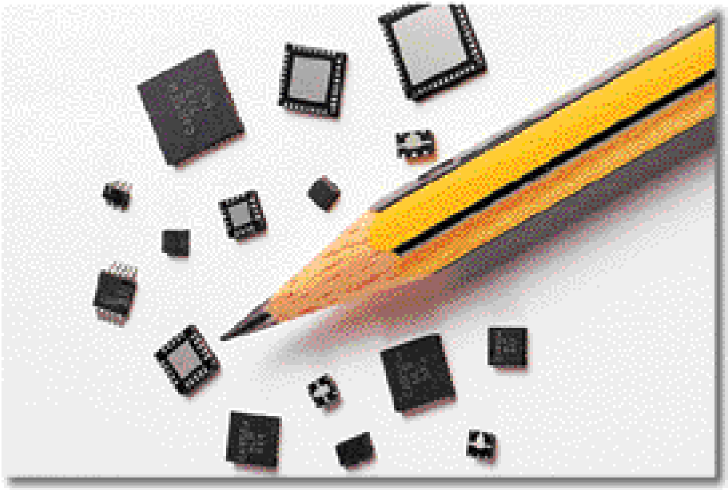
CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2003.



Financial Review

The Group recorded a profit before tax of RM51.2 million for the financial year ended 30 June 2003 as compared to a loss of RM59.2 million in the previous year. Net earnings achieved for the year under review was RM9.0 million as compared to a net loss of RM 78.9 million previously. The significant improvement was attributable to the improved performance of the ceramic tiles and semiconductor sectors and a decrease in share of losses of an associated company.

At Company level, profit before taxation was RM28.7 million as compared to RM 35.6 million (excluding the loss on disposal of a subsidiary of RM7.3 million) in the previous financial year. The decrease was mainly due to the lower dividend income from the motorcycles division as dividend for the previous financial year from the same division was inclusive of a special dividend of RM16.0 million. The decrease was however, partly offset by the reduction in finance cost with the issuance of RM208 million 4% Five (5)-year Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS") on 28 June 2002 which was accounted for as an equity instrument and hence the payment of RM8.4 million of interest for the ICULS was treated as cost of equity rather than finance cost.

Business Review

Semiconductor

The semiconductor division recorded a revenue of RM882.5 million for financial year 2003, a 15% improvement over the previous year. At the operating profit level, the division recorded an operating profit of RM62.5 million as compared to a marginal operating profit of RM2.8 million in the previous financial year.

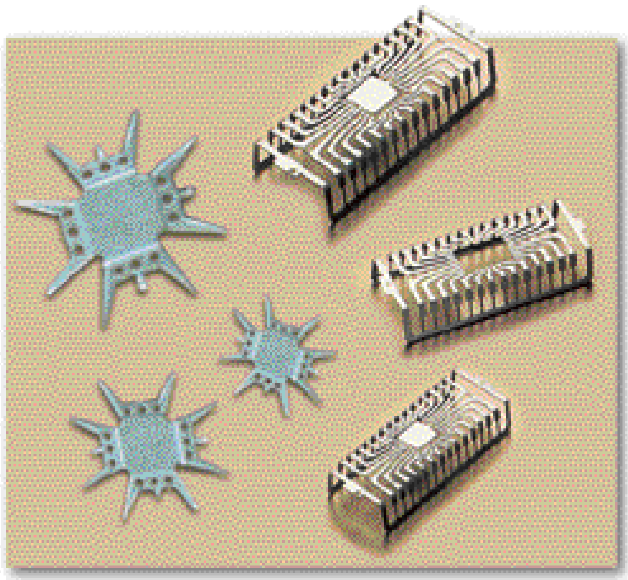
CHAIRMAN'S STATEMENT (cont'd)

Although the semiconductor industry experienced a moderate growth during the financial year, the result was nevertheless rather disappointing. The second quarter seasonal surge did not materialise and neither did the traditional fourth quarter financial year-end surge. Sluggish spending in the corporate and consumer sectors kept sales low resulting in under-utilisation of equipment.

Demand for conventional IC products was exceptionally weak, especially for cellphone and PC related products, due to the impact of SARS. However, this softness was more than compensated by strong MLP and Test sales.

The Group's semiconductor segment's success in the MLPbusiness was due to its wide range of MLP products introduced, competitive prices, the high quality and yields achieved and the successful promotional campaigns. Carsem is now recognised as one of the top MLP suppliers in the world.

Another very positive development was the closure of a major deal with Analog Devices Inc., which would culminate in the transfer of its entire assembly volume from the Philippines to Carsem. This transfer should be completed during the first quarter of the new financial year and is expected to deliver significant upside to the Group's results.



