

financial statements

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directors' report

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, 2006.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are as set out in Note 12 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

SIGNIFICANT EVENTS

During the financial year, the Company obtained RM400 million unsecured syndicated financing facilities from six local financial institutions ("Syndicated Financing Facilities"). The Syndicated Financing Facilities comprise of a syndicated term loan facility of RM263 million and revolving credit and overdraft facilities of RM137 million. The Company has not utilised any of the abovementioned facilities during the financial year.

During the financial year, one of the direct foreign subsidiary companies obtained USD50 million [equivalent to RM176 million] secured term loan and revolving credit facilities from a foreign bank. The banking facilities are secured by a fixed charge over the subsidiary's factory building.

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
Profit before tax	92,932,083	112,088,502
Taxation	(22,303,743)	(22,706,326)
Profit for the year	70,628,340	89,382,176
Attributable to:		
Equity holders of the Company	71,878,501	89,382,176
Minority interests	(1,250,161)	-
	70,628,340	89,382,176

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 other than the change in accounting policy as disclosed in Note 2 to the Financial Statements.

directors' report (cont'd)

DIVIDENDS

A final dividend of 10%, tax-exempt, amounting to RM22,346,278 declared in respect of ordinary shares in the previous financial year and dealt with in the previous directors' report, was paid by the Company during the current financial year.

An interim dividend of 10%, tax-exempt, amounting to RM22,346,278 was paid on December 6, 2006 in respect of the current financial year.

The directors have proposed a final dividend of 10%, tax-exempt, for the current financial year. The proposed final dividend which amounts to approximately RM23,572,084 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

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

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 had 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 for bad debts or the amount of 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

directors' report (cont'd)

OTHER FINANCIAL INFORMATION (CONT'D)

- (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 which 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.

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 financial year in which this report is made other than the change in accounting policy as disclosed in Note 2 to the Financial Statements.

DIRECTORS

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

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

In accordance with Article 124 of the Company's Articles of Association, Mr. Francis Chia Mong Tet, Y. Bhg. Tan Sri Dato' Wong See Wah and Mr. Yen Woon @ Low Sau Chee retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba who attained the age of 70, retires and offers himself for re-appointment.

directors' report (cont'd)

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 RM0.50 each			Balance as of 31.12.2006
	Balance as of 1.1.2006	Bought/ Transferred*	Sold/ Transferred*	
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	1,200,000	100,000	-	1,300,000
Mr. Ang Chye Hock	95,000	50,000	-	145,000
Mr. Francis Chia Mong Tet	1,074,600	-	-	1,074,600
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	3,000,000	-	-	3,000,000
Mr. Sundra Moorthi s/o V.M. Krishnasamy	27,000	-	-	27,000
Mr. Tee Yee Loh	2,850,800	-	(650,000)*	2,200,800
Indirect interest by virtue of shares held by companies in which a director has interests				
Mr. John Chia Sin Tet	146,066,800	945,000	(900,000)	146,111,800
Mr. Francis Chia Mong Tet	9,300,000	-	-	9,300,000
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	114,900	-	-	114,900
Y. Bhg. Tan Sri Dato' Samshuri bin Arshad	600,000	-	-	600,000
Mr. Yen Woon @ Low Sau Chee	136,150,000	945,000	(900,000)	136,195,000
Mr. Sundra Moorthi s/o V.M. Krishnasamy	6,000	-	-	6,000
Mr. Tee Yee Loh	4,048,000	650,000*	-	4,698,000

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

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

directors' report (cont'd)

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 certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 18 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.

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,

JOHN CHIA SIN TET

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

Kuala Lumpur,
February 27, 2007

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, 2006 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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 Malaysian Accounting Standards Board 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, 2006 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 Companies Act, 1965 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 Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Companies Act, 1965.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors as mentioned under Note 12 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEOH SIEW MING
2421/05/07(J/PH)
Partner

