

Company Profile



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

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

contents

Malaysian Pacific Industries Berhad Annual Report 2001

2	Corporate Information
3	Directors' Profile
5	Audit Committee Report
7	Notice of Annual General Meeting
10	Statement Accompanying Notice of Annual General Meeting
11	Group Financial Highlights
12	Corporate Governance
14	Chairman's Statement
18	Directors' Report
22	Balance Sheets
23	Income Statements
24	Statements of Changes in Equity
25	Cash Flow Statements
27	Notes to the Financial Statements
42	Statement by Directors
42	Statutory Declaration
43	Report of the Auditors
44	Other Information
	Form of Proxy

Corporate Information

Directors

Mr Kwek Leng San (*Executive Chairman*)

Mr David Edward Comley (*Group Managing Director*)

Tuan Syed Zaid bin Syed Jaffar Albar

Mr Tan Keok Yin

YBhg Tan Sri Asmat bin Kamaludin

Secretaries

Ms Queek Chai Choo

Ms Joanne Leong Wei Yin

Auditors

KPMG

Wisma KPMG

Jalan Dungun

Damansara Heights

50490 Kuala Lumpur

Tel: 03-255 3388

Fax: 03-255 0971

Registrar

Hong Leong Nominees Sendirian Berhad

Level 5, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 1818

Fax: 03-2164 3703

Registered Office

Level 9, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 2631

Fax: 03-2164 2514

Directors
Secretaries
Auditors
Registrar
Registered Office
Corporate
Information

Directors' Profile

Mr Kwek Leng San

Executive Chairman/Non-Independent

Aged 46, Mr Kwek Leng San, a Singaporean, obtained a Bachelor of Science (Engineering) degree from University of London in 1978 and a Master of Science (Finance) degree from City University, London in 1979. He was appointed as a Director of MPIB on 20 July 1990 and subsequently as the Group Managing Director of MPIB from September 1990 to August 1993. Presently, Mr Kwek is the Executive Chairman of MPIB. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee and a member of the Share Transfer Committee and Audit Committee of MPIB.

His other directorships in public companies are as follows:

- President & Chief Executive Officer of Hong Leong Industries Berhad and Hume Industries (Malaysia) Berhad, both public listed companies.
- Group Managing Director of Camerlin Group Berhad, a public listed company.
- Director of O.Y.L. Industries Bhd, Hume Cemboard Berhad and Southern Steel Berhad, all public listed companies.
- Chairman of Industrial Concrete Products Berhad, a public listed company.
- Director of Hong Leong Company (Malaysia) Berhad and Guolene Packaging Industries Berhad, both public companies.

He has a direct shareholding of 339,000 ordinary shares in MPIB. He does not hold any shares in the subsidiary companies of MPIB.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

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

Mr David Edward Comley

Group Managing Director/Non-Independent

Aged 52, Mr David Edward Comley, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree in 1970. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to joining MPIB as a Director and subsequently as the Group Managing Director on 16 August 1993 and 1 May 1994 respectively, he was with ITEQ Europe and AMKOR ANAM Europe Ltd. In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

Mr David Comley is a member of the ESOS Committee and Share Transfer Committee of MPIB. He is also a Director of Hong Leong Industries Berhad, a public listed company and the holding company of MPIB.

Mr David Comley has a direct shareholding of 262,000 ordinary shares in MPIB and 400,000 options pursuant to the ESOS of MPIB. He does not hold any shares in the subsidiary companies of MPIB.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

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

Tuan Syed Zaid bin Syed Jaffar Albar

Non-Executive Director/Non-Independent

Aged 47, Tuan Syed Zaid bin Syed Jaffar Albar, a Malaysian, qualified with a B.A. (Honours) in Law, United Kingdom and Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 22 years. Presently, he is the managing partner of an established law firm in Kuala Lumpur. He was appointed to the Board of MPIB on 7 July 1994.

Tuan Syed Zaid is the Chairman of the Audit Committee of MPIB. He is also a Director of Hume Cemboard Berhad, Malaysia Pacific Land Berhad, Renong Berhad and EPE Power Corporation Berhad, all of which are public listed companies.

He attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

Tuan Syed Zaid does not hold any shares in MPIB and its subsidiaries, has no family relationship with other Directors or major shareholders of MPIB, has no conflict of interest with MPIB and has no convictions for offences within the past ten years.

Directors' Profile (cont'd)

Mr Tan Keok Yin

Non-Executive Director/Independent

Aged 57, Mr Tan Keok Yin, a Malaysian, graduated from University of Malaya with a Bachelor of Arts (Economics) (Honours) degree in 1966. He also holds a Certificate in Executive Programme from the Berkeley Business School, University of California in 1984 and a Certificate in International Boards and Directors Programme from the Swedish Academy of Directors in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966, during which he served in the Economic and Investments Departments and the Penang Branch of BNM. In August 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was the Chief Executive Officer of FMM from 1981 to 1999.

Mr Tan was appointed to the Board of MPIB on 3 July 1995. His other directorships in public companies are as follows:

- Independent Non-Executive Director of Hong Leong Bank Berhad and Chairman of its audit committee, a public listed company.
- Independent Non-Executive Director of Hong Leong Properties Berhad, a public listed company.
- Independent Non-Executive Director and Audit Committee member of Hong Leong Assurance Berhad and Hong Leong Finance Berhad, both public companies.

Mr Tan attended all the Board Meetings of MPIB held during the financial year ended 30 June 2001.

Mr Tan does not hold any shares in MPIB and its subsidiaries, has no family relationship with any other Directors or major shareholders of MPIB, has no conflict of interest with MPIB and has no convictions for any offences within the past ten years.

YBhg Tan Sri Asmat bin Kamaludin

Non-Executive Director/Non-Independent

Aged 57, Tan Sri Asmat bin Kamaludin, a Malaysian, graduated from University of Malaya with a Bachelor of Arts (Economics) (Honours) degree in 1966. He also holds a Diploma in European Economic Integration from the University of Amsterdam. Tan Sri Asmat has vast experience of over 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five years prior to his retirement in February this year, Tan Sri Asmat served as a board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

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

His other directorships in public listed companies are as follows:

- Non-Executive Chairman of UMW Holdings Berhad and Matsushita Electric Company (Malaysia) Berhad.
- Non-Executive Vice Chairman of YTL Cement Berhad.
- Non-Executive Director of Hong Leong Properties Berhad, Carlsberg Brewery Malaysia Bhd, Shangri-la Hotels Malaysia Bhd, Lion Land Berhad and Commerce Asset-Holding Berhad.

He attended two (2) out of four (4) Board Meetings of MPIB held during the financial year ended 30 June 2001 as he was appointed to MPIB in February 2001.

Tan Sri Asmat does not hold any shares in MPIB and its subsidiaries, has no family relationship with any other Directors or major shareholder of MPIB, has no conflict of interest with MPIB and has no convictions for offences within the past ten years.

Audit Committee Report

Constitution

The Audit Committee of MPIB has been established since 12 July 1994.

Composition

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

Mr Tan Keok Yin
(Independent Non-Executive Director)

Mr Kwek Leng San
(Non-Independent Executive Director)

Secretary

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

Meetings

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

Two (2) members of the Audit Committee shall constitute a quorum.

During the financial year ended 30 June 2001, four (4) committee meetings were held and all the meetings were attended by all the Audit Committee members.

After each Audit Committee meeting, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendations to the Board.

Activities

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

During the financial year, the Audit Committee reviewed the quarterly reports and financial statements of MPIB and its subsidiaries ("the Group"). The Audit Committee had also met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response and discussed recent developments on accounting and auditing standards issued by the Malaysian Accounting Standards Board. In addition, the Audit Committee approved the annual internal audit plan of the Group, reviewed the internal auditor's audit findings and recommendations.

The Audit Committee also approved various related party transactions carried out by the Group.

Authority

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

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

Audit Committee Report (cont'd)

Terms Of Reference

- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the evaluation of the system of internal accounting controls and audit findings.
- To review, with the external auditors, the audit report.
- To review the assistance given by the Company's officers to the external auditors.
- To review the scope and results of the internal audit procedures.
- To review the financial statements of the Company and the consolidated financial statements submitted to the Audit Committee by the Company and thereafter to submit them to the Directors of the Company.
- To review any related party transactions that may arise within the Company or the Group.
- To nominate and recommend for the Board of Directors' approval, a person or persons as auditor(s).
- Other functions as may be agreed to by the Audit Committee and the Board of Directors.

