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Financial

# Statements

The directors of **UNISEM (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2002.

### PRINCIPAL ACTIVITIES

The Company is principally involved in the manufacturing of semiconductor devices.

The subsidiary company, Unisem II Sdn. Bhd., a company incorporated in Malaysia, has not commenced business operations since its incorporation.

There has been no significant change in the nature of the activity of the Company during the financial year.

### RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
<b>Loss before tax</b>	(8,480,412)	(8,439,008)
<b>Income tax expense</b>	(4,024,366)	(4,024,366)
<b>Net loss for the year</b>	(12,504,778)	(12,463,374)

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

A final dividend of 10%, tax-exempt, amounting to RM14,323,300 (of which RM14,300,900 has been dealt with in the previous directors' report) was paid by the Company during the current financial year. The additional dividends paid of RM22,400 was in respect of new ordinary shares issued pursuant to the exercise of options under the Company's Employees' Share Option Scheme during the current financial year.

The directors proposed a final dividend of 10%, tax-exempt, amounting to RM14,334,200 in respect of the current financial year. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM143,009,000 to RM143,342,000 by way of an issue of 333,000 new ordinary shares of RM1.00 each for cash issued at various exercise prices pursuant to the Employee Share Option Scheme of the Company.

The resultant premium arising from the shares issued above of RM2,233,200 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

There was no issue of debentures during the financial year.

## EMPLOYEE SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on August 3, 2000, the shareholders of the Company approved the establishment of an ESOS.

The salient features of the ESOS are as follows:

- (a) The ESOS is set-up for participation in the ordinary share capital of the Company only;
- (b) The total number of new ordinary shares to be offered under the ESOS shall not exceed ten (10) per centum of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS;
- (c) Eligible Malaysian employees (including full-time Executive Directors of the Company and its subsidiary company) are those who have been confirmed in service for at least one (1) continuous year while a non-Malaysian employee (including full-time foreign Executive Director) whose contribution is vital to that company in the Group or serving under an employment contract with a duration of at least three (3) years in any company within the Group on or prior to the date of offer pursuant to the ESOS;
- (d) The criterion of allotment of new shares is by reference to the category of the eligible employee in consideration, with due regard to the seniority and length of service of the eligible employee. The number of new ordinary shares so offered under the ESOS shall not be less than 1,000 ordinary shares nor more than the maximum allowable allocation applicable to such eligible employee as set out in the ESOS Bye-Laws;
- (e) The price at which the grantee is entitled to subscribe for each ordinary share under the ESOS shall be set at a discount of not more than ten (10) per centum from the weighted average of the market prices of the ordinary shares of the Company for the five (5) market days immediately prior to the date of the offer, or the par value of such share of the Company, whichever is the higher;
- (f) The ESOS shall be in force for a period of five (5) years commencing September 7, 2000 and expire on September 6, 2005;
- (g) The options granted may be exercised on any working day during the option period subject to the maximum percentages applicable to such eligible employee as set out in the ESOS Bye-Laws;

- (h) In the event of any alteration in the capital structure of the Company during the option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of ordinary shares of the Company or otherwise (excluding the purchase by the Company of its own shares) howsoever taking place, such corresponding alterations (if any) shall be made in (a) the number of new ordinary shares relating to the options so far as unexercised; and (b) the option price; and
- (i) The ESOS Committee is appointed by the Board of Directors of the Company to administer the scheme.

The movements in the share options during the financial year are as follows:

Exercisable from	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1.00 each				Balance as of 31.12.2002
		Balance as of 1.1.2002	Granted	Exercised	Lapsed	
14.09.2000	14.80	7,360,000	-	-	(335,000)	7,025,000
03.10.2000	13.50	120,000	-	-	-	120,000
13.12.2000	10.20	170,000	-	(1,000)	(50,000)	119,000
28.02.2001	8.00	1,415,000	-	(130,000)	(12,000)	1,273,000
19.07.2001	7.00	1,076,000	-	(134,000)	(65,000)	877,000
12.12.2001	8.50	695,000	-	(68,000)	(91,000)	536,000
26.04.2002	12.40	-	915,000	-	(60,000)	855,000
		10,836,000	915,000	(333,000)	(613,000)	10,805,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders, who have been granted options under the ESOS for less than 100,000 ordinary shares each.

Eligible employees, other than the Executive Directors whose interest are disclosed separately in Directors' Interest, who have been granted options under the ESOS for and in excess of 100,000 ordinary shares each are as follows:

	No. of options over ordinary shares of RM1.00 each			Balance as of 31.12.2002
	Balance as of 1.1.2002	Granted	Exercised	
Ho Choon Seng	250,000			250,000
Lee Chay Chye @ Fairuz Al-Izafi Bin Abdullah	250,000			250,000
Loh Chee Cheong	250,000			250,000
Wong Hoe Cheong	200,000			200,000
Lai Wing Hong @ Haris Lai Abdullah	200,000			200,000
Yap Kam Weng	200,000		(16,000)	184,000
Cheng Kee Leang	200,000			200,000
Chua Tuck Choy	120,000	80,000		200,000
Chin Hock Yee	120,000	80,000		200,000
Chai Chan Wah	120,000			120,000
Chew Kheong Onn	120,000			120,000
Chew Mun Kit	120,000			120,000
Kong Meng Yee	120,000			120,000
Lee Fook Fatt	120,000			120,000
Lee Thiam Siew	120,000			120,000
Liaw Teck Seong	120,000			120,000
Lim Koon Hoon	120,000			120,000
Ngiam Tee Yip	120,000			120,000
Soo Wai Seng	120,000			120,000
Tan Chen Hung	120,000		(4,000)	116,000
Tham Eng Huak	120,000			120,000
Wong Siew Boon	120,000			120,000
Wong Yoke Yen	120,000			120,000

The options granted to these option holders expire on September 6, 2005.

## OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off as bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due other than as disclosed in Note 27 to the Financial Statements.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

## DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Mr. John Chia Sin Tet  
Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba  
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad  
Mr. Colin Garfield MacDonald  
Mr. Yen Woon @ Low Sau Chee  
Mr. Sundra Moorthi s/o V.M. Krishnasamy  
Mr. Francis Chia Mong Tet  
Mr. Tee Yee Loh  
Mr. Chua Khing Chiew (alternate to Mr. Yen Woon @ Low Sau Chee)  
Y. Bhg. Dato' Wong See Wah (appointed on November 28, 2002)  
Mr. Ang Chye Hock (appointed on November 28, 2002)

In accordance with Article 124 of the Company's Articles of Association, Messrs. Sundra Moorthi s/o V.M. Krishnasamy, Francis Chia Mong Tet and Tee Yee Loh retire by rotation and, being eligible, offer themselves for re-election.

Y. Bhg. Dato' Wong See Wah and Mr. Ang Chye Hock who were appointed to the Board since the last Annual General Meeting, retire under Article 127 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1.00 each			Balance as of 31.12.2002
	Balance as of 1.1.2002	Bought/ Transferred*	Sold/ Transferred*	
<b>Shares in the Company</b>				
<b>Registered in name of directors</b>				
Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	1,000,000	-	-	1,000,000
Mr. Colin Garfield MacDonald	2,911,049	-	(750,000) *	2,161,049
Mr. Sundra Moorthi s/o V.M. Krishnasamy	9,000	-	-	9,000
Mr. Francis Chia Mong Tet	358,200	-	-	358,200
Mr. Tee Yee Loh	1,265,790	-	(300,000) *	965,790
Mr. Ang Chye Hock (appointed on 28.11.2002)	15,000	-	-	15,000

**Indirect interest by virtue of shares held by companies in which a director has interests**

	No. of ordinary shares of RM1.00 each			Balance as of 31.12.2002
	Balance as of 1.1.2002	Bought/ Transferred*	Sold/ Transferred*	
Mr. John Chia Sin Tet	46,855,600	-	-	46,855,600
Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	17,000	-	-	17,000
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad	200,000	-	-	200,000
Mr. Colin Garfield MacDonald	3,800,000	750,000 *	(300,000)	4,250,000
Mr. Yen Woon @ Low Sau Chee	43,150,000	-	-	43,150,000
Mr. Sundra Moorthi s/o V.M. Krishnasamy	2,000	-	-	2,000
Mr. Francis Chia Mong Tet	3,100,000	-	-	3,100,000
Mr. Tee Yee Loh	1,148,810	300,000 *	-	1,448,810
Mr. Chua Khing Chiew (Alternate to Mr. Yen Woon @ Low Sau Chee)	42,900,000	-	-	42,900,000

By virtue of their interests in the shares of the Company, Messrs. John Chia Sin Tet, Yen Woon@ Low Sau Chee and Chua Khing Chiew are also deemed to have an interest in the shares of the subsidiary company to the extent that the Company has interest.

