

18. FINANCE INCOME

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest income	**3,719**	4,237	**814**	614

19. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expense on lease liabilities	**1,415**	–	**–**	–
Other finance costs	**475**	3,242	**1**	2
	1,890	3,242	**1**	2

20. PROFIT BEFORE TAXATION

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 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		**183**	183	**32**	32
- Other services		**37**	37	**3**	3
Other auditors					
- Statutory audits		**62**	62	**–**	–
- Other services		**20**	20	**–**	–
Material expenses/(income)					
Gain on disposal of property, plant and equipment		**(140)**	(382)	**–**	–
Allowance for slow moving inventories		**3,918**	8,362	**–**	–
Fair value loss on financial instruments designated as hedging instruments		**111**	90	**–**	–
Dividend income from unquoted subsidiaries		**–**	–	**(43,400)**	(59,000)

20. PROFIT BEFORE TAXATION *cont'd*

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Material expenses/(income) *cont'd*					
Dividend income from other investments:					
- Recognised in revenue		**(6,461)**	(7,445)	**(6,461)**	(7,445)
- Recognised in other operating income		**(8,639)**	(9,674)	**–**	–
Property, plant and equipment written off		**–**	19	**–**	–
Personnel expenses (including key management personnel):					
- Wages, salaries and others		**351,776**	313,998	**–**	–
- Contributions to Employees Provident Fund		**49,221**	42,502	**–**	–
- Share-based payment		**4,300**	3,665	**–**	–
Loss/(Gain) on foreign exchange					
- Realised		**16,320**	24,693	**–**	247
- Unrealised		**(4,925)**	(7,911)	**–**	(1,257)
Research and development expenditure		**37,859**	35,050	**–**	–
Expenses arising from leases					
Expenses relating to short-term leases	a	**6,670**	–	**–**	–
Rental of property, plant and equipment		**–**	2,931	**–**	–
Net (loss)/gain on impairment of financial instruments					
Financial assets at amortised cost		**(386)**	165	**–**	–

Note a

The Group leases buildings, plant and equipment and motor vehicles with contract terms less than 1 year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

21. TAXATION

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current taxation				
Malaysian				
- Current year	**12,313**	13,508	**248**	198
- Prior years	**(1,260)**	(77)	**(35)**	–
Overseas				
- Current year	**26,129**	15,557	**–**	–
- Prior years	**(3,380)**	(49)	**–**	–
	33,802	28,939	**213**	198
Deferred taxation				
- Current year	**(1,094)**	834	**–**	–
	32,708	29,773	**213**	198

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Reconciliation of taxation				
Profit before taxation	**211,462**	189,792	**46,882**	65,322
Taxation at Malaysian statutory tax rate of 24%	**50,751**	45,550	**11,252**	15,677
Difference of tax rate in foreign jurisdiction	**(9,786)**	(7,796)	**–**	–
Non-deductible expenses	**13,527**	9,441	**963**	710
Tax exempt income (Note 21.1)	**(17,144)**	(17,296)	**(11,967)**	(16,189)
	37,348	29,899	**248**	198
Overprovision in prior years	**(4,640)**	(126)	**(35)**	–
	32,708	29,773	**213**	198

Note 21.1

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.

22. 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 RM152,989,000 (2019: RM128,328,000) by the weighted average number of ordinary shares outstanding during the financial year of 190,247,250 (2019: 190,025,049) as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '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	**(8,840)**	(8,890)
	190,056	190,006
Effect of Trust Shares vested	**191**	19
Weighted average number of ordinary shares at end of year	**190,247**	190,025
Basic earnings per ordinary share (sen)	**80.42**	67.53

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial years as there is no effect from the dilutive potential ordinary shares.

23. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2020			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	**(780)**	**199**	**(581)**
- Reclassification adjustments for transactions included in profit or loss	**111**	**(27)**	**84**
	(669)	**172**	**(497)**
Foreign currency translation differences for foreign operations			
- Gain arising during the year	**7,360**	**–**	**7,360**
	6,691	**172**	**6,863**
2019			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Gain arising during the year	5,622	(1,150)	4,472
- Reclassification adjustments for transactions included in profit or loss	90	(68)	22
	5,712	(1,218)	4,494
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(1,566)	–	(1,566)
	4,146	(1,218)	2,928

24. DIVIDENDS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
First interim				
10.0 sen per share single tier (2019: 10.0 sen per share single tier)	**19,006**	19,001	**19,779**	19,779
Second interim				
17.0 sen per share single tier (2019: 17.0 sen per share single tier)	**32,403**	32,308	**33,629**	33,624
	51,409	51,309	**53,408**	53,403

Dividends received by the ESS Trusts for the Group and the Company amounting to RM2,293,000 (2019: RM2,393,000) and RM294,064 (2019: RM298,728) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(k)(iii).