Internal Audit

During the financial year ended 30 June 2001, the internal audit department carried out its duties in accordance with its annual audit plan covering business audit, system audit, fixed assets audit and operational and financial audit.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Malaysian Pacific Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 October 2001 at 11.30 a.m. in order:

1. to receive and consider the audited financial statements for the year ended 30 June 2001 and the Directors' and Auditors' Reports thereon;
2. to approve the payment of Directors' fees of RM152,246/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect the following Directors retiring in accordance with the Company's Articles of Association:
 - (a) Mr Tan Keok Yin
 - (b) YBhg Tan Sri Asmat bin Kamaludin;
4. to re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as special businesses, to consider and, if thought fit, pass the following ordinary motions:

(A) Authority To Directors To Issue Shares

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

(B) Authority To Directors On Purchase Of The Company's Own Shares

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Kuala Lumpur Stock Exchange ("KLSE") and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital through the KLSE subject further to the following:

- (a) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten per centum (10%) of the issued and paid-up share capital ("Shares") for the time being of the Company. The maximum number of Shares which may be purchased by the Company is RM20,988,442 Shares based on the current issued and paid-up capital before adjusting for treasury shares of 209,884,419 ordinary shares of RM0.50 each;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the retained profits and/or the share premium account of the Company. As of 30 June 2001, the audited retained profits and share premium of the Company were RM73,900,000/- and RM250,000,000/- respectively;

Notice of Annual General Meeting

(cont'd)

- (c) the authority conferred by this resolution 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 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) but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the KLSE or any other relevant authority; and
- (d) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:
 - (i) cancel the Shares so purchased; or
 - (ii) retain the Shares so purchased as treasury shares; or
 - (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
 - (iv) distribute the treasury shares as dividends to shareholders, and/or resale on the KLSE, and/or cancel all or part of them;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the KLSE and any other relevant authority for the time being in force;

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.";

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

By Order of the Board

QUEEK CHAI CHOO
JOANNE LEONG WEI YIN
Secretaries

Kuala Lumpur
4 October 2001

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. A member may appoint any other person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Pursuant to Paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

3. **Explanatory Notes On Special Businesses**

(A) Authority To Directors To Issue Shares

In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operating base and earning potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(B) Authority To Directors On Purchase Of The Company's Own Shares

The Directors be empowered to exercise the power of the Company to purchase its own shares ("Proposed Share Buy Back") by utilising its financial resources not immediately required. The Proposed Share Buy Back may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy Back are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2001 Annual Report.

Statement Accompanying Notice of Annual General Meeting

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

1. Directors who are standing for re-election at the Fortieth Annual General Meeting ("AGM") of the Company

[Pursuant to Article 114 of the Company's Articles of Association](#)

Mr Tan Keok Yin

[Pursuant to Article 101 of the Company's Articles of Association](#)

YBhg Tan Sri Asmat bin Kamaludin

Note:

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

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2001. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 3 to 4 of the Annual Report.