In addition to the above, the following directors are deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS of the Company:

	No. of options over ordinary shares of RM1.00 each			Balance as of 31.12.2002
	Balance as of 1.1.2002	Granted	Exercised	
Mr. John Chia Sin Tet	400,000	-	-	400,000
Mr. Ang Chye Hock	-	350,000 *	-	350,000

\* The share options were granted to Mr. Ang Chye Hock on April 26, 2002 prior to his appointment as a director on November 28, 2002.

Y. Bhg. Dato' Wong See Wah does not hold shares or have beneficial interest in the shares of the Company during the financial year.

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and a company in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 17 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted to certain directors pursuant to the Company's ESOS as disclosed above and in Note 20 to the Financial Statements.

### **AUDITORS**

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**ANG CHYE HOCK**

**TAN SRI DATO' DR. MOHD. RASHDAN BIN HAJI BABA**

Kuala Lumpur,  
February 25, 2003

## REPORT OF THE AUDITORS

to the members of UNISEM (M) Berhad (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2002 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of December 31, 2002 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

### **DELOITTE KASSIMCHAN**

AF 0080

Chartered Accountants

### **WONG GUANG SENG**

787/3/03(J/PH)

Partner

February 25, 2003

**INCOME STATEMENTS**  
for the year ended December 31, 2002

	Note(s)	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue		222,604,167	187,906,564	222,604,167	187,906,564
Other operating income	5&29	1,019,523	2,581,009	1,019,523	2,581,009
Changes in inventories of finished goods and work-in-progress		1,658,329	(852,099)	1,658,329	(852,099)
Raw materials and consumables used		(59,686,847)	(45,812,547)	(59,686,847)	(45,812,547)
Directors' remuneration	6	(1,647,935)	(1,344,428)	(1,647,935)	(1,344,428)
Staff costs		(45,758,081)	(40,937,731)	(45,758,081)	(40,937,731)
Depreciation of property, plant and equipment	11	(69,125,653)	(56,127,064)	(69,094,778)	(56,127,064)
Other operating expenses	5	(57,408,722)	(48,239,547)	(57,398,193)	(48,232,181)
Loss from operations		(8,345,219)	(2,825,843)	(8,303,815)	(2,818,477)
Finance costs	7	(400,786)	-	(400,786)	-
Income from other investments	8&29	265,593	1,768,446	265,593	1,768,446
<b>Loss before tax</b>		(8,480,412)	(1,057,397)	(8,439,008)	(1,050,031)
Income tax expense	9	(4,024,366)	(8,996,000)	(4,024,366)	(8,996,000)
<b>Net loss for the year</b>		(12,504,778)	(10,053,397)	(12,463,374)	(10,046,031)
<b>Loss per ordinary share</b>					
Basic (sen)	10	(8.7)	(7.0)		
Diluted (sen)	10	(8.7)	(7.0)		

The accompanying Notes form an integral part of the Financial Statements.

## BALANCE SHEETS

as of December 31, 2002

	Note(s)	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
<b>ASSETS</b>					
<b>Property, plant and equipment</b>	11	623,236,644	645,244,765	616,005,648	645,244,765
<b>Investment in subsidiary company</b>	12	-	-	300,000	300,000
<b>Amount owing by subsidiary company</b>	12	-	-	6,982,706	4,027,967
<b>Current Assets</b>					
Inventories	13	24,066,770	21,579,252	24,066,770	21,579,252
Trade receivables	14	38,762,127	26,791,555	38,762,127	26,791,555
Other receivables, deposits and prepaid expenses	14	4,033,516	10,546,668	4,033,516	6,229,007
Cash and bank balances	15	6,119,993	24,890,679	6,119,991	24,890,677
		72,982,406	83,808,154	72,982,404	79,490,491
<b>Current Liabilities</b>					
Trade payables	16	10,184,021	7,892,576	10,184,021	7,892,576
Other payables and accrued expenses	16&17	54,761,342	79,116,637	54,760,342	79,115,637
Borrowings	18	18,247,000	-	18,247,000	-
Tax liabilities		392,719	9,097,860	392,719	9,097,860
		83,585,082	96,107,073	83,584,082	96,106,073
<b>Net Current Liabilities</b>		(10,602,676)	(12,298,919)	(10,601,678)	(16,615,582)
<b>Deferred Tax Liability</b>	19	(12,450,000)	(8,500,000)	(12,450,000)	(8,500,000)
<b>Net Assets</b>		600,183,968	624,445,846	600,236,676	624,457,150
<b>Represented by:</b>					
Share capital	20	143,342,000	143,009,000	143,342,000	143,009,000
Reserves	21	456,841,968	481,436,846	456,894,676	481,448,150
<b>Shareholders' Equity</b>		600,183,968	624,445,846	600,236,676	624,457,150

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY  
for the year ended December 31, 2002

The Group	Note	Issued Capital RM	Non- distributable Reserve Share Premium RM	Distributable Reserve Unappropriated Profit RM	Total Shareholders' Equity RM
<b>Balance as of January 1, 2001</b>					
As previously stated		143,000,000	152,392,308	339,043,935	634,436,243
Prior year adjustment	25	-	-	21,450,000	21,450,000
Restated balance		143,000,000	152,392,308	360,493,935	655,886,243
Net loss for the year		-	-	(10,053,397)	(10,053,397)
Dividends	22	-	-	(21,450,000)	(21,450,000)
Issue of shares from exercise of share options	20&21	9,000	54,000	-	63,000
<b>Balance as of December 31, 2001</b>					
As previously stated		143,009,000	152,446,308	314,689,638	610,144,946
Prior year adjustment	25	-	-	14,300,900	14,300,900
Restated balance		143,009,000	152,446,308	328,990,538	624,445,846
Net loss for the year		-	-	(12,504,778)	(12,504,778)
Dividends	22	-	-	(14,323,300)	(14,323,300)
Issue of shares from exercise of share options	20&21	333,000	2,233,200	-	2,566,200
<b>Balance as of December 31, 2002</b>		<b>143,342,000</b>	<b>154,679,508</b>	<b>302,162,460</b>	<b>600,183,968</b>
<b>The Company</b>					
<b>Balance as of January 1, 2001</b>					
As previously stated		143,000,000	152,392,308	339,047,873	634,440,181
Prior year adjustment	25	-	-	21,450,000	21,450,000
Restated balance		143,000,000	152,392,308	360,497,873	655,890,181
Net loss for the year		-	-	(10,046,031)	(10,046,031)
Dividends	22	-	-	(21,450,000)	(21,450,000)
Issue of shares from exercise of share options	20&21	9,000	54,000	-	63,000
<b>Balance as of December 31, 2001</b>					
As previously stated		143,009,000	152,446,308	314,700,942	610,156,250
Prior year adjustment	25	-	-	14,300,900	14,300,900
Restated balance		143,009,000	152,446,308	329,001,842	624,457,150
Net loss for the year		-	-	(12,463,374)	(12,463,374)
Dividends	22	-	-	(14,323,300)	(14,323,300)
Issue of shares from exercise of share options	20&21	333,000	2,233,200	-	2,566,200
<b>Balance as of December 31, 2002</b>		<b>143,342,000</b>	<b>154,679,508</b>	<b>302,215,168</b>	<b>600,236,676</b>

The accompanying Notes form an integral part of the Financial Statements.

## CASH FLOW STATEMENT

for the year ended December 31, 2002

	Note	The Group	
		2002 RM	2001 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Loss before tax		(8,480,412)	(1,057,397)
Adjustments for:			
Depreciation of property, plant and equipment		69,125,653	56,127,064
Finance costs		400,786	-
Interest income		(265,593)	(1,768,446)
Gain on disposal of property, plant and equipment		(16,075)	(534,282)
Operating Profit Before Working Capital Changes		60,764,359	52,766,939
(Increase)/Decrease in:			
Inventories		(2,487,518)	10,755,611
Trade receivables		(11,970,572)	44,493,169
Other receivables and prepaid expenses		1,354,778	320,075
Increase/(Decrease) in:			
Trade payables		2,291,445	(7,797,648)
Other payables and accrued expenses		(40,246,957)	(127,614,461)
Cash From/(Used In) Operations		9,705,535	(27,076,315)
Income tax paid		(8,779,507)	(8,866,668)
Net Cash From/(Used In) Operating Activities		926,028	(35,942,983)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest received		283,781	1,750,258
Proceeds from disposal of property, plant and equipment		79,140	856,605
Additions to property, plant and equipment	24(a)	(26,236,885)	(53,997,870)
Net Cash Used In Investing Activities		(25,873,964)	(51,391,007)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from revolving loan	18	10,000,000	-
Proceeds from bankers' acceptances - net	18	8,247,000	-
Issue of shares	20	2,566,200	63,000
Dividends paid	22	(14,323,300)	(21,450,000)
Revolving loan interest paid		(141,610)	-
Bankers' acceptance interest paid		(171,040)	-
Net Cash From/(Used In) Financing Activities		6,177,250	(21,387,000)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(18,770,686)	(108,720,990)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		24,890,679	133,611,669
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	24(b)	6,119,993	24,890,679

The accompanying Notes form an integral part of the Financial Statements.