25. 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")
- Europe

These segments are engaged in manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.

Segment profit

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

Segment assets

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

Segment liabilities

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

25. OPERATING SEGMENTS *cont'd*

	Asia		USA		Europe		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Segment profit	**143,365**	111,680	**26,913**	28,050	**35,522**	42,582	**205,800**	182,312
Included in the measure of segment profit are:								
Revenue from external customers	**1,006,617**	904,314	**214,633**	224,462	**336,889**	351,721	**1,558,139**	1,480,497
Depreciation and amortisation	**120,432**	113,561	**23,144**	24,630	**35,522**	35,594	**179,098**	173,785

Reconciliations of reportable segment profit

	2020 RM'000	2019 RM'000
Profit		
Reportable segments	**205,800**	182,312
Non-reportable segments	**3,833**	6,485
Finance costs	**(1,890)**	(3,242)
Interest income	**3,719**	4,237
Consolidated profit before taxation	**211,462**	189,792

25. OPERATING SEGMENTS *cont'd*

Reconciliations of reportable segment profit *cont'd*

	2020 External revenue RM'000	2020 Depreciation & amortisation RM'000	2019 External revenue RM'000	2019 Depreciation & amortisation RM'000
Reportable segments	**1,558,139**	**179,098**	1,480,497	173,785
Non-reportable segments	**6,461**	**132**	7,445	134
Total	**1,564,600**	**179,230**	1,487,942	173,919

Geographical segments

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

	Revenue 2020 RM'000	Revenue 2019 RM'000
Singapore	**287,898**	313,501
USA	**214,633**	224,462
Malaysia	**224,596**	265,827
Ireland	**83,097**	106,593
Taiwan	**211,483**	182,290
The People's Republic of China	**242,581**	114,196
Others	**293,851**	273,628
	1,558,139	1,480,497

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

	Non-current assets 2020 RM'000	Non-current assets 2019 RM'000
Malaysia	**379,365**	383,525
The People's Republic of China	**410,217**	311,066
Others	**15**	25
	789,597	694,616

25. OPERATING SEGMENTS *cont'd*

Major customer

During the financial year, revenue from one customer (2019: two customers) amounting to RM212,402,000 (2019: RM361,306,000) contributed to more than 10% of the Group's revenue.

	2020 RM'000	2019 RM'000
Customer A	**212,402**	207,320
Customer B	**–**	153,986
	212,402	361,306

26. COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
Property, plant and equipment:		
Contracted but not provided for	**24,214**	13,270

27. RELATED PARTIES

27.1 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.

Significant transactions with related parties are as follows:

			Group	
	Transactions	**Related party**	**2020 RM'000**	**2019 RM'000**
(a)	Rental of properties	Subsidiary and associated companies of HLCM	**69**	39
(b)	Receipt of services	Subsidiary and associated companies of HLCM	**74**	45

27. RELATED PARTIES *cont'd*

	Transactions	Related party	Group 2020 RM'000	Group 2019 RM'000
(c)	Receipt of group management and/or support services	Subsidiary and associated companies of HLCM	**11,552**	10,435
(d)	Payment for usage of the Hong Leong logo and trade mark	Subsidiary and associated companies of HLCM	**22**	19

Significant balances with related parties at the reporting date are disclosed in Note 16 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.

27.2 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 include all the Directors of the Company.

The fees, remuneration and other benefits of the Directors of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors				
Remuneration and other benefits	**7,787**	6,599	**–**	–
Non-Executive Directors				
Fees*	**502**	502	**462**	462

* This includes fee for a Director which has been assigned in favour of the Company where the Director is appointed.

The estimated monetary value of benefit-in-kind of the Directors of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors	**244**	272	**–**	–
Non-Executive Directors	**28**	28	**28**	28
	272	300	**28**	28

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised 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")

(c) Financial liabilities measured at amortised cost ("FLAC")

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
2020				
Financial assets				
Group				
Other investments	46	–	46	–
Trade and other receivables (excluding prepayments)	249,276	249,276	–	–
Cash and cash equivalents	835,231	835,231	–	–
	1,084,553	1,084,507	46	–
Company				
Other investments	46	–	46	–
Trade and other receivables (excluding prepayments)	5	5	–	–
Cash and cash equivalents	230,471	230,471	–	–
	230,522	230,476	46	–
Financial liabilities				
Group				
Trade and other payables including derivatives	328,998	327,883	–	1,115
Loans and borrowings	9,250	9,250	–	–
	338,248	337,133	–	1,115
Company				
Trade and other payables	872	872	–	–

