Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

Annual Report **2022**

About this Report

Malaysian Pacific Industries Berhad's Integrated Annual Report 2022 provides information of how we create sustainable 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 Bursa Malaysia Securities Berhad main Market Listing Requirements and adopts 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 risk for the financial and non-financial coupled with opportunities for the company to sustain its growth.

The information of this report covers all our business operations during the period from 1 July 2021 to 30 June 2022 ("FY22") 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. The Group make no express or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved.

The Group are under no obligation to update either these forward-looking statements, or the historical information presented in this report.

Inside This Report

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-first Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 2 November 2022 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 2022.

2. To approve the payment of Director Fees of RM542,493/- (2021: RM462,000/-) for the financial year ended 30 June 2022, to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM65,000/- from the Sixty-first Annual General Meeting ("AGM") to the Sixty-second AGM of the Company. **Resolution 1**

3. To re-elect Ir. Dennis Ong Lee Khian as a Director pursuant to the Company's Constitution. **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 as resolutions:

5. **Ordinary Resolution**
   - **Authority To Directors To Allot Shares**
   - **Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Company's Constitution**

   "**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], 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 issue and allot new 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, to any persons who are not caught by Paragraph 6.04(c) of the MMLR 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.

   AND THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, the shareholders of the Company do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in 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"), GuoLine Capital Assets Limited ("GCA") And Persons Connected With Them**

   "**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 4 October 2022 with HLCM, GCA and persons connected with them ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

Notice of Annual General Meeting

(Cont'd)

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to 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") ["MMLR"] 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 2022, the audited retained profits of the Company was RM487,969,000/-); 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 MMLR 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; or
(h) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister (being the Minister charged with the responsibilities for the companies) may, by order, prescribe

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

Notice of Annual General Meeting

(Cont'd)

8. **Ordinary Resolution**
   - Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Company's Constitution

   "**THAT** further to the approval of the shareholders obtained on 3 November 2021 for the establishment of a new executive share scheme of the Company ("ESS"), and pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, the shareholders do hereby waive their pre-emptive rights over all options and/or grants offered or to be offered pursuant to the ESS and/or any new Shares to be issued pursuant to the exercise of such options by and/or the vesting of such grants in the eligible executives including the Group Managing Director of the Company, such new Shares, when issued, to rank pari passu with the existing Shares." **Resolution 7**

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

By Order of the Board

Wong Wei Fong
SSM PC No. 201908001352
MAICSA 7006751

Zoe Lim Hoon Hwa
SSM PC No. 202108000147
MAICSA 7031771

Company Secretaries
Kuala Lumpur
4 October 2022

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 25 October 2022 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, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.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 RM542,493/- are inclusive of Board Committee Fees of RM142,493/-; 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 RM37,000/- as well as Chairman's car benefit of up to RM28,000/-.

Notice of Annual General Meeting

(Cont'd)

2. *Resolution 2 - Re-Election Of A Director*

   The Nominating Committee ("NC") has considered the performance and contribution of the retiring Independent Non-Executive Director ("ID") and assessed the independence of the retiring Director seeking for re-election at the Sixty-first Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022, the performance of the retiring Director was found to be satisfactory with the retiring ID complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   The Board has endorsed the NC's recommendation on the re-election of the retiring Director. The retiring Director had abstained from deliberations and decisions on his own re-election at the Board meeting.

   The details and profile of the Director who is standing for re-election at the Sixty-first AGM are provided in the Board of Directors section on page 88 of the Company's Annual Report 2022.

3. *Resolution 4 - Authority To Directors To Allot Shares And Waiver Of Pre-Emptive Rights*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares ("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 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 3 November 2021 and which will lapse at the conclusion of the Sixty-first 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.

   Please refer Section 85(1) of the Companies Act 2016 ("Act") and Clause 50 of the Company's Constitution as detailed below.

4. *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").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders/ Share Buyback Statement dated 4 October 2022 which is available on the Company's website at www.mpind.my/GeneralMeetings/Latest.asp.

5. *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 Share Buyback is set out in the Circular to Shareholders/ Share Buyback Statement dated 4 October 2022 which is available on the Company's website at www.mpind.my/GeneralMeetings/Latest.asp.

6. *Resolution 7 - Waiver Of Pre-Emptive Rights Under Executive Shares Scheme ("ESS") Of The Company*

   The ESS was approved by the shareholders on 3 November 2021. Subsequent to the approval, the Company now seeks for waiver of the pre-emptive rights pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution from shareholders.

   Please refer Section 85(1) of the Act and Clause 50 of the Company's Constitution as detailed below.

Notice of Annual General Meeting

(Cont'd)

Details of Section 85(1) of the Act and Clause 50 of the Company's Constitution

Pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new Shares in the Company which rank equally to the existing issued Shares in the Company or other convertible securities.

Section 85(1) of the Act provides as follows:

"85. Pre-emptive rights to new shares

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 50 of the Constitution of the Company provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled...

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed ordinary resolutions, if passed, will exclude your pre-emptive rights over all new Shares, options over or grant of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority To Directors To Allot Shares and pre-emptive rights over options or grants offered or to be offered pursuant to the ESS and/or any new Shares to be issued by the Company pursuant to the ESS.

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 Sixty-first 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 3 of the Notice of the Sixty-first Annual General Meeting.

OVERVIEW

Our Corporate Information

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Manuel Zarauza Brandulas
(Group Managing Director)

Ir. Dennis Ong Lee Khian

YBhg Dato' Mohamad Kamarudin Bin Hassan

Dr Tunku Alina Binti Raja Muhd Alias

Ms Foo Ai Li

COMPANY SECRETARIES

Ms Wong Wei Fong
Ms Zoe Lim Hoon Hwa

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

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

OVERVIEW

Vision and Mission Statements

OUR VISION

Malaysian Pacific Industries Berhad

Creating value in the semiconductor industry

Carsem (M) Sdn Bhd and Carsem Semiconductor (Suzhou) Co., Ltd

To be the preferred OSAT partner delivering assembly and test solutions to semiconductor companies worldwide

Dynacraft Industries Sdn Bhd

To be the preferred partner for the supply of high quality lead frame

OUR MISSION

Malaysian Pacific Industries Berhad

We invest in talented people, cutting edge research and innovation for profitable growth

Carsem (M) Sdn Bhd and Carsem Semiconductor (Suzhou) Co., Ltd

To grow profitably through delivery of products and services of the highest quality, innovation and an engaged work force

Dynacraft Industries Sdn Bhd

To grow profitably through delivery of products and services of the highest quality, innovation and an engaged work force

OVERVIEW

Who We Are

MARKET CAPITALISATION:
AS AT 30 JUNE 2022

RM5.6 BILLION

TOTAL ASSETS BASE:

RM3.1 BILLION

ONE OF THE
LEADING
OUTSOURCE SEMICONDUCTOR
ASSEMBLY AND TEST WORLDWIDE

INCLUDED IN
FTSE4GOOD
BURSA MALAYSIA INDEX

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.

It was converted to a public company on 21 April 1969. The 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 Securities) on 29 September 1983. MPI has 3 key operating subsidiaries and 4 manufacturing operations, of which three are located in Malaysia and one in China.

- **Carsem (M) Sdn Bhd ("Carsem M")**
- **Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem SZ")**
- **Dynacraft Industries Sdn Bhd ("DCI")**

OVERVIEW

What We Do

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) Manufacturing services of semiconductor packaging and testing
b) Manufacture and sale of leadframes.

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 MLPMicro Leadframes 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

PRODUCTS & SERVICES

- wide package range from simple low pin count micro devices to the more advanced high pin counts and high value packages in which the end-market is relatively diversified due to its wide range of integrated circuits packages
- a full range of turnkey test services for radio frequency, mixed-signal, analog, digital and power devices
- to supply to different market sectors, such as the industrial, telecommunications, information technology, consumer (including smartphone and tablet) and automotive sectors thus avoiding over-dependence on any particular sector
- overall final test services, supported by extensive R&D and failure analysis laboratories

OVERVIEW

Our Presence

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 set up in 1974, to manufacture and sales on leadframes. Leadframes are used in a broad range of electronic products, such as computers, automotive components, and telecommunications.

LEGEND Manufacturing plants & Sales Offices | Sales Offices

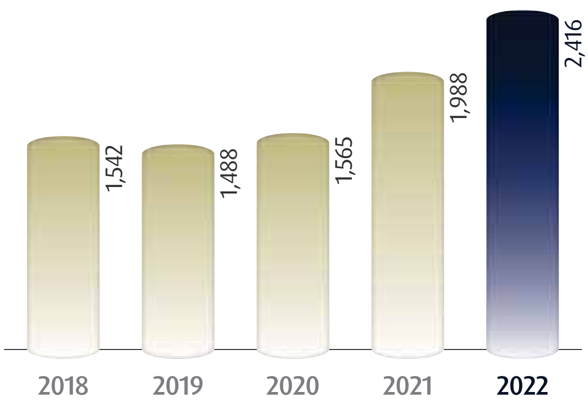
- Carsem North America
- Carsem Europe
- Carsem Ipoh, Malaysia (S-site, M-site)
- Dynacraft Industries, Penang, Malaysia
- Carsem Suzhou, China
- Carsem South Korea
- Carsem Japan
- Carsem Taiwan

OVERVIEW

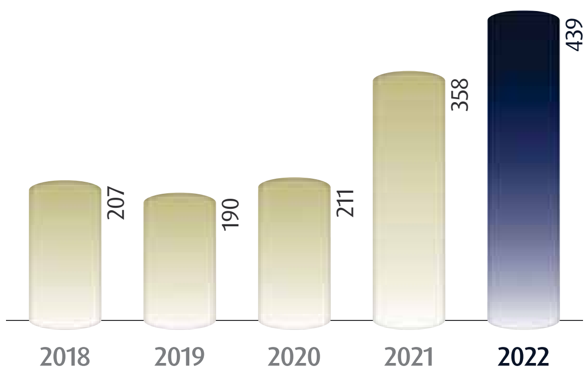
Sustainable Financial Performance

RM'million	FY2018	FY2019	FY2020	FY2021	FY2022
Revenue	1,542	1,488	1,565	1,988	2,416
Profit Before Taxation	207	190	211	358	439
Profit attributable to Owners of the Company	142	128	153	272	329
Net Earnings per share (sen)	75	68	80	137	166
Net Dividend per share (sen)	29	27	27	30	35
Total Equity	1,405	1,499	1,619	1,985	2,322
Total Assets	1,696	1,708	2,010	2,564	3,119
Capital Expenditure	171	195	249	495	745

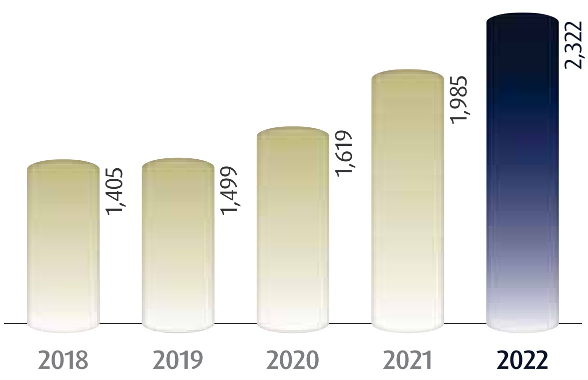
REVENUE
(RM'million)



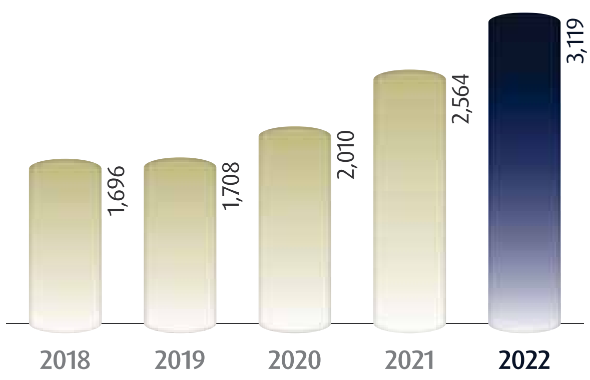
PROFIT BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)



OVERVIEW

Awards and Recognitions

Maxscend, China

Allegro, US
PMIC MLP
Recognition for Outstanding Support: Capacity
Recognition for Best in Class: Quality

Willsemi, China

Wolfspeed, US

Texas Instruments, US

EPIC MEMS, China

Kangxi, China

Southchip, China

Renesas, Malaysia

Good-Ark Electronics, China

BEST EMPLOYER AWARDS

1. The Most Intelligent Manufacturing Employer – Carsem Suzhou
2. The Most Potential for Progressive Employee – Carsem Suzhou

OTHER AWARDS

Best Crisis Management Leadership

AIBP Malaysia Enterprise Innovation

Chairman's Statement

Dear valued shareholders,

On behalf of the Board of Directors of Malaysian Pacific Industries Berhad (the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ("FY") ended 30 June 2022 ("FY2022").

The global demand for semiconductors reached a new high in calendar year 2021 with an annual growth rate of 26% to US$555.89billion in global semiconductor revenue driven largely by the digitalization push during the Covid-19 pandemic and the resulting strong demand throughout the year for data centres, smartphones, consumer electronics, PCs, notebooks and PC accessories. The rapid transition to electric cars, autonomous driving and vehicle connectivity has caused a significant demand for semiconductor chips. The adoption of 5G, Artificial Intelligence, and sensing devices provided another catalyst for growth.

However, the lock-down and restrictions imposed due to the pandemic have caused significant disruptions to the supply chain and higher cost of doing business. Manpower shortage due to high demand for semiconductor industry skills and recruitment complications including restriction on intake of foreign workers have affected production and delivery.

The Group has strategically positioned ourselves to take advantage of the current global demand for semiconductors and to mitigate the challenges to achieve a record revenue of RM2.4 billion, a year-on-year revenue growth of 22% in FY2022. The profit attributable to owners of the Company was RM329 million, a year-on-year growth of 21%. Our business also generated a healthy cashflow allowing us to reinvest RM745 million for expansion and to pay a dividend of RM70 million to our shareholders.

The Group remains cautiously optimistic on the prospects for the coming year with the latest World Semiconductor Trade Statistics forecasting another growth of 7.4% for the global semiconductor revenue in 2022 whilst challenges remain with rising inflation, continuing manpower shortage and supply chain interruption. However, we are committed to improve our operational efficiencies with more automation and digitalisation and enhance our sales pipeline through research and development to truly add value to our customers and target sectors.

I am pleased to report that we have fulfilled the globally recognised standards and qualified for inclusion into the FTSE4Good Bursa Malaysia ("F4GBM") Index on 20 June 2022. The F4GBM is a recognition given to qualified public companies listed on Bursa Malaysia Securities Berhad which has demonstrated strong Environmental, Social and Governance ("ESG") practices. This represents an outstanding achievement by the Group for its strong commitment towards balancing business growth and sustainability.

I would like to take this opportunity to express my heartfelt gratitude to my fellow board members for their contributions and support. I would also like to thank our management and employees for their dedication and commitment in the work that they do every day.

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.

DATUK KWEK LENG SAN
Chairman

Management Discussion and Analysis

Strategic Review

BUSINESS ENVIRONMENT

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

DEMAND VOLATILITY

The unsettling trade conflict between USA and China, and the COVID-19 pandemic have caused uncertainty in global economic growth. This uncertainty has affected the investors' confidence and their investment decision, the volatility of foreign currency exchange and other geo-political concerns. This industry is cyclical in nature and affected by fluctuating customer demand, typically characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity.

TALENTS

The success of the business operations is grounded in having strong engineering talent and a reliable factory workforce. Our objective for human capital management is to recruit, develop and retain the best talent possible but the market for employees in this industry is extremely competitive.

The business must have the ability to identify, attract, retain and motivate them.

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.

TECHNOLOGY CHANGES

Semiconductor products are highly complex because the end markets of customers' products are characterised by technological changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards, and lengthy qualifications.

Management Discussion and Analysis

Strategic Review

(Cont'd)

BUSINESS MODEL

Our Capital Input

For sustained value delivery, we will continue to optimize our key capital inputs.

COMPONENTS OF VALUE CREATION

PEOPLE

- Highly skilled workforce with approximately 8,000 employees
- Diverse talent pool
- Competitive remuneration and benefits policies for staff retention programme

RELATIONSHIP

Building relationship with

- Customers, employees, suppliers, regulators, shareholders and local communities

INTELLECTUAL

- Dedicated research and development ("R&D") team
- Professional management team
- Knowledge-based and data driven decisions

INFRASTRUCTURE AND FACILITIES

- Advanced manufacturing facilities moving towards 4th Industrial Revolution (IR4.0)
- State-of-the-art research and development ("R&D") center

NATURAL RESOURCES

- Energy
- Water
- Gas

FINANCE

- Market capitalisation more than RM5 billion
- Strong financial position with Net Assets of RM2.3 billion
- Optimised capital structure with net cash of RM772 million

Management Discussion and Analysis

Strategic Review

(Cont'd)

VALUE CREATION PROCESS

STRATEGIC FOCUS AREA

	ACTIVITIES	OUTPUTS	IMPACT TO STAKEHOLDERS
SALES	• Sales organization restructuring • Acquire new customers • Increase pipeline	Financial Output • Record revenue of RM2.4 billion and profit attributable to owners of the company of RM 329 million achieved • ROE of 19% achieved • Dividend payout of 35 sen per share	Achieving sustainable shareholder returns • Prudent and disciplined investment strategy provides better returns and opportunities • Growing shareholder funds and net cash position • Track record of dividends
COST COMPETITIVENESS QUALITY	• Continuous improvements on operational efficiency and mitigating inflationary cost up pressure • Cost war room • Investment in AVIs	• Sustainable quality indices and meeting industry standards • Effective cost management to sustain operating profit margin	• Sustainable profit margin • Sustainable business growth
TECHNOLOGY	• Business plans • Investing in 5G testing, SIC, MEMS Sensor, GaN • Robust R&D and expand on own product	• Sustaining the developing work with customers to launch new products • Increasing the portfolio on advanced packaging technology	• Sustaining business growth with technology innovation and development
PEOPLE	New focus on performance oriented culture, performance and discipline	People • Improved productivity • Well trained workforce • Create employment opportunities to local communities	Employee satisfactions • Promote an environment enables employees to achieve their job satisfactions and release their potential • Good working environment and equal opportunities for promotion

Management Discussion and Analysis

Strategic Review

(Cont'd)

VALUE CREATION PLAN

Strategy Overview	Progress made in FY22	Focus ahead
Revenue Enhancement - Improved profit margin through product portfolio transformation program - Expand capacity and product range of automotive and industrial segments	a) Revenue for automotive and industrial segments increased to 38% and 32% respectively. b) New power packages for automotive electrification introduced	a) Expansion of China manufacturing capacity. b) Increase in sales pipeline to sustain growth
Effective Cost Management - Operational efficiency through increasing automation and Industry 4.0 - Effectively control on capital expenditures	a) EBITDA improved to 31% for outsourcing assembly and test segment. b) Manpower productivity driving more efficient sales/headcount. c) Developed sustainable energy reduction activities	a) Invest in technology to cater for automation and industry 4.0 b) Optimising capital expenditures for business operations
Capacity Expansion and Acquisitions of new technology - Organic capacity expansion and new manufacturing facilities. - Explore adjacent businesses, new markets and strategic business units - Explore opportunities for expansion into new business activities which capitalizing on new technologies and innovation	a) Building up net cash position to RM772 million. b) Investment project kicked off for capacity expansion and new manufacturing facilities	a) Developing multi year sustainable sales pipelines for the new capacity. b) Exploring other sectors which can benefit existing business units

Management Discussion and Analysis

Strategic Review

(Cont'd)

RISK MANAGEMENT

The semiconductor industry is a highly competitive and volatile industry, which operates under constantly changing technologies and market demand. The management believes that identification and management of risks effectively is important to achieve the Group's strategic objectives.

The Group strive first to identify & learn about the risks posed to our businesses, and then to define the strategies to guide our efforts.

COMPETITION

OVERVIEW	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.
STRATEGIES	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

OVERVIEW	The unsettling trade conflict between USA and China, and the COVID-19 pandemic have caused uncertainty in global economic growth. This uncertainty has affected investors' confidence and their investment decisions, volatility of foreign currency exchange and other geo-political concerns. This industry is cyclical in nature and affected by fluctuating customer demand, typically characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity.
STRATEGIES	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 or the strength of the market demands and inventory levels which are often dynamic. 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

OVERVIEW	Semiconductor products are highly complex because, the end markets of customers' products are characterised by technological changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards, and lengthy qualifications. Availability of resources including capital and human resources may allow the competition to have competitive advantage.
STRATEGIES	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 products 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.

KEY MANAGEMENT AND EXPERIENCED PERSONNEL CHANGES

OVERVIEW	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 of such talents is extremely competitive.
STRATEGIES	The Group have developed human resource strategies on talent management, employee engagement and training which are central to talent retention and motivation apart from maintaining a benchmarked-driven and competitive remuneration package. However, if the Group are unable to attract and retain qualified employees, our business could be hindered.

Management Discussion and Analysis

Strategic Review

(Cont'd)

RISK MANAGEMENT (cont'd)

FINANCIAL RISKS

OVERVIEW	As a global player, the Group face foreign currency risk exposure including capital controls in certain countries. We carry out risk assessments on the foreign currency impact on the results of the operations, and sensitivity analysis on the remeasurement of monetary assets and liabilities on the statement of financial position which are denominated in foreign currencies.
STRATEGIES	The risk of foreign currency fluctuations are managed through various types of foreign currency hedging instruments.

CYBER RISKS

OVERVIEW	Cyber risk is the risk associated with maintaining confidentiality, integrity and system availability of the 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 commercial losses and a negative effect on business procedures.
STRATEGIES	The Group strategises to be resilient against cyber risk through embedding Cyber Security and Data Control by design across all business facets by incorporating the related standards and requirements in protecting our hardware and software and improving employee training and awareness. 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.

Management Discussion and Analysis

Performance Review

BUSINESS REVIEW

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 semiconductor companies.

European market represents 22% of Group sales. The growth in Europe is driven by power management chips which 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, smart vehicles comprising both electric vehicles (EV) and 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.

The automotive and industrial semiconductor markets were significantly affected by COVID-19, which created sales disruption in the end market while manufacturing disruptions affected the supply chains throughout the year.

Customers in the Asia segment 63% focus mainly on 5G high-frequency communication technology and chipsets for smartphone components including RF FEM and power management. The on-going trade & technology war between USA and China continues to cause significant market realignment and substantial insourcing within China. The smartphone market is seeing some inventory adjustments particular in the China market but we expect the growth from the 5G including the infrastructure to continue in the coming years. However, as the life cycle for these products is dynamic, it will typically lead to an uneven growth rate.

The USA segment 15% 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 widely used, serving across many consumers 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 for components for connectivity, Internet of Things ("IoT") and advanced chips designed into Industry 4.0 market.

REVIEW OF OPERATING ACTIVITIES

It has been another year of resilience and growth despite the Covid-19 pandemic. The Group reported higher revenue of RM2.42 billion against RM1.99 billion of last FY, an increment of 22% which is largely due to the surge in digitalisation products during pandemic period. Consequently, the Group generated profit before tax of RM439.4 million for the FY due to the following factors:

a) Higher USD revenue coupled with stronger USD contributed RM121 million to additional gross profit

Partially offset by

b) Higher operating expenses to support business ramp up amounted to RM39 million

The outbreak of the Covid-19 pandemic continues to affect the growth of the global semiconductor market.

Supply chain disruptions and rising raw material prices owing to the prevalence of lockdowns in various countries and stringent import and export restrictions imposed by the governments made it difficult for the semiconductor manufacturing organizations to gather raw materials for continuous production.

Our manufacturing sites were partially benefitted from these disruptions due to demand being diverted to our factories from other parts of the world which faced even stricter lockdowns and found it difficult to get approvals from governing bodies to run continuous operations with existing capacity. We continued the strict adherence to pandemic regulations that have allowed us to service the demand and in-turn, capture more market share.

Management Discussion and Analysis

Performance Review

(Cont'd)

The global Smart Sensors Market is expected to grow from USD 45.8 billion in 2022 to USD 104.5 billion by 2027; it is expected to grow at a CAGR of 17.9% during 2022–2027. Key factors fuelling this markets growth include surging demand for smart sensors in IoT-based devices and consumer electronics; increasing use of smart sensors in revolutionizing industries; high demand for smart sensors by automobile manufacturers to deliver enhanced safety and comfort; and accelerating use of wireless technology to monitor and control security devices equipped with smart sensors. Surge in demand for smart sensor-enabled wearable devices; ongoing support by governments across the world to promote construction of green buildings; and predictive maintenance to offer lucrative opportunities to market players create a strong demand for smart sensors for efficient industrial operations. While this market is currently constrained by limitations on wafer supply from foundries, the strong long term demand outlook presents great opportunities for our business growth.

We remained focus on the targeted strategy towards MEMS and Sensors to grow the portfolio, enabled by the ramp of new packages in the automotive segments. The MEMS portfolio within Carsem is also diversifying, with strong R&D focus in past two years, which will see the launch of "system in package (SiP) & modules" for pressure sensing applications in multiple domains including automotive safety segment, which remains to be the key focus of the industry.

With the growth in 5G and advent of autonomous vehicles, Carsem technology is propelled into new and advanced segments like ceramic based packages, routable QFNs and molded interconnect systems (MIS), with many packages in advanced state of development.

Growth in power management is mainly driven by the strong demand in computing, communication and industrial applications. Coronavirus pandemic has significantly boosted the demand for computing power.

Trends such as work from home, mobile working, video streaming, social networking, machine learning will keep this demand high. It'll be further accelerated in the future by IoT and Industry 4.0. Cutting-edge innovations are required in device & packaging technologies to address issues related to power efficiency and density, and support the robust growth in AI training and networking power level.

To enable high energy demand of AI computing processors, integration density is key for achieving the required efficiency and lower total cost of ownership for customers. This is where power modules complement standalone power stages. We're closely collaborating with our customers to enable high volume test readiness for facilitating engagement with the wider market for greater adoption.

The rapidly rising demand for ultra-reliable and low-latency data networks capable of providing enhanced mobile connectivity is estimated to boost the semiconductor market across the next few years with the global 5G services market size estimated to reach US$1.67 trillion by 2030, registering a CAGR of 52.0% from 2022 to 2030, according to a new study by Grand View Research, Inc.

Telecom equipment spending will continue to be spurred by the 5G cycle. New applications and devices are continuously made possible by 5G's high data transmission rates and substantially lower response times. 5G infrastructure is witnessing rapid expansion by network providers in preparation for surge in data volume and for offering good network coverage to customers.

Higher number of base stations are required to support better utilization of the available frequency spectrum and of higher frequency ranges. This drives demand for high power RF components for antennas and power suppliers to enable communication between mobile devices and/or edge computing end devices. We have launched and into volume production on 5G RF FEM with the most advanced SMT integrated line & Compression Mold together with 5G Testing capability.

