

UNISEM (M) BERHAD (Company No. 183314-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2002

CONDENSED CONSOLIDATED INCOME STATEMENTS

| | Current Quarter Ended 31/12/2002 RM'000 | Corresponding Quarter Ended 31/12/2001 RM'000 | Current Year to date Ended 31/12/2002 RM'000 | Corresponding Year to date Ended 31/12/2001 RM'000 |
|-------------------------------|--|--|---|---|
| Revenue | 57,642 | 45,819 | 222,604 | 187,907 |
| Operating expenses | (63,836) | (46,285) | (231,968) | (193,313) |
| Other operating income | 184 | 601 | 1,285 | 4,349 |
| Profit/(Loss) from operations | (6,010) | 135 | (8,079) | (1,057) |
| Finance cost | (238) | 0 | (401) | 0 |
| Profit/(Loss) before taxation | (6,248) | 135 | (8,480) | (1,057) |
| Taxation | (5) | (1,731) | (4,025) | (8,996) |
| Net loss for the period | <u>(6,253)</u> | <u>(1,596)</u> | <u>(12,505)</u> | <u>(10,053)</u> |
| Loss per share (sen): | | | | |
| (a) Basic | (4.37) | (1.12) | (8.73) | (7.00) |
| (b) Fully diluted | (4.35) | (1.12) | (8.69) | (7.00) |

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | As at End of Current Quarter 31/12/2002 RM'000 | As at Preceding Financial Year end 31/12/2001 RM'000 |
|-------------------------------------|---|---|
| Property, plant and equipment | 623,237 | 645,245 |
| Current Assets | | |
| Inventories | 24,067 | 21,579 |
| Debtors | 42,795 | 37,338 |
| Cash and Cash Equivalents | 6,120 | 24,891 |
| | <u>72,982</u> | <u>83,808</u> |
| Current Liabilities | | |
| Creditors | 64,945 | 101,310 |
| Overdraft and Short Term Borrowings | 18,247 | - |

| | | |
|------------------------------------|----------------|----------------|
| Taxation | 393 | 9,098 |
| | <u>83,585</u> | <u>110,408</u> |
| Net Current Liabilities | (10,603) | (26,600) |
| Net Assets Employed | <u>612,634</u> | <u>618,645</u> |
| Share Capital | 143,342 | 143,009 |
| Reserves | 456,842 | 467,136 |
| Shareholders' Funds | 600,184 | 610,145 |
| Deferred tax liabilities | 12,450 | 8,500 |
| Total Capital Employed | <u>612,634</u> | <u>618,645</u> |
| Net tangible assets per share (RM) | <u>4.1871</u> | <u>4.2665</u> |

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Current Year to date Ended 31/12/2002 RM'000 | Corresponding Year to date Ended 31/12/2001 RM'000 |
|---|---|---|
| Operating Activities | | |
| Net Loss Before Taxation | (8,480) | (1,057) |
| Adjustments for non-cash flow items: | | |
| Depreciation of property, plant and equipment | 69,126 | 56,127 |
| Loss on disposal of property, plant and equipment | (16) | (534) |
| Operating Profit Before Changes In Working Capital | 60,630 | 54,536 |
| Changes In Working Capital | | |
| Net change in current assets | (7,945) | 59,992 |
| Tax paid | (8,780) | (8,867) |
| Net change in current liabilities | (22,065) | (18,395) |
| Net Cash Flows From Operating Activities | 21,840 | 87,266 |
| Investing Activities | | |
| Additions to property, plant and equipment | (47,180) | (175,457) |
| Proceeds from disposal of property, plant and equipment | 79 | 857 |
| Net Cash Flows Used In Operating Activities | (47,101) | (174,600) |
| Financing Activities | | |
| Issue of shares | 2,566 | 63 |
| Dividends paid | (14,323) | (21,450) |
| Proceeds from short term borrowings | 18,247 | - |
| Net Cash From/(Used In) Financing Activities | 6,490 | (21,387) |
| Net Change in Cash And Cash Equivalent | (18,771) | (108,721) |

| | | |
|--|--------|---------|
| Cash And Cash Equivalents At Beginning Of Period | 24,891 | 133,612 |
| Cash And Cash Equivalents At End Of Period | 6,120 | 24,891 |