28. FINANCIAL INSTRUMENTS *cont'd*

28.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
2019				
Financial assets				
Group				
Other investments	46	–	46	–
Trade and other receivables				
(excluding prepayments)	179,273	179,273	–	–
Cash and cash equivalents	713,386	713,386	–	–
	892,705	892,659	46	–
Company				
Other investments	46	–	46	–
Trade and other receivables				
(excluding prepayments)	695	695	–	–
Cash and cash equivalents	236,077	236,077	–	–
	236,818	236,772	46	–
Financial liabilities				
Group				
Trade and other payables				
including derivatives	194,298	194,012	–	286
Company				
Trade and other payables	786	786	–	–

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains/(losses) arising from:				
Financial assets measured				
at amortised cost	**9,922**	11,559	**7,275**	9,069
Financial liabilities measured				
at amortised cost	**(5,137)**	(12,719)	**(1)**	(2)
	4,785	(1,160)	**7,274**	9,067

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 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

28.3.1 Credit risk

Credit risk is the risk of a financial loss 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. There are no significant changes as compared to prior periods.

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.

Concentration of credit risk

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	
	2020 RM'000	**2019 RM'000**
Singapore	**50,314**	35,604
USA	**26,682**	14,964
Malaysia	**36,428**	21,278
Ireland	**12,949**	7,945
Taiwan	**26,009**	21,416
Others	**72,927**	68,667
	225,309	169,874

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.1 Credit risk *cont'd*

Receivables *cont'd*

Recognition and measurement of impairment losses

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 strength of the receivable.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 30 June 2020.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
2020			
Current (not past due)	**167,582**	**–**	**167,582**
Past due 1 - 30 days	**62,479**	**(4,752)**	**57,727**
Past due 31 - 60 days	**1,901**	**(1,901)**	**–**
Past due 61 - 90 days	**1,445**	**(1,445)**	**–**
Past due more than 90 days	**119**	**(119)**	**–**
	233,526	**(8,217)**	**225,309**
2019			
Current (not past due)	136,606	–	136,606
Past due 1 - 30 days	36,184	(2,916)	33,268
Past due 31 - 60 days	3,312	(3,312)	–
Past due 61 - 90 days	813	(813)	–
Past due more than 90 days	790	(790)	–
	177,705	(7,831)	169,874

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.1 Credit risk *cont'd*

Receivables *cont'd*

Movements in the allowance for impairment in respect of trade receivables

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

Group	2020 RM'000	2019 RM'000
Balance at beginning of year	**7,831**	7,996
Impairment loss recognised	**386**	–
Impairment loss reversed	**–**	(165)
Balance at end of year	**8,217**	7,831

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.

Expected credit loss of other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

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 11 to the financial statements.

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.1 Credit risk *cont'd*

Cash and cash equivalents *cont'd*

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 statements 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.

28.3.2 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 significantly different amount.

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.2 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	2-5 years RM'000	More than 5 years RM'000
2020							
Group							
Non-derivative financial liabilities							
Loans and borrowings	9,250	3.15 – 3.20	9,294	9,294	–	–	–
Lease liabilities	26,593	5.00	33,828	2,969	2,508	15,766	12,585
Trade and other payables	327,883	–	327,883	327,883	–	–	–
Derivative financial liabilities							
Forward exchange contracts							
Outflow	1,115	–	108,052	108,052	–	–	–
Inflow	–	–	(106,937)	(106,937)	–	–	–
	364,841		372,120	341,261	2,508	15,766	12,585
Company							
Non-derivative financial liabilities							
Trade and other payables	872	–	872	872	–	–	–

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.2 Liquidity risk *cont'd*

***Maturity analysis** cont'd*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2019							
Group							
Non-derivative financial liabilities							
Trade and other payables	194,012	–	194,012	194,012	–	–	–
Derivative financial liabilities							
Forward exchange contracts							
Outflow	286	–	168,204	168,204	–	–	–
Inflow	–	–	(167,918)	(167,918)	–	–	–
	194,298		194,298	194,298	–	–	–
Company							
Non-derivative financial liabilities							
Trade and other payables	786	–	786	786	–	–	–

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.3 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	
Group	**2020 RM'000**	**2019 RM'000**
Trade receivables	**193,254**	147,988
Forward exchange contracts	**(106,937)**	(167,918)
Cash and cash equivalents	**187,228**	165,516
Trade and other payables	**(136,156)**	(78,960)
Net exposure	**137,389**	66,626

Currency risk sensitivity analysis

A 5% (2019: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have decreased profit before taxation of the Group by RM6,869,000 (2019: RM3,331,000). A 5% (2019: 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.

