

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2003

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 31/12/2003 RM'000	Corresponding Quarter Ended 31/12/2002 RM'000	Current Year to date Ended 31/12/2003 RM'000	Corresponding Year to date Ended 31/12/2002 RM'000
Revenue	95,064	57,642	281,604	222,604
Operating expenses	(85,825)	(63,836)	(286,114)	(231,968)
Other operating income	421	184	1,722	1,285
Profit/(Loss) from operations	9,660	(6,010)	(2,788)	(8,079)
Finance cost	(428)	(238)	(1,220)	(401)
Profit/(Loss) before taxation	9,232	(6,248)	(4,008)	(8,480)
Taxation	(299)	1,459	701	1,832
Net profit/(loss) for the period	<u>8,933</u>	<u>(4,789)</u>	<u>(3,307)</u>	<u>(6,648)</u>
Profit/(Loss) per share (sen):				
(a) Basic	6.23	(3.35)	(2.31)	(4.64)
(b) Fully diluted	6.23	(3.33)	(2.31)	(4.60)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at End Of Current Quarter 31/12/2003 RM'000	(Audited) As at Preceding Financial Year end 31/12/2002 RM'000
Property, plant and equipment	605,513	623,237
Current Assets		
Inventories	33,755	24,067
Debtors	59,772	42,795
Cash and Bank Balances	7,708	6,120
	<u>101,235</u>	<u>72,982</u>
Current Liabilities		
Creditors	77,365	64,945
Overdraft and Short Term Borrowings	31,148	18,247
Taxation	430	393

	108,943	83,585
Net Current Liabilities	(7,708)	(10,603)
Net Assets Employed	597,805	612,634
	143,819	143,342
Share Capital	422,998	437,504
Reserves	566,817	580,846
Shareholders' Funds	30,988	31,788
Deferred Tax Liabilities	597,805	612,634
Total Capital Employed	3.9412	4.0522
Net Tangible Assets Per Share (RM)		

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 31/12/2003 RM'000	Corresponding Year To Date Ended 31/12/2002 RM'000
Operating Activities		
Loss Before Taxation	(4,008)	(8,480)
Adjustments- for non-cash flow items:		
Depreciation of property, plant and equipment	78,706	69,126
Gain on disposal of property, plant and equipment	(19)	(16)
Operating Profit Before Changes In Working Capital	74,679	60,630
Changes In Working Capital		
Net change in current assets	(26,665)	(12,263)
Tax paid	(61)	(8,780)
Net change in current liabilities	12,420	(22,065)
Net Cash Flows From Operating Activities	60,373	17,522
Investing Activities		
Proceeds from disposal of property, plant and equipment	58	79
Additions to property, plant and equipment	(61,022)	(42,862)
Placement of fixed deposit	(60)	-
Net Cash Flows Used In Investing Activities	(61,024)	(42,783)
Financing Activities		
Proceeds from short term borrowings	12,901	18,247
Issue of shares	3,614	2,566
Dividends paid	(14,336)	(14,323)
Net Cash Flows From Financing Activities	2,179	6,490
Net Change in Cash & Cash Equivalent	1,528	(18,771)
Cash And Cash Equivalent At Beginning Of Period	6,120	24,891

Cash And Cash Equivalents At End Of Period

7,6486,120

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2002)

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
Current Year To Date Ended 31 December 2003				
Balance at beginning of year - As previously stated	143,342	154,679	302,163	600,184
Prior year adjustment	-	-	(19,338)	(19,338)
Restated balance	143,342	154,679	282,825	580,846
Exercise of ESOS	477	3,137	-	3,614
Dividends declared	-	-	(14,336)	(14,336)
Net loss for the financial year to date	-	-	(3,307)	(3,307)
Balance at end of period	<u>143,819</u>	<u>157,816</u>	<u>265,182</u>	<u>566,817</u>

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
Corresponding Year To Date Ended 31 December 2002				
Balance at beginning of year – As previously stated	143,009	152,446	314,690	610,145
Prior year adjustment	-	-	(10,895)	(10,895)
Restated balance	143,009	152,446	303,795	599,250
Exercise of ESOS	333	2,233	-	2,566
Dividends declared	-	-	(14,300)	(14,300)
Net loss for the financial year to date	-	-	(6,648)	(6,648)
Underprovision of dividend	-	-	(22)	(22)
Balance at end of period	<u>143,342</u>	<u>154,679</u>	<u>282,825</u>	<u>580,846</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st 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 Malaysia Securities Exchange Berhad (the "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 except for the change in the Group's accounting policy in respect of the recognition of deferred tax assets/liabilities in compliance with *MASB 25' Income Taxes'*. This change in accounting policy has been applied retrospectively, and the effects on the prior financial years have been taken up as prior period adjustments as disclosed in Note 25.

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 477,000 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 31/12/2003	North America RM'000	Asia RM'000	Europe RM'000	Consolidated RM'000
Revenue	<u>255,602</u>	<u>25,850</u>	<u>152</u>	<u>281,604</u>
Loss before taxation				<u>(4,008)</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 RM95.064 million and a net profit of RM8.933 million for the fourth quarter ended 31 December 2003. These represent a sequential quarterly growth of 32.2% in revenue and a significant improvement in the net profit as compared to the net profit of RM5,000 for the immediate preceding quarter ended 30 September 2003. The Company profited from strong demand throughout the fourth quarter and benefited from the higher utilisation rate which improved profit margins.
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 RM9.232 million for the fourth quarter ended 31 December 2003, which represents an improvement of RM9.227 million as compared the profit before taxation of RM5,000 for the immediate preceding quarter ended 30 September 2003. The improvement in the profit before taxation was in line with the increased revenue and improved profit margins due to higher utilisation rate.
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 Company is seeing increasing demand for its products and services flowing through from the last quarter. With the global economy showing signs of improvement, the Company expects to see this trend continue through the next financial year.
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 31/12/2003 RM'000	Current Year To Date Ended 31/12/2003 RM'000
Income tax payable	(100)	(100)
Overprovision in prior years	1	1
Transfer (to)/from deferred taxation	(200)	800
Total	(299)	701