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital RM'000 | Reserve Attributable to Capital RM'000 | Retained Profits RM'000 | Total Shareholders' Equity RM'000 |
|---|-------------------------------------|---|--|--|
| Current Year Ended 31/12/2002 | | | | |
| Balance at beginning of year | 143,009 | 152,446 | 314,690 | 610,145 |
| Movements during the period | | | | |
| Issue of shares from exercise of ESOS | 333 | 2,233 | - | 2,566 |
| Net loss for the financial year to date | - | - | (12,505) | (12,505) |
| Under-provision of dividend in prior year | - | - | (22) | (22) |
| Balance at end of period | <u>143,342</u> | <u>154,679</u> | <u>302,163</u> | <u>600,184</u> |

| | Share Capital RM'000 | Reserve Attributable to Capital RM'000 | Retained Profits RM'000 | Total Shareholders' Equity RM'000 |
|--|-------------------------------------|---|--|--|
| Corresponding Year Ended 31/12/2001 | | | | |
| Balance at beginning of year | 143,000 | 152,392 | 339,044 | 634,436 |
| Movements during the period | | | | |
| Issue of shares from exercise of ESOS | 9 | 54 | - | 63 |
| Net loss for the year | - | - | (10,053) | (10,053) |
| Dividends declared | - | - | (14,301) | (14,301) |
| Balance at end of period | <u>143,009</u> | <u>152,446</u> | <u>314,690</u> | <u>610,145</u> |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

EXPLANATORY NOTES AND ADDITIONAL INFORMATION

1. **Accounting policies and methods of computation**

The interim financial report has been prepared in accordance with *MASB 26 Interim Financial Reporting* and *Chapter 9 part K of the Listing Requirements of Kuala Lumpur Stock Exchange*. The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the annual financial statements for the year ended 31 December 2001 except for the adoption of MASB 20 "Provisions, Contingent Liabilities and Contingent Assets", MASB 22 "Segment Reporting", MASB 23 "Impairment of Assets" and MASB 24 "Financial Instruments : Disclosure and Presentation".

The adoption of MASB 20 affected the provision of proposed dividend as liability, as disclosed in Note 24.

The effect of adoption of MASB 22 and MASB 24 is disclosed under Note 8 and Note 22 respectively.

The adoption of MASB 23 does not have any financial effect, as there was no indication of impairment on the carrying amounts of the Group's property, plant and equipment as at 31 December 2002.

2. **Declaration of audit qualification**

The preceding annual financial statements of the Group were reported on without any qualification.

3. **Explanatory comment about the seasonality or cyclicity of operations**

The Company continues to be affected by the soft business/industry cycle and the uncertainty of the US economy.

4. **Nature and amount of unusual items**

There are no extraordinary items for the current interim period.

5. **Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period**

There are no changes in the estimates of amounts, which give a material effect in the current interim period.

6. **Details of issue, cancellation, repurchase, resale and repayment of debt and equity securities**

There are no issue, cancellation, repurchases, resale and repayment of debt or equity securities for the current financial year to date, save and except for the issue of 333,000 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS").

7. **Dividend Paid**

On 31 May 2002 the Company paid a final dividend of 10%, tax-exempt, amounting to RM14,323,300 in respect of ordinary shares in the previous financial year.

8. **Segment revenue, segment result and segment assets employed for business segments or geographical segments**

| Current Year Ended 31/12/2002 | North America RM'000 | Asia RM'000 | Europe RM'000 | Others RM'000 | Consolidated RM'000 |
|----------------------------------|----------------------------|----------------|------------------|------------------|------------------------|
| Revenue | 208,845 | 11,254 | 1,293 | 1,212 | 222,604 |
| Loss before taxation | | | | | (8,480) |

9. **Valuations of property, plant and equipment brought forward without amendment from**

the previous annual financial statements

The Group did not carry out any valuations on its property, plant and equipment.

10. ***Material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period***
There are no material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period.
11. ***Effect of changes in the composition of the Group***
There are no changes in the composition of the Group for the current financial year to date.
12. ***Changes in contingent liabilities or contingent assets***
There are no contingent liabilities for the current financial year to date, save and except for the following:
- (a) There is a claim in the Industrial Court by a former executive of the Company, in relation to summary termination and dismissal from the Company in 1999, who is seeking reinstatement. The amount of the claim, in lieu of reinstatement, has yet to be determined but is estimated to be about 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.
13. ***Review of the performance of the Group, setting out material factors affecting the earnings and /or revenue of the Group for the current quarter and financial year to date***
The Group recorded a revenue of RM57.642 million and a net loss of RM6.253 million for the quarter. These represent a sequential quarterly growth of 6.4% in revenue and 31.8% decrease in net loss respectively. The improvement in the after-tax loss is due to lower tax charges in the quarter under review.
14. ***Explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter***
The Group recorded a loss before taxation of RM6.248 million for the quarter, which represents an improvement of 15.1% over a loss before tax of RM7.362 million for the immediate preceding quarter ended 30 September 2002. Management attributes the improvement to increased business volume and higher utilisation of installed capacity in the quarter under review.
15. ***Commentary on the prospects, including the factors that are likely to influence the Group's prospects for the remaining period to the end of the financial year or the next financial year if the reporting period is the last quarter***
The demand for the Company's products and services remain stable amidst a seasonally weak first quarter. However, in view of the uncertain global economy, the Company does not expect business conditions to improve significantly in the short term.
16. (a) ***Explanatory note for any variance of actual profit after tax and minority interest and the forecast profit after tax and minority interest (where the variance exceeds 10%)***
Not applicable
- (b) ***Explanatory note for any shortfall in the profit guarantee***
Not applicable
17. ***Breakdown of tax charge and explanation on variance between effective and statutory tax rate for the current quarter and financial year to date***

| | Current quarter ended 31/12/2002 RM'000 | Current year to date ended 31/12/2002 RM'000 |
|------------------------|--|---|
| Income tax payable | 5 | 75 |
| Deferred tax liability | - | 3,950 |
| Total | 5 | 4,025 |