**CASH FLOW STATEMENT**  
for the year ended December 31, 2002

	Note	<b>The Company</b>	
		<b>2002</b>	<b>2001</b>
		<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Loss before tax		(8,439,008)	(1,050,031)
Adjustments for:			
Depreciation of property, plant and equipment		69,094,778	56,127,064
Finance costs		400,786	-
Interest income		(265,593)	(1,768,446)
Gain on disposal of property, plant and equipment		(16,075)	(534,282)
Operating Profit Before Working Capital Changes		60,774,888	52,774,305
(Increase)/Decrease in:			
Inventories		(2,487,518)	10,755,611
Trade receivables		(11,970,572)	44,493,169
Other receivables and prepaid expenses		1,354,778	3,236,509
Increase/(Decrease) in:			
Trade payables		2,291,445	(7,797,648)
Other payables and accrued expenses		(40,246,957)	(127,614,461)
Cash From/(Used In) Operations		9,716,064	(24,152,515)
Income tax paid		(8,779,507)	(8,866,668)
Net Cash From/(Used In) Operating Activities		936,557	(33,019,183)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest received		283,781	1,750,258
Proceeds from disposal of property, plant and equipment		79,140	856,605
Additions to property, plant and equipment	24(a)	(23,292,675)	(53,997,870)
Advances to subsidiary company		(2,954,739)	(2,623,802)
Additional subscription in subsidiary company		-	(299,998)
Net Cash Used In Investing Activities		(25,884,493)	(54,314,807)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from revolving loan	18	10,000,000	-
Proceeds from bankers' acceptances - net	19	8,247,000	-
Issue of shares	20	2,566,200	63,000
Dividends paid	22	(14,323,300)	(21,450,000)
Revolving loan interest paid		(141,610)	-
Bankers' acceptances interest paid		(171,040)	-
Net Cash From/(Used In) Financing Activities		6,177,250	(21,387,000)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(18,770,686)	(108,720,990)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		24,890,677	133,611,667
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	24(b)	6,119,991	24,890,677

The accompanying Notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The Company is principally involved in the manufacturing of semiconductor devices.

The subsidiary company, Unisem II Sdn. Bhd., a company incorporated in Malaysia, has not commenced business operations since its incorporation.

There has been no significant change in the nature of the activity of the Company during the financial year.

The total number of employees of the Company at year end were 2,428 (2001:2,335). The subsidiary company has no employee as of the end of the current and previous financial year.

The registered office of the Company is located at Letter Box #95, 9th Floor, UBN Tower, No. 10, Jalan P. Ramlee, 50250 Kuala Lumpur.

The principal place of business of the Company is located at No. 1, Persiaran Pulau Jaya 9, Kawasan Perindustrian Pulau Jaya, 31300 Ipoh, Perak Darul Ridzuan.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on February 25, 2003.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated.

#### Revenue

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed. Sales represent gross invoiced value of goods sold and services provided net of trade discounts and allowances.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### Research and Development Expenditure

Research and development expenditure on new or improved materials, products or processes are expensed to the income statements as incurred. However, development expenditure incurred to the extent that it is expected that such results will generate future economic benefits, are recognised as an asset.

#### Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

### **Deferred Tax**

The tax effects of transactions are generally recognised, using the “liability” method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

### **Impairment of Assets**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statements immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Capital work-in-progress is not depreciated. Long-term leasehold land is amortised over the remaining period of the lease of 99 years from 1996. All other property, plant and equipment are depreciated on a straight-line method to their residual values at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Buildings	2%
Plant and machinery	10%
Electrical installation	10%
Office equipment	10%
Air-conditioners	10%
Motor vehicles	20%
Furniture and fittings	10%

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary company controlled by the Company made up to December 31, 2002.

A subsidiary company is a company in which the Group or the Company has the power to govern the financial and operating policies of the Company so as to obtain benefits from its activities.

Subsidiary company is consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary company are measured at fair values at the date of acquisition.

All significant intercompany transactions and balances are eliminated on consolidation.

### **Investment**

Investment in subsidiary company, which is eliminated on consolidation, is stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of raw materials and factory supplies comprise the original purchase price plus cost in bringing the inventories to their present location. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amount. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

### Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

## 4. SEGMENT INFORMATION

### Business segment

The Group operates within one industry, thus business segment information is not presented.

### Geographical segment

The Group's operations are located in Malaysia and the Group's sales are predominantly to North America.

	The Group	
	2002 RM	2001 RM
<b>Revenue</b>		
North America	210,056,491	176,962,393
Asia	11,254,600	9,206,673
Europe	1,293,076	1,737,498
External sales	222,604,167	187,906,564
<b>Results</b>		
Loss from operations	(8,345,219)	(2,825,843)
Finance costs	(400,786)	-
Income from other investments	265,593	1,768,446
Loss before tax	(8,480,412)	(1,057,397)
Income tax expense	(4,024,366)	(8,996,000)
Net loss for the year	(12,504,778)	(10,053,397)
<b>Other Information</b>		
Additions to property, plant and equipment	47,180,597	107,193,125
Depreciation of property, plant and equipment	69,125,653	56,127,064

## 5. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Realised gain on foreign exchange	539,303	1,616,108	539,303	1,616,108
Gain on disposal of property, plant and equipment	16,075	534,282	16,075	534,282
Research and development expenses	(3,746,414)	(5,283,292)	(3,746,414)	(5,283,292)
Rental of premises	(237,876)	(272,477)	(237,876)	(272,477)
Auditors remuneration:				
Statutory	(41,500)	(37,000)	(40,500)	(36,000)
Previous year	-	(6,000)	-	(6,000)
Others	(5,500)	(89,200)	(5,500)	(89,200)

## 6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Executive directors:				
Fees	157,500	121,500	157,500	121,500
Other emoluments	806,685	676,628	806,685	676,628
	964,185	798,128	964,185	798,128
Non-executive directors:				
Fees	683,750	546,300	683,750	546,300
	1,647,935	1,344,428	1,647,935	1,344,428

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM30,646 (2001: RM28,600).

## 7. FINANCE COSTS

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest on:				
Revolving loan	261,046	-	261,046	-
Bankers' acceptances	139,740	-	139,740	-
	<hr/> 400,786	<hr/> -	<hr/> 400,786	<hr/> -

## 8. INCOME FROM OTHER INVESTMENTS

Income from other investments of the Group and of the Company comprises interest income from fixed deposits.

## 9. INCOME TAX EXPENSE

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Malaysian income tax payable	74,366	496,000	74,366	496,000
Deferred tax (Note 19)	3,950,000	8,500,000	3,950,000	8,500,000
	<hr/> 4,024,366	<hr/> 8,996,000	<hr/> 4,024,366	<hr/> 8,996,000

Although the operations of the Group and of the Company for the current and previous financial year resulted in losses, income tax expense has been made due to interest income received which is assessed separately.

As of December 31, 2002, the Company has tax-exempt income of RM108,946,000 (2001: RM108,968,000) arising from its pioneer profits which is subject to approval by the tax authorities and a special tax-exempt account arising from the waiver of tax on chargeable income for Year of Assessment 2000 (Preceding Year Basis) of approximately RM118,633,000 (2001: RM118,633,000). Dividends declared out of such profits will also be exempted from income tax in the hands of the shareholders.

## 10. LOSS PER ORDINARY SHARE

	The Group	
	2002	2001
<b>Basic</b>		
Net loss attributable to ordinary shareholders	RM (12,504,778)	RM (10,053,397)
Number of ordinary shares in issue as of January 1	143,009,000	143,000,000
Effect of exercise of ESOS	229,250	750
Weighted average number of ordinary shares in issue	143,238,250	143,000,750
Basic loss per ordinary share (sen)	(8.7)	(7.0)
<b>Diluted</b>		
Net loss attributable to ordinary shareholders	RM (12,504,778)	RM (10,053,397)
Weighted average number of ordinary shares in issue	143,238,250	143,000,750
ESOS:		
Weighted average number of unissued shares	2,861,833	562,583
Weighted average number of shares that would have been issued at fair value	(2,259,410)	(510,775)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	143,840,673	143,052,558
Diluted loss per ordinary share (sen)	(8.7)	(7.0)

The above calculation reflects dilutive earnings per ordinary shares for options offered on February 28, 2001, July 19, 2001 and December 12, 2001.