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.3 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Deposits with licensed bank	**603,800**	621,557	**229,600**	234,950
Lease liabilities	**26,593**	–	**–**	–
	630,393	621,557	**229,600**	234,950
Floating rate instruments				
Loans and borrowings	**9,250**	–	**–**	–

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") (2019: 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 RM46,000 (2019: Nil). 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.

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.4 Hedging activities

28.3.4.1 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 USD25,140,000 (2019: USD40,410,000) 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:

	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
Group			
2020			
Forward exchange contract	**(1,115)**	**(1,115)**	**(1,115)**
2019			
Forward exchange contract	(286)	(286)	(286)

During the financial year, a loss of RM581,000 (2019: a gain of RM4,472,000) was recognised in other comprehensive income and RM84,000 (2019: RM22,000) was reclassified from equity to profit or loss.

Ineffectiveness loss amounting to RM111,000 (2019: loss of RM90,000) was recognised in profit or loss during the financial year in respect of the hedge.

28.3.5 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their 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.

28. FINANCIAL INSTRUMENTS *cont'd*

28.3 Financial risk management *cont'd*

28.3.6 Fair value hierarchy

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2020			
Group			
Financial assets			
Investments	**–**	**46**	**–**
Financial liabilities			
Forward exchange contracts	**–**	**(1,115)**	**–**
2020			
Company			
Financial assets			
Investments	**–**	**46**	**–**
2019			
Group			
Financial assets			
Investments	–	46	–
Financial liabilities			
Forward exchange contracts	–	(286)	–
2019			
Company			
Financial assets			
Investments	–	46	–

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.

29. 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	
	2020	**2019**
	RM'000	**RM'000**
Total loans and borrowings	**9,250**	–
Lease liabilities	**26,593**	–
Less: Cash and cash equivalents	**(835,231)**	(713,386)
Net cash	**(799,388)**	(713,386)
Total equity	**1,619,140**	1,499,232
Debt-to-equity ratio	**Nil**	Nil

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019.

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 July 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *cont'd*

As a lessee *cont'd*

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

30.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 July 2019, there are no adjustments made to the prior period presented.

The impact on the statement of financial position of the Group at 1 July 2019 as follows:

	RM'000
Operating lease discounted using the incremental borrowing rate at 1 July 2019	36,357
Lease liabilities recognised at 1 July 2019	36,357

There is no impact to the financial statements of the Company.

31. SUBSEQUENT EVENT

Subsequent to financial year end, the Group and the Company disposed of 7,284,264 units and 999,100 units of trust shares held by the Group and the Company with carrying amounts of RM43.86 million and RM10.65 million and proceeds of RM88.72 million and RM12.17 million as at the date of disposal. The gain on disposals of RM44.86 million and RM1.52 million are recognised in the statements of changes in the equity.

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 83 to 153 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 of 30 June 2020 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: 28 August 2020

STATUTORY **DECLARATION**

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Cheah Wing Ket, the person primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 83 to 153 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 28 August 2020.

Cheah Wing Ket

Before me:

Mohan A.S. Maniam
Kuala Lumpur

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 2020 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 83 to 153.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

1. Revenue recognition

Refer to Note 2.2(m)(i) and Note 17 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recorded RM1,558 million of revenue from sale of goods for the current financial year. Revenue from sale of goods of the Group comprises mainly 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 periods.	Our audit procedures included, among others: • We evaluated the design and implementation, and tested the operating effectiveness of identified controls over the process of revenue recognition. • We tested the revenue transactions by verifying to relevant supporting documents that evidence the transfer of control of goods to customers in accordance to MFRS 15 *Revenue from Contracts with Customers*. • We tested samples of transactions that were recorded before and after the financial year end date of 30 June 2020 to relevant supporting documents to ascertain that revenue was recorded in the correct financial periods.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

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, actions taken to eliminate threats or safeguards applied.

