

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

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2003

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/09/2003 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2002 RM'000</b>	<b>Current Year to date Ended 30/09/2003 RM'000</b>	<b>Corresponding Year to date Ended 30/09/2002 RM'000</b>
Revenue	71,931	54,159	186,540	164,962
Operating expenses	(72,054)	(61,570)	(200,290)	(168,132)
Other operating income	414	212	1,299	1,101
Profit/(Loss) from operations	291	(7,199)	(12,451)	(2,069)
Finance cost	(286)	(163)	(792)	(163)
Profit/(Loss) before taxation	5	(7,362)	(13,243)	(2,232)
Taxation	-	(1,802)	1,000	(4,020)
Net profit/(loss) for the period	<u>5</u>	<u>(9,164)</u>	<u>(12,243)</u>	<u>(6,252)</u>
Profit/(Loss) per share (sen):				
(a) Basic	0.01	(6.40)	(8.54)	(4.37)
(b) Fully diluted	0.01	(6.36)	(8.54)	(4.34)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2002)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at End of Current Quarter 30/09/2003 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2002 RM'000</b>
Property, plant and equipment	590,520	623,237
Current Assets		
Inventories	29,731	24,067
Debtors	42,405	42,795
Cash and Cash Equivalents	9,006	6,120
	<u>81,142</u>	<u>72,982</u>
Current Liabilities		
Creditors	62,169	64,945
Overdraft and Short Term Borrowings	23,861	18,247
Taxation	343	393
	<u>86,373</u>	<u>83,585</u>

Net Current Liabilities	(5,231)	(10,603)
Net Assets Employed	585,289	612,634
Share Capital	143,380	143,342
Reserves	430,459	456,842
Shareholders' Funds	573,839	600,184
Deferred Tax Liabilities	11,450	12,450
Total Capital Employed	585,289	612,634
Net Tangible Assets Per Share (RM)	4.0022	4.1871

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2002)

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 30/09/2003 RM'000	Corresponding Year To Date Ended 30/09/2002 RM'000
<b>Operating Activities</b>		
Loss Before Taxation	(13,243)	(2,232)
Adjustments- for non-cash flow items:		
Depreciation of property, plant and equipment	58,872	49,458
Gain on disposal of property, plant and equipment	(14)	(16)
Operating Profit Before Changes In Working Capital	45,615	47,210
Changes In Working Capital		
Net change in current assets	(5,274)	(14,000)
Tax paid	(50)	(8,780)
Net change in current liabilities	(2,776)	(18,300)
Net Cash Flows From Operating Activities	37,515	6,130
<b>Investing Activities</b>		
Additions to property, plant and equipment	(26,194)	(32,039)
Proceeds from disposal of property, plant and equipment	53	79
Net Cash Flows Used In Investing Activities	(26,141)	(31,960)
<b>Financing Activities</b>		
Proceeds from short term borrowings	5,614	18,369
Issue of shares	234	2,524
Dividends paid	(14,336)	(14,323)
Net Cash Flows From/(Used In) Financing Activities	(8,488)	6,570
Net Change in Cash & Cash Equivalents	2,886	(19,260)
Cash And Cash Equivalents At Beginning Of Period	6,120	24,891
Cash And Cash Equivalents At End Of Period	9,006	5,631

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
<b>Current Year To Date Ended 30 September 2003</b>				
Balance at beginning of year	143,342	154,679	302,163	600,184
Exercise of ESOS	38	196		234
Dividends declared			(14,336)	(14,336)
Net loss for the financial year to date			(12,243)	(12,243)
Balance at end of period	<u>143,380</u>	<u>154,875</u>	<u>275,584</u>	<u>573,839</u>

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
<b>Corresponding Year To Date Ended 30 September 2002</b>				
Balance at beginning of year	143,009	152,446	314,690	610,145
Exercise of ESOS	327	2,197		2,524
Net loss for the financial year to date			(6,252)	(6,252)
Underprovision of dividend			(22)	(22)
Balance at end of period	<u>143,336</u>	<u>154,643</u>	<u>308,416</u>	<u>606,395</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2002)

**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 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**

There has been no material seasonal or cyclical factors affecting the results of the quarter under

review.

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 38,000 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS").

7. **Dividend Paid**

A final dividend of 10%, tax exempt, amounting to RM14,335,600 in respect of ordinary shares in the previous financial year was paid by the Company on 22 August, 2003.