The diluted earnings per ordinary share of the Company for the remaining options in 2000 and 2002 have not been presented as the average fair value of the shares of the Company is lower than the exercise price for the conversion of ESOS to ordinary shares. The effect would be anti-dilutive to the earnings per ordinary share.

## 11. PROPERTY, PLANT AND EQUIPMENT

The Group	Cost				At end of year RM
	At beginning of year RM	Additions RM	Transfers RM	Disposals RM	
Long-term leasehold land	2,992,941	7,261,871	-	-	10,254,812
Buildings	20,159,494	556,664	41,928,812	-	62,644,970
Plant and machinery	711,455,974	37,517,501	19,305,622	(352,585)	767,926,512
Electrical installation	8,190,208	494,768	-	-	8,684,976
Office equipment	6,725,881	1,113,623	-	-	7,839,504
Air-conditioners	1,861,358	93,000	1,902,472	-	3,856,830
Motor vehicles	3,826,167	-	-	-	3,826,167
Furniture and fittings	2,151,336	89,545	-	-	2,240,881
Capital work-in-progress	63,083,281	53,625	(63,136,906)	-	-
	820,446,640	47,180,597	-	(352,585)	867,274,652

The Group	Accumulated Depreciation				Net Book Value		
	At beginning of year RM	Charge for the year RM	Transfers RM	Disposals RM	At end of year RM	2002 RM	2001 RM
Long-term leasehold land	187,387	61,107	-	-	248,494	10,006,318	2,805,554
Buildings	2,202,582	830,047	-	-	3,032,629	59,612,341	17,956,912
Plant and machinery	164,613,320	65,507,086	-	(289,520)	229,830,886	538,095,626	546,842,654
Electrical installation	3,569,241	816,144	-	-	4,385,385	4,299,591	4,620,967
Office equipment	2,025,504	732,664	-	-	2,758,168	5,081,336	4,700,377
Air-conditioners	382,585	280,286	-	-	662,871	3,193,959	1,478,773
Motor vehicles	1,413,850	697,803	-	-	2,111,653	1,714,514	2,412,317
Furniture and fittings	807,406	200,516	-	-	1,007,922	1,232,959	1,343,930
Capital work-in-progress	-	-	-	-	-	-	63,083,281
	175,201,875	69,125,653	-	(289,520)	244,038,008	623,236,644	645,244,765

The Company	← Cost →				At end of year RM
	At beginning of year RM	Additions RM	Transfers RM	Disposals RM	
Long-term leasehold land	2,992,941	-	-	-	2,992,941
Buildings	20,159,494	556,664	41,928,812	-	62,644,970
Plant and machinery	711,455,974	37,517,501	19,305,622	(352,585)	767,926,512
Electrical installation	8,190,208	494,768	-	-	8,684,976
Office equipment	6,725,881	1,113,623	-	-	7,839,504
Air-conditioners	1,861,358	93,000	1,902,472	-	3,856,830
Motor vehicles	3,826,167	-	-	-	3,826,167
Furniture and fittings	2,151,336	89,545	-	-	2,240,881
Capital work-in-progress	63,083,281	53,625	(63,136,906)	-	-
	820,446,640	39,918,726	-	(352,585)	860,012,781

The Company	← Accumulated Depreciation →				Net Book Value		
	At beginning of year RM	Charge for the year RM	Transfers RM	Disposals RM	At end of year RM	2002 RM	2001 RM
Long-term leasehold land	187,387	30,232	-	-	217,619	2,775,322	2,805,554
Buildings	2,202,582	830,047	-	-	3,032,629	59,612,341	17,956,912
Plant and machinery	164,613,320	65,507,086	-	(289,520)	229,830,886	538,095,626	546,842,654
Electrical installation	3,569,241	816,144	-	-	4,385,385	4,299,591	4,620,967
Office equipment	2,025,504	732,664	-	-	2,758,168	5,081,336	4,700,377
Air-conditioners	382,585	280,286	-	-	662,871	3,193,959	1,478,773
Motor vehicles	1,413,850	697,803	-	-	2,111,653	1,714,514	2,412,317
Furniture and fittings	807,406	200,516	-	-	1,007,922	1,232,959	1,343,930
Capital work-in-progress	-	-	-	-	-	-	63,083,281
	175,201,875	69,094,778	-	(289,520)	244,007,133	616,005,648	645,244,765

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use as follows:

	2002 RM	2001 RM
<b>At cost:</b>		
Plant and machinery	22,421,619	-
Motor vehicles	337,153	337,153
	22,758,772	337,153

## 12. INVESTMENT IN SUBSIDIARY COMPANY

	The Company	
	2002 RM	2001 RM
Unquoted shares, at cost	300,000	300,000

The wholly-owned subsidiary company is Unisem II Sdn. Bhd., a company incorporated in Malaysia. The subsidiary company is pre-operating at balance sheet date.

The amount owing by subsidiary company arose mainly from payments made on behalf for the acquisition of a piece of industrial land. The amount owing by subsidiary company is unsecured, interest-free and is not expected to be repaid within the next twelve months.

## 13. INVENTORIES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
<b>At cost:</b>				
Finished goods	138,866	58,300	138,866	58,300
Work-in-progress	2,617,054	1,039,291	2,617,054	1,039,291
Raw materials	12,976,800	12,824,122	12,976,800	12,824,122
Factory supplies	8,334,050	7,657,539	8,334,050	7,657,539
	24,066,770	21,579,252	24,066,770	21,579,252

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for sales of goods and services. The credit term granted ranges from 30 to 45 days (2001: 30 to 45 days).

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	3,428,374	3,964,199	3,428,374	3,964,199
Deposits	126,782	4,443,343	126,782	125,682
Prepaid expenses	478,360	2,139,126	478,360	2,139,126
	4,033,516	10,546,668	4,033,516	6,229,007

Other receivables comprise mainly advance payments made for the purchase of plant and machinery. Deposits of the Group in previous year relates mainly to downpayment for the purchase of a piece of industrial land.

## 15. CASH AND BANK BALANCES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Fixed deposits with licensed banks	-	22,000,000	-	22,000,000
Cash on hand and at banks	6,119,993	2,890,679	6,119,991	2,890,677
	6,119,993	24,890,679	6,119,991	24,890,677

The average effective interest rate for fixed deposits with licensed banks of the Group and of the Company is 3.2% (2001: 3.2%) per annum.

## 16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit term granted to the Company ranges from 30 to 60 days (2001: 30 to 60 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables	49,053,066	75,072,938	49,053,066	75,072,938
Accrued expenses	5,708,276	4,043,699	5,707,276	4,042,699
	54,761,342	79,116,637	54,760,342	79,115,637

Other payables comprise mainly outstanding balances for purchases of plant and machinery and facilitation of cleanrooms in connection with the expansion programme embarked by the Company in previous year. The amounts owing are interest-free. Transactions with related parties are disclosed in Note 17.

## 17. RELATED PARTY TRANSACTIONS

Related parties are entities which have common directors and/or shareholders with the Company or its subsidiary company and have the ability to control the other party or exercise significant influence over the other party in making financing and operating decisions.

The related party and its relationship with the Company and its subsidiary company are as follows:

Name of related party	Relationship
Hiti Engineering (M) Sdn. Bhd.	A company in which Messrs. Francis Chia Mong Tet and Tee Yee Loh, both directors of the Company, have substantial financial interests.

During the financial year, related party transactions are as follows:

Related party	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Hiti Engineering (M) Sdn. Bhd. Construction Manager's fee for the construction and facilitization of plant expansion	122,737	495,620	122,737	495,620

The directors of the Group and of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The outstanding balances as at the end of the financial year are as follows:

Included in other payables	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Hiti Engineering (M) Sdn. Bhd.	2,328,164	5,750,097	2,328,164	5,750,097

## 18. BORROWINGS

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Unsecured:				
Revolving loan	10,000,000	-	10,000,000	-
Bankers' acceptances	8,247,000	-	8,247,000	-
	18,247,000	-	18,247,000	-

The credit facilities granted to the Company by a local bank during the year are unsecured.

The above facilities bear interest rates as follows:

- Revolving loan - 2.00% per annum above the lending bank's Effective Cost of Fund.
- Bankers' Acceptances - 1.25% per annum above the face value of the bankers' acceptances.