3. Place, Date and Time of Board Meetings

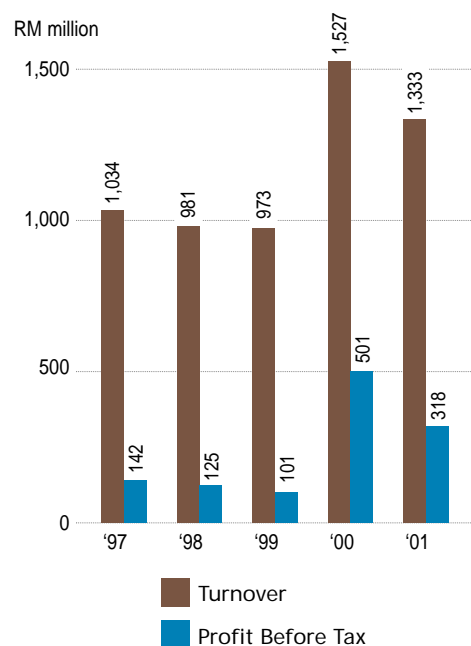
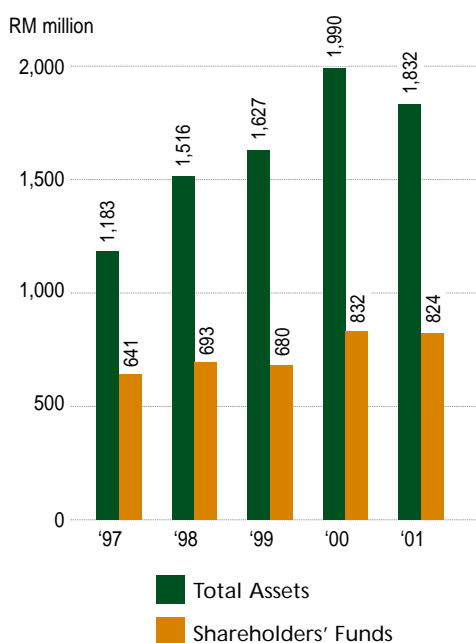
All Board meetings during the financial year ended 30 June 2001 were held at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur. The date and time of the Board meetings held were as follows:-

Date of Meetings	Time
21 August 2000	10.05 a.m.
16 October 2000	11.25 a.m.
7 February 2001	12.15 p.m.
2 May 2001	12.10 p.m.

4. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 3 to 4 of the Annual Report.

Group Financial Highlights



For the year ended 30 June

	2001	2000	1999	1998	1997
Turnover (RM Million)	1,333	1,527	973	981	1,034
Profit Before Tax (RM Million)	318	501	101	125	142
Profit After Tax (RM Million)	294	461	86	117	136

As at 30 June

	2001	2000	1999	1998	1997
Total Assets (RM Million)	1,832	1,990	1,627	1,516	1,183
Shareholders' Funds (RM Million)	824	832	680	693	641
Capital Expenditure (RM Million)	338	424	188	272	157
Gross Earnings Per Share (sen)	109	174	26	44	49
Net Earnings Per Share (sen)	101	161	19	41	46
Net Dividend Per Share (sen)	66	56	19	12	11
Net Assets Value Per Share (RM)	4.12	4.09	3.25	3.31	3.06

Corporate Governance

"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 manner in which the Corporate Governance framework is applied is summarised as follows:

A. Directors

The Board

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

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

The Board met four (4) times during the financial year ended 30 June 2001.

Supply of Information

To fulfil the responsibilities set out above, all Directors have access to the advice and services of the Company Secretaries as well as to independent professional advice, including the internal auditor.

Re-election

All Directors are required to submit themselves for re-election every three (3) years. The details of the retiring Directors are set out in the Annual Report.

B. Directors' Remuneration

Procedure

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

Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2001 are as follows:

	<i>Fees (RM)</i>	<i>Salaries & Other Emoluments (RM)</i>	<i>Total (RM)</i>
Executive Directors	163,000	5,135,452	5,298,452
Non-Executive Directors	72,246	35,000	107,246

The number of Directors whose remuneration fall into the following bands are as follows:

<i>Range of remuneration (RM)</i>	<i>Executive</i>	<i>Non-Executive</i>
50,000 and below	0	3
50,001 – 950,000	0	0
950,001 – 1,000,000	1	0
1,000,001 – 4,250,000	0	0
4,250,001 – 4,300,000	1	0

C. Accountability and Audit

The financial reporting and internal control system of the Group is overseen by the Audit Committee, which comprises two non-executive Directors. The primary responsibilities of the Audit Committee are set out in the Audit Committee Report.

The Audit Committee met four (4) times during the financial year ended 30 June 2001.

Financial Reporting

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

Internal Controls

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal controls and compliance with laws and regulations. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

Relationship with Auditors

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

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

D. Directors' Responsibility in Financial Reporting

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

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2001, the Group has used the appropriate accounting policies and applied them consistently. The Directors also consider that relevant approved accounting standards have been followed in the preparation of these financial statements.