February 27, 2007

income statements

for the year ended December 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	4	692,754,814	568,975,695	609,960,507	487,164,070
Investment income	8	6,105,277	10,407,074	6,690,812	12,458,379
Other gains and (losses)	5	30,560,940	(384,799)	25,207,590	5,390,584
Other operating income	5	9,395,102	7,334,891	9,741,428	2,224,293
Gain on buy-back of guaranteed convertible bonds	23(b)	9,643,671	4,988,682	-	-
Changes in inventories of finished goods and work-in-progress		(3,199,310)	5,226,988	(2,269,884)	5,468,117
Raw materials and consumables used		(216,802,105)	(171,904,393)	(189,170,859)	(144,195,226)
Depreciation of property, plant and equipment	11	(120,074,602)	(106,910,666)	(103,517,366)	(94,501,461)
Employee benefits expenses	5	(141,162,939)	(117,285,867)	(100,867,175)	(84,880,419)
Directors' remuneration	6	(7,118,996)	(5,400,539)	(6,058,178)	(3,802,198)
Amortisation of goodwill	14	-	(2,970,140)	-	-
Finance costs	7	(30,079,268)	(34,187,605)	(29,000,788)	(33,735,241)
Other operating expenses	5	(137,090,501)	(118,034,339)	(108,627,585)	(99,300,923)
Profit before tax		92,932,083	39,854,982	112,088,502	52,289,975
Taxation	9	(22,303,743)	(17,875,947)	(22,706,326)	(17,842,045)
Profit for the year		70,628,340	21,979,035	89,382,176	34,447,930
Attributable to:					
Equity holders of the Company		71,878,501	22,323,200	89,382,176	34,447,930
Minority interests		(1,250,161)	(344,165)	-	-
		70,628,340	21,979,035	89,382,176	34,447,930
Earnings per share					
Basic (sen)	10	16.08	4.99		
Diluted (sen)	10	15.21	-		

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

balance sheets

as of December 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	904,022,005	850,148,799	634,770,694	679,746,960
Investment in subsidiary companies	12	-	-	336,111,661	179,016,484
Deferred expenditure	13	11,151,193	10,857,768	11,151,193	10,857,768
Goodwill	14	54,947,600	54,947,600	-	-
Intangible assets	15	15,393,050	15,393,050	-	-
Deferred tax asset	9	395,666	-	-	-
Total non-current assets		985,909,514	931,347,217	982,033,548	869,621,212
Current assets					
Inventories	16	74,893,488	68,532,309	63,198,075	59,286,890
Trade receivables	17	90,096,059	96,830,224	81,270,587	78,924,555
Other receivables, deposits and prepaid expenses	17	6,603,310	10,611,007	1,276,916	4,182,082
Amount owing by subsidiary companies	18	-	-	12,534,291	70,997,409
Tax recoverable	9	35,260	10,427,040	18,241	10,414,278
Cash and bank balances	19	112,298,080	372,291,192	72,567,508	353,077,833
Total current assets		283,926,197	558,691,772	230,865,618	576,883,047
Total assets		1,269,835,711	1,490,038,989	1,212,899,166	1,446,504,259

balance sheets (cont'd)
as of December 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Equity and liabilities					
Capital and reserves					
Share Capital	20	223,462,777	223,462,777	223,462,777	223,462,777
Reserves	21	426,284,766	412,553,327	447,914,301	403,224,691
Equity attributable to equity holders of the Company		649,747,543	636,016,104	671,377,078	626,687,468
Minority Interest		11,705,674	12,955,835	-	-
Total equity		661,453,217	648,971,939	671,377,078	626,687,468
Non-current liabilities					
Amount owing to subsidiary companies	18	-	-	61,460,659	538,595,305
Borrowings - non-current portion	22	52,931,273	-	-	-
Guaranteed convertible bonds	23(a)	58,452,664	504,095,467	-	-
Deferred income	24	1,929,527	3,615,315	-	-
Deferred tax liabilities	9	80,851,000	58,601,000	80,851,000	58,601,000
Total non-current liabilities		194,164,464	566,311,782	142,311,659	597,196,305
Current liabilities					
Trade payables	25	39,899,788	39,520,697	29,418,817	29,601,587
Other payables and accrued expenses	25	73,845,628	109,680,133	50,976,896	73,018,899
Amount owing to a subsidiary company	18	-	-	318,814,716	-
Borrowings	22	849,827	121,610,458	-	120,000,000
Guaranteed convertible bonds	23(a)	297,721,124	-	-	-
Deferred income	24	1,901,663	3,943,980	-	-
Total current liabilities		414,218,030	274,755,268	399,210,429	222,620,486
Total liabilities		608,382,494	841,067,050	541,522,088	819,816,791
Total equity and liabilities		1,269,835,711	1,490,038,989	1,212,899,166	1,446,504,259