## 19. DEFERRED TAX LIABILITY

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
At beginning of year	8,500,000	-	8,500,000	-
Transfer from the income statements (Note 9)	3,950,000	8,500,000	3,950,000	8,500,000
At end of year	12,450,000	8,500,000	12,450,000	8,500,000

	Deferred Tax (Assets)/Liabilities			
	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
The net deferred tax liability is in respect of the following:				
Timing differences between tax capital allowances and book depreciation of property, plant and equipment	22,899,000	15,155,000	22,899,000	15,155,000
Unabsorbed capital allowances	(10,449,000)	(6,655,000)	(10,449,000)	(6,655,000)
	12,450,000	8,500,000	12,450,000	8,500,000

The above deferred tax liability has been computed based on the non pioneer activity of the Group and the Company.

All timing differences of the Group and of the Company have been accounted for.

## 20. SHARE CAPITAL

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
<b>Authorised:</b>				
500,000,000 ordinary shares of RM1.00 each	500,000,000	500,000,000	500,000,000	500,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each				
At beginning of year	143,009,000	143,000,000	143,009,000	143,000,000
Issued pursuant to the ESOS	333,000	9,000	333,000	9,000
At end of year	143,342,000	143,009,000	143,342,000	143,009,000

During the financial year, the Company increased its issued and fully paid-up ordinary share capital from RM143,009,000 to RM143,342,000 by way of an issue of 333,000 new ordinary shares of RM1.00 each for cash issued at various exercise prices pursuant to the ESOS of the Company.

The resultant premium arising from the shares issued above of RM2,233,200 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The movements in the share options during the financial year are as follows:

Exercisable from	No. of options over ordinary shares of RM1.00 each				Balance as of 31.12.2002
	Balance as of 1.1.2002	Granted	Exercised	Lapsed	
14.09.2000	7,360,000	-	-	(335,000)	7,025,000
03.10.2000	120,000	-	-	-	120,000
13.12.2000	170,000	-	(1,000)	(50,000)	119,000
28.02.2001	1,415,000	-	(130,000)	(12,000)	1,273,000
19.07.2001	1,076,000	-	(134,000)	(65,000)	877,000
12.12.2001	695,000	-	(68,000)	(91,000)	536,000
26.04.2002	-	915,000	-	(60,000)	855,000
	10,836,000	915,000	(333,000)	(613,000)	10,805,000

The salient features of the ESOS are as follows:

- (a) The ESOS is set-up for participation in the ordinary share capital of the Company only;
- (b) The total number of new ordinary shares to be offered under the ESOS shall not exceed ten (10) per centum of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS;
- (c) Eligible Malaysian employees (including full-time Executive Directors of the Company and its subsidiary company) are those who have been confirmed in service for at least one (1) continuous year while a non-Malaysian employee (including full-time foreign Executive Director) whose contribution is vital to that company in the Group or serving under an employment contract with a duration of at least three (3) years in any company within the Group on or prior to the date of offer pursuant to the ESOS;
- (d) The criterion of allotment of new shares is by reference to the category of the eligible employee in consideration, with due regard to the seniority and length of service of the eligible employee. The number of new ordinary shares so offered under the ESOS shall not be less than 1,000 ordinary shares nor more than the maximum allowable allocation applicable to such eligible employee as set out in the ESOS Bye-Laws;
- (e) The price at which the grantee is entitled to subscribe for each ordinary share under the ESOS shall be set at a discount of not more than ten (10) per centum from the weighted average of the market prices of the ordinary shares of the Company for the five (5) market days immediately prior to the date of the offer, or the par value of such share of the Company, whichever is the higher;
- (f) The ESOS shall be in force for a period of five (5) years commencing September 7, 2000 and expire on September 6, 2005;
- (g) The options granted may be exercised on any working day during the option period subject to the maximum percentages applicable to such eligible employee as set out in the ESOS Bye-Laws;
- (h) In the event of any alteration in the capital structure of the Company during the option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of ordinary shares of the Company or otherwise (excluding the purchase by the Company of its own shares) howsoever taking place, such corresponding alterations (if any) shall be made in (a) the number of new ordinary shares relating to the options so far as unexercised; and (b) the option price; and
- (i) The ESOS Committee is appointed by the Board of Directors of the Company to administer the scheme.

## 21. RESERVES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Non-distributable reserve:				
Share premium	154,679,508	152,446,308	154,679,508	152,446,308
Distributable reserve:				
Unappropriated profit	302,162,460	328,990,538	302,215,168	329,001,842
	456,841,968	481,436,846	456,894,676	481,448,150

## Share premium

Share premium arose from the following:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Public issue in 1998, net of share issue expenses of RM3,407,692	152,392,308	152,392,308	152,392,308	152,392,308
Exercise of share options of 9,000 ordinary shares in 2001	54,000	54,000	54,000	54,000
Exercise of share options of 333,000 ordinary shares in 2002	2,233,200	-	2,233,200	-
	154,679,508	152,446,308	154,679,508	152,446,308

## Unappropriated profit

As of December 31, 2002, subject to agreement with the Inland Revenue Board, the Company has a Section 108 tax credit of RM23,814,000 (2001: RM23,614,000). Based on the prevailing tax rate applicable to dividends and the estimated tax credit and tax-exempt account balances as mentioned in Note 9, the Company may distribute approximately RM288,814,000 out of its unappropriated profit as of December 31, 2002 by way of cash dividends without additional tax liabilities being incurred.

## 22. DIVIDENDS

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Final dividend paid: 10% for 2001 (15% for 2000), tax-exempt	14,300,900	21,450,000	14,300,900	21,450,000
Additional dividend paid due to the exercise of options under ESOS	22,400	-	22,400	-
	14,323,300	21,450,000	14,323,300	21,450,000

The directors proposed a final dividend of 10%, tax-exempt, amounting to RM14,334,200 in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Dividends per share during the year is 10 sen (2001: 10 sen).

## 23. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The operations of the Group is subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments. The Group also utilises foreign currency forward contracts to hedge certain risk exposure; it does not utilise these foreign currency forward contracts for trading or other speculative purposes.

**(i) Foreign currency risk**

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales and assets purchase transactions denominated in foreign currencies.

**(ii) Market risk**

The Group has in place policies to manage the Group's exposure in fluctuation in the prices of the key raw materials used in the operations. The Group enters into fixed price contracts to establish determinable prices for raw materials used.

**(iii) Credit risk**

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

**(iv) Liquidity risk**

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

**(v) Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

**(b) Financial assets**

The Group's principal financial assets are cash and bank balances, trade and other receivables.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

**(c) Financial liabilities and equity instruments**

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Debt instruments issued which carry a right to convert into equity that is dependent on the outcome of uncertainties beyond the control of the Group and the holder are classified as liabilities except where the possibility of non-conversion is remote.

Significant financial liabilities include trade and other payables, revolving loan and bankers' acceptances.

Revolving loan and bankers' acceptances are recorded at the proceeds received. Finance charges, including premium payable on settlement or redemption, are accounted for on accrual basis.

Debts and equity instruments are recorded at the proceeds received net of direct issue costs.

#### (d) Foreign currency forward contracts

In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to buy/sell the following amounts under forward contracts:

			Average Exchange Rate per unit of Ringgit Malaysia	
	2002 RM	2001 RM	2002	2001
U.S. Dollar				
- Buy	-	1,359,000	-	0.2628
- Sell	39,821,000	51,902,000	0.2620	0.2626

All of these contracts mature within six months of the balance sheet date.

The net deferred gain arising on such contracts as of December 31, 2002 of approximately RM436,000 will be recognised in the underlying transactions in the first half of 2003.

#### (e) Credit risk

The financial instruments which potentially subject the Group to credit risk are trade receivables and foreign currency forward contracts. Concentration of credit risk with respect to trade receivables is limited due to a large number of customers in various industries and geographical locations. The Group is exposed to credit risk with respect to foreign currency forward contracts in the event of non-performance by the counterparties to these financial instruments which are major financial institutions. The directors are of the opinion that the risk of incurring material losses related to this credit risk is remote.

#### (f) Fair values

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of December 31, 2002 are as follows:

	The Group		The Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>Off Balance Sheets Items</b>				
Foreign currency forward contracts	39,821,000	40,257,000	39,821,000	40,257,000

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, revolving loan and bankers' acceptances approximate fair value because of the short maturity of these instruments.

The fair value of foreign currency forward contracts is calculated by reference to the current rate for contracts with similar maturity profiles.

No disclosure is made for the amount owing by subsidiary company as it is impracticable to determine the fair value with sufficient reliability given that the balance has no fixed term of repayment.