Management Discussion and Analysis

Performance Review

(Cont'd)

Automotive semiconductor market is growing strongly as it reached US$ 46.7 billion in 2021, growing at 31.5% year on year. According to estimates by Bloomberg, the global automotive semiconductor market is expected to grow exponentially at a CAGR of 18% between 2022-2030. This tremendous growth is supported by the rise in content per car. Nevertheless, market demand-supply uncertainties due to COVID-19 pandemic, silicon foundry limitations, macroeconomic concerns and Ukraine war remain. Moving forward, a gradual easing of semiconductor shortages is expected though risks of further supply chain disruptions exist. The momentum in vehicle electrification is bolstered by the CO2 regulations, incentives, and consumer demand. Battery capacity and charging infrastructure augmentation, and acceleration of OEMs' xEV roadmaps are likely to continue into 2022 and beyond. The penetration of xEV (Plug-in hybrid electric vehicles and Battery electric vehicles) reached an all-time high of >10% globally in Q1 2022). This surging content of power semiconductors in xEV is creating significant opportunities, especially for the Silicon Carbide (SiC) technology that enables smaller form factor compare to typical IGBT technology. SiC modules are gaining traction in automotive power inverters application. We're uniquely placed to benefit with our experience in running high power & RF devices using SiC Moreover, the car of the future is driving digitalization and sensing technology in many aspects, including pressure sensing systems, thereby, leading to significant opportunities for us.

In the electronic system timing focused technology, standard quartz is getting replaced by the disruptive silicon MEMS based timing products.

This market is projected to expand to 125 billion units by 2030 (>3X from 2020), with the projected growth in end markets of data center/enterprise, automotive and IoT. While this market is currently constrained by limitations on wafer supply from foundries, the strong long term demand outlook presents great opportunities for our business growth.

We are well positioned to benefit from these strategic opportunities through deep engagement & pipeline buildup across all the relevant application segments, focusing on key enabling technologies as outlined below:

- Advanced packages in power management including SIP, Cu Clip
- Leading-edge high voltage RF Power including SiC, GaN, GaN + Controller Power Modules
- MEMS for Automotive Pressure & Acceleration Sensor & IoT

EXPANSION

During FY22, Carsem Holdings (HK) Limited, a wholly-owned subsidiary of the Company, had on 9 February 2022, incorporated a wholly-owned subsidiary in the People's Republic of China ("PRC") known as Carsem Advanced Technology (Suzhou) Co., Ltd., to undertake a proposed investment for a new plant to be situated at the Suzhou Industrial Park Suxiang Cooperation Zone, the PRC and target to commence business operations in FY24. Back in Malaysia, Carsem (M) Sdn Bhd has started to facilitate its new factory building and plan to commence production in next financial year to cater increasing demand. Both factories will contribute positively to MPI Group results.

DIVIDEND

The Company declared and paid single tier dividends totalling 35 sen per share for FY22. Dividend pay-out 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 pay-out.

PROSPECTS AND OUTLOOK

As per the Worldwide Semiconductor Trade Statistics, the worldwide semiconductor market is expected to show a single-digit growth of 7.4 percent in 2022. The market growth will be driven by Logic, Sensors, and Memory. A single-digit growth is expected for all geographical regions. However, this growth figures are expected to moderate to single digit growth rate in 2023 due to the widely forecasted recession and inflation across major economies, while China zero covid policy may pose further disruption to the local economy and supply chain.

However, over the long term, with the increasing demand for different types of connected technologies, the future growth prospects of the semiconductor industry, have acquired more certainty with the mainstream adoption of IoT, 5G and the increasing semiconductor needs of the automotive sector. Especially, 5G will become a significant driver of industry revenue within the next couple of years while smart sensors and automotive sectors will secure long term growth.

Sustainability Statement

This is the fifth consecutive year that the Group is reporting on sustainability performance. We believe that to grow our businesses in a sustainable manner, the commitment and involvement by our shareholders, directors, management, staff, customers, suppliers and communities are very important. Therefore, we continue to work together with each of our stakeholders to achieve company business goals and contribute positively to the environment, economy and social system we live in.

Reporting period

This statement covers the period for financial year from 1 July 2021 to 30 June 2022 (“FY22”).

Reference and guidelines

This report has been prepared with reference to the following frameworks and standards:

- Bursa Malaysia Sustainability Reporting Guide
- Criteria for FTSE4Good Bursa Malaysia Index
- GRI standards: Core
- Elements of Responsible Business Alliance (“RBA”)
- Taskforce on Climate-related Financial Disclosure (“TCFD”)

FTSE Russell

CERTIFICATE OF MEMBERSHIP

This is to certify that

Malaysian Pacific Industries

is a constituent company in the FTSE4Good Index Series

FTSE4Good

June 2021

Celebrating 20 years of the FTSE4Good in 2021

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.

Sustainability Statement

(Cont'd)

Organizational boundary

This statement covers the following businesses in its scope:

Operating subsidiaries	Location of operations	Referred to as in this statement
Carsem (M) Sdn Bhd	Ipoh, Perak, Malaysia	Carsem M
Carsem Semiconductor (Suzhou) Co., Ltd.	Suzhou, Jiangsu, China	Carsem SZ
Dynacraft Industries Sdn Bhd	Penang, Malaysia	DCI

Contributing to the United Nations Sustainable Development Goals (UNSDGs)

The United Nations ("UN") Sustainable Development Goals ("SDGs") are a set of 17 goals focusing on achieving the 2030 Agenda for Sustainable Development. We focus on six UNSDGs that are relevant to our operations in order to continue aligning our efforts towards the goal of enabling the realization of these SDGs.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Innovation, technology & related infrastructure development is a key focus area for MPI.

13 CLIMATE ACTION

MPI has a role to play in energy efficiency, emissions control and waste management.

8 DECENT WORK AND ECONOMIC GROWTH

MPI makes a significant contribution to employment and economic growth.

3 GOOD HEALTH AND WELL-BEING

As a responsible business safeguarding employee health & safety is a priority for MPI.

5 GENDER EQUALITY

As a global employer, MPI can help to ensure workforce diversity and address inequality.

6 CLEAN WATER AND SANITATION

MPI's manufacturing processes can take active steps towards water conservation and wastewater management.

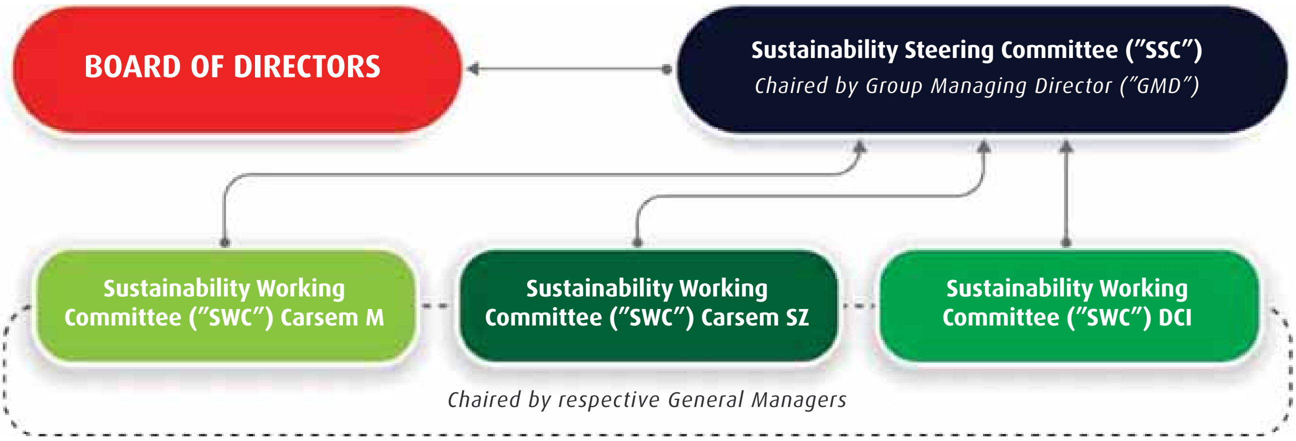
We ensure a safe, healthy and non-discriminatory workplace environment that provides a strong sense of belonging and being valued and respect to everyone - our employees, our customers, business partners and suppliers. We offer equal employment opportunities to everyone, irrespective of factors such as gender, ethnicity, nationality, etc. in line with global standards. We embrace innovation and technology development that continues to drive our businesses forward in our ongoing Industry 4.0 journey. In doing so, we take necessary steps in our businesses as well as across our value chain, to manage our environmental and social impacts in a progressive manner.

Sustainability Statement

(Cont'd)

Our sustainability approach

Sustainability governance of MPI



We pursue our sustainability goals through a concerted effort by our leadership, operating teams, and partners across geographies. We have robust internal processes and an effective internal control environment that facilitate the identification and management of risks and regular communication with the Board of Directors, and the Sustainability Steering Committee. Board of Directors are the highest governing body and play a critical role in approving sustainability and risk management framework, and in deliberating on reports from the SSC on sustainability matters on a quarterly basis. SSC is chaired by our Group Managing Director ("GMD") and comprises of our Chief Financial Officer ("CFO"), and General Managers of respective businesses. SSC acts as an advisor and bridge between the Board of Directors and the operating companies ("OC") that are supported by their respective Sustainability Working Committees ("SWC"). SSC is responsible for identifying and reviewing the material sustainability matters of the Group and their management, targets, and performance before reporting to the Board of Directors.

Each SWC is chaired by the respective General Managers and comprises of the members from the OCs, managing the relevant areas of labor standards and human rights, training and education, supply chain, anti-corruption, community development, occupational health and safety, and environmental impact (energy, emissions, waste, water). SWCs integrate sustainability into the business strategy on a daily basis and also facilitate our sustainability-related work with government and non-governmental organizations (NGOs), universities, technology and industry partners. These collaborations enable us to implement sustainability best practices in areas such as operations, product innovation, employee engagement, supply chain and advocacy. SSC and SWC also work together to identify gaps in our disclosure and to develop the short-term and long-term approach to address these gaps, as well as in assessing best practices of industry peers.

We are committed to maintaining sound corporate governance, continuously practicing good ethics in all areas of our businesses, and complying with all laws and applicable regulations where we operate.

Stakeholder engagement

Meaningful partnerships with businesses, society, and governments can enable collective action and develop opportunities to achieve a healthier planet, and a more inclusive and sustainable economy.

We engage with our stakeholders through a variety of means. The feedback and insights from our stakeholders are vital to our work and are integrated into our business strategy and sustainability approach. Our stakeholders can utilize various engagement channels to share their feedback, comments, concerns and views. Our employees can use the Whistleblowing channel to submit grievances, or "e-feedback intranet portal"/"open door policy".

Sustainability Statement

(Cont'd)

Our key stakeholder groups, their concerns and interests, and engagement channels

Stakeholder groups	Areas of interest/concern	Engagement channels
Employees	• Safeguarding of human rights, health and safety, and a humane and respectful workplace environment • 'Caring and empathetic' culture, especially during this difficult pandemic • Fair remuneration practices, with competitive compensation and benefits • Opportunities for healthy career growth, upskilling, and learning and development • Appropriate management and disposal of hazardous waste	• Communication sessions, including on financial and operational updates • Recreational events • Training • Annual performance evaluation sessions • Reward and recognition program • Scholarship/academic excellence award • Employee union representative • 'Open door' feedback
Shareholders/ investors	• Healthy and consistent business growth, including business expansion	• Annual General Meeting • Corporate affair correspondence • Investor briefing • Ad-hoc meetings • Quarterly announcements/meetings
Suppliers/ business partners	• Competitive prices • Fair contract practices • Continuity of business • Quality of parts/services/materials • Labor practices – freely chosen labor, fair wages, non-discrimination, etc. • Responsible mineral initiative	• Audits and survey • Vendor registration • Technical roadshow • Supplier's rating • Meetings, briefings
Customers	• Quality and reliable products and services with assurances • Competitive prices • On-time reliable delivery • RBA compliant operations • Uphold labor rights and standards, health and safety, respect for human rights • Compliance with local and international regulations – Restriction of Hazardous Substances ("RoHS") and Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") • New product and technology development and collaborations	• Audit and survey • Ad-hoc meetings • Trade roadshows convention • Technical seminar
Regulators	• Adherence to relevant laws and regulations • Corporate governance and compliances	• On-site inspection • Correspondence on regulations • Dialogue

Sustainability Statement

(Cont'd)

Stakeholder groups	Areas of interest/concern	Engagement channels
Local community	• Donations • Health, safety and environmental initiatives • Volunteering projects	• Site visit • Corporate Social Responsibility event • Volunteering programs
In-house unions	• Employee's rights • Employee welfare provided by MPI • Maintaining harmonious relationship between management and employee • Ensuring discipline, and top levels of productivity and efficiency • Proper resolution of grievances and misunderstandings	• Formal union meetings • Ad-hoc meetings
Analysts/rating agencies	• Fair financial reporting • Transparency • Business continuity	• Quarterly analyst briefings and reports
Ministry/local authorities	• Local community aid via contributions on community matters • Foreign workers' management	• Meetings

Sustainability Statement

(Cont'd)

Our operating context

Geopolitical instability

Geopolitical disruption, including wars and further accelerated by COVID-19, is driving a push for more localized models of production.

Governance

As a global company, MPI needs to maintain compliance and ethical governance across multiple, constantly evolving, regulatory regimes.

Climate crisis

Calls for environmental protection are gaining momentum as climate issues are intensifying, around the world.

Labor rights

The working conditions of employees in our manufacturing facilities and our suppliers are a focus for MPI and for our stakeholders.

COVID-19

The pandemic has accelerated demand for semiconductor products, and has challenged our supply chains and manufacturing facilities.

Technology innovation

Rapid product/technology developments present opportunities for MPI and our customers – automation, digitalization, 5G, EVs, AVs.

Supply chain disruption

Wars, COVID-19, geopolitical volatility, and rising climate impacts are all putting pressure on our supply chains, now and in the future.

Sustainability awareness

Our customers and end users are increasingly conscious of the social and environmental impacts of the products they use, and want to make more sustainable choices.

Sustainability Statement

(Cont'd)

Sustainability themes at MPI

We are committed to do business in an ethical manner that leads to long-term, sustainable benefits for MPI and our stakeholders. Our sustainability management can be segmented into 3 clear themes, striving to be responsible and responsive in approach and purpose.

Each of these themes comprise of the relevant sustainability aspects, including the material aspects that may influence or be influenced by our business' value creation process, as well as the internal and external business environment. The process of identification and assessment of these sustainability aspects, and our approach towards managing these aspects and their performance is discussed in detail subsequently.

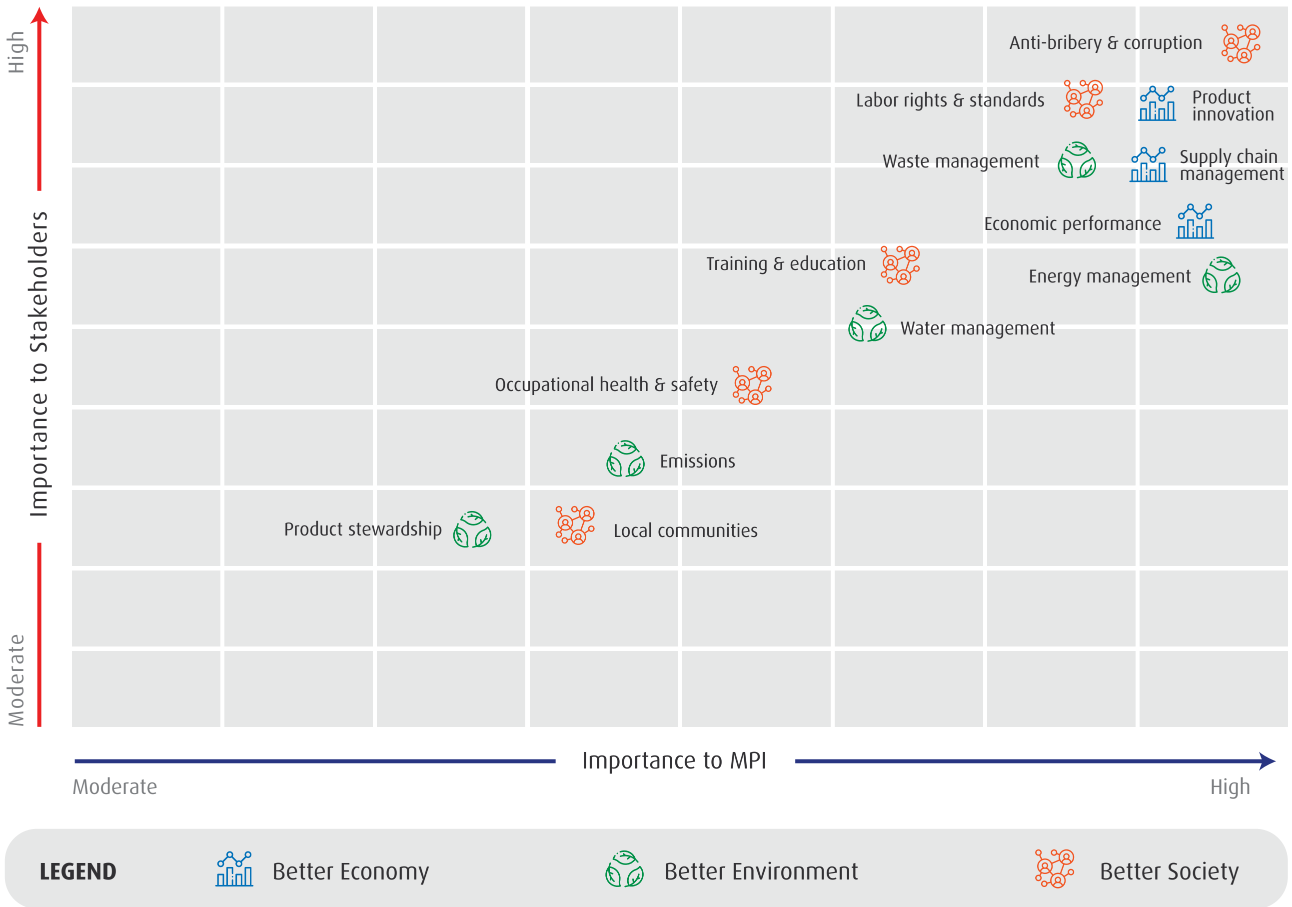
Our material sustainability aspects

Focusing on the most material sustainability aspects for our company, and stakeholders is a foundational step in how we formulate our strategy, conduct business and report on our progress. Strategies and approach deployed against these material aspects are designed to build business resilience and adaptation to current and future disruptions to our operations, supply chain and communities in which we operate.

Sustainability Statement

(Cont'd)

FY22 Materiality matrix, MPI



During FY22, we undertook a comprehensive review of our priority matters and further strengthened the alignment in view of the constantly evolving macro environment, geopolitical and operating conditions. Our materiality assessment process was carried out with reference to the Global Reporting Initiative Standards (GRI), RBA, the ESG indicators of FTSE4Good Bursa Malaysia, and Bursa Malaysia Sustainability Reporting Guide and the toolkits therein. The aligned matrix adjusted several key aspects to better reflect current material sustainability aspects. Analyzing our material aspects on a regular basis ensures that we prioritise the matters that have the greatest impact on our evolving business, as well as on the economy, the society and the environment. To support our annual materiality assessment, we conduct an ongoing dialogue with our stakeholders, and also, monitor the external trends, other industries and peer company's materiality analysis and how these affect our ability to grow our business sustainably over time. Below are the material sustainability aspects identified for our business, mapped with our 3 Sustainability themes, and the relevant capitals in the value creation process.

Sustainability Statement

(Cont'd)

Sustainability themes	Material sustainability aspects	Relevant capitals
Better Economy	Economic performance	Financial
	Product innovation	Infrastructure and facilities, Intellectual
	Supply chain management	Relationship
Better Environment	Energy management	Natural resources
	Waste management	Natural resources
	Water management	Natural resources
Better Society	Labor rights and standards	People
	Anti-bribery and corruption	Relationship
	Training and education	People

Note: Above material sustainability aspects have been mapped with the capital(s) with highest relevance, even though they may be relevant to capitals other than those mentioned here.

FY22 highlights

FTSE4Good

Included in
FTSE4Good Bursa Malaysia Index
and in
top-quartile of ESG ratings
amongst all PLCs assessed by FTSE Russell on Bursa Malaysia

Energy index
43% lower
(vs. FY15 baseline)

GHG emissions intensity
43% lower
(vs. FY15 baseline)

Water consumption index
46% lower
(vs. FY15 baseline)

Women in workforce
48%

Health and safety
Zero occupational fatality, Vaccination
of employees

Training
4 hours
on average per employee

Sustainability Statement

(Cont'd)

Better Business

Our focus is on delivering economic performance through value creation for all our stakeholders. Innovation is the cornerstone of our approach to enable the transformational technologies of future. In doing so, we must continue to strengthen our supply chain.

Economic Performance

The global demand for semiconductors reached a new high in calendar year 2021 with an annual growth rate of 26% to US$555.89billion driven largely by the digitalization push during the coronavirus pandemic and to the resulting strong demand throughout the year for data centers, smartphones, consumer electronics, PCs, notebooks and PC accessories. The rapid transition into electric cars, autonomous driving, vehicle connectivity has caused a significant demand for semiconductor chips, while the adoption of 5G, Artificial Intelligence, and sensing devices provided another catalyst for growth. In addition to this, MPI continues to benefit from:

- healthy overall sales pipeline despite softening of near term demand in certain application segments (mainly consumer electronics);
- localization driven demand trends in China;
- positioning of reliable supply centre for US, EU and China;
- strong cash position – allows to aggressively pursue technology/company acquisitions that will propel Carsem even further into the advanced packaging space; and
- continuous productivity and quality improvements via digitalization and robust research and development technology

Sustainability Statement

(Cont'd)

At the same time, in some aspects, the overall semiconductor industry is caught between a rock and a hard place. The industry incumbents are facing challenges from continued operational and supply chain disruptions due to war, COVID-19, and geopolitical tensions. This is translating into issues such as:

- extended delivery timelines for critical equipment, components, and materials necessary for sustaining production and expansion plans;
- increase in transportation costs;
- increase in material and equipment costs; and
- manpower crunch

Specific mitigation actions are in place to manage and minimize the impact from these predominantly external constraints.

MPI ensures a robust risk management approach to ensure that it's able to capitalize on the favourable trends in semiconductor industry and continue to generate economic value. This in turn enables a healthy creation and distribution of wealth among our stakeholders. The relevant details on our financial performance, business strategies, and wealth distribution among stakeholders (corporate tax paid, dividends paid, R&D expenditure, retained earnings) are available in the Audited Financial Statements and in the Supply chain management (local procurement) sections of this integrated report.

Product Innovation

We believe technology can be a powerful catalyst for change. We acknowledge that advances in technology can bring with them new challenges for sustainability. For this reason, we interact and collaborate closely with our customers to align with their long term technology roadmaps. This allows us to gauge their innovation needs, identify the opportunities (performance enhancement, productivity increase, quality improvement and cost optimization), and formulate our own technology development strategy. In doing so, we incorporate the key sustainability principles of energy efficiency, safety and security in our research and development efforts. In this section, we highlight recent technology projects we pursued during FY22.

Automotive product technology development

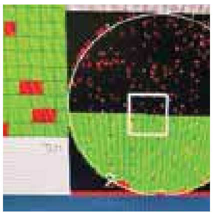
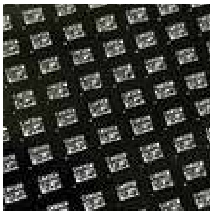
Aim is to offer one stop service from design to mass production for wettable flank MLP (QFN/DFN) using etching, auto de-burr and step cut process. It will enable qualification for the higher reliability grade package of existing MLP (QFN/DFN) for automotive products (Grade 1/Grade 0).

- Started production with tier one customers. 4-5 customers under new product introduction (NPI) and expected to grow in FY23
- Finished the process capability analysis and internal/customer qualification and full automotive reliability testing

Unit level traceability ("ULT")

Aim is to establish unit level traceability in reference to strip ID and die level traceability in reference to its specific unit location and wafer dice coordinate by introducing unit level marking with unique marking (1D or 2D matrix) on top surface of the units.

- Developed 1D and 2D matrix unit level marking in pre-production and production modes respectively
- Developed DA to host integration in Q4 FY22. Two modules are set-up and under monitoring
- Developing unit level tracking by process and die level auto retrieval system

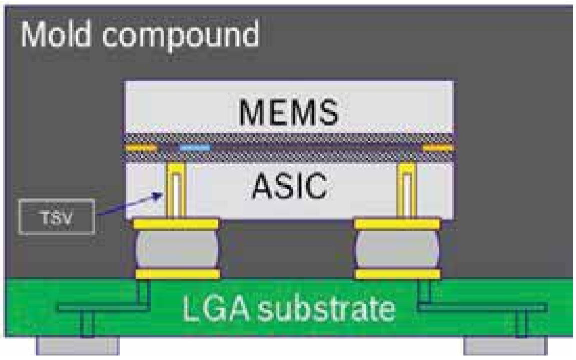

Sustainability Statement

(Cont'd)

MEMS product technology development

We have been running production for MEMS (gyroscope/acceleration sensor), both tri-axial and 6-axis/IMU products, in partnership with one of the world's leading players. Over the years, we have set up customized quality systems, controls and deep knowhow on MEMS assembly. In past few years, we've shipped over 2 billion units.

- Optical sensor MEMS using clear mold compound is developed and production has commenced.
- Optical sensor MEMS testing development work is nearing completion.
- Test MEMS capability for different MEMS types is under development. Targeting to be ready for production by FY23



FEM package technology development

RF FEM (Radio frequency front end module) is the latest technology with integrated dies and components within one module (System in Package solution), mainly used in high end 5G mobile phones.

The FEM line with its latest cutting edge SMT (Surface mount technology), compression mold and tester machines has been fully installed for production. With this, our testing capability has enhanced to support 5GHz, sub 6 GHz and <= 7.125 GHz.

Sustainability Statement

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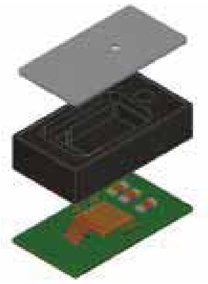


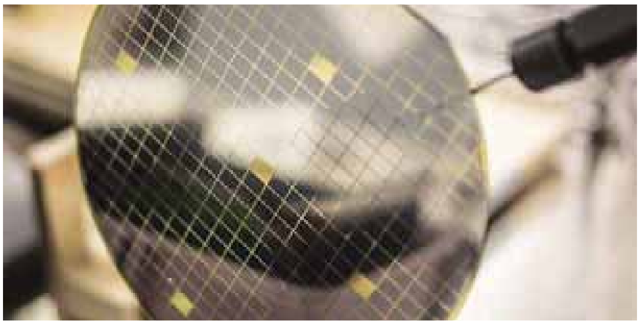
System in package ("SiP") and µ-modules

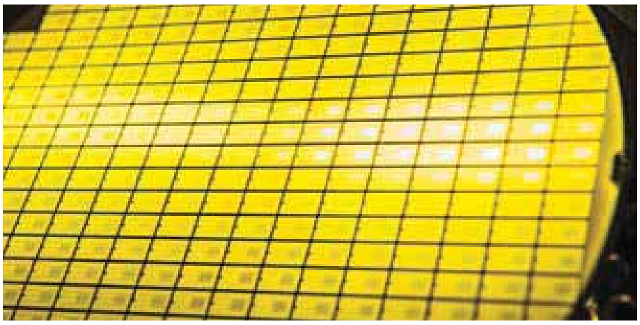
Enables product miniaturization with high level performance module for 2nd level assembly. Extension on the LGA substrate platform with pre-mold cavity and incorporation of passives at components for micro-modules for automotive application (under the hood application). Product and process are characterized and qualified and ready for production.