The Group's semiconductor division invested RM115.0 million into buildings, plant and equipment over the past twelve months. A substantial portion of these investments went into enhancing new product capabilities, Test equipment, computer systems and research and development.

On the other hand, new technologies sector continues to see encouraging growth, translating into higher demands and larger customer base. The commencement of volume production for Multi-Chip and Bluetooth modules has allowed Carsem to demonstrate to the industry its ability to manufacture very sophisticated and high-end products.

Presently, Carsem is working on another new range of MLP products, such as the High-Density MLP as a cost-effective solution, Copper-clip technology for power applications and Clear MLP for opto and sensor applications. With these technologies, Carsem's competitive edge on MLP will be further enhanced.

CHAIRMAN'S STATEMENT (cont'd)

Demand for Test services is strong as more customers choose to outsource operations to reduce cost and delivery time. Most customers today demand full turnkey assembly and Test solutions, especially for the newer products. With its focus and investments into Test over the last few years, Carsem is well positioned for this business.

Dynacraft Industries, the Group's leadframe design and manufacturing arm, continues to provide the latest product innovations to meet customers' and industry's demands. Utilising advanced materials, designs and manufacturing technologies, Dynacraft ensures the highest quality stamped and etched leadframes. Dynacraft is an industry leader in preplated lead frame (PPF) technology and is in the process of perfecting a lead-free PPF solution to meet future industry environmental standards and requirements. Its success in developing and promoting this technology has paved the way for it to increase its market share with a number of key customers. In addition, Dynacraft has developed Advanced MLP leadframe solutions to support leading edge IC package technology.

During the financial year under review, two of the Group's subsidiaries, Carsem (M) Sdn. Bhd. and Carsem Semiconductor Sdn. Bhd., both of which are engaged in the same business, were merged into one. This was done to enable Carsem to promote its business under one trade name and to be more business friendly, whilst promoting greater efficiencies in various areas such as operations, costs and tax. These benefits are expected to enhance the future profitability of the Group.

Building Materials

The building materials division recorded a revenue of RM507.9 million, a 1% marginal increase compared to the previous financial year. Despite the marginal increase in revenue, the sector achieved an operating profit of RM58.0 million, 5% increase as compared to the previous financial year.

The improvement was made possible by enhancing selling prices through aggressive product development, cutting total cost by taking away repetitive and non-value added elements of doing business and continuously supporting an environment that emphasises on quality, growth and learning.

Whilst the Malaysian economy grew by 5.7% year-on-year for the first half of financial year 2003, the construction sector only grew by 1.6% for the same period. The lethargic growth was mainly due to the acute

labour shortage that slowed down the construction activities for the first half of the financial period. The recovery of this sector and every other sectors of the Malaysian economy was further weighed down by the Iraq war and SARS epidemic.

During the financial year under review, the building materials division underwent an internal restructuring exercise, transforming Guocera Holdings Sdn Bhd (formerly known as Guocera Tile Industries (Kluang) Sdn Bhd) into an investment holding company for all the ceramic tiles related companies. The aforesaid restructuring exercise provided agility for the organisation to move forward and also opportunities for further cost improvement.

Motorcycles

The motorcycles division recorded a revenue of RM350.6 million for financial year 2003, a 10% reduction as compared to the previous financial year. Consequently, an operating loss of RM3.0 million was recorded as compared to an operating profit of RM8.4 million in the previous financial year.

On the domestic front, the Yamaha business was adversely affected by the entry of low priced scooters and motorcycles from China. This followed the relaxation in the issue of assembly licenses by the Ministry of International Trade and Industry which facilitated quick low cost start-ups. The entry of these low priced products facilitated the expansion of the overall market whilst at the same time, eroded the dominance of the established manufacturers.

As a result, despite a growth of 12.5% recorded by the industry to 261,495 units, Yamaha's share slipped to 16%. Profitability was also adversely affected by a 15.6% appreciation in Japanese Yen during the fiscal year.

Despite these setbacks, the motorcycles division, however, continued to drive for quality and productivity and its aggressive cost down efforts put in place in the previous fiscal years had contributed towards the profitability of the division and consequently the division remained profitable despite the challenging environment.

Our investment in Yamaha Motor Vietnam Co. Ltd. had turned around and recorded its maiden profit during the financial year under review. With improving market share, the investment is expected to contribute positively in the coming years.