## 24. CASH FLOW STATEMENT

### (a) Additions to property, plant and equipment

During the year, property, plant and equipment were acquired by the following means:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash payment	26,236,885	53,997,870	23,292,675	53,997,870
Transferred from deposit	5,171,486	4,441,605	853,825	4,441,605
Included in other payables	15,772,226	48,753,650	15,772,226	48,753,650
	47,180,597	107,193,125	39,918,726	107,193,125

### (b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Fixed deposits	-	22,000,000	-	22,000,000
Cash and bank balances	6,119,993	2,890,679	6,119,991	2,890,677
	6,119,993	24,890,679	6,119,991	24,890,677

## 25. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy on the recognition of liabilities in respect of proposed dividends in compliance with MASB 19, Events After The Balance Sheet Date. In prior years, the amount of dividends that were proposed after balance sheet date but before formally approved for payment were included as a liability in the financial statements. Upon adoption of MASB 19, the Group and the Company changed its accounting policy to recognise dividends in the financial period when the obligation to make future payments is established. Accordingly, final dividends are included as a liability in the financial statements after approval by shareholders at the Annual General Meeting.

	As previously reported RM	Adjustments RM	As restated RM
<b>The Group</b>			
<b>As of December 31, 2001</b>			
Proposed dividend	14,300,900	(14,300,900)	-
Unappropriated profit	314,689,638	14,300,900	328,990,538
<b>As of December 31, 2000</b>			
Unappropriated profit	339,043,935	21,450,000	360,493,935
<b>The Company</b>			
<b>As of December 31, 2001</b>			
Proposed dividend	14,300,900	(14,300,900)	-
Unappropriated profit	314,700,942	14,300,900	329,001,842
<b>As of December 31, 2000</b>			
Unappropriated profit	339,047,873	21,450,000	360,497,873

## 26. CAPITAL COMMITMENTS

As of December 31, 2002, the Group and the Company have the following capital expenditure in respect of property, plant and equipment:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Contracted but not provided for	37,184,000	40,126,000	37,184,000	37,388,000

## 27. CONTINGENT LIABILITIES

- (a) There is litigation in respect of a claim in the Industrial Court by a former executive of the Company who is seeking reinstatement, in relation to summary termination and dismissal from the Company in 1999. The amount of the claim, in lieu of reinstatement, has yet to be determined but is estimated to be approximately RM1.1 million. The claim is being defended by the Company.
- (b) An insurance broker has filed a claim for compensation amounting to approximately RM0.82 million for goods stolen while in transit. The solicitors advising the Company have advised that the claimant may have difficulty in proving negligence or breach of contract on the basis of the facts available.

## 28. SIGNIFICANT EVENTS

During the financial year, the Company proposed an issue of up to USD150 million nominal value 5-year Euro-Convertible Bonds to finance the growth of the Company. The proposed Eurobonds is still pending approvals from the relevant authorities and the shareholders of the Company.

## 29. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

	The Group		The Company	
	As previously reported RM	As restated RM	As previously reported RM	As restated RM
<b>Income Statements</b>				
Other operating income	4,349,455	2,581,009	4,349,455	2,581,009
Income from other investments	-	1,768,446	-	1,768,446
<b>Cash Flow Statements</b>				
Cash Flow From/(Used In) Operating Activities				
Decrease in other receivable and prepaid expenses	4,761,680	320,075	7,678,114	3,236,509
Decrease in other payables and accrued expenses	(10,596,955)	(127,614,461)	(10,596,955)	(127,614,461)
Cash Flows From/(Used In) Investing Activities				
Additions to property, plant and equipment	(175,456,981)	(53,997,870)	(175,456,981)	(53,997,870)

The directors of **UNISEM (M) BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2002 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

**ANG CHYE HOCK**

**TAN SRI DATO' DR. MOHD. RASHDAN BIN HAJI BABA**

Kuala Lumpur,  
February 25, 2003

**DECLARATION BY THE DIRECTOR**  
primarily responsible for the financial management of the company

I, **ANG CHYE HOCK**, the director primarily responsible for the financial management of **UNISEM (M) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**ANG CHYE HOCK**

Subscribed and solemnly declared by the abovenamed  
**ANG CHYE HOCK** at **IPOH**  
this 25th day of February, 2003.

Before me,

**ABD. RAHIM BIN HAJI MAT TAIB, AMN., AMP. (No. A010)**  
COMMISSIONER FOR OATHS

## SHAREHOLDING STATISTICS

as at 31 March 2003

1. Authorised Share Capital : RM500,000,000  
 Issued and paid-up Share Capital : RM143,342,000  
 Class of Shares : Ordinary shares of RM1.00 each  
 Voting Right : 1 vote per share

2. Distribution of shareholders

No. of holders	Holdings	Total holdings	%
43	Less than 100 shares	932	0.00
2,689	100 to 1,000 shares	2,684,664	1.87
2,720	1,001 to 10,000 shares	10,008,806	6.98
487	10,001 to 100,000 shares	15,150,989	10.57
115	100,001 to less than 5% of issued shares	59,685,609	41.64
2	5% and above of issued shares	55,811,000	38.94
6,056		143,342,000	100.00

3. List of substantial shareholders (5% and above excluding bare trustees) and their direct and deemed interests as shown in the Register of Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
Bandar Rasah Sdn Bhd	42,900,000	29.93	-	-
Employees Provident Fund Board	12,911,000	9.01	1,678,000	1.17 <sup>(a)</sup>
Jayvest Holdings Sdn Bhd	3,555,600	2.48	42,900,000	29.93 <sup>(b)</sup>
John Chia Sin Tet	-	-	46,855,600	32.69 <sup>(c)</sup>
Soo Yut Kuan (deceased)	400,000	0.28	46,455,600	32.41 <sup>(d)</sup>
Noadwood Sdn Bhd	-	-	42,900,000	29.93 <sup>(b)</sup>
Yen Woon @ Low Sau Chee	-	-	43,150,000	30.10 <sup>(e)</sup>
Chua Khing Chiew	-	-	42,900,000	29.93 <sup>(f)</sup>

Notes:

- (a) Shares managed by portfolio managers.
- (b) Held indirectly through Bandar Rasah Sdn Bhd.
- (c) Held indirectly through his spouse, Mdm Soo Yut Kuan (deceased), Bandar Rasah Sdn Bhd and Jayvest Holdings Sdn Bhd.
- (d) Held indirectly through Bandar Rasah Sdn Bhd and Jayvest Holdings Sdn Bhd.
- (e) Held indirectly through his spouse and Noadwood Sdn Bhd.
- (f) Held indirectly through Noadwood Sdn Bhd.

4. List of Directors' shareholding as shown in the Register of Directors

Directors	Direct Interest		Indirect Interest	
	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
John Chia Sin Tet	-	-	46,855,600	32.69 <sup>(a)</sup>
Ang Chye Hock	15,000	0.01	-	-
Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	1,000,000	0.70	17,000	0.01 <sup>(b)</sup>
Tan Sri Dato' Samshuri bin Arshad	-	-	200,000	0.14 <sup>(b)</sup>
Colin Garfield MacDonald	2,161,049	1.51	4,250,000	2.96 <sup>(b)</sup>
Yen Woon @ Low Sau Chee	-	-	43,150,000	30.10 <sup>(c)</sup>
Sundra Moorthi s/o V.M. Krishnasamy	9,000	0.01	2,000	0.00 <sup>(d)</sup>
Francis Chia Mong Tet	358,200	0.25	3,100,000	2.16 <sup>(b)</sup>
Tee Yee Loh	665,790	0.46	1,633,810	1.14 <sup>(b)</sup>
Chua Khing Chiew	-	-	42,900,000	29.93 <sup>(e)</sup>

Notes:

(a) Held indirectly through his spouse, Mdm Soo Yut Kuan (deceased), Bandar Rasah Sdn Bhd and Jayvest Holdings Sdn Bhd.

(b) Held indirectly through nominee companies under pledged securities accounts.

(c) Held indirectly through his spouse and Noadwood Sdn Bhd.

(d) Held indirectly through his spouse.

(e) Held indirectly through Noadwood Sdn Bhd.