Although the operations of the Group for the current quarter and financial year to date resulted in losses, provision for income tax payable has been made due to interest income which is assessed separately.

18. Amount of profits on sale of unquoted investments or properties

There is no sale of unquoted investments or properties for the current quarter and financial year to date.

19. Particulars of purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities by the Group as at 25 February 2003.

20. (a) Status of corporate proposals announced but not completed

There are no outstanding corporate proposals announced but not completed as at 25 February 2003 save and except for the proposed issue by the Company or an appropriate special purpose company of up to USD150 million nominal value of unsecured 5-year Euro-convertible bonds ("ECB").

- On 28 August 2002, the Company announced that the approvals from the Securities Commission and the Ministry of International Trade and Industry were obtained.
- On 24 October 2002, the Company announced that Bank Negara Malaysia had granted its approval-in-principle for Unisem to obtain offshore credit facilities amounting to USD150 million in relation to the ECB subject to the condition that the issuer, being a special purpose company, be incorporated in the Labuan International Offshore Financial Centre ("Labuan SPC").

20. (a) Status of corporate proposals announced but not completed (Cont'd)

- On 18 December 2002, the Company announced that the Labuan Offshore Financial Services Authority ("LOFSA") had approved the implementation of the ECB via a Labuan SPC. LOFSA had also stated that the Ministry of Finance has agreed to exempt the Labuan SPC from section 61(4) of the Offshore Companies Act 1990.

Approvals from the following are still pending:

- (a) the BNM for the final approval on the ECB;
- (b) the shareholders of Unisem for the ECB at the extraordinary general meeting to be convened;
- (c) the KLSE, for the listing of and quotation for the new Shares arising from the conversion of the Eurobonds on the KLSE; and
- (d) the Luxembourg Stock Exchange, for the listing of and quotation for the Eurobonds.

(b) Status of utilisation of proceeds raised from any corporate proposal

Not applicable.

21. Borrowings and debt securities as at the end of the reporting period

Details of the Group's borrowings as at 31 December 2002 are as follows:

| | RM'000 |
|-----------------------|---------------|
| Short term borrowings | 18,247 |
| | ===== |

The short term borrowings comprise banker acceptances and revolving credit facilities which are unsecured and bear interest rates ranging from 5.00% to 6.00% per annum.

22. Summary of off balance sheet financial instruments by type and maturity profile

In order to hedge its exposure to foreign exchange risks, the Group has entered 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 recognized until the transaction occurs.

As at 25 February 2003, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade receivables are as follows:

| Currency | Contracts amount (in thousands) | Equivalent amount in RM'000 |
|------------|---------------------------------------|--------------------------------|
| US Dollars | 10,433 ===== | 39,791 ===== |

All of these contracts mature within six months.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as its hedging instrument. 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. However, the risk of incurring material losses related to this credit risk is remote.

23. *Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date*

Save and except as set out in Note 12, there is no material litigation pending as at 25 February 2003.

24. *Dividend*

The Directors have recommended a final dividend of 10% tax-exempt for the financial year ended 31 December 2002. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced and is not included as a liability in the financial statements in accordance with MASB 20.

25. *Earnings per share*

| | Current quarter ended 31/12/2002 |
|---|---|
| Basic | |
| Net loss attributable to ordinary shareholders (RM'000) | <u>(6,253)</u> |
| Number of ordinary shares in issue as of 1 January 2002 | 143,009,000 |
| Effect of exercise of ESOS | 229,250 |
| Weighted average number of ordinary shares in issue | <u>143,238,250</u> |
| Basic loss per ordinary share (sen) | <u>(4.37)</u> |
| Diluted | |
| Net loss attributable to ordinary shareholders (RM'000) | <u>(6,253)</u> |
| Weighted average number of ordinary shares in issue | 143,238,250 |
| ESOS: | |
| Weighted average number of unissued shares | 2,861,833 |
| Weighted average number of shares that would have been issued at fair value | (2,259,410) |
| Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share | <u>143,840,673</u> |
| Diluted loss per ordinary share (sen) | <u>(4.35)</u> |

CHUA HENG FATT (MACS 00264)

CHIN HOCK YEE (LS NO. 8245)

Company Secretaries

DATED : 25 February 2003