Income tax expense for the current quarter and financial year to date has been made due to interest and rental income received which are 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 27 February 2004.
20. (a) **Status of corporate proposals announced but not completed**
There are no outstanding corporate proposals announced but not completed as at 27 February 2004 save and except for:

- 1) The proposed issue by the Company's wholly-owned special purpose vehicle, Unisem International (Labuan) Limited ("Unisem (Labuan)"), of up to USD150 million nominal value of unsecured 5-year Euro-convertible bonds, guaranteed by the Company ("Eurobonds").

On 23 December 2003 the Company announced that the Securities Commission has approved the Company's application to issue the Eurobonds in two tranches, whereby the first tranche involving the issuance of up to USD100 million nominal value Eurobonds ("First Tranche") is to be implemented prior to or on 26 February 2004, and the second tranche for the issuance of the remaining balance of the Eurobonds is to be implemented within twelve months from the date of issue of the First Tranche.

On 4 February 2004 the Company held an Extraordinary General Meeting on the proposed Eurobonds issue and the shareholders of the Company approved the resolution in relation to the Eurobonds.

On 4 February 2004 the Company announced that Bank Negara Malaysia has granted its approvals for Unisem to

- (i) obtain offshore credit facilities ("Facilities") amounting to USD150 million from Unisem (Labuan), for the purpose of the Company's expansion programme, subject to the conditions that the Facilities are to be used for expenditure denominated in foreign currency and the amount utilized for working capital does not exceed RM51 million.
- (ii) provide foreign currency loan of USD20,000 to fund Unisem (Labuan)'s establishment costs.
- (iii) increase the aggregate overnight limit of the foreign currency account to USD50 million for a period of five years until 30 January 2009 for the purpose of retaining part of the proceeds of the Facilities for payment of imports or for local use.

On 9 February 2004 the Company announced that the book-building process in relation to the First Tranche has been completed on 6 February 2004.

On 13 February 2004 the Company announced that it has successfully raised US\$100 million under the First Tranche. The First Tranche was issued on 12 February 2004 to investors.

- 2) On 3 December 2004 the Company announced that it has entered into a conditional sale and purchase agreement to acquire the entire issued and paid-up capital of Atlantic Technology Holdings (UK) Limited for a total purchase consideration of USD18 million to be satisfied by cash and issuance of new ordinary shares of the Company. All approvals are pending.

(b) Status of utilisation of proceeds raised from any corporate proposal for the quarter under review

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 2003 are as follows:

	RM'000
Short term borrowings	31,148
	=====

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 27 February 2004, 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	25,097 =====	95,716 =====

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*

The Company had on 8 October 2003 informed the Exchange 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 recommended a final dividend of 10% tax-exempt for the financial year ended 31 December 2003 (10% tax-exempt for 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*

Basic	Current quarter ended 31/12/2003
Net profit attributable to ordinary shareholders (RM'000)	<u>8,933</u>
Number of ordinary shares in issue as of 1 January 2003	143,342,000
Effect of exercise of ESOS	67,833
Weighted average number of ordinary shares in issue	<u>143,409,833</u>
Basic earnings per ordinary share (sen)	<u>6.23</u>

Diluted

Net profit attributable to ordinary shareholders (RM'000)	<u>8,933</u>
Weighted average number of ordinary shares in issue	143,409,833
ESOS:	
Weighted average number of unissued shares	201,091
Weighted average number of shares that would have been issued at fair value	(159,486)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>143,451,438</u>
Diluted earnings per ordinary share (sen)	<u>6.23</u>

26 **Prior Year Adjustments**

During the current financial year, the Group adopted the provisions of MASB 25 'Income Taxes'. The effects of the adoption of MASB 25 have been applied retrospectively, and the effects on prior years have been taken up as prior year adjustments. Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting changes:

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Corresponding quarter ended			
31 December, 2002			
Taxation	(5)	1,464	1,459
Net loss for the year	<u>(6,253)</u>	<u>1,464</u>	<u>4,789</u>
For the financial year ended			
31 December, 2002			
Taxation	(4,025)	5,857	1,832
Net loss for the year	<u>(12,505)</u>	<u>5,857</u>	<u>(6,648)</u>
As of 31 December, 2002			
Deferred Tax Liabilities	(12,450)	(19,338)	(31,788)
Retained Profits	302,163	(19,338)	282,825
Reserves	456,842	(19,338)	437,504
Shareholders' Funds	<u>600,184</u>	<u>(19,338)</u>	<u>580,846</u>
As of 31 December, 2001			
Retained Profits	<u>314,690</u>	<u>(10,895)</u>	<u>303,795</u>

	As previously reported RM	Adjustments RM	As restated RM
Corresponding quarter ended			
31 December, 2002			

Loss per share			
- Basic	(4.37)	1.02	(3.35)
- Fully diluted	(4.35)	1.02	(3.33)
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For the financial year ended			
31 December, 2002			
Loss per share			
- Basic	(8.73)	4.09	(4.64)
- Fully diluted	(8.69)	4.09	(4.60)
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As of 31 December, 2002			
Net Tangible Assets Per Share	4.1871	(0.1349)	4.0522
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BY ORDER OF THE BOARD

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

DATED : 27 February 2004