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

Current Year To Date Ended 30/09/2003	North America RM'000	Asia RM'000	Europe RM'000	Consolidated RM'000
Revenue	<u>169,396</u>	<u>17,049</u>	<u>95</u>	<u>186,540</u>
Loss before taxation				<u>(13,243)</u>

The loss before taxation of the Group by reportable segments are not presented as it is impracticable to allocate the profit from operations to the respective segments.

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**

Save and except as set out in Note 23, there are no changes in contingent liabilities since the last annual balance sheet date.

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 RM71.931 million and a net profit of RM5,000 for the quarter. These represent a sequential quarterly growth of 18.7% in revenue. The Group also returned to profitability in the quarter under review as compared with a net loss of RM5.026 million for the immediate preceding quarter ended 30 June 2003. The improvement in revenue and net profit was mainly due to increased business volume.

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 profit before taxation of RM5,000 for the quarter, which represents an improvement of RM5.531 million as compared a loss before tax of RM5.526 million for the immediate preceding quarter ended 30 June 2003. 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 results are in line with the expectation of the Company. The Directors are of the view that the growth in the semiconductor industry experienced in the last two quarters would flow through into the rest of the financial year. The Company has been taking steps to position itself in anticipation of further growth in the demand for the Company's products and services in the coming quarters.

**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***

	<b>Current Quarter Ended 30/09/2003 RM'000</b>	<b>Current Year To Date Ended 30/09/2003 RM'000</b>
Income tax payable	-	-
Transfer from deferred taxation	-	1,000
Total	-	1,000

Although the Group has made profits during the current quarter, no income tax expense has been made due to unabsorbed capital allowances brought forward for set off.

As the operations of the Group for the current financial year to date resulted in losses, no income tax expense is required.

**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 16 July 2003.

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

There are no outstanding corporate proposals announced but not completed as at 16 July 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.

On 2 September 2003, the Company announced that the Securities Commission has approved a final extension of time for a period of 6 months up to 26 February 2004 to implement the proposed Euro-convertible bond issue.

**(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 30 September 2003 are as follows:

Short term borrowings

RM'000

23,861

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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 16 July 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	25,200 =====	96,110 =====

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**

There are no changes in material litigation since the last annual balance sheet date except for the following:

The Company had on 8 October 2003 informed the KLSE that Liberty International Underwriters of United States of America ("USA"), the insurers of Triquint Semiconductor Inc of USA has commenced a civil action by way of a subrogation claim against the Company for recovery of the cost of one consignment of integrated circuit chips which was stolen whilst being transported to the Kuala Lumpur International Airport on 16 December 2000. The Writ of Summons dated 8 September 2003 was served on the Solicitors for Unisem on 3 October 2003.

The claim for the consignment stolen, purportedly valued at US\$129,000.00 (equivalent to RM490,200.00) and the adjuster's fees amounting to US\$5,003.88 (equivalent to RM19,014.74) together with interest thereon, is not expected to have any material financial and operational impact on the Company.

The Company had notified its insurers namely Jerneh Insurance Berhad of the said loss pursuant to a Marine/Inland Transit (open cover) policy taken by the Company. The Company had been advised by its solicitors as well as its insurers that there are no merits in the claim made by the insurers of Triquint Semiconductor Inc and the said claim should be defended as the said loss had occurred without any default or negligence on the part of the Company and/or its agent or servant.

**24. Dividend**

The Directors have not recommended any dividend for the current financial quarter ended 30 September 2003 (Nil for financial quarter ended 30 September 2002).

**25. Earnings per share**

	<b>Current quarter ended 30/09/2003</b>
<b>Basic</b>	
Net profit attributable to ordinary shareholders (RM'000)	<u>5</u>
Number of ordinary shares in issue as of 1 January 2003	143,342,000
Effect of exercise of ESOS	9,111
Weighted average number of ordinary shares in issue	<u>143,351,111</u>
Basic earnings per ordinary share (sen)	<u>0.01</u>
<b>Diluted</b>	
Net profit attributable to ordinary shareholders (RM'000)	<u>5</u>
Weighted average number of ordinary shares in issue	143,351,111
ESOS:	
Weighted average number of unissued shares	207,500
Weighted average number of shares that would have been issued at fair value	(185,556)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>143,373,055</u>
Diluted earnings per ordinary share (sen)	<u>0.01</u>

BY ORDER OF THE BOARD

**CHUA HENG FATT** (MACS 00264)  
**CHIN HOCK YEE** (LS NO. 8245)  
Company Secretaries

DATED : 16 July 2003