Silicon carbide ("SiC")/Gallium nitride ("GaN") – vehicle electrification

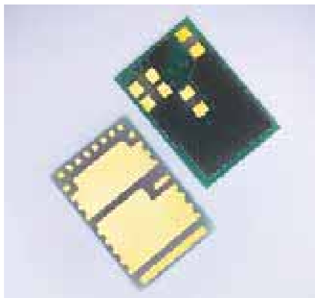
SiC devices with superior performance over traditional silicon power devices have become the prime candidates for future high-performance power electronics energy conversion (power inverter, electric vehicle, artificial intelligence server, DCDC converter, high power/frequency telecom). Packaging that enables these devices is typically of 2 types - discrete and module.

- Ongoing development with key customer on module SiC business
- Under pre-production for low to medium voltage GaN (for high performance server application)





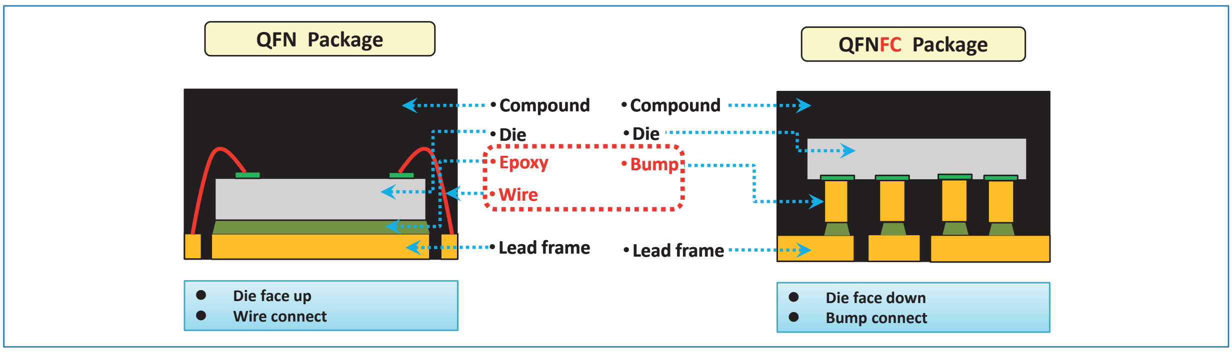
Chip embedding package



Industry trends of miniaturization and integration create the need for chip embedded package portfolio. This package simplifies the manufacturing process with elimination of wire bonding process. Interconnect is done through traces with substrate of the package that improves resistance and product performance. Chip embedded refers to a semiconductor die, which is embedded within standard PCB material during formation of the substrate. It requires assembly standardization due to various substrate sizes and processes (electrical map for traceability). Ongoing qualification and pre-development for various package and product configurations.

- Developed capabilities for high end power management integrated circuit (PMIC) using flip chip technology, and successfully released for production – able to manage more bumps, unbalanced bump layout, different bump sizes, bigger die sizes, and extended long half etch lead. It's an enabler for us to offer diversified packaging solutions for varying customer requirements at optimal cost, good quality and stable mass production levels. The target applications are wireless charging, Li-ion battery management, fast charging.

  QFN wire bond vs. QFN flip chip

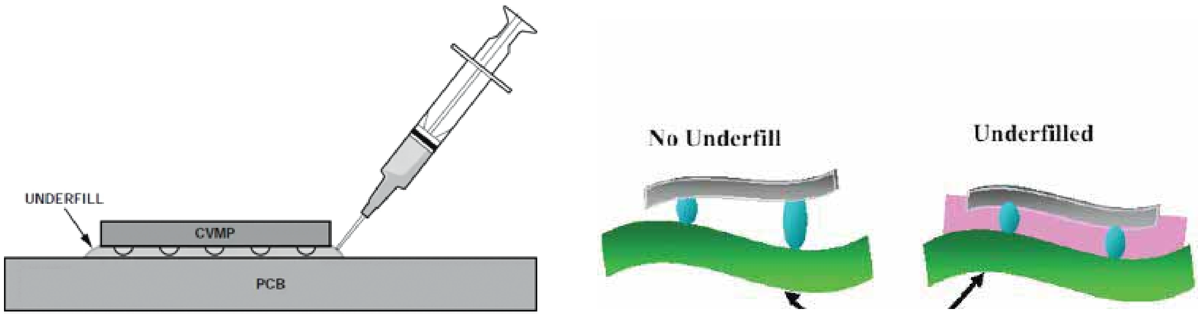


Sustainability Statement

(Cont'd)

- Developed flip chip land grid array (FC LGA) underfill process and began mass production. This underfill process drives solutions for engineering challenges such as coefficient of thermal expansion (CTE) mismatch between board and die, unbalanced stress due to bump layout and bump size, and mechanical stress due to warpage and vibration.

  Underfill is basically a glue that surrounds the bumps, after FC (flip chip) and before mold



Supply Chain Management

Pandemic-related challenges

In FY22, the 3rd and 4th waves of COVID-19 pandemic in Malaysia, and the complete lockdown in Shanghai, Kunshan and other cities nearby Suzhou in China, continued to present unique and unprecedented challenges for MPI's purchasing and logistics organization. Our supply chain teams enabled production to keep running to the maximum extent possible by securing our global supply chains. For instance, at Carsem SZ, the Epidemic Prevention and Control team coordinated quick and consistent response to the outbreak of the pandemic during March to June 2022. Inbound shipments were immediately diverted to the other nearby cities for import clearance. Express courier service at high-risk cities was suspended and hand-carry arrangements were made for domestic wafer/material shipments from suppliers' and customers' premises by forwarders. Customer shipments were collected from highway toll gate. New SOP was specially established to define the operating processes and epidemic control measures. Similar adaptive steps were taken at Carsem M and DCI.

Our supply chain teams conducted daily scrutiny of supply and logistics capabilities, to determine immediate solutions in cases of potential bottlenecks. Deep visibility of suppliers and inventories, close relationships with suppliers and customers, and the processes that were setup proved to be very useful in ensuring efficient coordination in such a challenging environment.

Governing the integrity of supply chain

Our suppliers are critical partners in our success, and disruptions to our supply chain are a key risk for our business. Thus, managing a sustainable and responsible supply chain with robust practices to secure stable sourcing of raw materials and services, cost competitiveness, and delivery of quality products and services is a strategic priority and critical to business continuity. Our experience during COVID-19 has underscored the value of having strong business continuity plans, including measures to ensure continuity of supply of our key inputs. Our key direct materials suppliers, indirect material suppliers, and contractors had agreed to adhere to our Code of Conduct and Ethics by signing the letter of conformance.

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

The Group supply chain management procedures are guided by the industry standards per RBA code of conduct, maintaining the standard practices covering the matters of labour, health and safety, ethics, environmental and social responsibility. These practices are formalized into our CSR policy and Code of Conduct and Ethics.

Sustainability Statement

(Cont'd)

As stipulated in CSR policy, we engage with suppliers and service providers whose CSR policies are aligned with the Group CSR policy through a Letter of Conformance committing compliance to the Group Code of Conduct and Ethics, upholding standards including, but not limited to:

- compliance with applicable laws and regulations
- maintaining business integrity, including anti-bribery and anti-corruption practices
- labour and human rights (prohibition of child labour and forced labour, providing a workplace free of harassment and discrimination)
- promoting safety and health at workplace
- supporting the right to freedom of association and collective bargaining
- compliance with environmental laws and regulations
- supporting the rights to minimum wage
- elimination of excessive working hours
- fair competition conduct
- privacy and disclosure of information

The suppliers and contractors are required to adhere to MPI's Supplier Code of Conduct and Ethics sent to them. In order to ensure effective communication of MPI's core value and business ethics across our supply chain, the relevant codes and policies are made available in the language of communication used, i.e., English, and can be easily accessed through MPI's website.

Ongoing engagement in the supply chain

MPI engages with its suppliers to emphasize the importance of managing and minimizing any actual or potential risks of non-compliance, environmental, or social issues at their end, such as:

- labour rights and standards, including non-discrimination, safety and health standards, working hours, and freedom of association
- environmental management issues, including climate change and emissions, energy use, water use, biodiversity impacts, pollution management, waste management and reduction, resource use and integrated supply chain management
- business ethics and integrity matters, such as anti-corruption and anti-bribery

Supplier assessment and audit

Assessment of conformance against the RBA standards and ISO 14001 certified Environmental Management system are among the more significant supplier assessment programs. Both new suppliers and existing suppliers shall be assessed based on RBA standards and Environmental system.

Focus	Key items	Performance indicators	Results
RBA standards	• Human rights • Labour standards • Working hours • Safety and Health standards • Freedom of association • Minimum wages	• Policies • Working environment • Industrial accidents	• Carsem SZ: 7/9 suppliers audited • Carsem M: 6/8 suppliers audited • DCI: 9/9 suppliers audited
Environmental management system	• Water use • Energy use • Pollution • Climate change • Waste reduction • Resource use	• Monitoring system • Improvement initiatives	• Carsem SZ: 7/9 suppliers audited • Carsem M: 6/8 suppliers audited • DCI: 9/9 suppliers audited

Sustainability Statement

(Cont'd)

Focus	Key items	Performance indicators	Results
Ethics	• Anti-Bribery and corruption management system	• Policies • Reporting mechanism	• Carsem SZ: 7/9 suppliers audited • Carsem M: 6/8 suppliers audited • DCI: 9/9 suppliers audited
Conflict mineral management	Conflict minerals management approach	• RBA conflict minerals compliance	• Full compliance from 33 suppliers

We are continually enhancing our audit process to sharpen our implementation of supply chain sustainability practices and thus, manage the social and environmental supply chain impacts more effectively.

One of the crucial supplier assessment programs in our Group is the assessment of conformance against the RBA standards that is conducted through SAQ and VAP as follows.

SAQ	VAP
• due diligence for key direct material suppliers • conducted on key direct material suppliers • target to assess and identify high-risk areas, and define potential gaps vis a vis RBA Code of Conduct • self-assessment	• audit based on RBA VAP Operations Manual 6.0 • conducted on key direct material suppliers • audit focus and frequency depend on conformance level in past audits, and overall performance against RBA standards and Group policies and standards

We have a group of 34 shared key direct material suppliers, with whom our direct material spending comprises 87% of the Group's total direct material procurement. As per our plan to audit our key direct material suppliers, we strive to cover 80% of the 34 suppliers every 2-3 years.

Below summarizes our FY22 audit plan and performance.

Year	Target	Performance
FY19	Perform audit on 15 key direct material suppliers	Completed 100% audit
FY20	Perform audit on 18 key direct material suppliers	Completed 75% audit*
FY21	Perform audit on 22 key direct material suppliers	Completed 100%
FY22	Perform audit on 17 direct material and critical indirect material suppliers	Completed 78% audit**

Note: Since FY20, the audit process has been significantly impacted by the COVID-19 pandemic and movement control measures/lockdowns imposed by the governments (Malaysian and Chinese).

* *Due to COVID-19 related restrictions, 75% of total planned audits were completed during FY20.*

** *During FY22, audit process was significantly impacted by the COVID-19 pandemic and movement control measures imposed by the Malaysian government. At Carsem M, audits were conducted both 'virtually' and 'on-site', and at Carsem SZ, audits were conducted 'on-site' until COVID-19 outbreak cases in March 2022.*

Sustainability Statement

(Cont'd)

Based on the findings from audits conducted, the suppliers are provided with the Corrective Action and Preventive Action ("CAPA") process template for completion and indication of their responses to our audit findings within 7 working days. The agreed-upon corrective actions implemented in response to our audit findings were verified by the auditors for closure. Below table outlines the corrective actions that were recommended to and implemented by the audited suppliers, during FY21.

RBA category	Summary of FY21 corrective actions that were implemented
Labor	• Setup monitoring system of excessive working hours per week • To conduct periodic inspection on hostel conditions • Set-up monitoring of gender ratio to ensure adherence to the requirements
Ethics	• Establish policy on anti-bribery and anti-corruption, and Whistleblowing • Establish policy on gift and entertainment
Environment	• Define and label all scheduled waste containers
Occupational health and safety	• To display accident incidence to employees • To conduct periodic work inspection on emergency exits and evacuation plan

Based on audit findings in FY22, more corrective actions were identified. These are summarized in table below.

RBA category	Summary of FY22 corrective actions
Environment	• Documents added to include the RoHS & REACH compliance requirement • Update latest revision EMS000020 Rev AA as latest Hazardous Substance (HS) document • Update Substance Very High Concern (SVHC) list to the spec

Conflict minerals compliance

The Group continues close monitoring of suppliers' disclosures on sourcing of conflict minerals. This enables our decision making to continue to identify and work with those suppliers that source the metals from conflict free minerals in the supply chain. These metals are tin and gold. Total of 10 direct material suppliers are involved in supplying lead frame, gold wire and tin bar.

We obtain supplier's Smelters or Refiners (SoRs) source information certified by RMAP Conformant Smelter List. The Group conducts yearly validation that the conflict minerals in our products are from responsibly sourced conflict-free minerals. We provide updated revision to our customer via latest Conflict Mineral Reporting Template (CMRT).

Conflict minerals – number of suppliers/smelters - Carsem M

	FY20	FY21	FY22
Number of material suppliers involved in the RBA due diligence survey	10	10	10
% of involved 3TG that have completed RBA due diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	11	11	12

Conflict minerals – number of suppliers/smelters - Carsem SZ

	FY20	FY21	FY22
Number of material suppliers involved in the RBA due diligence survey	19	23	23
% of involved 3TG that have completed RBA due diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	12	12	12

Sustainability Statement

(Cont'd)

Conflict minerals inquiry results - Carsem M

	Gold	Tin
Number of smelters	5	7
Number of smelters which are CSF validated	100%	100%

Conflict minerals inquiry results - Carsem SZ

	Gold	Tin
Number of smelters	8	4
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Management Approach

Conflict minerals management requirement	We seek our suppliers to be diligent in assessment and validation of their supply chains and encourage them to only source for conflict-free smelters
Reasonable country of origin inquiry (RCOI)	We identify suppliers who contains 3TG metals in our supply chain through CMRT
Independent private-sector audit (IPSA)	We undertake an Independent Private Sector Audit (IPSA) of our Conflict Minerals Report in compliance with the requirements in the SEC Conflict Minerals Final Rule and subsequent SEC Guidance

Supply Chain Overview

The Group believes in promoting and contributing to local economy through procurement activities. Our supply chain is divided into following categories according to procurement type: raw materials, equipment, facility/engineering contractors and service-oriented outsourcers. Among these, the raw material suppliers have more significant impact on our daily operations and manufacturing.

In FY22, there were a total of 1,230 suppliers supplying materials, equipment and services to the Group. Direct materials accounted for 83% of the total spend on purchasing.

Direct material spending on local suppliers (excluding CAPEX), FY22				
	Carsem M	Carsem SZ	DCI	MPI
Local Procurement	70%	67%	15%	67%

Note: local – refers to Malaysia for Carsem M and DCI, and China for Carsem SZ

New Supplier Screening

As part of quality system management and our Business Continuity Plan ("BCP"), all new suppliers are to undergo a stringent due diligence process conducted by the Quality assurance and/or procurement department.

New direct material suppliers of the Group are required to be assessed via the SAQ while cross-functional team members from the Quality Assurance, Procurement, Engineering and Technology departments conduct on-site audits on these new suppliers based on VAP.

Sustainability Statement

(Cont'd)

Supplier Quarterly Rating

To safeguard the integrity of our supply chain, regular assessments are performed on our suppliers, considering amongst others, pricing, quality, delivery, services and continuous improvement initiative. A total of 38 and 47 suppliers from direct and packing material categories were rated in first half (July-December 2021) and second half (January-June 2022) of FY22 respectively. 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 rated grade B and above.

As part of our continuous improvement plan, the supplier rating structure was revised with more emphasis on quality and delivery segments. Overall grading was also revised to be more stringent. Hence, as an outcome of the performance rating of second half of FY22, some suppliers dropped to grade C and D. Nevertheless, we will continue to work with these suppliers with an aim to improve their ratings to the minimum level of grade B.

Below is the quarterly rating performance for FY21 and FY22.

Q1 (July – Sep'20)	Q2 (Oct – Dec'20)	Q3 (Jan – Mar'21)	Q4 (Apr – June'21)
Grade A – 22 suppliers B – 9 suppliers C – 1 supplier	**Grade** A – 18 suppliers B – 12 suppliers C – 2 suppliers	**Grade** A –26 suppliers B – 9 suppliers C – 1 supplier	**Grade** A - 20 suppliers B – 11 suppliers C – 2 suppliers
Q1 (July – Sep'21)	**Q2 (Oct – Dec'21)**	**Q3 (Jan – Mar'22)**	**Q4 (Apr – June'22)**
Grade A – 31 suppliers B – 7 suppliers C – 0 supplier	**Grade** A – 16 suppliers B – 22 suppliers C – 0 supplier	**Grade** A – 20 suppliers B – 13 suppliers C – 4 suppliers D – 3 suppliers	**Grade** A – 17 suppliers B – 27 suppliers C – 0 supplier D – 3 suppliers

Scoring matrix, FY22.

Grade	Points	Rating
A	>90%	Excellent
B	75%-89%	Good
C	65% - 74%	Average
D	<65%	Poor

Fair procurement practices

The Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure our suppliers are treated fairly and are in the best interests of the Group, prohibiting price fixing and collusion. Our policy seeks to maintain confidentiality and prevent conflicts of interest in transaction with our suppliers.

Sustainability Statement

(Cont'd)

Better Environment

MPI remains cognizant of the changes in global climate due to emissions of carbon dioxide (CO_2) and other greenhouse gases (GHGs) from human activity. We acknowledge the global ambitions set out in the Paris agreement, and of the scientific consensus laid out clearly in the latest assessment report from the United Nations (UN) Intergovernmental Panel on Climate Change (IPCC). To aid the efforts to counter climate change, we continue to work steadily to optimize our environmental impacts by embracing an environmental sustainability strategy that entails risk mitigation of climate change related issues, responsible management of scarce resources via reduction/reuse/recycling initiatives, and engagement across supply chain for reduced impact on environment.

Governance

All our factories have a Safety, Health and Environment (ESH) committee that is responsible for environmental management, including strategy, approval, and resourcing, led by the respective factory's General Manager, and supported by senior leaders in business lines and staff functions. The committee manages strategies, environment and safety metrics, and reviews progress through periodic assessments and audits. Also, the committee deploys programs to manage environmental risks. Formal reviews, chaired by GMD, are organized for all factories to examine data, discuss the progress of improvement projects, and set expectations for the next period.

Certification

ENVIRONMENTAL MANAGEMENT ISO 14001

According to the criteria from the International Organization of Standardization (ISO), all our manufacturing sites are certified with ISO 14001:2015. Regular assessments are conducted by independently appointed audit bodies.

Sustainability Statement

(Cont'd)

Environmental Management System

Our environmental management systems are aligned with ISO14001 and the RBA Code of Conduct. Our annual Environmental Management System ("EMS") review with the Senior Leadership Team (GMD, CFO, and respective GMs) covers a range of topics, as outlined below.

- Context of Organization
  - EMS risk category and criteria (actual and potential risks)
  - Internal and external issues
  - Needs and expectations of relevant stakeholders
- Environmental policy and Environment aspect (assessment of risk and opportunity using EASI List)
- Environmental objectives and planning
- Compliance obligation and evaluation of compliance, based on local legal requirements. Currently, our operating sites at Malaysia and China adhere to below outlined environmental laws and regulations

Malaysia (applicable to Carsem M and DCI)	China (applicable to Carsem SZ)
EQA (Clean Air) Regulation 2014	Environmental Protection Law of the People's Republic of China
EQA (Industrial Effluent) Regulation 2009	Water Pollution Prevention and Control Law of the People's Republic of China
EQA (Scheduled Waste) Regulation 2005	Atmospheric Pollution Prevention and Control Law of the People's Republic of China
EQA (Sewage) Regulation 2009	Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise
EQA (Halon Management) Regulation 1999	Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes
EQA (Control Emission – Diesel Engines) Regulation 1996	Soil Pollution Prevention and Control Law of the People's Republic of China
	Cleaner Production Promotion Law of the People's Republic of China
	Energy Conservation Law of the People's Republic of China

- Competency Registration with Legal Authorities
- Emergency preparedness and response
- Internal Audit
  - Monitoring and measurement: Air monitoring, water monitoring, boundary noise monitoring
  - Continual improvement

We constantly engage with our key stakeholders (such as customers, employees, suppliers, government authorities, etc.) to manage our environmental sustainability journey. We ensure that all communications and commitments are actively channeled across the relevant stakeholders to develop strategies and manage implementation with the purpose of mitigating and reducing risks to the environment, and to use natural resources responsibly. Our stakeholders (including, and not limited to employees, customers, contractors/suppliers) are required to comply with the Group Code of Conduct and Ethics that emphasizes on compliance with applicable laws and regulations. Any violations or breaches to the Group's environmental standards can be reported via below channels:

- the Group's Whistleblowing Hotline or email to barmcchair@mpind.my - for MPI employees
- the general phone line mentioned on our website - for public

Managing and addressing climate risk

Climate change is a priority issue for our business affecting every aspect of MPI's business, ranging from R&D to operational processes, to services, to sales activities, and to supply chain. In FY22, we enhanced our climate-related risk and opportunity identification and assessment approach by aligning it with the TCFD classification as outlined below. The purpose of these assessments is to inform the risk management and business impact analyses at all of our operating sites. Eventually, these insights are used to develop our improvement, mitigation and adaptation plans to address the various environmental issues.

Sustainability Statement

(Cont'd)

Climate-related risks

Transition risks (related to the transition to a lower-carbon economy)	
Rising concern over climate change is resulting in more legal or regulatory requirements, and demands from various stakeholders. These pose significant implications and potential short and long term risks that can have material impact on our business.	
Policy and Legal	• Enhanced emissions-reporting obligations; and • Exposure to litigation due to the stringent and fast-evolving policy actions (e.g. China 30/60 goal, Malaysia 2050 carbon-neutral goal), and related direct effects on our operations.
Reputation	• Increased stakeholder concern or negative stakeholder feedback due to rising scrutiny and emphasis by customers and community on an organization's contribution to a lower-carbon economy to guide their perception and organization's reputation.
Market	• Changing customer behaviour; • Uncertainty in market signals; and • Increased cost of raw materials due to the growing push from customers towards low carbon products and services across supply chain, lack of uniform adoption and implementation of sustainability practices and policies, and lack of sufficient information.
Technology	No major risk was identified in FY22.
Physical risks (related to the physical impacts of climate change)	
Variations in weather patterns globally, increase in the frequency and severity of natural disasters that may disrupt production continuity, limit the availability or increase the costs of key raw materials and production equipment can materially affect our business in future. Even though we assess these as minor risks currently, we continue to monitor them in view of evolving erratic climate conditions.	
Acute (event-driven) **Chronic** (induced by longer-term shifts in climate patterns)	No major risk related to temperature, wind, water and solid mass was identified in FY22.

Climate-related opportunities

Resource efficiency
We are proactively addressing the identified risks to improve our readiness and mitigate potential negative impact on our business. Our environment teams work closely together to identify initiatives that help transform these risks into opportunities. Majority of our initiatives are centered around resource efficiency improvement and optimization currently.
Use of more efficient modes of transport • Electrification of fleet of staff buses (in collaboration with our transport partners)
Use of more efficient production machinery and processes • Expansion of on-site nitrogen generation capacity • Replacement of Quincy vacuum system with high efficiency rotary screw with VFD control system to reduce energy consumption • Installation of phase change material (PMC) system to compressed air (CDA) dryer • Replacement of road lamps with solar + LED type for energy saving • Installation of energy-efficient chiller • Enhancement of energy management system by improving the electricity power measurement meter system to cover the major operation processes • Smart scheduling of electricity maximum demand, using Smart Sense • Replacement of steam supply from boiler with heatfuse solution for entire factory
Use of recycling – water, waste • Zero discharge of "N" and "P" from the surface treatment and flux cleaning processes • Evaporation concentration to reduce the waste liquid from plating and FA processes • Expansion of waste treatment capacity
Reduced water usage and consumption • Continued water recycling programs

Sustainability Statement

(Cont'd)

Additionally, we engage with government authorities, environmental groups and related companies to

- align with the evolving regulatory developments and wider market trends; and
- improve the awareness and knowhow of the SSC and SWC team members on the possible ways of addressing the material environmental aspects

With a focus on improving our knowledge and competence on sustainability matters, we continue to participate in relevant workshops and webinars. In FY22, we participated in the FMM (Federation of Malaysian Manufacturers) Sustainability Month that covered a range of topics such as carbon market, sustainability reporting, risk of water stress and climate change, 12th Malaysia Plan's sustainability strategies for manufacturing sector, and sustainable finance.

MPI's focus continues to be on bolstering its ability to counter the threat from climate change related risks, as we continue to identify and execute strategic initiatives **(see MPI initiatives – emissions reduction and energy consumption management, and MPI initiatives – waste management)** that can generate greater impact over the medium to long term. Through these initiatives, MPI aims to grow its business and operations while optimizing its environmental impact.

Awards

Recognition from Jabatan Alam Sekitar Perak (Department of Environment)

Most E-Waste collected among all participating industries in Perak
Carsem M successfully collected over 5,000 kg of e-waste

Earliest company to organize this campaign with a proper structure in place

Competence development and training

MPI aims to provide its employees with recognized qualifications in sustainability and Environment, Health and Safety ("EHS") matters so that they gain expertise in their areas of technical competence. In FY22, those responsible for sustainability and EHS received systematic training and certifications on a myriad of topics such as:

Topics	Certifying entity
Certified Environmental Professional in Scrubber Operation (CePSO)	Environment Institute of Malaysia ("EIMAS") under the Department of Environment ("DOE")
Certified Environmental Professional in Scheduled Waste Management (CePSWaM)	EIMAS under DOE
Certified Environmental Professional in the Operation of Industrial Effluent Treatment Systems (Physical Chemical Processes)	EIMAS under DOE
Certified energy management (REEM)	Suruhanjaya Tenaga

Sustainability Statement

(Cont'd)

Raising awareness and collaboration

World Environment Day 2021

In Q2 FY22, in conjunction with World Environment Day 2021, Carsem M officially launched the month of Environmental collaboration with Department of Environment, Perak. Also, we launched the E-waste collection campaign, no single plastic use and all employees encouraged to register as Rakan Alam Sekitar. We planted 3,000 trees in the surrounding locality through various events.





Environment Day 2021 – River Chat @ Sungai Meru (Carsem M) in collaboration with Department of Environment, Perak

The program was officiated by YB Encil Mohd Akmal Bin Kamarudin, Chairman of the Perak State Science, Health, Environment and Green Technology Exco. Among the program's focus areas were the opening of wastewater treatment plant and final discharge point, demonstration of in-situ measurement of quality of effluents released by Carsem M, collection of waste and rubbish in Sungai Meru and the reading of the pledge of river conservation.





Sustainability Statement

(Cont'd)

Environmental awareness briefing for new employees during new employee orientation @ DCI

Gotong Royong activities to clean the company vicinity @ DCI

Emissions

GHG emissions reduction

We measure our emission management performance by monitoring our GHG emission intensity, using FY15 as the baseline for target setting. Our target is to achieve 15% reduction in GHG emission intensity with reference to the FY15 baseline, in order to improve the operational efficiency in terms of GHG produced for each unit produced. We track GHG emission intensity on an annual basis.

In FY22, higher demand for semiconductor led to further rise in capacity utilization across all our operational facilities. This translated into an increase in energy consumption resulting in higher net CO_2 emissions. Despite this, we still achieved our GHG emission intensity goal. With reference to FY15 baseline, MPI achieved a reduction of 43% in FY22.

Approximately 99.9% of total GHG emissions[1] from all of MPI's operations are attributable to Scope 2.