CHAIRMAN'S STATEMENT (cont'd)

The setting up of the Yamaha Asian Centre by Yamaha Motor Co., Japan, to facilitate and improve co-ordination of its regional activities, pursue of cost competitiveness and shorter development cycle for new products will enhance the division's overall competitiveness.

The MZ operation in Germany continued to operate in the red. Turnover was down 11.5% with sales in key markets, mainly Germany, the Euro zone and USA, adversely affected by poor business sentiments, impact of the Iraq war and geopolitical uncertainties. The strengthening of the Euro by about 13% had also adversely affected export sales.

During the financial year under review, MZ Motorrad-und Zweiradwerk GmbH acquired a 100% subsidiary, MuZ North America Inc, for the distribution of MZ products in the USA and to strengthen its marque there.

MZ Motorrad Sdn Bhd ("MZ Motorrad") also commenced operations in Malaysia in August 2002 with the introduction of its own 125cc models, namely the SM125 and SX125. In the fourth quarter of financial year 2003, the company introduced two moped models, namely the Perintis 120S and Classic to compete in the commuter segment.

The acquisition of a 49% stake in Millennium Motors Company Limited, Thailand was also completed during the financial year 2003. It's contract assembly operations had been profitable and this company will be used to assemble and distribute MZ motorcycles in Thailand as well as to support MZ Motorrad in Malaysia with complementation parts. This is expected to start in the fourth quarter of financial year 2004.

Packaging

Guolene Packaging Industries Berhad ("GPIB") had, on 18 December 2002, completed a return of capital to its shareholders amounting to RM72,510,972.50 on the basis of RM0.50 for every one (1) GPIB ordinary share of RM1.00 each held, by the cancellation of RM0.50 from every GPIB ordinary share and the consolidation of every two (2) resultant GPIB ordinary shares of RM0.50 each into one (1) GPIB ordinary share of RM1.00 each ("GPIB Return of Capital").

The Company, with its 96.4% equity interest in GPIB, had on even date received a distribution of RM69,185,822.00. Following the completion of the GPIB Return of Capital, the issued and paid-up capital of GPIB was reduced from RM145,021,945.00 of RM1.00 each to RM72,510,972.50 of RM1.00 each.

Camerlin Group

The Group has a 27.8% stake in Camerlin Group Berhad ("CGB"), which in turn has a 22.3% stake in BIL International Limited ("BIL"), a company with a primary listing on the Singapore Stock Exchange and a secondary listing on the London Stock Exchange.

During the financial year 2003, BIL through its wholly-owned subsidiary BIL (UK) Limited, has successfully completed a voluntary cash offer ("Offer") to acquire all

CHAIRMAN'S STATEMENT (cont'd)

the remaining shares not already owned by BIL in its 45.8% associated company, Thistle Hotels Plc, ("Thistle"), at £1.30 per share. The offer value of the whole of Thistle was approximately £627.1million. Consequently, the listing of Thistle shares on the Official List of the UK Listing Authority was cancelled on 17 July 2003.

During the financial year under review, CGB completed the disposal of its 40.75% equity interest in Southern Steel Berhad to Hume Industries (Malaysia) Berhad for a total cash consideration of RM132,320,523.00.

Significant Corporate Developments

Subsequent to the financial year end, the Company had, on 30 July 2003, obtained its shareholders' mandate to purchase and/or dispose of up to 20,000,000 ordinary shares of RM0.50 each in MPI ("MPI Shares"), representing approximately 10% of the adjusted issued and paid-up share capital of MPI, through the open market or stockbroker(s) as part of the Group's investment holding activities.

The Group had, on 26 July 2003, placed out 5,000,000 MPI Shares, representing 2.5% equity interest in MPI at RM14.40 per MPI Share (before expenses). On 19 August 2003, the Group placed out another 5,000,000 MPI Shares at RM14.90 per MPI Share (before expenses) ("Placements").

After the Placements, the Group's equity interest in MPI is reduced from 121,609,547 ordinary shares of RM0.50 each to 111,609,547 ordinary shares of RM0.50 each, representing 56.1% of the adjusted issued and paid-up share capital of MPI.

Future And Prospects

Notwithstanding the challenging operating environment ahead and barring any unforeseen circumstances, the Board expects the various core businesses of the Group to perform satisfactorily in the new financial year ending 30 June 2004.

Dividend

The Company had declared and paid an interim dividend of 2.5 sen per share less tax during the financial year. The Board does not recommend any final dividend for the financial year ended 30 June 2003.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to the management team and all the employees for their contributions, commitments and dedications to the Group.

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

QUEK LENG CHAN
Chairman

Kuala Lumpur
28 August 2003