5. List of thirty largest shareholders according to the Record of Depositors (without aggregating the securities from different securities from different securities accounts belonging to the same person(s))

Shareholders	No. of shares held (direct interest)	% of issued shares
1. Bandar Rasah Sdn Bhd	42,900,000	29.93
2. Employees Provident Fund Board	12,911,000	9.01
3. Jayvest Holdings Sdn Bhd	3,555,600	2.48
4. Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Francis Chia Mong Tet	3,100,000	2.16
5. Koo Hong @ Ku Hong Hai	3,083,063	2.15
6. Colin Garfield MacDonald	2,161,049	1.51

## SHAREHOLDING STATISTICS

as at 31 March 2003

Shareholders	No. of shares held (direct interest)	% of issued shares
7. Malaysia National Insurance Berhad	2,028,000	1.41
8. UOBM Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Colin Garfield MacDonald (A685-A/C 1)	2,000,000	1.40
9. Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Amanah Saham Malaysia	1,874,000	1.31
10. HSBC Nominees (Asing) Sdn Bhd Qualifier: Abu Dhabi Investment Authority	1,649,000	1.15
11. Citicorp Nominees (Asing) Sdn Bhd Qualifier: Robeco Institutional Asset Management for Stichting Custody Robeco Institutional (CB LDN)	1,500,000	1.05
12. Low Kim Bee @ Lau Kim Bee	1,331,000	0.93
13. HSBC Nominees (Asing) Sdn Bhd Qualifier: HSBC BK PLC for Prudential Assurance Company Ltd	1,292,000	0.90
14. HSBC Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Colin Garfield MacDonald (381-272111-089)	1,250,000	0.87
15. HSBC Nominees (Asing) Sdn Bhd Qualifier: JPMCB for The Malaysia Fund Incorporated	1,116,000	0.78
16. Citicorp Nominees (Asing) Sdn Bhd Qualifier: TNTC for Government of Singapore Investment Corporation Pte Ltd	1,056,000	0.73
17. Mohamed Rashdan bin Baba	1,000,000	0.70
18. Mayban Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Colin Garfield MacDonald (50801082296A)	1,000,000	0.70
19. JB Nominees (Asing) Sdn Bhd Qualifier: APS Asset Management Pte Ltd for Sampo Life Insurance Co Ltd	967,000	0.67

Shareholders	No. of shares held (direct interest)	% of issued shares
20. Citicorp Nominees (Asing) Sdn Bhd Qualifier: American International Assurance Company Limited (P Core)	870,000	0.60
21. HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tee Yee Loh (SAM4988-2)	833,810	0.58
22. Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tee Yee Loh	800,000	0.56
23. Amanah Raya Berhad Qualifier: Amittikal	774,000	0.54
24. SBBAM Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund Board	717,000	0.50
25. Cartaban Nominees (Asing) Sdn Bhd Qualifier: State Street Australia Fund 7FAG for Monetary Authority of Singapore	711,000	0.50
26. Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Amanah Saham Didik	693,000	0.48
27. Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (N14011980810)	670,000	0.47
28. Tee Yee Loh	665,790	0.46
29. Universal Trustee (Malaysia) Berhad Qualifier: SBB Premium Capital Fund	613,000	0.43
30. BBMB Securities Nominees (Tempatan) Sdn Bhd Qualifier: Petroliam Nasional Berhad	600,000	0.42

## LIST OF PROPERTIES HELD BY THE GROUP

as at 31 December 2002

Location	Description	Existing Use	Tenure	Land area/ Build-up area (approximate)	Date of acquisition/ completion	Approximate age of Building	Book Value as at 31 Dec 2002 RM
PT 2514 and PT 2515 Mukim Sungai Raya, Daerah Kinta, Perak	Industrial land	Factory	99 years leasehold expiring 2094	6.294 hectare	July 1991	-	2,775,322
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	11	8,892,437
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	7	11,146,460
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	2	39,573,444
PT 4376 Mukim Sungai Raya, Daerah Kinta, Perak	Industrial land	Vacant	99 years leasehold expiring 2100	10.598 hectare	October 2000	-	7,230,996

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at SELANGOR 1 ROOM, SHANGRI-LA HOTEL, Basement II, No. 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 30 May 2003, at 10.00 a.m. to transact the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2002 and the Reports of the Directors and the Auditors thereon. . . . . **(Resolution 1)**
2. To approve the declaration of a final dividend of 10% tax-exempt for the financial year ended 31 December 2002. . . . . **(Resolution 2)**
3. To approve the payment of Directors' fees amounting to RM841,250 for the financial year ended 31 December 2002, representing an increase of RM173,450 from RM667,800 in 2001. . . . . **(Resolution 3)**
4. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:
  - (i) Mr Sundra Moorthi s/o V.M. Krishnasamy . . . . . **(Resolution 4)**
  - (ii) Mr Francis Chia Mong Tet . . . . . **(Resolution 5)**
  - (iii) Mr Tee Yee Loh . . . . . **(Resolution 6)**
5. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:
  - (i) Y.Bhg. Dato' Wong See Wah . . . . . **(Resolution 7)**
  - (ii) Mr Ang Chye Hock . . . . . **(Resolution 8)**
6. To re-appoint Deloitte KassimChan as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. . . . . **(Resolution 9)**
7. As Special Business:

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**Authority To Allot Shares**

"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities (if any shall be required), the Directors be and are hereby empowered to issue shares (other than bonus or rights shares) in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company (other than by way of bonus or rights issues) 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 the approval of the Kuala Lumpur Stock Exchange for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company" . . . . .

**(Resolution 10)**

## NOTICE OF ANNUAL GENERAL MEETING

- To transact any other ordinary business for which due notice has been given.

By Order of the Board

CHUA HENG FATT (MACS 00264)

CHIN HOCK YEE (LS 8245)

Company Secretaries

8 May 2003

Kuala Lumpur

### Notes:

- A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
- A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
- The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Letter Box #95, 9th Floor, UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.*
- Explanatory Note on Resolution 2*  
*The final dividend of 10% tax-exempt, if approved by the shareholders, will be paid on a date to be announced later.*
- Explanatory Note on Special Business (Resolution 10)*  
*The proposed Resolution 10, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue not more than 10% of the issued share capital of the Company. Such issuance of shares will still be subject to the approvals of the Securities Commission and the Kuala Lumpur Stock Exchange. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.*

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### A. Names of the Directors who are standing for re-election:-

1. Mr Sundra Moorthi s/o V.M. Krishnasamy
2. Mr Francis Chia Mong Tet
3. Mr Tee Yee Loh
4. Y. Bhg. Dato' Wong See Wah
5. Mr Ang Chye Hock

### B. Details of attendance of directors at Board Meetings

Six (6) Board Meetings were held during the financial year. Details of the attendance of the directors at the Board Meetings are as follows:-

Name	No. Of Meetings Attended
Mr John Chia Sin Tet	5
Mr Ang Chye Hock (Appointed on 28 November 2002)	1
Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	6
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad	6
Y. Bhg. Dato' Wong See Wah (Appointed on 28 November 2002)	1
Mr Colin Garfield MacDonald	5
Mr Yen Woon @ Low Sau Chee	6
Mr Sundra Moorthi s/o V.M. Krishnasamy	4
Mr Francis Chia Mong Tet	6
Mr Tee Yee Loh	5

### C. Date, Time and Venue of the Board Meetings

Date	Time	Venue
20 February 2002	11.30 a.m.	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur
26 April 2002	10.30 a.m.	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur
25 June 2002	10.00 a.m.	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur
10 July 2002	10.30 a.m.	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur
17 October 2002	11.00 a.m.	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur
28 November 2002	12.00 noon	The registered office of Unisem (M) Berhad at 9th Floor, UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur

**D. Further details of Directors who are standing for re-election as directors**

(i) Name	:	Mr Sundra Moorthi s/o V.M. Krishnasamy		
Age	:	59		
Nationality	:	Malaysian		
Qualification	:	Bachelor of Arts Degree, University Malaya  Barrister at Law and a Member of the Grays Inn, United Kingdom		
Position in the Company	:	Non-Executive Director		
Working experience & Occupation	:	Mr Sundra Moorthi s/o V.M. Krishnasamy was appointed to the Board on 13 June 1991. Mr Sundra Moorthi is also a member of the Remuneration Committee.  A lawyer by profession, Mr Sundra Moorthi is a senior partner of a legal firm in Kuala Lumpur. He was called to the Bar of England & Wales in 1969 and subsequently called to the Malaysian Bar in 1971. Mr Sundra Moorthi has been a director of several public listed companies over the past 20 years.		
Other directorships in public listed company	:	None		
Securities holdings in the company (as at 31 March 2003)	:	<u>Securities holdings</u>	<u>No. of Securities</u>	<u>%</u>
		Ordinary shares	9,000 (direct)	0.01
		Ordinary shares	2,000 (indirect)	-
Family relationship with any director and/or major shareholder of the Company	:	None		
Any conflict of interest	:	None		
List of convictions for offences within the past 10 years other than traffic offences, if any	:	None		
.....				
(ii) Name	:	Mr Francis Chia Mong Tet		
Age	:	51		
Nationality	:	Malaysian		

Qualification : Fellow of the Institute of Chartered Accountants, England and Wales

Position in the Company : Non-Executive Director

Working experience & Occupation : Mr Francis Chia Mong Tet was appointed to the Board on 19 June 1989. He is one of the founder members of Unisem. He is also a member of the Audit Committee and Nomination Committee.

Mr Francis Chia Mong Tet is a member of the Malaysian Institute of Accountants. He was with an international accounting firm from 1976 to 1979. In 1980, he started his own accounting practice in Seremban. He also sits on the board of several private limited companies.

