

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 2001.



Financial Review

The year ended 30 June 2001 had been one of mixed fortunes for MPIB, comprising an excellent first half-year followed by a very weak second half. Revenue for the six months ended 31 December 2000 reached a commendable RM820.2 million, with a profit attributable to shareholders of RM183.3 million. However, from January 2001, revenue for the second half-year started declining sharply, resulting in a sequential drop of 38% to RM512.4 million, while profit attributable to shareholders fell to RM17.7 million.

For the year, turnover amounted to just over RM1.3 billion, a decrease of 13% from last year. Profit attributable to shareholders was RM201 million, dropping 38%, while the earnings per share of 100.6 sen represents a decline of 37% from the previous year.

In spite of the adverse business conditions during the second half of the financial year, the Group achieved an annual return on shareholders' funds of 24%. The Group has declared net dividends of RM130.9 million, an increase of 16% over last year and utilised RM80 million on share buy back. Cash flow of the Group continues to be healthy.





Business Review

Business for the first two quarters of the financial year was slightly down from the peak seen in the final quarter of the preceding financial year. The traditional surge in the second quarter's revenue, fueled by Christmas and New Year consumer spending, did not materialise this year. Concerns of a slow-down in the US economy, high oil prices, coupled with lower than expected sales of personal computers and cell-phones, resulted in many companies having over-produced or over-stocked.

The beginning of 2001 saw the start of the biggest decline in the history of the semiconductor industry.

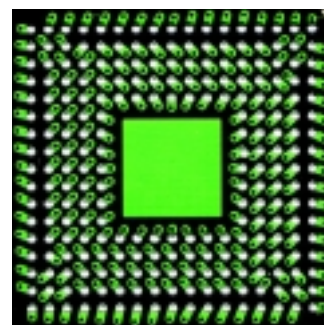
The beginning of 2001 saw the start of the biggest decline in the history of the semiconductor industry. The speed and severity of this decline caught the whole industry by surprise. Even as we ended the financial year, there were still no clear signs of the industry having reached the bottom as companies worldwide continue to report falling demands and excess capacities. This is compounded by fears of a US-led global economic slow-down. The deceleration in business affected all market sectors, with the telecommunications sector being the worst affected.

The Group reacted swiftly to the business downturn by implementing numerous major austerity initiatives to counter its impact. These include a hiring freeze, zero overtime, repatriation of foreign workers, natural attrition, reduction in factory overheads and requiring all employees to take mandatory annual or unpaid leave. In addition, curtailment of discretionary expenses will continue to be strictly enforced, to ensure that the Group sustains through this industry downturn. Prudent management of capital expenditure and continued investments in next-generation technology will ensure that Group's future is not jeopardised.



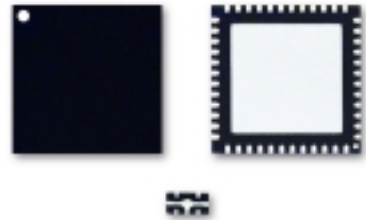
The Future

The Group has invested RM338 million into buildings, plant and equipment over the past twelve months. A substantial portion of these investments was to further expand Carsem's test capabilities as more customers are seeing assembly and test as one business.



Chairman's Statement (cont'd)

The Group continued to invest in research and development, covering new products, processes and computer systems. The computerised integrated manufacturing and planning system, which was over two years in the making, has finally gone live at Carsem Semiconductor and is in the process of being replicated into Carsem (M). This real-time system, one of the most advanced of its kind, is expected to bring quantum leap improvements to productivity, cycle-time and production data visibility.



The Group continued to receive numerous awards during the year from its key customers in recognition of its excellent services to them.

Carsem's new advanced packages and process technologies continue to gain favour with many existing and new customers, especially the MLP (Micro Leadframe Package) range. So far, engineering or qualification works have been completed for over fifty companies and more than half of them are in the process of starting commercial production. Production has also commenced on its other new packages such as the Array Packaging,

Spak, system-in-package (SiP) and flip-chip on leadframe (FCOL). All these new packaging technologies continue to attract much interest. Carsem has already developed assembly and test capabilities to service the Bluetooth market. This technology is expected to enjoy a very bright future and grow at a phenomenal pace as its wireless communications applications can extend far beyond that of mobile phone functions. We expect all these packages to spearhead the Group's growth in the future.



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.

Other Developments

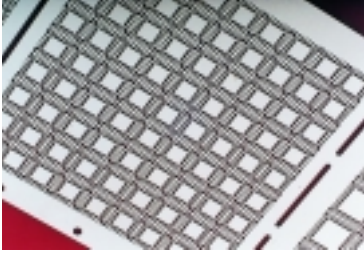
The Group persisted to invest extensively in employees development, recognising this as a critical success factor. Carsem (M) is the first local company in Malaysia to embark on a multimedia training project and its success led to it winning the "National Human Resources Development Award 2000".

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Under the Group's Executive Share Option Scheme, a further 315,000 options were issued during the year.



Prospects



Notwithstanding overall poor market visibility, we expect a moderate growth in the second quarter in response to the Christmas and New Year festive seasons. The performance of the Group is dependent on the global trend of the semiconductor industry and at this stage, it is difficult for the Board to make a prediction as to whether this growth is sustainable.

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Dividend

A second interim dividend was paid during June 2001 in lieu of a final dividend. As such, the Board will not be recommending a final dividend for the financial year ended 30 June 2001. Total gross dividend declared for the financial year was 140%, an increase of almost 17% over last year's 120%.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to each and every staff of the Group for their contributions, commitments and dedications to the Group.

Our appreciation also goes to our valued customers, business associates, vendors, financiers, shareholders and the Government for their unwavering and continuous support and confidence in the Group.

KWEK LENG SAN
Chairman

Kuala Lumpur,
27 August 2001

