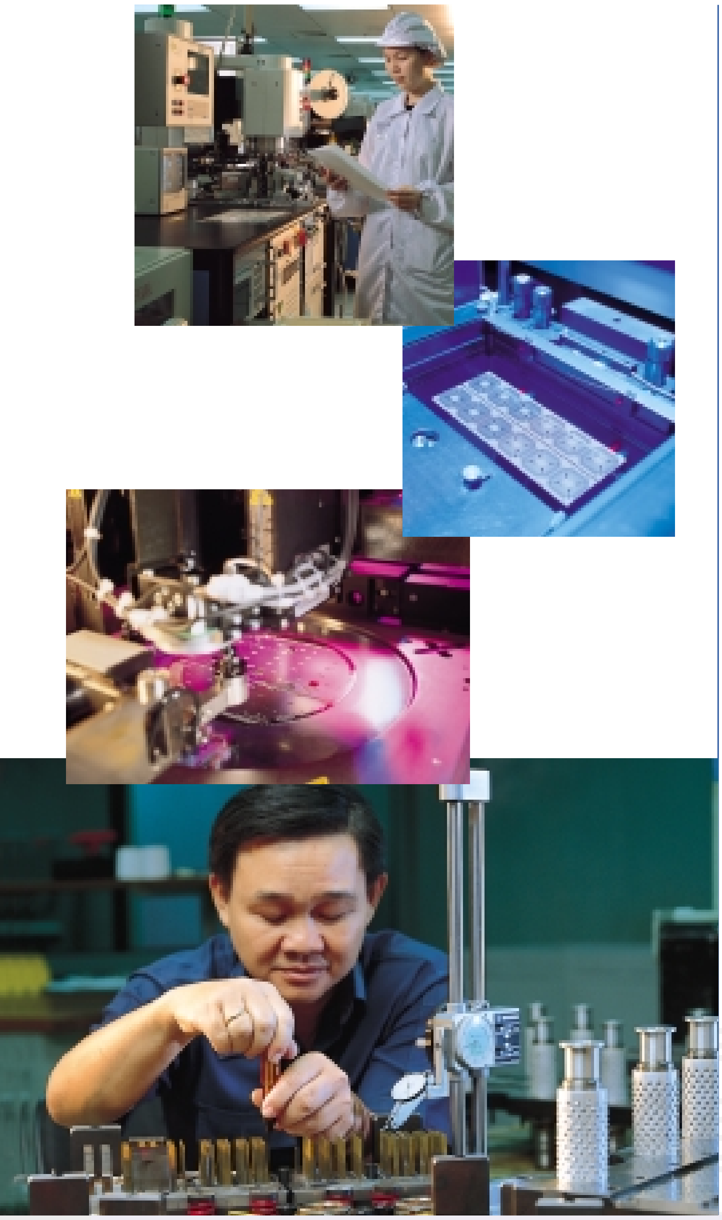
CHAIRMAN'S STATEMENT

"On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 30 June 2000."



Financial Review

With the economic recovery underway from increased domestic demand and improvement in consumers' confidence, and the implementation of the National Economic Recovery Plan by the government, the economy is expected to gather further momentum in year 2000. At the same time, the overall global economic outlook continued to remain favourable.

Consequently, the financial year under review saw a significant turnaround in the Group's financial performance. Group turnover has grown by 34% to RM2.61 billion as compared to the previous financial year, driven by strong demand in the semiconductor division. The other manufacturing divisions also registered increase production output and sales benefiting from the robust recovery in the East Asian economies and stronger domestic demand.

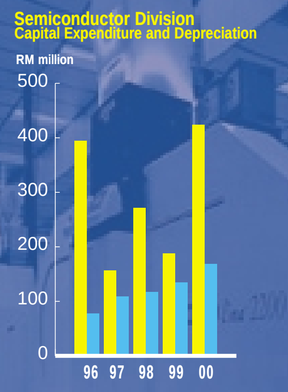
After accounting for associated companies' results, the Group recorded a profit before taxation of RM513.1 million as compared to a loss of RM74.6 million in the previous financial year. The Group's profit attributable to shareholders came to RM196.3 million, from a loss of RM142.1 million in the previous financial year.

The Company recorded a profit before taxation of RM91.1 million as compared to a loss of RM97.3 million in the previous financial year, mainly due to higher dividend revenue from subsidiaries, lower financing costs and a lower loss provision for the euroconvertible bonds.