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
CO_2, k metric ton	158	160	161	163	159	164	181	**202**
CO_2, metric ton/k unit (GHG emission intensity)	0.007	0.008	0.007	0.006	0.005	0.004	0.005	**0.004**
Target	To achieve 15% reduction in GHG emission intensity (CO2 e/k unit) with FY15 as baseline							
% reduction/increase with respect to baseline	Baseline	20%	-1%	-14%	-30%	-37%	-30%	**-43%**

Note:

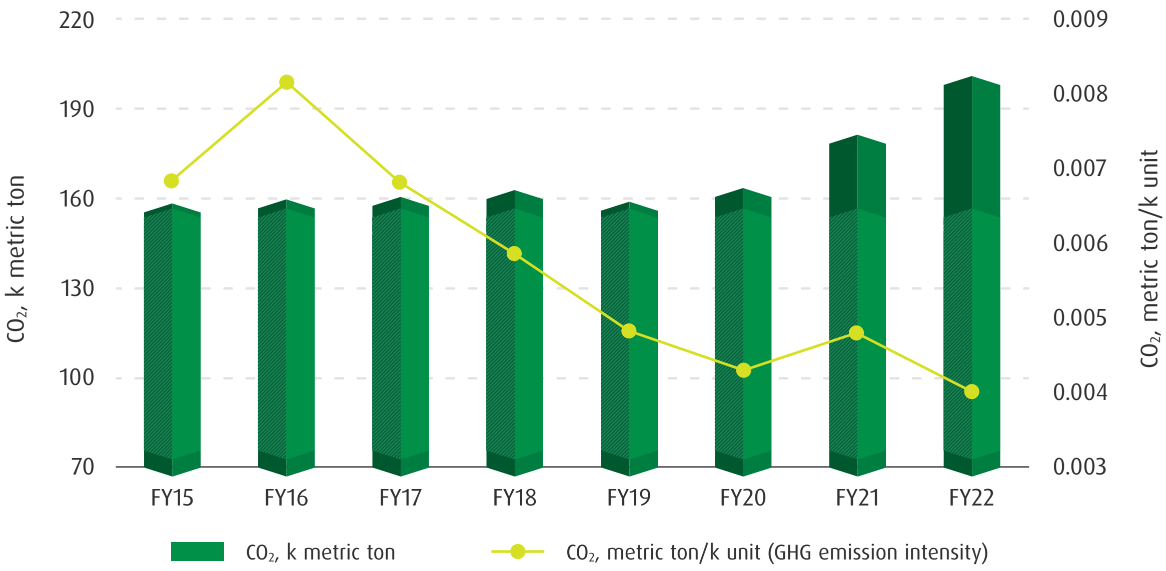
1. *Scope 1 is based on GHG emissions from company related usage for refrigerant and diesel; Scope 2 is based on emissions associated with the purchase of electricity and steam.*
2. *All kWh consumption figures are captured from local electricity utility company billing. CO_2 emission is computed based on EPA Greenhouse Gases Equivalent Calculator.*
3. *Above reflects emissions associated with our electricity usage, which is the dominant majority (98%) in our Scope 2 emissions. Remaining is attributable to our steam usage. This reflects a consolidated picture of the emissions from all our sites.*

[1] *MPI currently tracks GHG emissions associated with Scope 1 and 2.*

Sustainability Statement

(Cont'd)

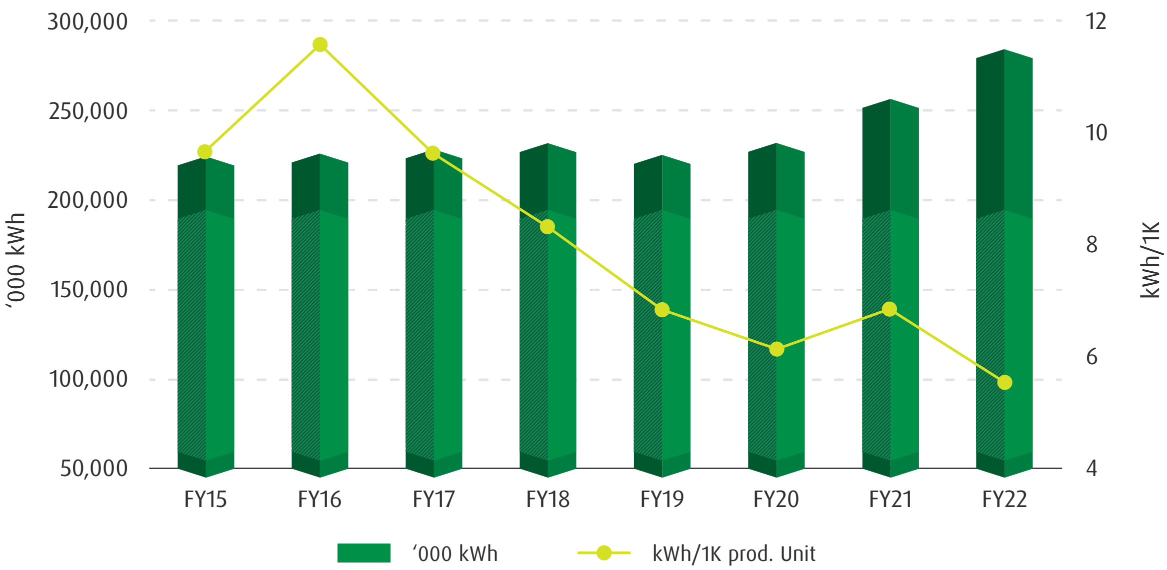
GHG emissions and GHG emission intensity, MPI



Energy Management

FY22 was an extremely challenging year for MPI with the lingering Covid-19 related restrictions and disruptions. Our overall production output increased during FY22 even though the unexpected Covid-19 lockdown in China posed a significant challenge to the output, especially during Q4 FY22. While our total energy consumption in FY22 was higher than that in FY21, the improvement projects implemented during FY22 helped in mitigating the impact. As a result, MPI was able to achieve substantial reduction in energy index in FY22 as compared to the FY15 baseline.

Energy consumption and energy index, MPI



Sustainability Statement

(Cont'd)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Energy Index kWh/k unit	9.7	11.5	9.6	8.3	6.8	6.1	6.8	**5.5**
% reduction/increase with respect to baseline	Baseline	20%	-1%	-14%	-30%	-37%	-30%	**-43%**

Note:

1. *In Malaysia, the energy index is verified by REEM (Registered Energy Manager) and submitted to local Energy Body (Suruhanjaya Tenaga Malaysia)*
2. *In China, the energy index is verified by Certified Energy Management Engineer and submitted to local energy officer (SIP Economic Development Board)*

MPI initiatives – emissions reduction and energy consumption management

Expansion of on-site nitrogen generation capacity

Carsem M set up its third on-site nitrogen generation plant to increase the capacity to 1,800 sm3/hr. This increased capacity enables reduction of emissions caused by delivery tankers (from vendor site to Carsem M factory).

Replacement of Quincy vacuum system with high efficiency rotary screw with VFD control system to reduce energy consumption

Another energy reduction project in Carsem M with the aim to reduce kWh consumption of vacuum pump, and to minimize the high consumption of lubricant oil usage on vacuum pump.

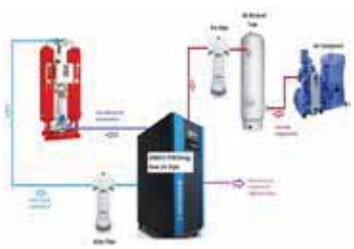
High Energy Efficiency Vacuum System with VFD Control

Installation of phase change material (PMC) system to compressed air (CDA) dryer

This is to reduce kWh consumption of dryer system, to minimize the high consumption of heating cycle, and to prolong air quality dew point stability.

Existing DTV Heated Dryer With Chilled Water System

Proposed DTV Heated Dryer With PCM



Sustainability Statement

(Cont'd)

Replacement of road lamps with solar + LED type for energy saving

Installed 30 sets of solar + LED type road lamp to replace traditional electrical powered high-pressure sodium lamp. This is expected to save over 30,000kWh electricity annually, equivalent to removal of 21kg CO_2 emissions per year.

Reduction of chiller kw/RT (refrigerant ton)

Successfully installed an energy efficient chiller to reduce kWh consumption, while ensuring no interruption to production.

Enhancement of energy management system by improving the electricity power measurement meter system to cover the major operation processes

Setup monitoring and measurement system for electricity consumption at module level. This is to identify energy saving opportunities, enabling carbon footprint optimization at Carsem SZ.

Smart scheduling of electricity maximum demand, using Smart Sense

A new technology using sensors to reduce maximum electricity demand and identify areas of opportunity to lower overall electricity consumption at Carsem M. This is done by analysing and studying electricity usage trend and behaviour via live data.

Replacement of steam supply from boiler with heatfuse solution for entire factory

Using the heatfuse solution for boiler operation in DCI, this can eliminate completely the use of diesel. This solution absorbs the heat from the returned chilled water and supplies back to production through the heat exchange mechanism.

Sustainability Statement

(Cont'd)

Electrification of employee bus fleet

Transport fleets are one of the largest sources of emissions globally, and the decarbonization of transport is an important part of sustainability approach. In line with this, Carsem SZ has been working with our transport partners to electrify our fleet of employee buses. So far, we have converted 50% of our fleet to electric buses.

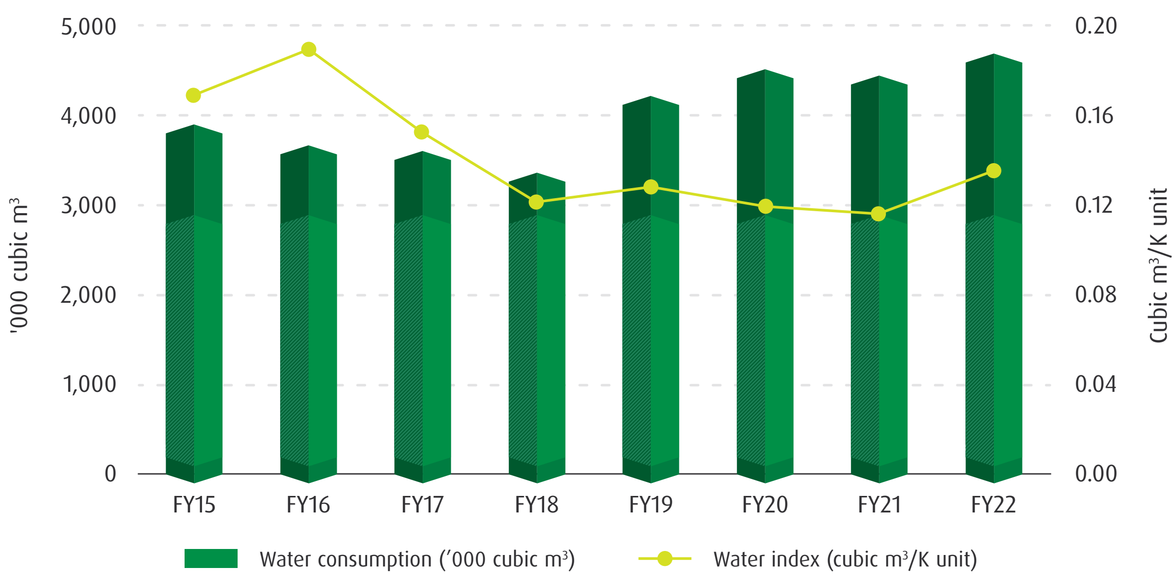
Water Management

Although none of our factories are located at water stressed sites, conservation of water and reduction in usage of natural resources remains a key priority. Our strategy on efficient use of water resources revolves around recycle and reuse programs. We continue to prioritize the investments to enable these programs to reduce usage of natural resources (mainly water).

During FY22, Covid-19 related restrictions disrupted our activities and delayed our water recycling projects due to delays in delivery of the required equipment. Several suppliers faced difficulties in timely equipment delivery due to Covid-19 related lockdowns. As a result, these water recycling projects have now been rescheduled for completion in FY23. Objective of this project is to recycle and reuse deionized ("DI") water from sawing operation. This will enable reduced consumption of fresh municipal water supply at Carsem M. This is continuation of our existing water recycling initiatives over past years.

Main water source for all our facilities is piped water supplied by local water authorities. The water is further treated to produce the high purity DI water required for our manufacturing process. FY22 saw further increased capacity and utilization across all MPI facilities that required additional water usage. Our water conservation programs implemented in FY21 had helped in reducing water usage. All our water recycling initiatives were running at maximum capacity and plans to increase the water recycling capacity are now pending equipment delivery.

Water consumption, MPI



Sustainability Statement

(Cont'd)

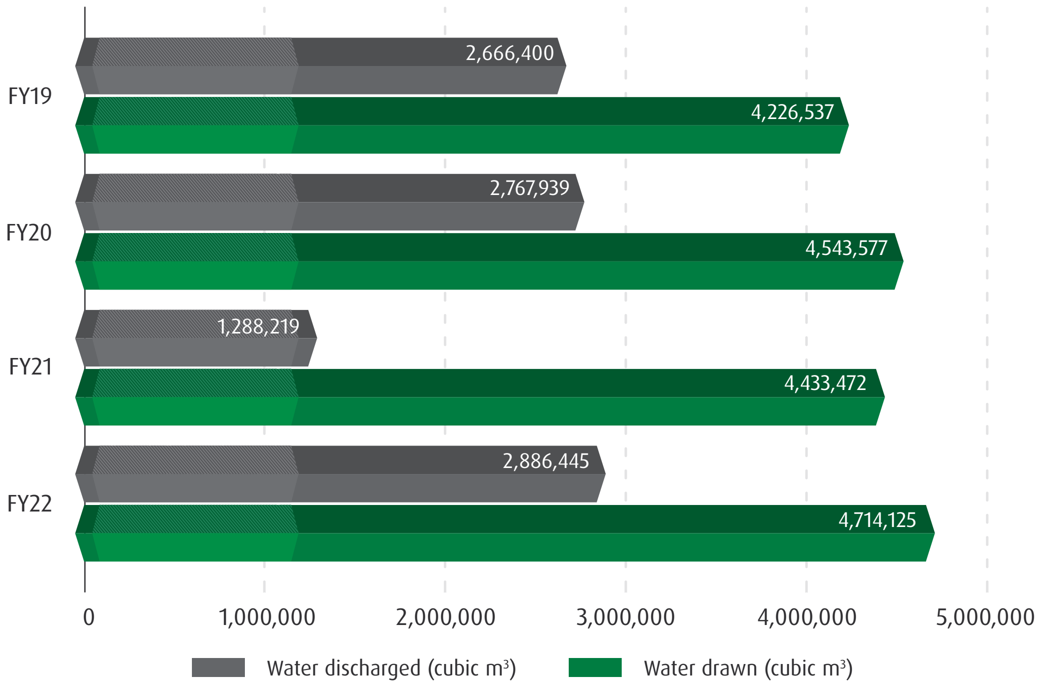
A comparison of water consumption and water discharged for the past 3 years indicates the success and effectiveness of our water recycling programs. Our water discharged continue to be lower than water drawn due to water recycling activities. FY22 saw higher water drawn (usage) which resulted in higher water discharge as well. FY22 was targeted to have lower water usage as water recycling programs were expected to be completed but since this was delayed, MPI group was not able to see higher improvement. We are committed to have the water recycling projects completed in FY23.

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Water consumption ('000 m^3)	3,896	3,693	3,602	3,366	4,227	4,544	4,433	**4,714**
Water Index (m^3/K unit)	0.17	0.19	0.15	0.12	0.13	0.12	0.12	**0.09**
% reduction/increase with respect to baseline	Baseline	12%	-10%	-28%	-24%	-29%	-30%	**-46%**

Note that

- *municipal water is the source of water drawn at all our operating facilities*
- *final water discharge from all our operating facilities is to municipal drainage system*

Water conservation, MPI



Note: Water drawn (usage) data is as per local water authority billing. Water discharged comprises of treated water, tracked using water discharge meters.

The delay in the water recycling projects impacted the water discharge trend. Additional water consumption to support the operations could not be recycled. Though in FY23, we plan to restore the water recycling initiatives as explained earlier.

Sustainability Statement

(Cont'd)

Waste Management

Being a semiconductor manufacturing company, our facilities generate wastes and effluents from our processes that are treated in compliance with regulatory requirements prior to discharge. These typically comprise effluents, hazardous and non-hazardous wastes.

Effluents management

For Carsem SZ and Carsem M, effluents typically comprise of the water used for cleaning, cooling, and for other purposes in the operational processes such as sawing, cutting, plating. For DCI, effluents refer to the water used in etch process, plating process, facility and also wastewater treatment plant. Our operations lead to generation of wastewater that can be harmful to the environment, and water bodies, if it is discharged without treatment. This is because the wastewater generated may comprise of metals, toxic chemicals, organic and inorganic compounds. All of our operating sites strictly comply with the locally applicable laws and regulations related to effluents and wastewater discharge. These are

- EQA (Industrial Effluent) Regulation 2009 in Malaysia
- Water Pollution Prevention and Control Law of the People's Republic of China, Integrated Wastewater Discharge Standard (GB8978-1996) of China

Note that the discharged water at all our facilities is inclusive of treated water. The information on water drawn, water discharged, and water consumption is disclosed in the "Water Management" section.

All our factories are installed with real time water quantity discharge monitoring. Refurbishment and upgrade of waste treatment effluent plants are also carried out regularly to ensure that they are always operating efficiently.

All MPI factories are ISO14001:2015 certified and MPI management is committed to set stricter control measures than those recommended by the Environmental Quality Act (EQA).

Sustainability Statement

(Cont'd)

Hazardous and non-hazardous waste

Owing to its negative implications for the environment, and health and safety of our employees and the wider community, appropriate hazardous waste management is a key priority for us. Hazardous wastes are either treated at in-house waste treatment plant to comply with EQA or disposed as scheduled waste that must be handled, treated and disposed of properly, according to the Scheduled Waste Regulations. Our operating facilities are fully aligned with the strict local laws and regulations pertaining to the hazardous waste management. We have deployed necessary steps to setup stringent procedures and policies, in compliance with locally applicable laws and regulations, for safe storage and handling, management, and disposal of hazardous waste including e-waste, in collaboration with carefully assessed and selected licensed waste contractors.

Regular audits by regulatory bodies are conducted at our manufacturing sites to ensure appropriate local regulatory compliance of waste management measures. Similarly, we conduct regular audits on our waste contractors to ensure their local regulatory compliance (environment, health and safety).

Waste recycling

A big part of waste management is to recycle the waste generated. Waste is segregated by types – hydroxide sludge, copper or metal waste and e-Waste. The various types of wastes are diverted to government authorized recycling companies to be recycled for other use. All the hazardous wastes that are not treated by the in-house waste treatment facility, and not recycled are disposed through a waste disposal company registered with local authority. Quantity of wastes are tracked and reported to legal authority as required. The definitions and classifications of hazardous and non-hazardous waste differ based on the nature of business as well as country-specific laws and regulations. Accordingly, our facilities under Carsem SZ, Carsem M, and DCI strictly adhere to the applicable definitions and regulations to their operations. They also collect the correspondingly relevant data, and analyze it to define and implement the waste management practices and initiatives aimed at specifically managing or reducing waste generated at their sites.

Thus, the waste management in this statement has been covered for each of our businesses separately. Summary of waste generated for each of our businesses is outlined below separately in comprehensive detail with clear segmentation.

Carsem SZ

Definitions:

Waste type	Remarks
Hazardous waste	refers to the solid waste (including effluents) with hazardous characteristics that is included in the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards and identification methods prescribed by the state
Non-hazardous waste	in general, there is no formal definition, and all waste other than hazardous waste is considered to be non-hazardous
e-waste	refers to the waste from electrical and electronic products, electrical and electronic equipment and their parts, components and articles, and substances managed as e-waste, as required by environmental and relevant departments, including scrap equipment, products, semi-finished products and offcut during industrial production. e-waste with hazardous characteristics is identified as per the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards, and identification methods prescribed by the state. These include products or equipment containing lead-acid accumulator, cadmium-nickel accumulator, mercury switches, cathode ray tubes, PCB capacitors, etc.

These definitions are as per the

- Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (2020 Revision) - issuing authority is the Standing Committee of the National People's Congress
- National hazardous waste inventory (2021 version) - issuing authority is the state council Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste - issuing authority is the State Administration of Environmental Protection

Sustainability Statement

(Cont'd)

Waste recycling and recovery, Carsem SZ

Hazardous waste recycling
recycling rate of total hazardous waste generated*

6% hazardous waste recycled in FY22

*Note: *waste reused is also considered as recycled*

Waste generated (MT) *1MT = 1,000 kg*					**Waste directed to disposal**	**Waste diverted from disposal**
		FY20	**FY21**	**FY22**	**FY22**	**FY22**
Hazardous waste	**e-waste**	0	0	1	0	1
	Other hazardous waste	372	566	661	621	39
	Total	373	566	**662**	**621**	**40**
Non-hazardous waste	**e-waste**	25	36	51	0	51
	Other non-hazardous waste	179	262	254	131	123
	Total	204	298	**305**	**131**	**174**
Grand total		576	864	**966**	**752**	**214**

FY22	**Directed to disposal (MT)****		**Diverted from disposal (MT)***	
Hazardous waste	**Incineration**	10	**Preparation for reuse**	1
	Landfilling	0	**Recycling**	10
	Other disposal operations (physical/chemical treatment)	612	**Other recovery options**	29
	Total	**621**	**Total**	**40**
Non-hazardous waste	**Incineration**	131	**Preparation for reuse**	0
	Landfilling	0	**Recycling**	174
	Other disposal operations	0	**Other recovery options**	0
	Total	**131**	**Total**	**174**
Grand Total		**752**		**214**

Note:

1. *All figures are rounded. Numbers may not sum due to rounding.*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

Sustainability Statement

(Cont'd)

Carsem M

Definitions:

Waste type	Remarks
Hazardous waste	mainly electrical and electronic waste (e-waste), spent solvents, spent cleaning solutions, sludge from wastewater treatment plant, and spent cyanide solutions
Non-hazardous waste	mainly domestic trash, such as paper, cardboard, plastic, etc.
e-waste	Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl. This constitutes a substantial portion of our waste

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).

Waste recycling and recovery, Carsem M

Hazardous waste recycling
recycling rate of total hazardous waste generated*

88% hazardous waste recycled in FY22

*Note: *waste reused is also considered as recycled*

e-waste recovery
% of e-waste recovered

100% FY22

100% FY21

100% FY20

Waste generated (MT) *1MT = 1,000 kg*					Waste directed to disposal	Waste diverted from disposal
		FY20	**FY21**	**FY22**	**FY22**	**FY22**
Hazardous waste	e-waste	138	176	168	0	168
	Other hazardous waste	164	243	303	58	244
	Total	**302**	**419**	**470**	**58**	**412**
Non-hazardous waste	e-waste	446	448	213	0	213
	Other non-hazardous waste	748	866	954	718	236
	Total	**1,194**	**1,314**	**1,167**	**718**	**448**
Grand total		**1,496**	**1,733**	**1,637**	**776**	**861**

Sustainability Statement

(Cont'd)

FY22	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	**Incineration**	0	**Preparation for reuse**	168
	Landfilling	58	**Recycling**	244
	Other disposal operations (physical/chemical treatment)	0	**Other recovery options**	0
	Total	**58**	**Total**	**412**
Non-hazardous waste	**Incineration**	0	**Preparation for reuse**	213
	Landfilling	718	**Recycling**	236
	Other disposal operations	0	**Other recovery options**	0
	Total	**718**	**Total**	**448**
Grand Total		**776**		**861**

Note:

1. *All figures are rounded. Numbers may not sum due to rounding.*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

DCI

Definitions:

Waste type	Remarks
Hazardous waste	mainly comprises of cupric chloride from etching machines, silver from plating machines, chemical waste from mold-prep machine, metal hydroxide from wastewater treatment plant
Non-hazardous waste	mainly domestic trash, such as paper, cardboard, plastic, copper waste from etching process in operation, etc.
e-waste	There is no e-waste generated at DCI

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).

Waste recycling and recovery, DCI

Hazardous waste recycling
recycling rate of total hazardous waste generated*

44% hazardous waste recycled in FY22

*Note: *waste reused is also considered as recycled*

Waste generated (MT) *1MT = 1,000 kg*				Waste directed to disposal	Waste diverted from disposal
	FY20	FY21	FY22	FY22	FY22
Hazardous waste	2,553	2,998	**2,792**	**1,552**	**1,240**
Non-hazardous waste	272	256	**85**	**34**	**51**
Grand total	**2,825**	**3,253**	**2,877**	**1,586**	**1,291**

Sustainability Statement

(Cont'd)

FY22	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	0	Preparation for reuse	0
	Landfilling	0	Recycling	0
	Other disposal operations (physical/chemical treatment)	1,240	Other recovery options	1,552
	Total	**1,240**	**Total**	**1,552**
Non-hazardous waste	Incineration	0.6	Preparation for reuse	0
	Landfilling	0	Recycling	0
	Other disposal operations	51	Other recovery options	34
	Total	**51**	**Total**	**34**
Grand Total		**1,291**		**1,586**

Note:

1. *All figures are rounded. Numbers may not sum due to rounding.*
2. ** All waste diverted from disposal are handled and managed by vendors offsite*
3. *** All waste is disposed by vendors offsite*

MPI initiatives – waste management

Zero wastewater discharge containing "N" and "P" from the surface treatment and flux cleaning processes

Pursuant to Regulations of Jiangsu Province on Water Pollution Prevention and Control in Taihui Lake (2018), the aim is to prevent Taihu lake from eutrophication. This project entails 100% recycling of wastewater contaminated by nitrogen and phosphorus by surface treatment and flux cleaning processes.

Evaporation concentration to reduce the waste liquid from plating and FA processes

Suzhou city in China has announced its aim to develop into a 'zero waste' city. Carsem SZ plans to utilize evaporation technology that can help remove 70% volume of waste liquid generation by plating and FA processes in its operations.

Sustainability Statement

(Cont'd)

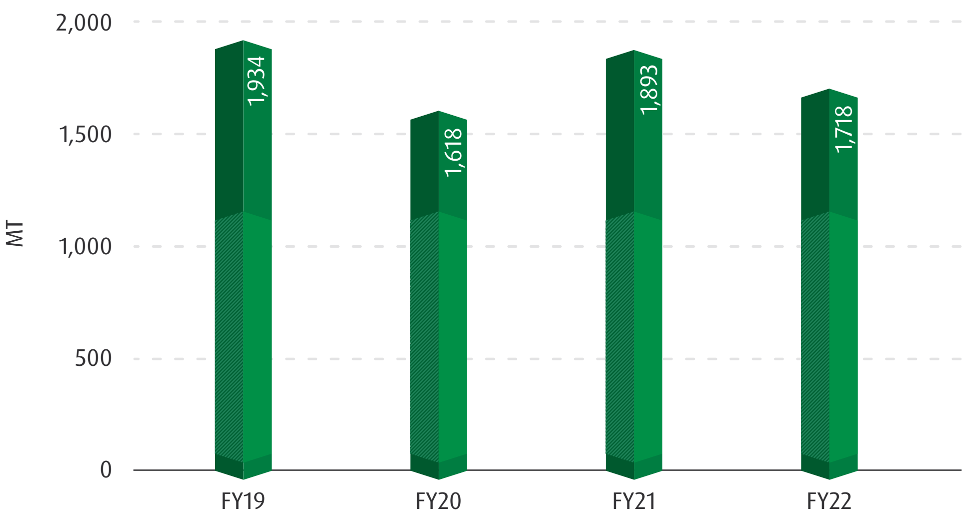
Expansion of waste treatment capacity

With the planned increase in production activity, Carsem M invested RM1.4 million for another 120GPM capacity of in-house industrial effluent treatment system ("IETS"). This is in line with our commitment to ensure all scheduled waste is treated before being discharged.

