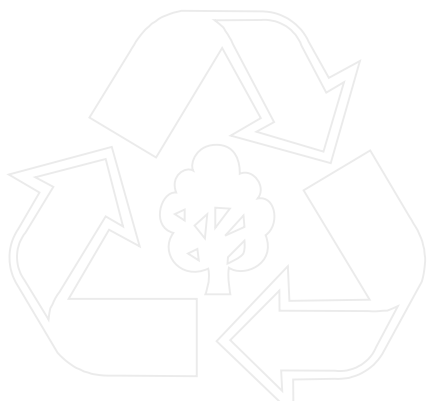


CHAIRMAN'S STATEMENT



Packaging

The Group has reduced its involvement in the packaging business during the financial year with the disposal of its industrial paper cement bags and three-piece tin cans operations. The Group has also signed a sale and purchase agreement with Hunza Consolidation Berhad for the disposal of its 50% stake in Guolene Paper Products (Kuching) Sdn Bhd for cash consideration of RM3.4 million. This sale is pending MITI's approval.

The present packaging operations are generally doing well and is expected to contribute positively to the Group's profits and cashflow in the coming financial year.

Significant Investments

Malaysian Newsprint Industries and Laras Perkasa

As at the year end, the Group has invested a total of RM445.2 million on a pioneer investment in Malaysia's only newsprint mill. The investment comprises a 33.65% stake in Malaysian Newsprint Industries Sdn Bhd ("MNI") and a 30% stake in Laras Perkasa Sdn Bhd ("LP").

MNI operates a newsprint mill located in the Temerloh Industrial Park at Mentakab. MNI employs the latest technology in paper-making with an installed capacity of 250,000 tonnes of newsprint per annum. LP operates a combined heat and power plant, which is the dedicated supplier of power and processed steam to MNI.

MNI's newsprint is engineered to the highest standards to provide premium paper quality for today's modern presses with reliable runnability and consistent printability. MNI ensures its customers receive superior service through faster and more uniform deliveries to eliminate transit damages, reduce delivery lead times and lower stock holdings.

This is the first maiden year of commercial production. We anticipate the mill to be profitable in this coming financial year in line with improving newsprint prices and through cost and productivity gains as the mill gains momentum. MNI should achieve sustainable growth over the coming years barring any major downside risks that could derail the current favourable global newsprint prices.



Camerlin Group techpacificCAMERLIN.COM

The Group has a 28.9% stake in Camerlin Group Berhad, a global investment company with its major assets consisting of significant stakes in Southern Steel Berhad ("SSB") and Brierley Investments Limited ("BIL"). BIL has recently moved its primary listing and global headquarters to Singapore and continues to have secondary listings on the New Zealand, Australia and London Stock Exchanges.

E-commerce is rapidly becoming a major force in the "new economy" in the wake of the Internet and advanced era of information technology with its global reach and opportunities. Through BIL, the division has made a strategic move to invest in the technology sector through Tech@BIL, a new operating division with an initial allocation of US\$100 million to spearhead the division entrance to the "new economy" with the US-based Madrona Group collaboration.

Corporate Developments during the year

The following significant corporate developments took place in the financial year under review:

- (a) the Company's wholly-owned subsidiary, Taman Terang Sdn Bhd, placed out 5.0 million Malaysian Pacific Industries Berhad ("MPI") shares of RM0.50 each fully paid, representing 2.47% equity interest in MPI to various institutional investors, for a total cash consideration of RM230.0 million, equivalent to RM46.00 per MPI share.
- (b) the Company issued RM125 million of 8.5% fixed rate 5-year Unsecured Redeemable Bonds 1999/2004 to underwriters /primary subscribers.
- (c) Guolene Packaging Industries Berhad, a 75.6% subsidiary, disposed of 2,340 ordinary shares of RM1,000.00 each fully paid, representing 52% equity interest in Guolene Industrial Paper Products Sdn Bhd for a total consideration of RM11.5 million.
- (d) Guolene Packaging Industries Berhad, disposed of 32,250,000 ordinary shares of RM1.00 each fully paid, representing 100% equity interest in Guolene Metal Can Sdn Bhd for a total cash consideration of RM13.75 million.
- (e) the Company disposed of 1,712,329 ordinary shares of RM1/- each fully paid, representing 50% equity interest in Brisk Steel Products Sdn Bhd to Southern Steel Berhad, for a total cash consideration of RM22.5 million.





CHAIRMAN'S STATEMENT

(f) the Board of Directors has approved the establishment of an executive share option scheme ("ESOS") for the benefit of the eligible executives of the Group. The ESOS has obtained approval from the relevant authorities and shareholders of the Company. The initial share options was issued on 28 December 1999 with an option price of RM8.83 per share.

Prospects

The current economic recovery is expected to maintain its pace in the new year and coupled with a positive outlook in the semiconductor industry, the Board believes that the Group will show improve performance although the rate of growth will moderate as we move to a higher base.

We have learned from the experience of the past crisis and emerged with the conviction that our strategies employed in our businesses are right. We have strengthened our balance sheets and built resilience into our operations. We are investing for the future while mindful of the need to build shareholders' value.

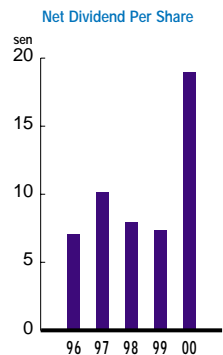
Year 2000 Transition

We are pleased to report that the Group experienced a smooth transition of all systems into the new millennium attributed to the successful implementation of our Y2K Risk Management Programme and the extensive Y2K Contingency Planning.

The smooth transition was observed and co-ordinated by our Y2K Communications Centre, which was established to monitor the crossover periods.

Dividends

The Board is pleased to recommend a final dividend of 35%, comprising 25% less tax and 10% tax exempt. The total gross dividend for the financial year in review is 45% after taking into account the interim dividend of 10% tax exempt paid on 21 March 2000. This represents a total gross dividend of RM50.6 million, an increase of three-fold over the previous financial year.



Appreciation

On behalf of the Board, I wish to express my sincere appreciation to the management and staff for their dedications and commitments which have enabled the Group to make a strong recovery in this past year.

Our appreciation is also extended to our valued customers, business associates, suppliers, financiers and our shareholders for their continued support and confidence in the Group.

QUEK LENG CHAN
Chairman

Kuala Lumpur
21 August 2000