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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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: 03232/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 August 2020

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2020

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2020 (RM'000)
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	24 - 45	5,186
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	22 - 32	5,620
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	24 - 32	239
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	–	7,215
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	26	119
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	13	3,415
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,966	29	17,198
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	17	68,144
Lot 2367, Bayan Lepas Pulau Pinang	30 Aug 2031	Office and factory building *	18 Jun 1995	257,000	26	10,943
Lot 8, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building ^	18 Jun 1995	227,441	21	10,771
Plot 15, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building ^	24 Feb 2005	208,357	15	18,938

Notes :

* *These buildings are situated on right-of-use land as disclosed in Note 5 of the financial statements*

^ *These buildings are classified as investment properties as disclosed in Note 6 of the financial statements*

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 28 August 2020

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	697	17.64	14,461	0.01
100 – 1,000	1,566	39.65	913,925	0.46
1,001 – 10,000	1,219	30.86	4,244,651	2.13
10,001 – 100,000	353	8.94	11,584,997	5.82
100,001 – less than 5% of issued shares	114	2.89	70,066,733	35.23
5% and above of issued shares	1	0.02	112,071,652	56.35
	3,950	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 28 August 2020

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	112,071,652	56.35
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	5,040,000	2.53
3.	Kumpulan Wang Persaraan (Diperbadankan)	5,023,200	2.53
4.	AmanahRaya Trustees Berhad - Public Smallcap Fund	4,789,900	2.41
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	3,940,300	1.98
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	3,206,100	1.61
7.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	3,002,200	1.51
8.	Hong Leong Industries Berhad	2,215,969	1.11
9.	Citigroup Nominees (Asing) Sdn Bhd - CBLDN for Polunin Emerging Markets Small Cap Fund, LLC	2,030,400	1.02
10.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	1,887,300	0.95
11.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	1,686,500	0.85
12.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	1,459,500	0.73

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 *cont'd*

List Of Thirty Largest Shareholders As At 28 August 2020 *cont'd*

	Name of Shareholders	No. of Shares	%
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	1,228,000	0.62
14.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	1,000,000	0.50
15.	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.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Malaysian Pacific Industries Berhad (Carsem-ESOS)	928,467	0.47
18.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	923,125	0.46
19.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	891,900	0.45
20.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	862,900	0.43
21.	AmanahRaya Trustees Berhad - PB Smallcap Growth Fund	839,900	0.42
22.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Hedging)	839,800	0.42
23.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Value Fund	816,700	0.41
24.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Maybank) (412183)	800,000	0.40
25.	AmanahRaya Trustees Berhad - PB Islamic Smallcap Fund	735,500	0.37
26.	Citigroup Nominees (Tempatan) Sdn Bhd - Universal Trustee (Malaysia) Berhad for Principal Dali Equity Fund	733,300	0.37
27.	Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for Manulife Investment Shariah Progress Fund	715,600	0.36
28.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Eastspring) (410140)	713,700	0.36
29.	Hong Bee Hardware Company, Sdn. Berhad	707,250	0.36
30.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Maybank Malaysia Value Fund	686,200	0.35
		161,760,863	81.33

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2020 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	112,071,652	56.35	2,364,302	1.19 ^
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	115,331,154	57.99 ^
3.	YBhg Tan Sri Quek Leng Chan	–	–	116,326,654	58.49 *
4.	HL Holdings Sdn Bhd	–	–	115,331,154	57.99 #
5.	Hong Realty (Private) Limited	–	–	116,038,404	58.34 *
6.	Hong Leong Investment Holdings Pte. Ltd.	–	–	116,038,404	58.34 *
7.	Kwek Holdings Pte Ltd	–	–	116,038,404	58.34 *
8.	Mr Kwek Leng Beng	–	–	116,038,404	58.34 *
9.	Mr Kwek Leng Kee	–	–	116,038,404	58.34 *
10.	Davos Investment Holdings Private Limited	–	–	116,038,404	58.34 *
11.	Employees Provident Fund Board	10,871,900	5.47	–	–

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 28 AUGUST 2020

Subsequent to the financial year end, there was no change, as at 28 August 2020, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares and/or options over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 79 to 80 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect interest	**No. of ordinary shares**	**%**
Mr Manuel Zarauza Brandulas in:		
Malaysian Pacific Industries Berhad	Nil	Nil

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 executive and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Malaysian Pacific Industries Berhad

Registration No. 196201000323 (4817-U)
A Member of the Hong Leong Group

FORM OF PROXY

I/We____

NRIC/Passport/Registration 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-ninth Annual General Meeting of the Company to be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 4 November 2020 at 3.00 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 Dato' Mohamad Kamarudin Bin Hassan as a Director		
3	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
4	To approve the ordinary resolution on authority to Directors to allot shares		
5	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6	To approve the ordinary resolution on the proposed renewal of authority for the purchase of own shares by the Company		

Dated this ________ day of ________________ 2020

Number of shares held:____________________

CDS Account No.: ________________________

____
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 27 October 2020 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 (1) 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 or lodged electronically via email at cosec-hlmg@hongleong.com.my 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-ninth 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
Registration No. 196201000323 (4817-U)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Malaysian Pacific Industries Berhad
Registration No. 196201000323 (4817-U)

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