Aligned with the **UN SDG12**, **Responsible Consumption and Production**, we recover e-waste, wherever applicable, that comprises of valuable materials such as gold, aluminium, silver, and copper. This enables us to not only contribute to the broader objectives of ethical and sustainable disposal, but also to better manage market supply.

Further, waste recycling helps reduce disposal to landfills. Below is the summary of recycled waste for MPI for past 4 years.

Recycled waste (MT), MPI
1MT = 1,000kg



Product Stewardship

MPI understands its responsibility in delivering products and services to the stakeholders, especially direct customers, through safe, quality, qualified and ethical manufacturing methods and processes. To meet the evolving and demanding needs of customers, MPI duly assesses the related safety and ethical considerations. In doing so, we refer to the considerations in RBA Code of conduct as well as to the Restriction of Hazardous Substances (RoHS) directive on the hazardous substances listed therein.

Pertaining to MPI's products and services, we ensure strict compliance with all the relevant laws and regulations, and specific customer requirements at all our operating facilities. For instance, our Carsem SZ facility utilizes plating process, and is located in Taihu Lake basin. This makes it essential for us to comply with Regulations of Jiangsu province on Water Pollution Prevention and Control in Taihu Lake (2018), which pertains to plating related discharge and emission standards.

Sustainability Statement

(Cont'd)

Outlining below the key regulations, and specific customer requirements, along with our activities and practices on the same:

- **Compliance with ISO 14001, ISO 45001**

  All our operating sites strictly comply with ISO 14001, and ISO 45001 along with the adoption of all related standards.

- **Compliance with European Union Restriction of Hazardous Substances ("RoHS") Directive, which sets limitations on the use of ten substances, including lead, mercury, Cadmium, Chromium VI, PBB, PBDE, DEHP, BBP, DBP, DIBP**

  - Through analysis report conducted on a yearly basis, the compliance to RoHS is measured. Compliance to RoHS is determined based on an annual assessment, including verification of documents such as declaration letter, Certificate of Compliance ("CoC") and Safety Data Sheet ("SDS")
  - We obtain undertakings from our suppliers that they will comply with RoHS by communicating with them and facilitating their own compliance. Our suppliers are required to perform self-assessment using our assessment checklist, on a yearly basis
  - For all the supplied products, test reports and certificates of conformance are also obtained from suppliers

- **Regulations of Jiangsu Province on Water Pollution Prevention and Control in Taihu Lake (2018)**

  Through zero-discharge wastewater treatment facilities, Carsem SZ is equipped to fulfil the specific requirement on wastewater free of Nitrogen "N", and Phosphorus "P".

- **Emission standard of pollutants for semiconductor industry DB32/3747-2020 issued by Jiangsu Ecology and Environment Bureau**

  Pursuant to last Environmental approval, Carsem SZ implemented new environmental pollutants emission standard. It continues to ensure proper treatment of wastewater and air emissions by developing wastewater treatment and exhaust gas treatment facilities. Third parties monitor these facilities, and measure the wastewater discharge and air emissions on a half-yearly basis at least.

- **EQA (Clean Air) Regulation 2014, EQA (Industrial Effluent) Regulation 2009**

  At Carsem M and DCI, accredited third party monitoring of water discharge and exhaust discharge from scrubbers is conducted and submitted to local authorities. The Malaysian Department of Environment (DOE) also conducts regular checks to ensure compliance.

- **Restriction on the use of hazardous substances, including lead and lead compound**

  Carsem M has achieved third party certification on the Sony Green Partner.

- **ISO/TS 16949**

  All of our operating sites practice continuous improvement and perform periodic internal audits of all manufacturing related functions.

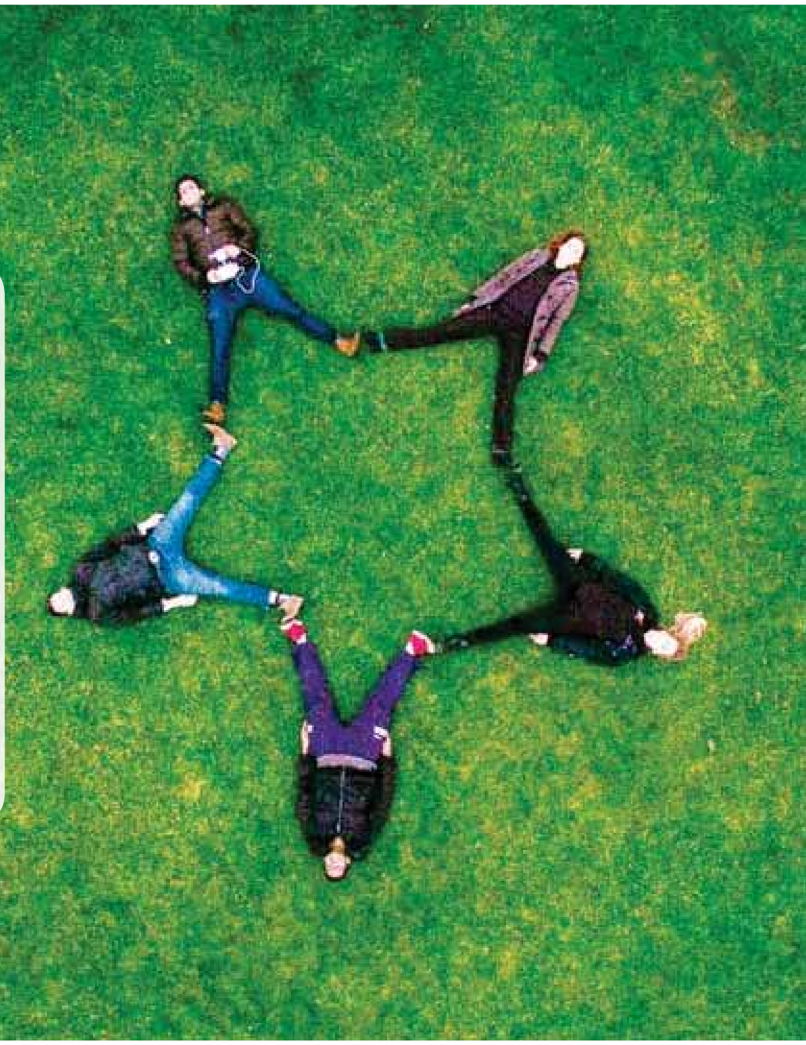
- **ISO 9001**

  All of our operating sites demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

Sustainability Statement

(Cont'd)

Better Society



We recognize that our success is made possible by the commitment of our people, the contributions of our supply chain partners, and the support of communities in which we operate. We strive to be a global employer of choice that attracts and retains high performing talent, and promotes diversity, non-discrimination and inclusion in building the workforce. Our impact extends beyond our business as we encourage the respect for human rights across our operations and supply chain, providing access to equal opportunities, and offering back to communities via our philanthropic initiatives.

Training and Education

Enabling talent development and growth through a mindset of learning

Employee growth and development is foundational to our overall business strategy. Guided by a structured process, all of our employees can take advantage of learning and development opportunities. These can range across several technical and non-technical aspects that are relevant to their current work as well as enablers for their future growth. During FY22, the low training hours are attributed to the disruption caused by COVID-19 where we had to put a lot of our training programs on hold.

Sustainability Statement

(Cont'd)

Training at MPI

Training hours
formal training hours for employees

34,143 *FY2022*

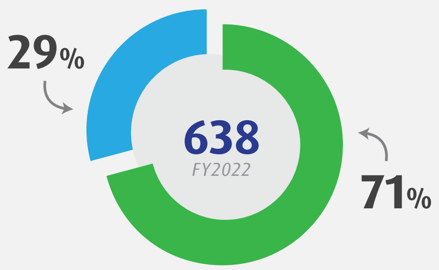
Training hours/employee
average formal training hours per employee

4 hours *FY2022*

Number of certifications
formal technical* certifications for employees

10,772 *FY2022*

Training types conducted
number of trainings by types



Technical

Machine/Process/Equipment training, IT/programming/multimedia/software, Quality and productivity, ESH, Technical engineering, Quality reliability assurance, Statistical process control

Non-technical

Finance, HR, Managerial, Personal development, Leadership, Supply chain

In FY22, our key development programs were planned and extended to employees at various levels. Our approach encompassed below 4 programs:

Programs	Objectives	Target audience
Graduate development program (GDP)	Build future talent pipeline by enhancing the existing intern/campus recruitment/fresh graduate hiring and development	Fresh graduates
Supervisor series	Enhance leaders'/supervisors' management, communication and problem solving skills	Leaders/ supervisors
Production specialist training	Enhance operators' technical abilities and increase the percentage of technically qualified operators	Operators
Engineer core competency development	Enhance fresh/existing engineers' abilities of problem analysis and solving	Engineers

Some key training courses that were promoted are outlined below:

Course type	Courses	Target audience
Technical Training	Machine Technical Training Basic Level (MTT)	Operator
	Machine Technical Training Intermediate Level (MTT)	Operator
Interpersonal sensitivity	Stress and emotional management	Leader/Supervisor
	TWI (Training Within Industry)	Leader/Supervisor
	Legal Training	Leader/Supervisor
	Safety Management Training	Leader/Supervisor
	Presentation Skill Training	Engineer
	Effective Communication Skill	Engineer

Sustainability Statement

(Cont'd)

Course type	Courses	Target audience
Engineering mandatory training	APQP and PPAP Training	Engineer
	MSA Training	Engineer
	On Line SPC Training	Engineer
	SPC Method 1 Training	Engineer
	SPC Method 2 Training	Engineer
	FMEA Training	Engineer
	DOE Training	Engineer
	Quality System Training	Engineer
	Advance ESD Training	Engineer
	8D Methodology Training	Engineer
	NPI Training	Engineer
	CIM and PCN Training	Engineer

Graduate Development Program (GDP) – Nurturing future talent

MPI's strong commitment to GDP is a key contributor to developing the new generation of talent, including engineers, in our industry and company. As part of our learning and development agenda and community focused initiatives, GDP entails offering learning opportunities to youth to hone their skills and equip them with relevant industry experience. The program acts as a launchpad for the outstanding graduates to enter our professional workforce and grow into mid-senior leadership roles. Across MPI, in FY22, we hired 26 GDP candidates.

In FY22, despite the challenges of the COVID-19 pandemic, we continued to welcome fresh graduates to MPI through a mix of virtual and face to face modes, allowing us to keep strengthening our talent pipeline despite the global challenges we faced.

GDP: We connected virtually as well as face to face, as we gradually started to return to work from office during FY22

Sustainability Statement

(Cont'd)

Supervisor series training

Production specialist training

Engineer core competency development

Skills development

National Dual Training System Programme/Sistem Latihan Dual National (SLDN) Program

In collaboration with Malaysian Investment Development Authority (MIDA) and Advanced Technology Training Center (ADTEC) Taiping, Carsem M aims to train 20 apprentices by the end of 2025 through SLDN Program. This would also demonstrate Carsem M's support for the government's initiative on Technical and Vocational Education and Training (TVET) while upskilling our employees.

Those apprentices who have successfully completed 4 months of theory training at ADTEC, Taiping and 8 months of practical training at Carsem M will be awarded Malaysia Skills Certificate (SKM) Level 3 by Department of Skills Development Malaysia through this SLDN Programme. As of now, Carsem M has already enrolled 10 apprentices for the first batch. The remaining 10 apprentices are planned to be enrolled in groups of 3-4 each year until 2025.

Sustainability Statement

(Cont'd)

Recognition of Prior Experiential Learning (RPEL) Programme

RPEL Programme is specially designed for employees who have prior experience with secondary education or less, to be recognised for their existing competencies in specific skill areas based on the standards determined by the Department of Skills Development. This is a 2 days' programme where our employees are sent to ADTEC, Taiping to complete their training and final assessment.

Employees who have completed and passed the final assessment, will be accredited with Malaysia Skills Certificate (SKM) Level 3 by Department of Skills Development Malaysia. Carsem M has successfully completed 2 batches in this RPEL Programme and the planning for the last batch is underway. In a way, RPEL Programme paves the way for our experienced employees to enhance their skills and support our company for continuous improvement.

Cross-training to up-skill the workforce to be versatile

With the goal of building an adaptable multi-talented workforce, we lay special emphasis on cross-training. Moreover, a versatile workforce helps manage and improve the operational productivity and resource optimization.

Over the years, at Carsem M, the percentage of versatile and multi-skilled shopfloor workers had significantly improved from 37% in FY17 to 69% in FY21. During FY22, it marginally dropped to 65% largely due to situational constraints arising from quarantine leaves owing to COVID-19 that affected the cross-training plans which are mainly hands-on training.

Employees are continually engaged in learning new skills, empowering them to manage changes in production

Sustainability Statement

(Cont'd)

Enhancing training infrastructure

Our new training centre at Carsem SZ, launched in FY22, is equipped with a large training room that can accommodate up to 120 people, a smaller training classroom, a multimedia training room equipped with computers for advanced demonstration system, an employee activity centre for external training and other activities, and 2 additional libraries.

Sustainability Statement

(Cont'd)

Labor Rights and Standards

Respecting human rights while advancing workforce diversity, engagement and inclusion

MPI acknowledges that we have a clear responsibility to actively identify, assess, and address labor rights risks. We firmly believe that beyond simply a legal duty of complying with all laws, including those relating to workers' rights, we have an ethical duty to do our best to protect workers, both in our operations and in our supply chain.

Labor standards and commitments

MPI is committed to operating in accordance with all applicable laws and the United Nations Universal Declaration of Human Rights. MPI aligns with the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and Responsible Business Alliance (RBA) Code of Conduct. Our approach to labor rights is guided by a framework that outlines our minimum expectations for labor standards across our operations and supply chain. This framework includes Hong Leong Manufacturing Group (HLMG) Code of Conduct and Ethics, and MPI Supplier Code of Conduct.

Governance

Oversight and management of human rights issues lies with the CSR/RBA Management System Organisation, which is led by our Group Managing Director, Manuel Zarauza.

Training

In FY22, 100% of our employees received training and communication on human rights matters that includes sensitizing them towards compliance to human rights in our operations as mentioned in the Code of Ethics. Our employees are trained to improve their knowledge and awareness around labor practices through specific programs and seminars. These are organized in-house and/or in collaboration with relevant authorities (e.g., JTK, labor office, etc.). We communicate the commitments and provisions of the RBA Code of Conduct through several channels to all our employees. Entire training and communication material is made available in all the relevant languages – English, Bahasa, and Chinese.

Grievance handling and remediation

MPI employees have access to grievance mechanisms, including Whistleblowing, manual and e-feedback form, skip level platform, employee survey, daily briefing sessions, and open-door policy 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. In FY22, there were no incidents of labor standards non-compliance and human rights violations at MPI.

Sustainability Statement

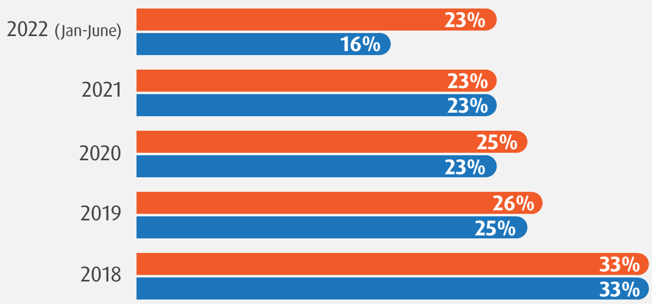
(Cont'd)

People at MPI

Employees
total global workforce
8,744
employees at June 30, 2022

Female employees
% of female employees in workforce
48%
employees at June 30, 2022

Attrition
average attrition rate %



Improving year-on-year employee turnover trend, which is consistently in line or better than the overall market trend

Source: MPI data, MIS, Suzhou Industrial Park Semiconductor and Electronics Association

Workforce diversity

At MPI, we value diversity, equality and inclusion, and respect the unique cultures, backgrounds, and talents of our team members. As an ongoing demonstration of our commitment, we continue to recruit, retain and promote women in our workforce at various levels. The proportion of women in our workforce grew from 45% at the end of FY21 to 48% at the end of FY22. Moreover, we continued our priority to support the inclusion of disabled people in our workforce. In FY22, 0.01% of our total workforce had a disability. Contractors or temporary staff constituted 10% of our workforce in 2021, and accounted for 15% in 2022 till date. In FY22, we continued to invest in initiatives and resources to encourage more diversity, inclusion, and cultural awareness across the company.

Setup additional fully equipped nursery room at Carsem SZ to provide private, safe and hygienic nursing place for female employees during lactation period. Plans to open more of these rooms to accommodate our increasing number of female employees

Sustainability Statement
(Cont'd)

Yoga Club for female employees facilitated by a professional coach, at Carsem SZ

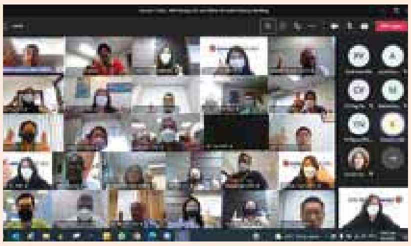
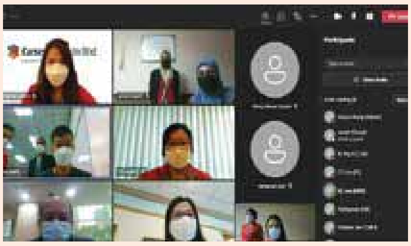
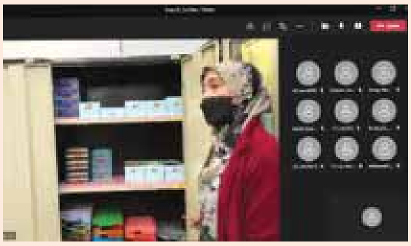
International Women's Day at Carsem SZ – lectures on women's health, beauty care

International Women's Day at Carsem M – 6 employees were awarded 'Carsem Best Women' title to celebrate and appreciate their contributions

Sustainability Statement

(Cont'd)

MPI 5S Audit for factory and office were conducted in March 2022 in a virtual setting, leveraging video conferencing tools for the first time. Virtual opening ceremony was attended by MPI GMD, Manual Zarauza, Carsem GMs, 5S team members and auditors from Carsem M, Carsem SZ and DCI

Carsem SZ conducted their 17th Kaizen competition. 55 projects were registered and 18 finalists were identified.



Activities at DCI such as Coffee Talk Session for new hires with GM, accompanied by HRM and respective department heads; Raya appreciation lunch for the employees.




Sustainability Statement

(Cont'd)

Female employees actively participated in sports – bowling, badminton, marathon, cycling

2021 SIP (Suzhou Industrial Park) Foreign Enterprise Sports Game Bowling Competition - Carsem Suzhou Sports Team

Completion of 'No Recruitment Fee' program for foreign workers

MPI's 'No recruitment Fee' policy is based on a commitment to ensure preservation of human rights of all foreign workers employed by us. Our intent is to safeguard their interests with no recruitment fee being charged to them at any stage of the hiring process, whether by Carsem M, its contractors, its agents or their sub-agents in the receiving as well as home countries. This is in line with our belief that foreign workers should not be the victims of fee charged by unethical recruitment agents.

In order to ensure that this program is conducted in an ethical, fair and transparent manner, we have embedded this policy in our contract with the recruitment agencies we engage with. These agencies are responsible for monitoring their sub-agencies to ensure that all guidelines are followed diligently. In cases where such fee is found to have been charged to any of the foreign workers, Carsem M shall require the agency to repay the workers. If such an action has not been undertaken by the recruitment agency, Carsem M shall suspend any working relationship with the agency until the matter is rectified. All contracts or partnerships with any recruitment agency that is found to be non-compliant with the policy after the necessary investigations and warnings, shall be terminated.

MPI's foreign worker housing

Holistic employee well-being is strongly correlated with their working as well as living conditions. So, in addition to the steps taken for workplace health and safety, MPI takes necessary actions to provide hygienic, safe and healthy accommodation for our employees. These are in strict compliance with The Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446).

Carsem M has identified a new accommodation site for its foreign workers which comes with better security, facilities and living conditions, and relocation has started and progressing well. Human Resources staff regularly communicate with the workers and visit hostels for inspection on safety, sanitization and overall quality of life.

Sustainability Statement

(Cont'd)

Labor rights at MPI

Freely chosen employment

We strictly prohibit any use of forced, bonded or indentured labor, involuntary prison labor, slavery or trafficking of persons at all times. There is no unreasonable restriction of employees' freedom of movement. We don't withhold employees' original government-issued identification, passports, work permits, travel documents, or education certificates. All workers are given employment agreement that clearly conveys the conditions of employment in a language they understand.

Freedom of association

We respect the rights of employees to associate freely, to decide whether they wish to join labor unions or not, and to seek representation in accordance with relevant laws and regulations in the regions we operate. Unions are accessible to workers at all of our operating sites.

Child labor

We take an active stand and unconditionally prohibit child labor. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.

Wages and benefits

Compensation paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. These should be paid in timely manner.

Humane treatment

We do not condone any kind of harsh and inhumane treatment or threat of any such treatment. These include any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers. The relevant disciplinary policies and procedures in support of these are clearly defined and communicated to workers.

Non-discrimination/non-harassment

We take the necessary steps to ensure a workplace that is free of harassment and unlawful discrimination. We assign central importance to fair working conditions and employee rights, and reject all form of discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training

Working hours

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. We take steps to ensure that our employees do not perform work exceeding the maximum hours allowed by the local law. Moreover, we take actions to reduce excessive working hours, and support exceeding minimum wage by allowing our employees to perform overtime. In doing so, we comply with the respective local laws across all our facilities.

Sustainability Statement

(Cont'd)

Employee engagement

Festival celebrations - Deepawali, Chinese New Year and Hari Raya celebrations at Carsem M, duly following COVID-19 health and safety SOPs. Food distribution was done to all employees as they were dressed up in traditional attires to grace these celebrations.

Career fair @ Carsem M – biggest ever career carnival organized by companies operating in Perak, Malaysia. Over 400 vacancies were opened at this recruitment drive

Hostel Firedrill @ Carsem M to ensure safety and well-being of employees – mock fire drill was conducted in collaboration with the local Fire department

Sustainability Statement

(Cont'd)

Bowling Fiesta 2022 @ Carsem M

Hostel Gotong Royong week – Carsem M management, hostel occupants and hostel management team participated in cleaning up of the hostel surroundings

Sustainability Statement

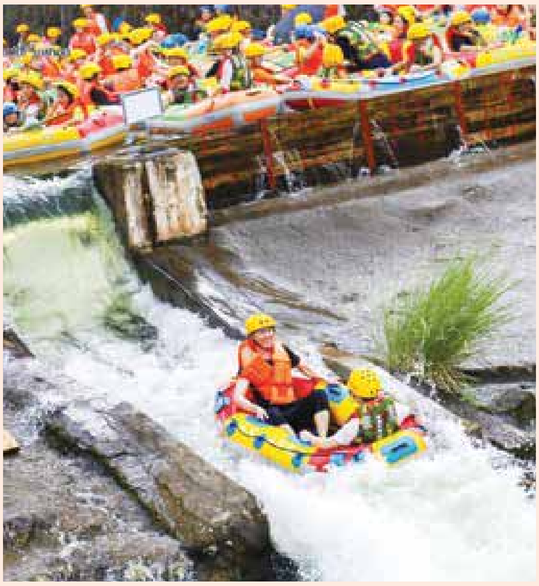
(Cont'd)

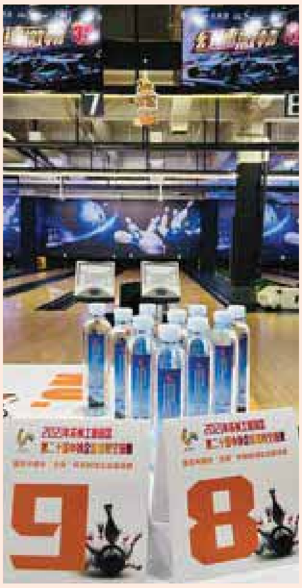
Chinese New Year 2022 @ Carsem SZ

Christmas celebration @ Carsem SZ

Mid-autumn festival @ Carsem SZ

Sports and team building @ Carsem SZ





Sustainability Statement

(Cont'd)

Occupational Health and Safety

Safeguarding employee wellbeing

MPI strives to be vigilant to identify and mitigate potential hazards at our manufacturing sites and takes precautions to keep the workplace safe for our employees and contractors. Our overall approach to safety has evolved during the COVID-19 pandemic, with MPI working in greater partnership with public authorities and third parties to protect our people during outbreaks.

Governance

MPI has dedicated health and safety working committees at our manufacturing sites. The occupational health and safety management systems at Carsem M, Carsem SZ and DCI adhere to ISO 45001:2018 requirements.

Each health and safety committee comprises of management and worker representatives, with a dedicated health and safety manager. The responsibilities and authorities for relevant roles of occupational health and safety management are assigned and communicated at all levels. Worker representatives consult and participate in occupational health and safety affairs through specific forums held on a periodic basis, and contribute with their efforts. These health and safety working committees take responsibility of overseeing and daily monitoring of the health and safety management at each of the manufacturing sites, including risk assessment, risk management, compliance, audits and investigations, complaint resolution, grievance addressal, as well as the deployment of specific initiatives.

Risk management

Our approach towards managing occupational health and safety risk is driven by the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") review that is done at least once in a year, and as and when required. This is led by the respective health and safety working committees at each operating site along with management and worker representatives. This proactive approach helps in identification of hazards and operational risks. The issues identified from HIRARC review are reported and assessed to define actions aimed at elimination of hazards and reduction of occupational health and safety related risks. Such actions are duly documented, executed and reviewed by the health and safety working committees in the periodic meetings. Audits are done to ensure compliance to safety procedures. This has led to consistent improvements in health and safety, and made our processes and machineries safer. Moreover, active involvement by operations in the 5S Kaizen program has further contributed to prevention of accidents.

Health and safety performance

MPI places great emphasis on safety awareness via appropriate safety training and briefings, supported by safety warning signs. This is complemented by workplace inspection, management visits, on-site chemical and personal protective equipment management and storage, machinery and work instruction and inspection, radiation monitoring and spot audits.

In FY22, there were zero reported incidents of occupational illness/disease[2], and occupational fatality[3] at all our manufacturing sites.

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[2] *In Malaysia, occupational disease covers any disease contracted as a result of an exposure to risk factors arising from work activity (Source: Department of Occupational Safety and Health Malaysia - Occupational Diseases and Poisoning 2019, Occupational Safety and Health Act 1994 (Act 514)). In China, occupational illness refers to the illness caused by exposure to dust, radioactive substances, and other toxic and harmful factors in the occupational activities of the workers of enterprises (Source: Law of the People's Republic of China on the Prevention and Control of Occupational Diseases by China National People Congress Stand Committee).*

[3] *In Malaysia, occupational fatality refers to a fatal injury, which is an injury at workplace leading to immediate death or death within one year of the accident (Source: Occupational Safety and Health Act 1994 (Act 514)). In China, occupational fatality refers to an accident at workplace leading to death or death within 30 days (for fire incident, within 7 days) (Source: The classification for casualty accidents of enterprise staff and workers GB6441 by China Emergency Management Department, Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents by State Council).*

Sustainability Statement

(Cont'd)

During FY22, our safety performance remained on track due to continuous focus and dedication by our health and safety teams. Our manufacturing sites are actively involved in internal and external occupational health and safety campaigns to promote awareness and reduce workplace accidents.