Other directorships in public listed company : None

Securities holdings in the company (as at 31 March 2003)	:	<u>Securities holdings</u>	<u>No. of Securities</u>	<u>%</u>
		Ordinary shares	358,200 (direct)	0.25
		Ordinary shares	3,100,000 (indirect)	2.16

Family relationship with any director and/or major shareholder of the Company : Mr Francis Chia Mong Tet is a brother to Mr John Chia Sin Tet.

Any conflict of interest : None

List of convictions for offences within the past 10 years other than traffic offences, if any : None

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(iii) Name : Mr Tee Yee Loh

Age : 48

Nationality : Malaysian

Qualification : Diploma in Mechanical Engineering from Federal Institute of Technology, Selangor Darul Ehsan

Position in the Company : Non-Executive Director

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Working experience & Occupation : Mr Tee Yee Loh was appointed to the Board of Unisem on 13 June 1991. He is one of the founder members of Unisem. He is also a member of the Remuneration Committee.

Mr Tee Yee Loh carries with him more than 16 years of experience in the contamination control technology which includes the design and building of clean room facilities, process integration and facilitation of microelectronic manufacturing factories. He also sits on the board of several private limited companies.

Other directorships in public listed company : None

Securities holdings in the company (as at 31 March 2003)	:	<u>Securities holding</u>	<u>No. of Securities</u>	<u>%</u>
		Ordinary shares	665,790 (direct)	0.46
		Ordinary shares	1,633,810 (indirect)	1.14

Family relationship with any director and/or major shareholder of the Company : None

Any conflict of interest : None

List of convictions for offences within the past 10 years other than traffic offences, if any : None

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(iv) Name : Y. Bhg. Dato' Wong See Wah

Age : 57

Nationality : Malaysian

Qualification : Certificate in Teaching, Malayan Teachers College

Position in the Company : Independent Director

Working experience & Occupation : Y. Bhg. Dato' Wong See Wah was appointed to the Board of Unisem on 28 November 2002 as an Independent Director. He is also a member of the Audit Committee and Nomination Committee.

Working experience & Occupation : Y.Bhg.Dato' Wong began his political and ministerial careers in 1982. From 1982 to 1986, he was elected as the State Assemblyman for Kuala Klawang Constituency, Negeri Sembilan and the Negeri Sembilan State Government Executive Councillor (State EXCO) responsible for the Water and Electricity Supply Portfolios.

From 1986 to 1990, Y. Bhg. Dato' Wong was elected as the State Assemblyman for Peradong Constituency, Negeri Sembilan and remained as the State EXCO responsible for the Water and Electricity Supply Portfolios. From 1990 to 1995, he was a Member of Parliament, Rasah Constituency, Negeri Sembilan and Deputy Minister in the Prime Minister Department. From 1995 to 1999, he remained as a Member of Parliament, Rasah Constituency, Negeri Sembilan and was appointed as Deputy Minister of the Finance Ministry. From October 2001, he was the Chief Administrative Director of MCA Headquarters.

Other directorships in public listed company : Non-independent & non-executive director of Nanyang Press Holdings Berhad.

Securities holdings in the company (as at 31 March 2003) : None

Family relationship with any director and/or major shareholder of the Company : None

Any conflict of interest : None

List of convictions for offences within the past 10 years other than traffic offences, if any : None

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(v) Name : Mr Ang Chye Hock

Age : 53

Nationality : Singaporean

Qualification : Bachelor of Science in Electronics (Honours), Salford University, England

Position in the Company : Executive Director and President/Chief Operating Officer

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Working experience & Occupation : Mr Ang Chye Hock was appointed to the Board of Unisem on 28 November 2002 as an Executive Director. He is also a member of the Remuneration Committee.

Mr Ang began his career with Motorola Malaysia Sdn Bhd, Kuala Lumpur in 1973 as a process engineer. He subsequently held positions as chief engineer, engineering manager and product manager between 1975 to 1979. Mr Ang was promoted to General Manager of Motorola Semiconductor Sdn Bhd, Seremban at the age of 29 in 1979. He was responsible for starting up a new factory for Motorola in Seremban and was responsible for total factory operations with over 2,000 employees. He held the position for 5 years before leaving for Singapore in December 1984.

Mr Ang brings with him more than 25 years of experience in the electrical and electronic industry. Prior to joining Unisem in 2001, he was in Singapore for 16 years. His experience in Singapore includes being the General Manager of Magnetic Data Technologies Singapore in 2000; Managing Director of Wizard Multimedia, a software retail company, between 1993 and 1999; 6 years with Applied Magnetics Singapore Pte Ltd, where he was the Managing Director before he left in 1993; and 2 years at managerial positions with Motorola Electronics Pte Ltd.

Other directorships in public listed company : None

Securities holdings in the company (as at 31 March 2003)	:	<u>Securities holdings</u>	<u>No. of Securities</u>	<u>%</u>
		Ordinary shares	15,000 (direct)	0.01
		Employee share options	350,000	-

Family relationship with any director and/or major shareholder of the Company : None

Any conflict of interest : None

List of convictions for offences within the past 10 years other than traffic offences, if any : None



I/We ..... NRIC/Passport No. ....  
of .....  
being a Member/Members of Unisem (M) Berhad hereby appoint .....  
..... NRIC/Passport No. ....  
of .....  
or failing him/her, .....  
NRIC/Passport No. .... of .....  
as my/our proxy to vote on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Selangor 1 Room, Shangri-La Hotel, Basement II, No. 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 30 May 2003, at 10.00 a.m. and at any adjournment thereof, and to vote as indicated with ✓ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):

		FOR	AGAINST
Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2002 together with the Directors' Report and the Auditors' Report		
Resolution 2	To approve the declaration of a final dividend of 10% tax-exempt for the financial year ended 31 December 2002		
Resolution 3	To approve payment of Directors' fees of RM841,250 for the financial year ended 31 December 2002		
Resolution 4	To re-elect Mr Sundra Moothi s/o V.M. Krishnasamy as a Director who retires pursuant to Article 124 of the Company's Articles of Association		
Resolution 5	To re-elect Mr Francis Chia Mong Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association		
Resolution 6	To re-elect Mr Tee Yee Loh as a Director who retires pursuant to Article 124 of the Company's Articles of Association		
Resolution 7	To re-elect Y. Bhg. Dato' Wong See Wah as a Director who retires pursuant to Article 127 of the Company's Articles of Association		
Resolution 8	To re-elect Mr Ang Chye Hock as a Director who retires pursuant to Article 127 of the Company's Articles of Association		
Resolution 9	To re-appoint Deloitte KassimChan as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration		
Resolution 10	To authorise the Directors under Section 132D of the Companies Act, 1965 to issue new shares not exceeding 10% of the issued capital of the Company		

Dated this ..... day of ..... 2003

NO. OF SHARES HELD

.....  
Signature/Common Seal

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.
4. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Letter Box #95, 9<sup>th</sup> Floor, UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.

### BOARD OF DIRECTORS

Mr John Chia Sin Tet *(Chairman / Managing Director)*  
Mr Ang Chye Hock *(Executive Director)*  
Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba *(Independent Director)*  
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad *(Independent Director)*  
Y. Bhg. Dato' Wong See Wah *(Independent Director)*  
Mr Colin Garfield MacDonald *(Non-Executive Director)*  
Mr Yen Woon @ Low Sau Chee *(Non-Executive Director)*  
Mr Sundra Moorthi s/o V.M. Krishnasamy *(Non-Executive Director)*  
Mr Francis Chia Mong Tet *(Non-Executive Director)*  
Mr Tee Yee Loh *(Non-Executive Director)*  
Mr Chua Khing Chiew *(Alternate to Yen Woon @ Low Sau Chee)*

### AUDIT COMMITTEE

Y. Bhg. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba *(Chairman / Independent Director)*  
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad *(Member / Independent Director)*  
Y. Bhg. Dato' Wong See Wah *(Member / Independent Director)*  
Mr Francis Chia Mong Tet *(Member / Non-Executive Director)*

### COMPANY SECRETARIES

Mr Chua Heng Fatt (MACS 00264)  
Ms Chin Hock Yee (LS 8245)

### REGISTERED OFFICE

Letter Box #95  
9<sup>th</sup> Floor, UBN Tower  
No. 10, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel : (603) 2072 3760  
Fax: (603) 2072 4018  
Website: [www.unisem.com.my](http://www.unisem.com.my)

### AUDITORS

Deloitte KassimChan  
Chartered Accountants  
87, Jalan Sultan Abdul Jalil  
30450 Ipoh  
Perak Darul Ridzuan

### SHARE REGISTRARS

PFA Registration Services Sdn Bhd  
Level 13, Uptown 1  
No. 1 Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : (603) 7725 4888, 7725 8046  
Fax: (603) 7722 2311

### STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange Main Board