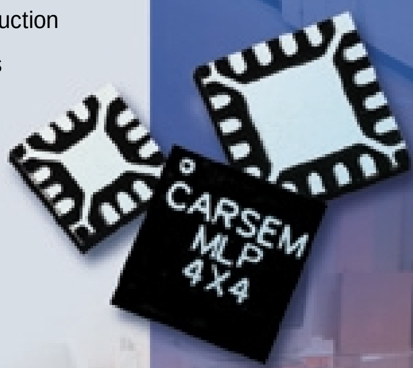
Business Review

Semiconductor

The semiconductor industry, which came out of its last downturn in early 1999, has seen five quarters of continuous growth. On the back of the conducive industry environment and underpinned by rapid advancement in telecommunication, computers, automotive, consumer and information technology applications, the semiconductor division registered a new record in its operating performance for the year under review. The division contributed a profit before taxation of RM518.6 million to the Group's results as compared to RM144.1 million in the previous financial year. The division invested RM424.4 million during the year to expand its capacity to meet increasing demand.



In Carsem, we continue to invest in research and development covering new products, processes and software systems. The micro leaded package (MLP) was launched during the year and production capacities are being put in place. The MLP is smaller, has better thermal and electrical properties and is potentially more economical than conventional leaded packages. Carsem has also launched its flip chip process to substrates and leadframes. We believe we are the first to have developed the flip chip on leadframe technology and production has commenced. The multichip module on SSBGA substrates for Bluetooth applications is expected to commence in the near future.



Looking forward, the MLP, flip chip, SSBGA products and test services will become an increasing part of Carsem revenue growth. Electrical test is an important capability to grow as most customers demand that test, assembly and in some cases distribution, must be supported in one location. As a result, test revenue and investment will increase at a greater rate than that of assembly in the coming years.

At Carsem, we believe that quality is the most important operational index, and that our drive towards zero defects will automatically improve other operational indices.

As for Dynacraft, it has been a good year on strong sales growth. Dynacraft has started building tools using ceramic punches that has longer life span, higher yields and produce better quality products. Dynacraft's etching capacity has increased by 40% compared to previous financial year, which will be critical in supporting Carsem development in its micro leaded packages. All operational indices continue to improve through the financial year.

CHAIRMAN'S STATEMENT

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Building Materials

The construction industry had been difficult in the last two years but a recovery is in progress. We see opportunities in certain sectors, such as low to medium cost residential developments, public sector projects like schools, hospitals and infrastructure projects.

The Building Materials division has shown resilient during this period and continues to record positive trend in its operational indices. The improvement in revenue in the financial year to RM454.5 million augurs well for its strategic direction of creating Asia's premier tile brand name "Ceramiche Guocera''.

In the domestic market, the division continues to emphasise its dealers development programme with its appointed distributors through the setting up of a dealers' network nation-wide to expand its market coverage in Malaysia, which will improve availability and accessibility of "Ceramiche Guocera" to the home renovation market.

The division will continue to promote its "Ceramiche Guocera" as Asia's premier brand, and to stay focus on quality, technology, research and development and product innovation to maintain its market share and competitive edge.

The division has taken steps to advance its information systems to e-enable its supply chain management approach for improved business efficiency in the "new economy".

Motorcycles

The Motorcycle division experienced another difficult year, both on the domestic and international fronts, despite recording improved sales revenues.

The division suffered heavier losses, affected primarily by weakness of the Ringgit against Japanese Yen for its domestic Yamaha operations as well as a weaker Euro in Europe. These had serious impact on the profitability of its products despite continued efforts to improve productivity and cost down processes. The operating units were not able to pass the higher costs to the market place in full. However, a series of price increases were implemented and the positive impact of these increases will be felt in the new financial year.

Demand in Malaysia rebounded and recorded a 17% increase to 265,464 units and in line with this, the Yamaha division also recorded a 16% improvement in sales. Its retail market share increased to 17%. The improvement was partly attributed to its successful re-launch of its four-stroke SRX model. The division also made further in-roads in the export market with entry into Greece with its 125Z models. With the support of Yamaha Motor Co., Ltd of Japan, new export markets were explored and the Company expects improved contributions from exports in the new financial year.

To maintain its competitiveness in the region and in readiness for the impending onset of AFTA, the division had embarked on a series of programmes on product and parts complementation with its Asean neighbours and these will be progressively implemented from the coming year. This plan is expected to position Yamaha for the future Asean common market.

The division's investment into MZ Motorrad- und Zweiradwerk GmbH ("MZ") is a medium term investment to develop its own proprietary brand and to acquire technology. The company remains in the investment phase.

MZ has successfully developed and introduced the RT125, a 125cc liquid cooled motorcycle with the most up to date technology in Europe in February 2000. Production commenced in April 2000 and the model is currently sold in Europe alongside its existing product portfolio. Development of other new products is also progressing well, in line with MZ's plan to introduce a wider range of motorcycles to cater for wider market segments.

Since the start up of the company in September 1996, MZ as a brand had become more visible and with the implementation of its product plans, will see this further enhanced.

This company is progressing well with its strategic plan and is expected to contribute positively from Year 2002. MZ motorcycles are now sold in Europe, United Kingdom, United States, Australia and Singapore.

Overall, we believe our mid-term plans are in place and we expect to see stronger performances from the division from the next financial year onwards.