Injury frequency rate for industrial accidents, MPI			
FY19	**FY20**	**FY21**	**FY22**
1.00	0.97	1.03	0.87

Training

To drive site-level engagement in health and safety, we conduct training programs encompassing,

- General training: aimed at creating awareness and educating employees about health and safety issues – occupational and non-occupational. These include preventive measures for COVID-19
- Customized training: aimed at specific work activities, related health and safety risks, and towards various employee groups

The training program and plan is reviewed periodically to ensure that it incorporates the changes in operational, regulatory and industry aspects. During FY22, our leadership team and relevant team members from health and safety committee attended the OSH Legislation Amendments 2020 Comprehensive Occupational Health Risk Management training. The objective of this training is to ensure that our management, and health and safety committees are aware of the new amendment made in OSH legislation.

Managing health and safety during Covid-19

Our top priority is ensuring the health and safety of our employees, which is why MPI has invested in COVID-related initiatives to keep employees safe and get products to customers throughout FY22.

Managing health and safety during COVID-19 remained a key focus for us in FY22, with MPI providing employees with masks, sanitation facilities and temperature checks, alongside guidance on how to protect themselves and their families. In combating the Covid-19 pandemic, we continuously engaged with relevant local authorities. In Malaysia, for instance, these include MOH/KKM, police, fire department, DOSH, JTK and MITI. The main objective is to ensure alignment and compliance to the government (MKN) SOPs for the safety of all stakeholders.

At MPI, nearly 99% of our employees have been vaccinated with two doses. At our manufacturing sites, we have been proactive in aiding the efforts of the respective governments to vaccinate majority of the population.

Carsem M organized vaccination in collaboration with Perak government (PIKAS)

Sustainability Statement

(Cont'd)

Nucleic acid tests (NAT) were arranged for shift employees at Carsem SZ

Promoting Covid-19 prevention awareness via visual and digital mediums

Temperature measurements for all visitors and employees, health code checks at the entrance, and disinfection in all public areas were conducted diligently

Sustainability Statement

(Cont'd)

In FY22, we continued the efforts to provide guidance to our employees regarding Covid-19 prevention. This in turn enabled us to remain operational in a responsible way. We shared updated information with relevant stakeholders throughout the year. As the situation continued to evolve during the year, we were able to adapt and adjust, and return to work in a phased manner. While doing so, we continued to

- place equal focus on maintaining a healthy and safe workplace as well as hostel accommodations for the overall wellbeing of our employees.
- focus on reduction, if not elimination of transmission among employees
- emphasize preservation of life and safety of employees, their families, our business partners, our customers and communities, as well as continuity of our operation

Measures taken

Strict SOPs
(Standard Operating Procedures)
Physical distancing, usage of personal protection equipment, health monitoring, travel declarations and deferment of all events requiring physical attendance, as and when needed.

Flexible work policies and practices
Support mobile working, and rollout of necessary technology infrastructure. Rolled out phase-wise 'return to work' plan for employees across various departments, depending on the situation and nature of work.

Travel policy
Restrictions/ bans/ permissions to employees for business or leisure travel, based on evolving situation.

Resource planning
Configured operations in terms of working hours, and workforce strength in the face of dynamic Covid-19 situation. In doing so, we ensured that the processes andand protocols were intact.

Support, advice and counselling
Regular advisories via emails, digital and visual mediums. Setup emergency support team. Continued virtual learning and employee engagement initiatives to promote mental, physical, emotional and performance fitness. Counsellors were also made available to staff for emotional support

Sustainability Statement

(Cont'd)

Health and safety monitoring and support

MPI provides healthcare benefits and access to quality healthcare services to employees such as medical treatment from panel clinics, frequent health screenings, and regular health and safety talks. An in-house clinic at Carsem M is staffed with experienced medical personnel to provide medical consultation and treatment to our employees.

Incident response and reporting

OH&S Policies and Management system have been setup to guide employees on the steps to take in the event of incidents, including accidents, and to provide a structured and accessible platform for reporting of potentially or actually unsafe acts or workplace conditions, including conditions arising from unsafe or unhealthy work conditions and processes. In the event of incidents, employees are required to prioritise their own safety, removing themselves from situations where they believe could cause injury or ill health, followed by that of others. Subsequently, they are required to immediately report to their designated Safety and Health department (ESH) or persons-in-charge for further emergency responses to be undertaken. First Responder (ERT) is established and trained to handle incidences within their skills and experience. Contact to 3rd party assistance such as nearby hospitals, fire service department, etc. shall be established, using the contact details that are readily accessible at the security emergency command centre (security front office). Periodic emergency testing is conducted and audited by relevant parties, including the internal and external auditors, customers and authorities.

Incidents shall be properly reported and documented, followed by investigations and determination of action plans. The implementation of action plans will be monitored and shall be updated to the Health and Safety Working Committee and the site HSC chairman (the General Manager) before the case can be closed. Necessary changes shall be made to the HIRARC assessment and internal SOP to include improvement actions, after the incidents.

According to the established policies and procedures, and governed by the principles of the Whistleblowing Policy, the Group does not retaliate against genuine responses and reporting of incidents, including the employee's removal of himself/herself from work position to protect his/her own safety or health. Serious violations or breaches of the Company's health and safety policies and procedures can also be reported via the Group's Whistleblowing Policy.

Sustainability Statement

(Cont'd)

Local Communities

Empowering communities through action

At MPI, we are focused on leveraging our capabilities and assets for good to strengthen communities where our employees and partners live and work. We work side by side with community partners to find solutions to some of the most pressing challenges faced by our business and our surrounding communities. These include employment generation, support to the underprivileged, talent identification and development, education, and health and well-being.

Active volunteering by our employees in community welfare initiatives is encouraged. Though in the prevailing Covid-19 circumstances, these volunteering efforts are relatively constrained due to the related health and safety concerns for our employees as well as wider community.

Local employment

MPI views local employment generation as one of the key drivers of community engagement. At our manufacturing sites, we put emphasis on optimizing the hiring of local talent for both senior management and non-senior management positions.

% of local hires amongst employees		
Operating subsidiaries	**Senior management**	**Non-senior management**
Carsem M	76%	83%
Carsem SZ	62%	74%
DCI	77%	73%

Note: local – refers to Perak state for Carsem M, Penang state for DCI, and Jiangsu province for Carsem SZ.

Community welfare

Throughout FY22, we engaged in several community benefitting efforts. Some of these are illustrated below.

Charity material donation by Carsem SZ to underprivileged children in Sichuan Province

Sustainability Statement

(Cont'd)

Calamity donation @ Carsem M - in February 2022, freak storm and strong winds destroyed houses around Ipoh, Perak, Malaysia. Sadly, some of Carsem M's employees' houses were also damaged. Carsem Charity Chest took initiative to provide financial assistance to relieve the burden of those affected by this natural disaster.

JOM BANTU @ CARSEM M - an initiative under our Carsem Charity Chest (CCC) program. The objective is to assist employees and their families that are financially affected due to the pandemic. It also encompasses the employees suffering from prolonged illness and accidents. Grocery items were donated by CCC to help ease the burden during FY22.

Carsem SZ union donated Covid-19 prevention material to SIP government, to support the front-line medical staff and community workers

Sustainability Statement

(Cont'd)

Carsem M donated desktops, printer and office chairs to local Police Station at Ipoh, Perak, Malaysia

Blood donation drive @ Carsem M - Over 200 caring employees participated in the blood donation. As part of Carsem Wellness month in June 2022, a series of wellness campaigns, including Health Talk, Health Screening, Department of Safety and Health visit, and discussions about Carsem wellness initiative were organized.

Empowering the underprivileged

We understand that empowering and supporting the underprivileged or less privileged members of our community is in the interests of our business. With this mindset, we encourage recruitment of people from various backgrounds such as single mothers, school dropouts, or from rural areas. We offer specific certificate programs to school dropouts, that allow selected individuals to work and study short courses. We continue to look for ways to improve the effectiveness of such initiatives.

Children's education

The UN Convention on the Rights of the Child affirms that every child has a right to education. MPI and the wider Hong Leong Group are in alignment with the children's right to quality education. MPI has played an active part in the Hong Leong Group's initiatives such as Group Scholarship Award, Academic Excellence Awards, that are aimed at supporting children's education. Under Group Scholarship Award, children of our employees who have shown remarkable achievements in their public examinations and higher studies are offered scholarships for pursuing further studies. Similarly, the Academic Excellence Award is directed towards our employees' children who have performed well in their UPSR/PT3/SPM and STPM public examinations. They're rewarded monetarily as well as with a certificate of excellence. Our intention is to provide motivation to deserving children and ease the financial burden of their parents to some extent.

Sustainability Statement

(Cont'd)

Anti-bribery and Corruption

Leading ethically and transparently

MPI aims to achieve high ethical standards in all our corporate activities. MPI has rules on anti-bribery and corruption in the Code of Conduct and Ethics, and a dedicated Anti-bribery and corruption policy. In FY21, SIRIM QAS International had certified that Malaysian Pacific Industries Berhad (including Carsem M) had implemented Anti-Bribery Management Systems ("ABMS") and complied with ISO 37001:2016. In FY22, Carsem M has successfully obtained the re-certification for MS ISO 37001:2016. The scope of the certification is Anti-Bribery Management Systems for design, assembly and testing of semiconductor devices and corporate support services.

The management periodically conducts the Anti-bribery and corruption management system ("ABCMS") quarterly review, yearly risk assessment, internal audit and continuous improvement on the ABCMS system.

Anti-Bribery and Corruption Policy

With the adoption of MS ISO 37001:2016, as the Group's Anti-Bribery and Corruption Management System, the Board has approved an Anti-Bribery and Corruption Policy ("ABC Policy") which is part of the Group's commitment to conducting business ethically in compliance with the Malaysian Anti-Corruption Commission Act 2009 and all applicable anti-bribery and corruption laws of every country in which the Group operates. All employees, directors (executive and non-executive) and any person who performs services for and on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group are required to adhere to the ABC Policy.

ABC policy provides a strong framework to minimize 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 ABC Policy is publicly available on the corporate website and it outlines the Group is committed to conduct business dealings with integrity and ethics and to comply fully with applicable laws and regulation requirements on anti-bribery and corruption.

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

Whistleblowing

The group has put in place a Whistleblowing Policy and it applies to all employees of the Group as part of the Group's commitment to promote and uphold principles of transparency, accountability and ethics in the conduct of its business and operations. 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 that is published on the corporate website provides one of the safe avenues to disclose any suspected, attempted or actual acts of bribery and corruption within the Group. The Board has identified the Chairman of the Board Audit and Risk Management Committee ("BARMC") to whom reports of any such concerns may be conveyed.

Sustainability Statement

(Cont'd)

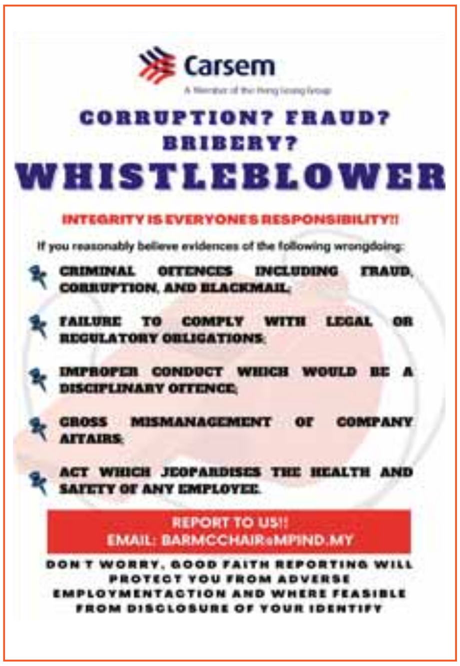
Awareness and Training

In FY22, the Group continued to conduct awareness and training including e-learning programme for all the employees of the Group on anti-bribery and anti-corruption. Key forms of awareness and training promoted were:

- Yearly e-Learning and e-Test;
- Poster at employee easy access areas
- Yearly training package via 1Point Lesson and e-Training Slide;
- Quarterly briefing through Department Briefing Session; and
- Quarterly email circular and TV display on ABC important highlights

Pursuant to the Hong Leong Manufacturing Group Self-Declaration Policy, all employees are required to submit an annual declaration on their compliance with the HLMG Code and the ABC Policy. New employees are required to make the self-declaration upon joining.

Promoting awareness among employees: Whistleblowing policy posters



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"). The HLMG Code serves as guiding principles in the day-to-day activities of the Group and reminds employees to maintain at all times the highest standards of conduct and to always demonstrate professional and personal integrity in the conduct of business activities and in dealings with stakeholders, customers, colleagues and regulators.

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 contract and agency staff.

As the HLMG Code forms part of the terms and conditions of employment, employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business and professional activities. The HLMG Code is available on the corporate website at www.mpind.my.

Risk Assessment and Management

The Board recognizes 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 exercises its oversight of risk management and internal control through the BARMC which meets on a quarterly basis and supported by an adequately resourced Group Internal Audit ("IA") Department ("GIAD").

Management is accountable to the Board for the risk management and internal control system and for the implementation of processes to identify, evaluate, monitor and report risks and controls. The Group's system of risk management and internal control is designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management. In addition, for bribery and corruption risks, the Group adopts MS ISO 37001:2016 (Anti-Bribery Management System) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 to reduce, detect and respond to bribery and corruption risks. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

Sustainability Statement

(Cont'd)

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. Key business risks and risks exceeding tolerance levels would be escalated to the BARMC and if necessary, to the Board for deliberation. 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.

During FY22, no political contributions were made by MPI. In FY22, none of our employees faced dismissal or disciplining due to non-compliance with the anti-bribery and corruption policy. As such, no fines, penalties or settlements in relation to corruption were incurred by MPI, during FY22.

GOVERNANCE

Board of Directors

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent

Age 67, 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 does not sit on any Board committee of MPI.

He is the Chairman of Hong Leong Industries Berhad, Hume Cement 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, a public company.

MR MANUEL ZARAUZA BRANDULAS

Group Managing Director/ Non-Independent

Age 51, 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 Board committee of MPI.

IR. DENNIS ONG LEE KHIAN

Non-Executive Director/ Independent

Age 67, 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 ASEAN Academy of Engineering and Technology, 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 Board Audit & Risk Management Committee of MPI.

Board of Directors
(Cont'd)

YBHG DATO' MOHAMAD KAMARUDIN BIN HASSAN

Non-Executive Director/ Independent

Age 67, 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. He is a member of the Board Audit & Risk Management Committee and Nominating Committee of MPI.

He is the Chairman of Muhibbah Engineering (M) Berhad and a Director of Duopharma Biotech 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 58, Female, Malaysian

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

She began her legal career with Skrine & Co in February 1987 whereafter she co-founded the legal firm Wong Lu Peen & Tunku Alina in April 1992. She was the Managing Partner until her retirement from partnership in December 2011 and remains as Consultant to the firm to date. She is still an Advocate & Solicitor of the High Court of Malaya and a registered associate mediator with the Bar Council Malaysia and the Singapore Mediation Centre.

Dr Tunku Alina is a sustainability and corporate governance practitioner, and volunteers as council member with Climate Governance Malaysia. Her board directorship career is underpinned by many years in legal practice as well as continuing directors' education in sustainability, climate issues, circular economy and environmental, social and governance (ESG).

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

She is a Director of IJM Corporation Berhad, Batu Kawan Berhad and Nestle (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities.

Board of Directors

(Cont'd)

MS FOO AI LI

Non-Executive Director/ Independent

Age 46, Female, Malaysian

Ms Foo Ai Li graduated from Lincoln University, New Zealand with a Bachelor of Commerce (Accounting) and is a Chartered Accountant with the Institute of Chartered Accountants Australia and New Zealand, and the Malaysian Institute of Accountants.

Ms Foo joined Shell Malaysia in 2002 after 3 years of external audit exposure. She served in the Singapore regional treasury centre for 5 years, after which she was appointed as the Finance Manager in Shell Refining Company (FOM) Berhad, accountable for statutory reporting, governance, hydrocarbon and management accounting. In 2012, she moved to hold a global role overseeing 300 staff in Shell's Finance Operations managing revenue billing for the Royal Dutch Shell Group. Thereafter, Ms Foo was appointed as the General Manager, Finance in Shell MDS Sdn Bhd accountable for the finance and governance function for manufacturing and marketing. Her last position in the energy industry was as the Chief Financial Officer of Hengyuan Refining Company Berhad (formerly Shell Refining Company (FOM) Berhad) from 2016 to 2019. Ms Foo is presently attached to CDC Consulting Sdn Bhd providing advisory work. She is also an active volunteer at a non-governmental organisation which focuses on holistic education.

She was appointed to the Board of MPI on 1 September 2021. She is a member of the Board Audit & Risk Management Committee and Nominating Committee of MPI.

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 2022.
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.

GOVERNANCE

Key Senior Management

MR ERIC CHEAH WING KET

Chief Financial Officer, Malaysian Pacific Industries Berhad

Age 56, 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 vast experience of more than 30 years acquired mainly from large-scale semiconductor manufacturing operations and international auditing firm. He forged his early career with KPMG Malaysia where 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. 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 and operation management, controllership, business strategy development including sustainability programmes, anti-bribery and corruption management system. He also has been actively involved in employee coaching and mentoring across various levels of management.

MR INDERJEET SINGH A/L PERTAP SINGH

General Manager, Carsem (M) Sdn Bhd, S-site

Age 53, Male, Malaysian

Mr Inderjeet Singh A/L Pertap Singh graduated from University of Leicester, United Kingdom ("UK") 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 50, 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 and 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.

Key Senior Management

(Cont'd)

MR LEE CHOE KHEAN

Head of China Operations, Carsem Semiconductor (Suzhou) Co., Ltd and Carsem Advanced Technology (Suzhou) Co., Ltd

Age 55, 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 challenges since the start-up of Carsem Suzhou have broadened his management scope.

Mr Lee was appointed as General Manager of Carsem Suzhou on 15 August 2015 and was promoted as Head of China Operations on 1 January 2022.

MR RAYMOND SHI YAN

General Manager, Carsem Semiconductor (Suzhou) Co., Ltd

Age 48, Male, Chinese

Mr Raymond Shi Yan graduated from China Southeast University with a Bachelor in Mechanics-Electronics Engineering. He also holds Master of Science in both Manufacturing System Engineering and Computer Science from University of Hertfordshire, UK.

Mr Raymond Shi has more than 20 years of experience in semiconductor industry, involved in various operations, engineering, research & development ("R&D"), quality assurance, information technology ("IT"), sales & marketing management. He started his career in Knowles Electronics (Suzhou) Co., Ltd, which is a world leader in microphones and hearing aids. Mr Raymond Shi joined Carsem Suzhou in 2003. He was promoted as Senior Operations Director in 2016. He was responsible for assembly & test operations, sales, customer service and R&D of Carsem Suzhou.

Mr Raymond Shi was appointed as General Manager of Carsem Suzhou on 1 January 2022.

MR LAI SEAN LEONG

General Manager, Dynacraft Industries Sdn Bhd

Age 57, Male, Malaysian

Mr Lai Sean Leong graduated from University Sains Malaysia with a Bachelor of Science in Physics & Computer Science (Minor).

Mr Lai began his career in 1990 as Process Engineer with National Semiconductor Sdn Bhd before joining the Hong Leong Group in 1991 where he worked as Process Engineer with Carsem. He has served in various engineering and operations roles within Carsem including setting up and managing a new SC70/79 product line in 1999 and leading IT modernisation project in 2002. He was seconded as Operation Manager to China in 2004 to assist in setting up the Carsem Suzhou factory. He was transferred to Southern PC Steel Sdn Bhd in 2014 as General Manager and subsequently took on the position of Digital Transformation General Manager in 2020.

Mr Lai was transferred to Dynacraft Industries Sdn Bhd as General Manager on 1 January 2022.

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 2022.

GOVERNANCE

Corporate Governance Overview Statement, Risk Management and Internal Control

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (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 2022 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.

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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

A. Roles And Responsibilities Of The Board (cont'd)

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 of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] 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. 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. In line with gender diversity, there are two (2) women Directors, representing 33% of women participation, on the Board.

Based on the review of the Board composition in August 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

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

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") ended 30 June 2022 ("FY 2022") 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. BOARD COMMITTEES (cont'd)

- NC

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

The NC has been re-constituted as follows:

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

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

Ms Foo Ai Li
Independent Non-Executive Director
(Appointed with effect from 1 June 2022)

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director
(Resigned with effect from 1 June 2022)

(i) New Appointments

The nomination, assessment and approval process for New Appointments, in accordance with the Directors' Fit and Proper Policy, shall be as follows:

Identification of Candidates	→	NC meeting with Candidates	→	Assessment by NC • Assessment against Assessment Criteria • Declarations by Candidates • Independent background checks • If assessed to be suitable, recommendation by the NC to the Board	→	Deliberation and decision by the Board

All candidates to the Board are assessed by the NC prior to their appointments, taking into account the assessment criteria, inter alia, the candidates' character and integrity, 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, business experience, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. BOARD COMMITTEES (cont'd)

- NC (cont'd)

(ii) Re-election

The nomination and approval process for re-election of Directors as set out in the Directors' Fit and Proper Policy are as follows:

Assessment by NC • Assessment against Assessment Criteria • Declarations • If assessed to be suitable, recommendation by the NC to the Board	→	Deliberation and decision by the Board

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 ("Act") 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 membership	→	Assessment by NC • Assessment against Assessment Criteria • If assessed to be suitable, recommendation by the NC to the Board	→	Deliberation and decision by the Board

In line with the Directors' Fit and Proper Policy, 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 CFO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one (1) 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. BOARD COMMITTEES (cont'd)

- NC (cont'd)

  The NC 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.

  The NC met once during FY 2022 and all the NC members attended the meeting.

  The NC discharged its duties in accordance with its TOR during FY 2022. The NC considered and reviewed the following:

  - Nominating Committee Charter, policies on Independence of Directors, Board Composition, 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;
  - training undertaken by Directors and recommendation of training programmes for Directors; and
  - re-election of Directors.

  The NC has also considered and recommended to the Board for approval, the adoption of the Directors' Fit and Proper Policy and the re-constitution of NC.

  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 2022. 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") and SM 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

D. Remuneration (cont'd)

The remuneration packages of EDs and key SM ("Key SM") are reviewed by the entire Board. EDs and Key SM 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 and Key SM, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

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

The 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-ID. 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 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.

The tenure of all the IDs on the Board does not exceed nine (9) years.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled 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, among others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and hold practising certificates issued by CCM. The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves abreast with, inter alia, regulatory requirements, company law and CG.

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

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

The Board met four (4) times during FY 2022 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
Ir. Dennis Ong Lee Khian	4/4
YBhg Dato' Mohamad Kamarudin Bin Hassan	4/4
Dr Tunku Alina Binti Raja Muhd Alias	4/4
Ms Foo Ai Li *(Appointed with effect from 1 September 2021)*	*3/3
Ms Lim Tau Kien *(Resigned with effect from 1 September 2021)*	*1/1

** reflects the attendance and the number of meetings held during the period the Directors held office*

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

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

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 may include visits to the Group's business operations, 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 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, information technology, anti-bribery and corruption, environmental, social and governance ("ESG"), industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2022, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management, ESG and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes/briefings 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 2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 15th ISP National Seminar 2022
- 2nd Waste Management Sustainability Forum
- Annual Dialogue with Governor of Bank Negara
- Audit Oversight Board Conversation with Audit Committees
- Briefing on Hong Leong Manufacturing Group Sdn Bhd Anti-Bribery and Corruption Management System and Remuneration Framework
- Challenges in Digital Transformation
- Digital Disruptions - Winning Strategies for Legacy Companies
- Digital Series: Data Adoption and AI to drive better Business Decisions
- Digital Series: Data Privacy Comprehensibility & Trust
- Digital Series: Defining Future of Work for Boards
- Digital Series: What Boards Should Know
- Engineering Solutions in the Age of Digital Disruption
- ESG: Navigating the Board's Role
- Getting it Right: Securing Results from Digital Transformation
- Global Islamic Economic Opportunity
- Awareness Talk on GHGs and Climate Change
- Innovation in the Boardroom Roundtable
- IR4.0 and the Developing World: Digital Dividend or Digital Divide?
- Malaysian Code on Corporate Governance
- Mandatory Accreditation Programme
- Maximising the Value of Internal Audit
- Overview of ESG & Climate Change Board Training
- Qualified Risk Director Program: Directors' Guide to ERM and ISO 31000
- Qualified Risk Director Program: Establishing An Empowered Board Risk Committee
- Task Force on Climate Related Financial Disclosures (TCFD) Climate Disclosure Training Programme
- The Efficacies of Integrated Reporting for Listed Organisation
- The Net Zero Journey: What Board Members Need to Know (Part 1)
- The Principles and Methodology of TCFD in ESG

During FY 2022, an induction programme covered overview of business, finance and corporate and visit to the Group's business operation, was organised for a newly appointed Director.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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.

- **Anti-Bribery and Corruption Policy**

  The Group has 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

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 require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the Act requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance 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 2022 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

III. Risk Management and Internal Control

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

- Responsibility of the Board

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

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

- Risk Management Framework

  For FY 2022, 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 adopted the Anti-Bribery Management System ("ABMS") under the MS ISO 37001:2016 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. Malaysian Pacific Industries Berhad and its subsidiary, Carsem (M) Sdn Bhd, have been certified for MS ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- Risk Management Framework (cont'd)

  Further, on an ongoing 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 reports on a quarterly basis for reporting to the BARMC.

- System of Internal Controls

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

  - A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  - Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
  - Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
  - Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
  - Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk and 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 2022 covered capital expenditure management, equipment rental management, tender and procurement function and occupational safety and health review.
  - 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 FY 2022 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- 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 2022 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- Board's Opinion

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

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, 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 2022, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

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

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 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. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are published on the Website.

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

Queries may be conveyed to the following person:

Name	: Ms Wong Wei Fong
Tel	: 03-2080 9200
Fax	: 03-2080 9238
Email	: 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 attend and vote on all resolutions. Directors, CFO and the external auditors are also available to respond to shareholders' queries during the AGM.

In light of the Covid-19 pandemic and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 3 November 2021 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said AGM physically at the broadcast venue to engage with shareholders and address issues of concern raised by the shareholders. Questions from the shareholders, which were raised prior to and during the meeting as well as the Company's response to the same were shared with all shareholders during the Question & Answer session at the AGM. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are published on the Website.

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.

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

GOVERNANCE

Board Audit & Risk Management Committee Report

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:

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

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

Ms Foo Ai Li
Independent Non-Executive Director

SECRETARY

The Secretary(ies) to the Committee shall be the Company Secretary(ies) 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 the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

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.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2022 ("FY 2022") 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 2022, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Ir. Dennis Ong Lee Khian	4/4
YBhg Dato' Mohamad Kamarudin Bin Hassan	4/4
Ms Foo Ai Li *(Appointed with effect from 1 September 2021)*	*3/3
Ms Lim Tau Kien *(Resigned with effect from 1 September 2021)*	*1/1

** reflects the attendance and the number of meetings held during the period the Directors held office*

The Committee carried out the following key activities during FY 2022:

- Reviewed and recommended to the Board for approval, the annual financial statements of the Group and of the Company, 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 Group and of the Company.
- Reviewed and recommended 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 the financial performance of the Group including cash flow and capital expenditure.
- Reviewed the impact and risks on the businesses of the Group arising from the Covid-19 pandemic, Russo-Ukrainian War, global labour shortage etc. and the challenges ahead.
- 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 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 2022 are stated in the notes to the financial statements.
- Reviewed with the external auditors, the audit plan for FY 2022, 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.
- Held two (2) separate sessions with the external auditors, without the presence of senior management to discuss all major issues, including co-operation of Group's officers rendered to the external auditors. During the separate sessions, no critical issues were raised.
- Discussed with the external auditors, the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed and approved the annual internal audit scope and plan.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the internal audit findings and recommendations including management responses, progress status and updates of management's action plans on internal audit's findings and recommendations thereto.
- Held one (1) separate session with internal auditors without the presence of senior management to discuss whistleblowing incidents.
- Received and deliberated on the whistleblowing reports and further steps to be taken.
- Reviewed periodically and recommended to the Board for approval, the Whistleblowing Policy.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES (cont'd)

- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on compliance, operational and financial, and relevant management information system, including the processes in place to identify, evaluate and manage the significant risks encountered by the Group.
- Reviewed and assessed the Group's compliance with the existing occupational safety and health laws and regulations, as well as its readiness to meet the new requirements prescribed in Occupational Safety and Health (Amendment) Bill 2020.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Reviewed the Policy and Procedures 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 practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- Reviewed the proposed mandate for RRPT with various related parties prior to the 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 the 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.
- Acted as Governing Body of Anti-Bribery and Corruption Management System ("ABCMS") and reviewed the Governing Body Report comprised ABCMS activities, progress updates on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Recommended to the Board for approval, the Directors' annual declaration of Hong Leong Manufacturing Group Gift and Entertainment Policy, Anti-Bribery and Corruption Policy and Code of Ethics for Company Directors.

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. As at 30 June 2022, there were twelve (12) staff in the GIAD and the total cost incurred by the GIAD for FY 2022 amounted to RM2,409,090.

The purpose, authority, scope, independence and responsibilities of 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 is a Professional Member of the Institute of Internal Auditors Malaysia and holds the qualifications of Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiners. 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. The GIAD has received cooperation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

Board Audit & Risk Management Committee Report

(Cont'd)

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

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 2022 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.

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 2022 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an ongoing 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.

Financial Statements

Directors' Report

for the financial year ended 30 June 2022

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 2022.

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 and 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	328,853	99,785
Non-controlling interests	56,077	-
	384,930	99,785

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 2022 on 23 December 2021; and

(ii) a second interim single tier dividend of 25 sen per share amounting to RM49,724,105 in respect of the financial year ended 30 June 2022 on 24 June 2022.

The Directors do not recommend a final dividend for the financial year ended 30 June 2022.

Directors' Report

(Cont'd)

DIRECTORS

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

Company

YBhg Datuk Kwek Leng San*, Chairman
Mr Manuel Zarauza Brandulas*, Group Managing Director
Ir. Dennis Ong Lee Khian
YBhg Dato' Mohamad Kamarudin Bin Hassan
Dr Tunku Alina Binti Raja Muhd Alias
Ms Foo Ai Li (Appointed on 1 September 2021)
Ms Lim Tau Kien (Resigned on 1 September 2021)

Subsidiaries

Encik Idris Bin Yaacob
Encik Zulkafli Bin Hamid
Mr Cheah Wing Ket
Ms Cynthia Cheng
Mr Goh Eng Tatt (Resigned on 1 July 2022)
Ms Khor Sau Mooi
Mr Lee Choe Khean
Ms Mabel Cheung Mei Po
Ms Stella Lo Sze Man
Mr Tong Woei Luen (Appointed on 1 July 2022)

* These are also Directors of subsidiaries.

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 of the Company and/or its related corporations during the financial year ended 30 June 2022 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*			
	At 1.7.2021	Acquired	Sold	At 30.6.2022
Shareholdings in which Directors have direct interests				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,588,334	44,166 (1)	-	2,632,500
	44,166 *	-	44,166 *(1)	-
Malaysian Pacific Industries Berhad	1,108,334	90,833 (1)	-	1,199,167
	74,166 *	50,000 *	90,833 *(1)	33,333 *
Hong Leong Bank Berhad	536,000	-	-	536,000
Hong Leong Financial Group Berhad	654,000	-	-	654,000
Hume Cement Industries Berhad	3,921,600	-	-	3,921,600
	2,017,142 #	-	-	2,017,142 #

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS (cont'd)

	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*			
	At 1.7.2021	**Acquired**	**Sold**	**At 30.6.2022**
Interest of Mr Manuel Zarauza Brandulas in:				
Malaysian Pacific Industries Berhad	425,768	359,999 (1)	142,300	643,467
	413,332 *	2,253,613 *	359,999 *(1)	2,306,946 *

Legend:

(1) Vesting of shares.

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 below 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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2022 are as follows:

	Group RM'000	Company RM'000
Directors of the Company:		
Fees	582	542
Remuneration and other benefits	30,974	-

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

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.

Directors' Report
(Cont'd)

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Malaysian Pacific Industries Berhad and its subsidiaries and where applicable, associated companies) 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 RM63,481 and the apportioned amount of the said premium paid by the Company was RM10,806.

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;

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

(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 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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

Directors' Report
(Cont'd)

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the year are RM319,000 and RM38,500 respectively.

On behalf of the Board,

Manuel Zarauza Brandulas

Ir. Dennis Ong Lee Khian

Date: 29 August 2022

Statements of Financial Position

as at 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
ASSETS					
Property, plant and equipment	4	1,511,323	1,051,200	-	10
Right-of-use assets	5	52,285	38,844	-	-
Investment properties	6	27,897	28,790	-	-
Investments	7	46	46	432,133	432,133
Total non-current assets		1,591,551	1,118,880	432,133	432,143
Inventories	9	206,279	170,226	-	-
Trade and other receivables	10	356,139	285,509	102	61
Tax recoverable		62	3,815	-	-
Cash and cash equivalents	11	964,826	985,988	245,069	217,032
Total current assets		1,527,306	1,445,538	245,171	217,093
TOTAL ASSETS		3,118,857	2,564,418	677,304	649,236
Equity attributable to owners of the Company					
Share capital	12	352,373	352,373	352,373	352,373
Reserves	13	1,811,656	1,509,133	487,966	457,813
Treasury shares		(163,816)	(163,816)	(163,816)	(163,816)
		2,000,213	1,697,690	676,523	646,370
Non-controlling interests		321,568	287,045	-	-
TOTAL EQUITY		2,321,781	1,984,735	676,523	646,370
LIABILITIES					
Loans and borrowings	15	180,100	12,856	-	-
Deferred tax liabilities	8	2,269	898	-	-
Lease liabilities		23,566	23,721	-	-
Total non-current liabilities		205,935	37,475	-	-
Loans and borrowings	15	13,170	70,708	-	-
Lease liabilities		2,781	1,588	-	-
Trade and other payables, including derivatives	16	543,813	444,320	781	2,854
Current tax liabilities		31,377	25,592	-	12
Total current liabilities		591,141	542,208	781	2,866
TOTAL LIABILITIES		797,076	579,683	781	2,866
TOTAL EQUITY AND LIABILITIES		3,118,857	2,564,418	677,304	649,236

The notes on pages 124 to 179 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue					
- Sale of goods	17	2,414,156	1,984,752	-	-
- Dividend income	17	1,967	3,737	102,303	47,137
Cost of sales		(1,909,353)	(1,602,978)	-	-
Gross profit		506,770	385,511	102,303	47,137
Distribution expenses		(21,096)	(19,905)	-	-
Administrative expenses		(97,521)	(55,535)	(4,751)	(16,142)
Other operating income		68,971	63,703	1,268	603
Other operating expenses		(14,869)	(15,108)	-	(191)
Results from operations		442,255	358,666	98,820	31,407
Finance income	18	4,743	2,533	1,341	490
Finance costs	19	(7,619)	(3,575)	(1)	(1)
Profit before taxation	20	439,379	357,624	100,160	31,896
Taxation	21	(54,449)	(32,101)	(375)	(264)
Profit for the year		384,930	325,523	99,785	31,632
Profit attributable to:					
Owners of the Company		328,853	271,819	99,785	31,632
Non-controlling interests		56,077	53,704	-	-
		384,930	325,523	99,785	31,632
Basic/Diluted earnings per ordinary share (sen)	22	165.62	137.36		
Profit for the year		384,930	325,523	99,785	31,632
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		18,359	25,627	-	-
- Cash flow hedge		(4,763)	347	-	-
Total other comprehensive income for the year	23	13,596	25,974	-	-
Total comprehensive income for the year		398,526	351,497	99,785	31,632
Total comprehensive income attributable to:					
Owners of the Company		343,756	297,750	99,785	31,632
Non-controlling interests		54,770	53,747	-	-
		398,526	351,497	99,785	31,632

The notes on pages 124 to 179 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2022

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
Group	**Share capital**	**Other reserve**	**Hedging reserve**	**Exchange fluctuation reserve**	**Reserve for own shares**	**Executive share scheme reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 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
Other comprehensive income											
- foreign currency translation differences	-	-	-	25,627	-	-	-	-	25,627	-	25,627
- cash flow hedge	-	-	304	-	-	-	-	-	304	43	347
Profit for the year	-	-	-	-	-	-	-	271,819	271,819	53,704	325,523
Total comprehensive income for the year	-	-	304	25,627	-	-	-	271,819	297,750	53,747	351,497
Contributions by and distributions to owners of the Company:											
- Dividends (Note 24)	-	-	-	-	-	-	-	(59,469)	(59,469)	(18,600)	(78,069)
- Share-based payment	-	-	-	-	-	2,496	-	-	2,496	947	3,443
- ESS trust shares vested	-	-	-	-	2,901	(4,087)	-	1,186	-	-	-
- Disposal of trust shares	-	-	-	-	43,858	-	-	32,148	76,006	12,718	88,724
Total transactions with owners of the Company	-	-	-	-	46,759	(1,591)	-	(26,135)	19,033	(4,935)	14,098
Transfer to other reserve	-	12,150	-	-	-	-	-	(12,150)	-	-	-
At 30 June 2021	352,373	50,496	(169)	108,412	(2,839)	2,734	(163,816)	1,350,499	1,697,690	287,045	1,984,735
	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 2022
(Cont'd)

Group	Share capital	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	← Attributable to owners of the Company								→		
	← Non-distributable						→	Distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2021	352,373	50,496	(169)	108,412	(2,839)	2,734	(163,816)	1,350,499	1,697,690	287,045	1,984,735
Other comprehensive income/ (expense)											
- foreign currency translation differences	-	-	-	18,359	-	-	-	-	18,359	-	18,359
- cash flow hedge	-	-	(3,456)	-	-	-	-	-	(3,456)	(1,307)	(4,763)
Profit for the year	-	-	-	-	-	-	-	328,853	328,853	56,077	384,930
Total comprehensive income for the year	-	-	(3,456)	18,359	-	-	-	328,853	343,756	54,770	398,526
Contributions by and distributions to owners of the Company:											
- Dividends (Note 24)	-	-	-	-	-	-	-	(69,558)	(69,558)	(30,144)	(99,702)
- Share-based payment	-	-	-	-	-	29,868	-	-	29,868	9,897	39,765
- ESS trust shares vested	-	-	-	-	3,385	(3,336)	-	(49)	-	-	-
- Purchase of trust shares	-	-	-	-	(1,543)	-	-	-	(1,543)	-	(1,543)
Total transactions with owners of the Company	-	-	-	-	1,842	26,532	-	(69,607)	(41,233)	(20,247)	(61,480)
Transfer to other reserve	-	18,993	-	-	-	-	-	(18,993)	-	-	-
At 30 June 2022	352,373	69,489	(3,625)	126,771	(997)	29,266	(163,816)	1,590,752	2,000,213	321,568	2,321,781
	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 2022
(Cont'd)

	← *Non-distributable*			→	*Distributable*	
Company	**Share capital**	**Reserve for own shares**	**Executive share scheme reserve**	**Treasury shares**	**Retained earnings**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 2020	352,373	(11,408)	391	(163,816)	484,399	661,939
Profit/Total comprehensive income for the year	-	-	-	-	31,632	31,632
Contributions by and distributions to owners of the Company:						
- Dividends (Note 24)	-	-	-	-	(59,654)	(59,654)
- Share-based payment	-	-	287	-	-	287
- ESS trust shares vested	-	382	(400)	-	18	-
- Disposal of trust shares	-	10,645	-	-	1,521	12,166
Total transactions with owners of the Company	-	11,027	(113)	-	(58,115)	(47,201)
At 30 June 2021/1 July 2021	352,373	(381)	278	(163,816)	457,916	646,370
Profit/Total comprehensive income for the year						
Contributions by and distributions to owners of the Company:	-	-	-	-	99,785	99,785
- Dividends (Note 24)	-	-	-	-	(69,610)	(69,610)
- Share-based payment	-	-	129	-	-	129
- ESS trust shares vested	-	476	(354)	-	(122)	-
- Purchase of trust shares	-	(151)	-	-	-	(151)
Total transactions with owners of the Company	-	325	(225)	-	(69,732)	(69,632)
At 30 June 2022	352,373	(56)	53	(163,816)	487,969	676,523
	Note 12	Note 13	Note 13		Note 13	

The notes on pages 124 to 179 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from operating activities					
Profit before taxation		439,379	357,624	100,160	31,896
Adjustments for:					
Depreciation of property, plant and equipment		287,174	193,486	10	119
Depreciation of right-of-use assets		5,224	4,679	-	-
Depreciation of investment properties		893	919	-	-
Dividend income from unquoted subsidiaries		-	-	(100,336)	(43,400)
Dividend income from other investments					
- Recognised in revenue		(1,967)	(3,737)	(1,967)	(3,737)
- Recognised in other operating income		(4,028)	(6,751)	-	-
Finance costs		7,619	3,575	1	1
Finance income		(4,743)	(2,533)	(1,341)	(490)
Fair value loss on financial instruments designated as hedging instruments		2,777	117	-	-
Gain on disposal of property, plant and equipment		(2,391)	(243)	-	-
Property, plant and equipment written off		-	10	-	-
Share-based payment		39,765	3,443	129	287
Unrealised (gain)/loss on foreign exchange		(6,998)	12,680	-	-
Operating profit/(loss) before changes in working capital		762,704	563,269	(3,344)	(15,324)
Inventories		(32,753)	(53,606)	-	-
Trade and other receivables		(77,863)	(37,944)	(41)	(18)
Trade and other payables		93,973	116,028	(2,073)	1,982
Cash generated from/(used in) operations		746,061	587,747	(5,458)	(13,360)
Tax paid		(42,355)	(30,034)	(387)	(217)
Finance costs paid		(7,619)	(3,575)	(1)	(1)
Interest income received		4,743	2,533	1,341	490
Dividends received		5,995	10,488	102,303	47,137
Net cash from operating activities		706,825	567,159	97,798	34,049

Statements of Cash Flows

for the year ended 30 June 2022
(Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		2,748	244	-	-
Purchase of property, plant and equipment		(729,664)	(494,881)	-	-
Acquisition of right-of-use assets		(15,203)	-	-	-
Net cash used in investing activities		(742,119)	(494,637)	-	-
Cash flows from financing activities					
Dividends paid to owners of the Company		(69,558)	(59,469)	(69,610)	(59,654)
Dividends paid to non-controlling shareholder of a subsidiary company		(30,144)	(18,600)	-	-
Repayments of borrowings	(ii)	(75,398)	(22,749)	-	-
Drawdown from borrowings	(ii)	182,368	94,239	-	-
Proceeds from disposal of trust shares		-	88,724	-	12,166
Purchase of trust shares		(1,543)	-	(151)	-
Payment of lease liabilities	(i),(ii)	(2,290)	(1,786)	-	-
Net cash generated from/(used in) financing activities		3,435	80,359	(69,761)	(47,488)
Net change in cash and cash equivalents		(31,859)	152,881	28,037	(13,439)
Effect of exchange rate fluctuation on cash held		10,697	(2,124)	-	-
Cash and cash equivalents as at beginning of year		985,988	835,231	217,032	230,471
Cash and cash equivalents at end of year		964,826	985,988	245,069	217,032

(i) Cash outflows for leases as a lessee

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Included in net cash from operating activities:				
Payment relating to short-term leases	3,028	16,223	-	-
Interest paid in relation to lease liabilities	1,292	1,272	-	-
Included in net cash from financing activities:				
Payment of lease liabilities	2,290	1,786	-	-
Total cash outflows for leases	6,610	19,281	-	-

Statements of Cash Flows

for the year ended 30 June 2022
(Cont'd)

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

Group	At 1 July 2020	Drawdown	Repayments	Acquisition of new lease	Other changes	At 30 June 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	9,250	94,239	(22,749)	-	2,824	83,564
Lease liabilities	26,593	-	(1,786)	523	(21)	25,309
Total liabilities from financing activities	35,843	94,239	(24,535)	523	2,803	108,873

Group	At 1 July 2021	Drawdown	Repayments	Acquisition of new lease	Other changes	At 30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	83,564	182,368	(75,398)	-	2,736	193,270
Lease liabilities	25,309	-	(2,290)	805	2,523	26,347
Total liabilities from financing activities	108,873	182,368	(77,688)	805	5,259	219,617

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 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 2022 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2022.

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.

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 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.

Notes to the Financial Statements

(Cont'd)

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

2.1 Basis of preparation (cont'd)

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.

(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.

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.

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.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

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

(iii) Acquisitions of non-controlling interests

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

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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 currency at the exchange rate at that date.

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

Notes to the Financial Statements
(Cont'd)

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.

Notes to the Financial Statements

(Cont'd)

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)).

Notes to the Financial Statements

(Cont'd)

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.

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.

Notes to the Financial Statements
(Cont'd)

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)

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

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

(iv) Hedge accounting

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

(a) Fair value hedge

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

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

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

(b) Cash flow hedge

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iv) Hedge accounting (cont'd)

(b) Cash flow hedge (cont'd)

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.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

(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.

(e) Leases

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Leases (cont'd)

(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.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Leases (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".

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Investment property (cont'd)

Investment property carried at cost (cont'd)

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.

(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 and pledged deposits.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

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 to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Impairment (cont'd)

(ii) Other assets (cont'd)

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.

(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.

Notes to the Financial Statements
(Cont'd)

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

2.2 **Summary of significant accounting policies** (cont'd)

(k) **Employee benefits** (cont'd)

(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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Revenue and other income

(i) Revenue from contracts with customers

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.

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) 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.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss, except for interest income arising from temporary investment of borrowing taken specifically for the purpose of obtaining an qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs (see Note 2.2 (o)).

(iv) Rental income

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

(n) 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.

(o) Borrowing costs

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

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(o) Borrowing costs (cont'd)

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

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

(p) Taxation

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

Current taxation is the expected tax payable 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 financial 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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) 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.

(r) Operating segments

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

(s) Research and development

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

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

(t) Fair value measurement

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

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.

Notes to the Financial Statements

(Cont'd)

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 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 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 2022 and 1 July 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2022 and 1 January 2023.

The Group and the Company do not plan to apply MFRS 1 and MFRS 141 that are effective for annual periods beginning on or after 1 January 2022 as they are not applicable to the Group and the Company.

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

Notes to the Financial Statements
(Cont'd)

3. COMPANIES IN THE GROUP

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

Name of subsidiary	Country of incorporation	Effective interest 2022 %	Effective interest 2021 %	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
● Carsem Advanced Technology (Suzhou) Co., Ltd #	The People's Republic of China	100	-	The intended activities are 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 member firms of KPMG International.

Notes to the Financial Statements

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	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 2020	388,822	3,504,701	19,296	3,912,819
Additions	37,936	444,599	12,346	494,881
Disposals	-	(1,565)	-	(1,565)
Write-off	(118)	(499)	-	(617)
Transfers	6,093	4,862	(10,955)	-
Currency translation differences	8,524	77,574	-	86,098
At 30 June 2021/ 1 July 2021	441,257	4,029,672	20,687	4,491,616
Additions	4,274	661,460	63,930	729,664
Disposals	-	(164,357)	-	(164,357)
Transfers	3,028	16,608	(19,636)	-
Currency translation differences	4,052	38,132	126	42,310
At 30 June 2022	452,611	4,581,515	65,107	5,099,233
Accumulated depreciation and impairment losses				
At 1 July 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
Charge for the year	12,678	180,808	-	193,486
Disposals	-	(1,564)	-	(1,564)
Write-off	(118)	(489)	-	(607)
Currency translation differences	3,538	49,711	-	53,249
At 30 June 2021/1 July 2021				
Accumulated depreciation	294,933	3,112,102	-	3,407,035
Accumulated impairment losses	-	33,381	-	33,381
	294,933	3,145,483	-	3,440,416
Charge for the year	15,152	272,022	-	287,174
Disposals	-	(163,994)	-	(163,994)
Currency translation differences	1,596	22,718	-	24,314
At 30 June 2022				
Accumulated depreciation	311,681	3,254,974	-	3,566,655
Accumulated impairment losses	-	21,255	-	21,255
	311,681	3,276,229	-	3,587,910
Carrying amounts				
At 1 July 2020	109,987	587,684	19,296	716,967
At 30 June 2021/1 July 2021	146,324	884,189	20,687	1,051,200
At 30 June 2022	140,930	1,305,286	65,107	1,511,323

Notes to the Financial Statements

(Cont'd)

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

Company	Equipment and motor vehicles RM'000
Cost	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	605
Accumulated depreciation	
At 1 July 2020	476
Charge for the year	119
At 30 June 2021/1 July 2021	595
Charge for the year	10
At 30 June 2022	605
Carrying amounts	
At 1 July 2020	129
At 30 June 2021/1 July 2021	10
At 30 June 2022	-

5. RIGHT-OF-USE ASSETS

Group	Land RM'000	Buildings RM'000	Plant and equipments RM'000	Total RM'000
At 1 July 2020	37,307	977	4,637	42,921
Addition	-	523	-	523
Depreciation	(2,633)	(791)	(1,255)	(4,679)
Derecognition	-	(4)	-	(4)
Currency translation differences	142	-	-	142
Remeasurement of lease liabilities	(44)	-	(15)	(59)
At 30 June 2021/At 1 July 2021	34,772	705	3,367	38,844
Addition	15,203	805	-	16,008
Depreciation	(2,632)	(692)	(1,900)	(5,224)
Derecognition	-	(422)	-	(422)
Currency translation differences	118	-	-	118
Remeasurement of lease liabilities	(44)	50	2,955	2,961
At 30 June 2022	47,417	446	4,422	52,285

The Group leases the above items for original lease term ranging from 1 to 99 years, with an option to renew certain leases after that date.

Notes to the Financial Statements

(Cont'd)

5. RIGHT-OF-USE ASSETS (cont'd)

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)	Potential future lease payments not included in lease liabilities (discounted)	Historical rate of exercise of extension options
	RM'000	RM'000	%
2022			
Buildings	102	1,301	Nil
2021			
Buildings	1,053	105	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.

Notes to the Financial Statements
(Cont'd)

6. INVESTMENT PROPERTIES

Leasehold land and building	Group RM'000
Cost	
1 July 2020/30 June 2021/1 July 2021/30 June 2022	46,283
Accumulated depreciation	
1 July 2020	
Accumulated depreciation	16,502
Accumulated impairment losses	72
	16,574
Charge for the year	919
At 30 June 2021/1 July 2021	
Accumulated depreciation	17,421
Accumulated impairment losses	72
	17,493
Charge for the year	893
At 30 June 2022	
Accumulated depreciation	18,314
Accumulated impairment losses	72
	18,386
Carrying amounts	
At 1 July 2020	29,709
At 30 June 2021/1 July 2021	28,790
At 30 June 2022	27,897

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 2022 RM'000	Group 2021 RM'000
Lease income	9,525	8,001
Direct operating expenses		
- income generating investment properties	1,215	1,200

Notes to the Financial Statements

(Cont'd)

6. INVESTMENT PROPERTIES (cont'd)

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

Group	2022 RM'000	2021 RM'000
Less than one year	9,525	9,525
One to two years	7,144	9,525
Two to three years	-	7,144
Total undiscounted lease payments	16,669	26,194

6.2 Fair value information

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

	2022 RM'000	2021 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		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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.

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS (cont'd)

7.1 Non-controlling interest in subsidiary

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

	Carsem (M) Sdn Bhd	
	2022	**2021**
	RM'000	**RM'000**
NCI percentage of ownership interest and voting interest	30%	30%
Carrying amount of NCI	316,331	282,161
Profit allocated to NCI	58,490	46,661

Summarised financial information before intra-group elimination

	Carsem (M) Sdn Bhd	
	2022	**2021**
	RM'000	**RM'000**
Statement of financial position		
Total assets	1,298,438	1,142,784
Total liabilities	(257,513)	(189,467)
Net assets	1,040,925	953,317
Statement of profit or loss and other comprehensive income for the year		
Profit for the year	194,967	155,535
Total comprehensive income	188,088	190,452
Statement of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	(63,724)	147,525
Dividends paid to NCI	30,144	18,600

Notes to the Financial Statements

(Cont'd)

8. DEFERRED TAXATION

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2022 RM'000	Assets 2021 RM'000	Liabilities 2022 RM'000	Liabilities 2021 RM'000	Net 2022 RM'000	Net 2021 RM'000
Property, plant and equipment	-	-	(4,568)	(800)	(4,568)	(800)
Right-of-use assets	-	-	(6,412)	(6,803)	(6,412)	(6,803)
Lease liabilities	6,324	6,074	-	-	6,324	6,074
Other items	2,387	713	-	(82)	2,387	631
Tax assets/(liabilities)	8,711	6,787	(10,980)	(7,685)	(2,269)	(898)
Set-off of tax	(8,711)	(6,787)	8,711	6,787	-	-
Net tax liabilities	-	-	(2,269)	(898)	(2,269)	(898)

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

Movement in temporary differences during the year

Group	At 1 July 2020 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 23) RM'000	At 30 June 2021/ 1 July 2021 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 23) RM'000	At 30 June 2022 RM'000
Property, plant and equipment	(1,517)	717	-	(800)	(3,768)	-	(4,568)
Right-of-use assets	(7,757)	954	-	(6,803)	391	-	(6,412)
Lease liabilities	6,382	(308)	-	6,074	250	-	6,324
Other items	2,076	(1,363)	(82)	631	309	1,447	2,387
	(816)	-	(82)	(898)	(2,818)	1,447	(2,269)

Notes to the Financial Statements
(Cont'd)

9. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
Raw materials	135,144	101,809
Work-in-progress	36,946	42,913
Finished goods	20,158	14,138
Consumable spares	14,031	11,366
	206,279	170,226
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,796,915	1,497,203

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Trade receivables		316,589	266,389	-	-
Less: Allowance for impairment losses		(9,104)	(8,847)	-	-
		307,485	257,542	-	-
Amounts due from subsidiary	10.1	-	-	30	-
Other receivables		28,033	11,887	-	-
Deposits		1,359	1,348	5	5
Prepayments		19,262	14,732	67	56
		356,139	285,509	102	61

Note 10.1

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

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	575,000	335,000	240,000	-
Cash and bank balances	328,957	344,530	1,185	1,060
Investment in money market fund	60,869	306,458	3,884	215,972
	964,826	985,988	245,069	217,032

Notes to the Financial Statements
(Cont'd)

11. CASH AND CASH EQUIVALENTS (cont'd)

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits, bank balances and liquid and investment	707,084	707,208	245,054	217,018

12. SHARE CAPITAL

	Group and Company			
	2022		**2021**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	**RM'000**	**'000**	**RM'000**
Issued ordinary shares:				
At beginning of year/end of year	209,884	352,373	209,884	352,373

As at year end, the total number of shares bought back was 10,988,000 (2021: 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

		Group		Company	
	Note	**2022**	**2021**	**2022**	**2021**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Reserves consist of:					
Other reserve	13.1	69,489	50,496	-	-
Hedging reserve	13.2	(3,625)	(169)	-	-
Exchange fluctuation reserve	13.3	126,771	108,412	-	-
Reserve for own shares	13.4	(997)	(2,839)	(56)	(381)
Executive share scheme reserve	13.5	29,266	2,734	53	278
Retained earnings		1,590,752	1,350,499	487,969	457,916
		1,811,656	1,509,133	487,966	457,813

Note 13.1
Other reserve comprises mainly of capital reserve, which 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
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.

Notes to the Financial Statements
(Cont'd)

13. RESERVES (cont'd)

Note 13.3
Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 13.4
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(k)(iii). As at 30 June 2022, the total number of shares held by the ESS Trusts at the Group level was 56,000 (2021: 494,264 shares).

At the Group level, during the financial year:

a) a total of 45,464 (2021: 0) MPI Shares were purchased by the ESS Trust.
b) a total of 483,728 (2021: 505,736) existing ordinary shares in the Company held in the ESS Trusts was transferred to the eligible executives arising from the vesting of free MPI shares.

As at 30 June 2022, the total number of MPI Shares held by the ESS Trusts at the Company level was 2,667 (2021: 35,766 shares).

Note 13.5
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).

14. EMPLOYEE BENEFITS

Executive Share Scheme ("ESS")

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.

Notes to the Financial Statements

(Cont'd)

14. EMPLOYEE BENEFITS (cont'd)

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

(a) 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.

(i) ESOS

There were no grant or vesting of conditional incentive share options ("Options") over ordinary shares of the Company ("MPI Shares") to eligible executives (including directors and chief executives) of the Group during the financial year ended 30 June 2022.

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 ("ceased Options"). A total of 858,500 MPI Shares were granted, free of consideration ("free MPI Shares") to Option holder in lieu of the ceased Options. 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 2022. 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 2022.

(ii) ESGS

During the financial year ended 30 June 2022, there was no grant of free MPI Shares to eligible executives (including directors and chief executives) of the Group. A total of 483,728 free MPI Shares had been vested during the financial year ended 30 June 2022 and 56,000 MPI Shares remain outstanding as at 30 June 2022. A total of 387,431 free MPI Shares granted to directors/chief executive had been vested and 53,333 MPI Shares remain outstanding as at 30 June 2022.

Since the commencement of the ESS, a total of 1,651,200 free MPI Shares had been granted, out of which 1,595,200 had been vested with 56,000 free MPI Shares remaining outstanding as at 30 June 2022. The aggregate of MPI Shares granted to directors/chief executives amounted to 1,362,300 free MPI Shares, out of which, 1,308,967 free MPI Shares had been vested, with 53,333 free MPI Shares remaining outstanding. The actual percentage of total free MPI Shares granted to directors/senior management of the Group was 0.81% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2022.

The aggregate allocation of Options and MPI Shares granted 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		**Company**	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Value of employee services received	1,936	3,443	129	287
Weighted average fair value at grant date	RM33.43	RM33.43	RM33.43	RM33.43

Notes to the Financial Statements
(Cont'd)

14. EMPLOYEE BENEFITS (cont'd)

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

(b) The Company had, on 8 November 2021, implemented a new ESS which comprises an ESOS and an ESGS of up to 10% of the total number of issued MPI Shares (excluding treasury shares) for eligible executives and/or directors of the Company and its subsidiaries ("ESS 2021"). The new ESS would be in force for a period of 10 years from 8 November 2021.

Since the commencement of the ESS 2021, 3,533,613 free MPI Shares were granted to certain eligible executives, out of which, 3,500,000 free MPI shares granted is subject to the achievement of certain performance criteria. As at 30 June 2022, 5,000 free MPI Shares granted had lapsed due to resignation and none of the MPI Shares had been vested. The aggregate of MPI Shares granted to directors/chief executives amounted to 2,253,613 free MPI Shares, all of which remaining outstanding. The actual percentage of total free MPI Shares granted to directors/ senior management of the Group was 1.58% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2022.

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

	2022 RM'000
Value of employee services received	37,829
Weighted average fair value at grant date	RM47.44

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Recognised in profit or loss				
Granted in 2017	1	424	-	-
Granted in 2019	-	168	-	-
Granted in 2020	613	2,141	66	254
Granted in 2021	1,322	710	63	33
Granted in 2022	37,829	-	-	-
	39,765	3,443	129	287

Notes to the Financial Statements
(Cont'd)

15. LOANS AND BORROWINGS

	Group	
	2022	2021
	RM'000	RM'000
Current (unsecured)		
Term loan	13,170	70,708
Non-current (unsecured)		
Term loan	180,100	12,856
	193,270	83,564

The term loans of the Group are unsecured and subject to interest ranging from 3.75% – 3.85% (2021: 3.35% - 3.85%).

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Trade payables		151,127	146,212	-	-
Amounts due to:					
- Related companies	16.1	5,936	4,936	38	-
- Subsidiary	16.2	-	-	-	2,071
Other payables		168,922	175,141	162	181
Accrued expenses		208,101	117,232	581	602
Derivative used for hedging					
- Forward exchange contracts		9,727	799	-	-
		543,813	444,320	781	2,854

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 was non-trade, unsecured, interest free and repayable on demand.

Notes to the Financial Statements
(Cont'd)

17. REVENUE

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	2,414,156	1,984,752	-	-
Other revenue				
- Dividend income	1,967	3,737	102,303	47,137
Total revenue	2,416,123	1,988,489	102,303	47,137

17.1 Disaggregation of revenue

	Asia		USA		Europe		Total	
Group	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Major products and service								
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes	1,527,036	1,260,862	359,100	283,073	528,020	440,817	2,414,156	1,984,752
Timing and recognition								
At a point in time	1,527,036	1,260,862	359,100	283,073	515,811	429,072	2,401,947	1,973,007
Over time	-	-	-	-	12,209	11,745	12,209	11,745
	1,527,036	1,260,862	359,100	283,073	528,020	440,817	2,414,156	1,984,752
Revenue from contracts with customers	1,527,036	1,260,862	359,100	283,073	528,020	440,817	2,414,156	1,984,752
Other revenue	1,967	3,737	-	-	-	-	1,967	3,737
Total revenue	1,529,003	1,264,599	359,100	283,073	528,020	440,817	2,416,123	1,988,489

Notes to the Financial Statements
(Cont'd)

17. REVENUE (cont'd)

17.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.
Timing of recognition or method used to recognised revenue	Revenue is recognised at point in time when the control of the goods are transferred to the customers. For customer contracts where the goods being manufactured have no alternative use and the Company has an enforceable right to payment for performance completed to date, revenue is recognised over time based on costs incurred.
Significant payment terms	Credit period of 30 - 60 days from invoice date.
Variable element in consideration	Revision of selling price due to fluctuation of commodity prices.
Obligation for returns or refunds	Obligation for returns if goods are required for reworks.
Warranty	Not applicable.

18. FINANCE INCOME

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income	4,743	2,533	1,341	490

19. FINANCE COSTS

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on lease liabilities	1,292	1,272	-	-
Other finance costs	6,327	2,303	1	1
	7,619	3,575	1	1

Notes to the Financial Statements
(Cont'd)

20. PROFIT BEFORE TAXATION

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Other than those disclosed elsewhere in the financial statements, profit before taxation is arrived at after charging/(crediting):					
Auditors' remuneration					
Holding company's auditors					
- Statutory audits		197	191	35	34
- Other services		25	24	4	3
Other auditors					
- Statutory audits		71	67	-	-
- Other services		26	22	-	-
Material expenses/(income)					
Allowance for slow moving inventories		6,448	1,884	-	-
Dividend income from other investments		(4,028)	(6,751)	-	-
Personnel expenses (including key management personnel):					
- Wages, salaries and others		457,532	386,055	-	-
- Contributions to Employees Provident Fund		72,922	60,513	-	-
- Share-based payment		39,765	3,443	129	287
(Gain)/Loss on foreign exchange					
- Realised		(6,522)	(25,899)	-	-
- Unrealised		(6,998)	12,680	-	-
Research and development expenditure		50,779	51,199	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	3,028	16,223	-	-
Net gain on impairment of financial instruments					
Financial assets at amortised cost		(257)	(630)	-	-

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.

Notes to the Financial Statements

(Cont'd)

21. TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian				
- Current year	22,327	13,210	392	276
- Prior years	(875)	(7,250)	(17)	(12)
Overseas				
- Current year	30,177	28,332	-	-
- Prior years	2	(2,191)	-	-
	51,631	32,101	375	264
Deferred taxation				
- Current year	2,818	-	-	-
	54,449	32,101	375	264

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		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	439,379	357,624	100,160	31,896
Taxation at Malaysian statutory tax rate of 24%	105,451	85,830	24,038	7,655
Difference of tax rate in foreign jurisdiction	(18,129)	(14,794)	-	-
Non-deductible expenses	5,264	3,509	861	3,934
Tax exempt income (Note 21.1)	(38,526)	(30,165)	(24,507)	(11,313)
Others	1,262	(2,838)	-	-
	55,322	41,542	392	276
Overprovision in prior years	(873)	(9,441)	(17)	(12)
	54,449	32,101	375	264

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.

Notes to the Financial Statements

(Cont'd)

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 RM328,853,000 (2021: RM271,819,000) by the weighted average number of ordinary shares outstanding during the financial year of 198,556,077 (2021: 197,887,887) as follows:

	2022 '000	2021 '000
Weighted average number of ordinary shares 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	(494)	(8,284)
	198,402	190,612
Effect of Trust Shares vested and disposed	154	7,276
Weighted average number of ordinary shares outstanding during the year	198,556	197,888
Basic earnings per ordinary share (sen)	165.62	137.36

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 dilutive effect from the potential ordinary shares.

23. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2022			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	18,359	-	18,359
Cash flow hedge			
- Gain arising during the year	(8,987)	2,101	(6,886)
- Reclassification adjustments for transactions recognised in profit or loss	2,777	(654)	2,123
	(6,210)	1,447	(4,763)
	12,149	1,447	13,596

Notes to the Financial Statements
(Cont'd)

23. OTHER COMPREHENSIVE INCOME (cont'd)

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2021			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	25,627	-	25,627
Cash flow hedge			
-Loss arising during the year	312	(59)	253
- Reclassification adjustments for transactions recognised in profit or loss	117	(23)	94
	429	(82)	347
	26,056	(82)	25,974

24. DIVIDENDS

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
First interim				
10.0 sen per share single tier paid on 23 December 2021				
(2021: 10.0 sen per share single tier)	19,840	19,789	19,886	19,882
Second interim				
25.0 sen per share single tier paid on 24 June 2022				
(2021: 20.0 sen per share single tier)	49,718	39,680	49,724	39,772
	69,558	59,469	69,610	59,654

Dividends received by the ESS Trusts for the Group and the Company amounting to RM56,000 (2021: RM200,000) and RM3,910 (2021: RM15,139) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(k)(iii).

Notes to the Financial Statements
(Cont'd)

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.

	Asia		USA		Europe		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Segment profit	292,057	243,224	56,266	47,721	90,199	77,973	438,522	368,918
Included in the measure of segment profit are:								
Revenue from external customers	1,527,036	1,260,862	359,100	283,073	528,020	440,817	2,414,156	1,984,752
Depreciation and amortisation	208,501	136,762	35,626	24,777	49,151	37,416	293,278	198,955

Reconciliations of reportable segment profit

	2022	2021
	RM'000	**RM'000**
Profit		
Reportable segments	438,522	368,918
Non-reportable segments	3,733	(10,252)
Interest income	4,743	2,533
Finance costs	(7,619)	(3,575)
Consolidated profit before taxation	439,379	357,624

Notes to the Financial Statements

(Cont'd)

25. OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment profit (cont'd)

	2022		2021	
	External revenue	**Depreciation & amortisation**	**External revenue**	**Depreciation & amortisation**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reportable segments	2,414,156	293,278	1,984,752	198,955
Non-reportable segments	1,967	13	3,737	129
Total	2,416,123	293,291	1,988,489	199,084

Geographical information

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

	Revenue	
	2022	**2021**
	RM'000	**RM'000**
Ireland	159,133	143,991
Taiwan	250,620	251,808
Malaysia	167,402	265,480
USA	359,100	283,073
Singapore	455,145	317,168
The People's Republic of China	564,446	361,286
Others	458,310	361,946
	2,414,156	1,984,752

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

	Non-current assets	
	2022	**2021**
	RM'000	**RM'000**
Malaysia	598,433	420,323
The People's Republic of China	993,064	698,502
Others	8	9
	1,591,505	1,118,834

Major customer

During the financial year, revenue from one customer (2021: one customer) amounting to RM256,790,000 (2021: RM244,182,000) contributed to more than 10% of the Group's revenue.

Notes to the Financial Statements
(Cont'd)

26. CAPITAL COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Property, plant and equipment:		
Authorised and contracted for	199,647	204,485

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**	**2022 RM'000**	**2021 RM'000**
(a)	Rental of properties	Subsidiary and associated companies of HLCM	59	57
(b)	Receipt of services	Subsidiary and associated companies of HLCM	3,010	1,948
(c)	Receipt of group management and/or support services	Subsidiary and associated companies of HLCM	18,915	16,065
(d)	Payment for usage of the Hong Leong logo and trade mark	Subsidiary and associated companies of HLCM	-	21

			Company	
	Transactions	**Related party**	**2022 RM'000**	**2021 RM'000**
(a)	Employee benefit	Subsidiary	1,113	12,391

Significant balances with related parties at the reporting date are disclosed in Note 10 and 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.

Notes to the Financial Statements

(Cont'd)

27. RELATED PARTIES (cont'd)

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
Remuneration and other benefits	30,974	6,742	-	-
Non-Executive Directors				
Fees*	582	502	542	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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors	271	297	-	-
Non-Executive Directors	16	28	16	28
	287	325	16	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")
(d) Fair value through profit or loss ("FVTPL")
- Designated upon initial recognition ("DUIR")

Notes to the Financial Statements

(Cont'd)

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	FVTPL-DUIR RM'000	Derivatives used for hedging RM'000
2022					
Financial assets					
Group					
Other investments	46	-	46	-	-
Trade and other receivables (excluding prepayments)	336,877	336,877	-	-	-
Cash and cash equivalents	964,826	903,957	-	60,869	-
	1,301,749	1,240,834	46	60,869	-
Company					
Other investments	46	-	46	-	-
Trade and other receivables (excluding prepayments)	35	35	-	-	-
Cash and cash equivalents	245,069	241,185	-	3,884	-
	245,150	241,220	46	3,884	-
Financial liabilities					
Group					
Trade and other payables, including derivatives	543,813	534,086	-	-	9,727
Loans and borrowings	193,270	193,270	-	-	-
	737,083	727,356	-	-	9,727
Company					
Trade and other payables	781	781	-	-	-

Notes to the Financial Statements
(Cont'd)

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	FVTPL- DUIR RM'000	Derivatives used for hedging RM'000
2021					
Financial assets					
Group					
Other investments	46	-	46	-	-
Trade and other receivables (excluding prepayments)	270,777	270,777	-	-	-
Cash and cash equivalents	985,988	679,530	-	306,458	-
	1,256,811	950,307	46	306,458	-
Company					
Other investments	46	-	46	-	-
Trade and other receivables (excluding prepayments)	5	5	-	-	-
Cash and cash equivalents	217,032	213,457	-	3,575	-
	217,083	213,462	46	3,575	-
Financial liabilities					
Group					
Trade and other payables, including derivatives	444,320	443,521	-	-	799
Loans and borrowings	83,564	83,564	-	-	-
	527,884	527,085	-	-	799
Company					
Trade and other payables	2,854	2,854	-	-	-

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) arising from:				
Financial assets measured at amortised cost	23,157	16,492	3,308	4,227
Financial liabilities measured at amortised cost	(8,339)	8,984	(1)	(1)
	14,818	25,476	3,307	4,226

Notes to the Financial Statements
(Cont'd)

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	
	2022	**2021**
	RM'000	**RM'000**
Ireland	22,788	20,514
USA	35,699	29,153
Taiwan	38,109	30,517
Malaysia	18,345	31,263
Singapore	80,358	46,900
Others	112,186	99,195
	307,485	257,542

Notes to the Financial Statements
(Cont'd)

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 2022.

Group	Gross	Loss allowance	Net
	RM'000	RM'000	RM'000
2022			
Current (not past due)	244,749	-	244,749
Past due 1 - 30 days	55,602	(1,890)	53,712
Past due 31 - 60 days	9,942	(918)	9,024
Past due 61 - 90 days	2,146	(2,146)	-
Past due more than 90 days	4,150	(4,150)	-
	316,589	(9,104)	307,485
2021			
Current (not past due)	197,861	-	197,861
Past due 1 - 30 days	65,252	(5,571)	59,681
Past due 31 - 60 days	3,025	(3,025)	-
Past due 61 - 90 days	508	(508)	-
Past due more than 90 days	(257)	257	-
	266,389	(8,847)	257,542

Notes to the Financial Statements

(Cont'd)

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	**2022 RM'000**	**2021 RM'000**
Balance at beginning of year	8,847	8,217
Impairment loss recognised	257	630
Balance at end of year	9,104	8,847

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.

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.

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

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.

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	Contractual interest rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
Group							
Non-derivative financial liabilities							
Loans and borrowings	193,270	3.75 - 3.85	203,093	13,624	189,469	-	-
Lease liabilities	26,347	5.00	32,102	2,918	1,987	14,322	12,875
Trade and other payables	534,086	-	534,086	534,086	-	-	-
Derivative financial liabilities							
Forward exchange contracts							
Outflow	9,727	-	437,519	437,519	-	-	-
Inflow	-	-	(427,792)	(427,792)	-	-	-
	763,430		779,008	560,355	191,456	14,322	12,875
Company							
Non-derivative financial liabilities							
Trade and other payables	781	-	781	781	-	-	-

Notes to the Financial Statements
(Cont'd)

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	Contractual interest rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
2021							
Group							
Non-derivative financial liabilities							
Loans and borrowings	83,564	3.35 - 3.85	85,577	71,846	13,731	-	-
Lease liabilities	25,309	5.00	31,592	1,675	1,337	14,407	14,172
Trade and other payables	443,521	-	443,521	443,521	-	-	-
Derivative financial liabilities							
Forward exchange contracts							
Outflow	799	-	261,351	261,351	-	-	-
Inflow	-	-	(260,552)	(260,552)	-	-	-
	553,193		561,489	517,841	15,068	14,407	14,172
Company							
Non-derivative financial liabilities							
Trade and other payables	2,854	-	2,854	2,854	-	-	-

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.

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.3 Market risk (cont'd)

Currency risk (cont'd)

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:

Group	Denominated in USD 2022 RM'000	2021 RM'000
Trade receivables	309,098	248,073
Forward exchange contracts	(427,792)	(260,552)
Cash and cash equivalents	218,957	250,907
Trade and other payables	(220,583)	(188,376)
Net exposure	(120,320)	50,052

Currency risk sensitivity analysis

A 5% (2021: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have increased profit before taxation of the Group by RM6,016,000 (2021: decrease by RM2,503,000). A 5% (2021: 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.

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 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
Fixed rate instruments				
Deposits with licensed bank	575,000	335,000	240,000	-
Lease liabilities	26,347	25,309	-	-
Floating rate instruments				
Loans and borrowings	193,270	83,564	-	-

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.3 Market risk (cont'd)

Interest rate risk (cont'd)

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") (2021: 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 RM966,000 (2021: RM418,000). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

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 USD99,292,000 (2021: USD62,500,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

The following table indicates the periods in which the cash flows associated with the foreign exchange currencies are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
2022			
Forward exchange contract	(9,727)	(9,727)	(9,727)
2021			
Forward exchange contract	(799)	(799)	(799)

During the financial year, a loss of RM6,886,000 (2021: a gain of RM253,000) was recognised in other comprehensive income and RM2,123,000 (2021: RM94,000) was reclassified from equity to profit or loss.

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.

Notes to the Financial Statements
(Cont'd)

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
2022			
Group			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(9,727)	-
2022			
Company			
Financial assets			
Investments	-	46	-
2021			
Group			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(799)	-
2021			
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.

Notes to the Financial Statements

(Cont'd)

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	
	2022	**2021**
	RM'000	**RM'000**
Total loans and borrowings	193,270	83,564
Lease liabilities	26,347	25,309
Less: Cash and cash equivalents	(964,826)	(985,988)
Net cash	(745,209)	(877,115)
Total equity	2,321,781	1,984,735
Debt-to-equity ratio	Nil	Nil

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 116 to 179 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 2022 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Manuel Zarauza Brandulas

Ir. Dennis Ong Lee Khian

Date: 29 August 2022

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 116 to 179 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 Ipoh in the State of Perak Darul Ridzuan on 29 August 2022.

Cheah Wing Ket

Before me:

Goh Choon Huat
Commissioner for Oaths
Ipoh

Independent Auditors' Report

to the members of Malaysian Pacific Industries Berhad
(Registration No. 196201000323 (4817-U)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysian Pacific Industries Berhad, which comprise the statements of financial position as at 30 June 2022 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 116 to 179.

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 2022, 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.

Independent Auditors' Report

to the members of Malaysian Pacific Industries Berhad
(Registration No. 196201000323 (4817-U)) (Incorporated in Malaysia)
(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 RM2,414 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 for different customers. Accordingly, there was a risk that the amount and timing of revenue were not recognised appropriately 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 samples of 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 cut-off date 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.

Independent Auditors' Report

to the members of Malaysian Pacific Industries Berhad
(Registration No. 196201000323 (4817-U)) (Incorporated in Malaysia)
(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.

Independent Auditors' Report

to the members of Malaysian Pacific Industries Berhad
(Registration No. 196201000323 (4817-U)) (Incorporated in Malaysia)
(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: 03232/02/2024 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 29 August 2022

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2022 (RM'000)
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	21 Sep 1998	158,297	26 - 47	3,800
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	21 Sep 1998	64,469	24 - 34	5,610
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	21 Sep 1998	19,849	26 - 34	231
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Industrial land-factory under construction	28 Jan 1999 & 30 Mar 1998	53,274	-	5,602
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	08 May 2039	Office and factory building	07 Apr 1989	45,680	28	106
Jalan Lapangan Terbang 31350 Ipoh, Perak Darul Ridzuan	06 Nov 2063	Multi-storey car park	07 Nov 2003	66,812	15	2,728
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	29 Oct 2091	Office and factory building	30 Oct 1992	1,348,966	31	18,045
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	19	100,371
Room 405, Building 1, 3E Industrial Park No. 18, Chunyao Road Caohu Sub-district The Municipality of Suzhou Province of Jiangsu The People's Republic of China	15 May 2072	Industrial land*	28 Jun 2022	720,472	-	15,261

Other Information

(Cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022 (cont'd)

Location	Tenure	Existing use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2022 (RM'000)
Lot 2367, Bayan Lepas Pulau Pinang	30 Aug 2031	Office and factory building*	18 Jun 1995	257,000	28	12,237
Lot 8, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building^	18 Jun 1995	227,441	23	9,949
Plot 15, Bayan Lepas Pulau Pinang	06 Jan 2070	Office and factory building^	24 Feb 2005	208,357	17	17,948

Notes:

* *These buildings are situated on right-of-use assets 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 30 AUGUST 2022

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

Distribution Schedule Of Shareholders As At 30 August 2022

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	663	9.61	13,829	0.01
100 – 1,000	4,136	59.94	1,747,131	0.88
1,001 – 10,000	1,621	23.49	5,055,106	2.54
10,001 – 100,000	354	5.13	10,772,228	5.41
100,001 – less than 5% of issued shares	125	1.81	69,236,473	34.81
5% and above of issued shares	1	0.02	112,071,652	56.35
	6,900	100.00	198,896,419	100.00

* *Excluding 10,988,000 shares bought back and retained by the Company as treasury shares*

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2022

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	112,071,652	56.35
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	4,648,700	2.34
3.	Kumpulan Wang Persaraan (Diperbadankan)	3,449,100	1.73
4.	AmanahRaya Trustees Berhad - Public Smallcap Fund	2,563,800	1.29
5.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	2,550,200	1.28
6.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	2,532,100	1.27
7.	Hong Leong Industries Berhad	2,215,969	1.11
8.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 19)	2,065,700	1.04
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	2,016,200	1.01
10.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	1,998,800	1.00
11.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,896,000	0.95
12.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	1,341,400	0.67
13.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (F Templeton)	1,285,600	0.65
14.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	1,246,300	0.63
15.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Focus Fund	1,204,600	0.61
16.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	1,185,000	0.60
17.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	1,127,200	0.57
18.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,108,800	0.56
19.	AmanahRaya Trustees Berhad - PB Growth Fund	1,018,400	0.51
20.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	1,000,000	0.50
21.	Soft Portfolio Sdn. Bhd.	995,500	0.50
22.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	990,500	0.50

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2022 (cont'd)

	Name of Shareholders	No. of Shares	%
23.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	990,000	0.50
24.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	975,000	0.49
25.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Eastspring) (410140)	815,200	0.41
26.	Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	727,700	0.37
27.	HSBC Nominees (Asing) Sdn Bhd - JPMSE Lux for JPMorgan Funds	671,700	0.34
28.	Manuel Zarauza Brandulas	643,467	0.32
29.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	607,500	0.31
30.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for JPMorgan Asean Fund (BK EASTASIA TST)	585,400	0.29
		156,527,488	**78.70**

Substantial Shareholders As At 30 August 2022

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2022 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	2,249,302	1.13^
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	115,209,692	57.92^
3.	HL Holdings Sdn Bhd	-	-	115,209,692	57.92#
4.	YBhg Tan Sri Quek Leng Chan	-	-	116,205,192	58.42*
5.	Hong Realty (Private) Limited	-	-	115,749,942	58.20*
6.	Hong Leong Investment Holdings Pte. Ltd.	-	-	115,749,942	58.20*
7.	Kwek Holdings Pte Ltd	-	-	115,749,942	58.20*
8.	Mr Kwek Leng Beng	-	-	115,749,942	58.20*
9.	Mr Kwek Leng Kee	-	-	115,749,942	58.20*
10.	Davos Investment Holdings Private Limited	-	-	115,749,942	58.20*

Notes:

^ *Held through subsidiary(ies)*
\# *Held through HLCM*
* *Held through HLCM and a company in which the substantial shareholder has interest*

Other Information

(Cont'd)

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2022

Subsequent to the financial year end, there was no change, as at 30 August 2022, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 112 to 113 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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Malaysian Pacific Industries Berhad

A Member of the Hong Leong Group

Registration No. 196201000323 (4817-U)

FORM OF PROXY

I/We ____

NRIC/Passport/Company No. ______________________ Tel No. ______________

of ____

______________________________ Email address ______________________

being a member of **MALAYSIAN PACIFIC INDUSTRIES BERHAD** ("the Company"), hereby appoint ______________

______________________ NRIC/Passport No. ______________________

of ____

Tel No. ______________ Email address ______________________

or failing him/her ______________________ NRIC/Passport No. ______________

of ____

Tel No. ______________ Email address ______________________

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 Sixty-first Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 2 November 2022 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 Ir. Dennis Ong Lee Khian 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 and waiver of pre-emptive rights		
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, GuoLine Capital Assets Limited and persons connected with them		
6	To approve the ordinary resolution on the proposed renewal of authority for the purchase of own shares by the Company		
7	To approve the ordinary resolution on the waiver of pre-emptive rights under Executive Shares Scheme of the Company		

Dated this __________ day of ______________ 2022

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 25 October 2022 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, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.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 Sixty-first 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 Secretaries
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

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