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

statement of changes in equity

for the year ended December 31, 2006

The Group	Note(s)	Attributable to Equity Holders of the Company							Total RM
		Non-distributable Reserves				Distributable Reserve		Minority Interest RM	
		Share Capital RM	Share Premium RM	Other Reserves RM	Foreign Currency Translation RM	Retained Earnings RM	Subtotal RM		
Balance as of January 1, 2005		148,969,185	201,106,934	-	304,830	273,072,980	623,453,929	13,300,000	636,753,929
Net income recognised directly in equity:									
Exchange differences arising on translation of foreign operations		-	-	-	329,793	-	329,793	-	329,793
Profit for the year		-	-	-	-	22,323,200	22,323,200	(344,165)	21,979,035
Total recognised income and expenses		-	-	-	329,793	22,323,200	22,652,993	(344,165)	22,308,828
Dividends	26	-	-	-	-	(35,754,044)	(35,754,044)	-	(35,754,044)
Issue of shares under employee share option plan	20&21	6,000	28,499	-	-	-	34,499	-	34,499
Bonus issue	20&21	74,487,592	(74,487,592)	-	-	-	-	-	-
Equity component of guaranteed convertible bonds	23(a)	-	-	27,180,112	-	-	27,180,112	-	27,180,112
Buy-back of guaranteed convertible bonds	23(b)	-	-	(4,336,050)	-	2,784,665	(1,551,385)	-	(1,551,385)
Balance as of January 1, 2006		223,462,777	126,647,841	22,844,062	634,623	262,426,801	636,016,104	12,955,835	648,971,939
Net income recognised directly in equity:									
Exchange differences arising on translation of foreign operations		-	-	-	(3,950,152)	-	(3,950,152)	-	(3,950,152)
Profit for the year		-	-	-	-	71,878,501	71,878,501	(1,250,161)	70,628,340
Total recognised income and expense		-	-	-	(3,950,152)	71,878,501	67,928,349	(1,250,161)	66,678,188
Dividends	26	-	-	-	-	(44,692,556)	(44,692,556)	-	(44,692,556)
Buy-back of guaranteed convertible bonds	23(b)	-	-	(4,505,347)	-	(4,999,007)	(9,504,354)	-	(9,504,354)
Balance as of December 31, 2006		223,462,777	126,647,841	18,338,715	(3,315,529)	284,613,739	649,747,543	11,705,674	661,453,217

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

statement of changes in equity (cont'd)
for the year ended December 31, 2006

The Company	Note(s)	Share Capital RM	Non-distributable Reserve Share Premium RM	Distributable Reserve Retained Earnings RM	Attributable to Equity Holders of the Company RM
Balance as of January 1, 2005		148,969,185	201,106,934	277,882,964	627,959,083
Total recognised income:					
Profit for the year		-	-	34,447,930	34,447,930
Dividends	26	-	-	(35,754,044)	(35,754,044)
Issue of shares under employee share option plan	20&21	6,000	28,499	-	34,499
Bonus issue	20&21	74,487,592	(74,487,592)	-	-
Balance as of January 1, 2006		223,462,777	126,647,841	276,576,850	626,687,468
Total recognised income:					
Profit for the year		-	-	89,382,176	89,382,176
Dividends	26	-	-	(44,692,566)	(44,692,566)
Balance as of December 31, 2006		223,462,777	126,647,841	321,266,460	671,377,078

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

cash flow statement

for the year ended December 31, 2006

	The Group	
	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	70,628,340	21,979,035
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	120,074,602	106,910,666
Finance costs	30,079,268	34,187,605
Taxation recognised in income statements	22,303,743	17,875,947
Amortisation of deferred expenditure	6,046,236	3,334,214
Property, plant and equipment written off	8,551	-
Unrealised gain on foreign exchange	(26,241,615)	(2,095,697)
Gain on buy-back of guaranteed convertible bonds	(9,643,671)	(4,988,682)
Interest income	(6,105,277)	(10,407,074)
Amortisation of deferred income	(4,054,080)	(4,133,640)
(Gain)/Loss on disposal of property, plant and equipment	(772,437)	83,186
Amortisation of goodwill	-	2,970,140
Allowance for slow-moving inventories no longer required	-	750,945
Allowance for uncollectible advances	-	494,116
Bad debt written off	-	213,571
	202,323,660	167,174,332
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	(5,910,649)	(16,654,124)
Trade receivables	7,437,527	(29,498,998)
Other receivables, deposits and prepaid expenses	(2,495,383)	5,137,695
Increase/(Decrease) in:		
Trade payables	(154,555)	13,668,942
Other payables and accrued expenses	(68,635,451)	(17,162,819)
Cash Generated From Operations	132,565,149	122,665,028
Income tax paid	(1,053,046)	(423,886)
Income tax refunded	10,988,500	126,925
Net Cash From Operating Activities	142,500,603	122,368,067

cash flow statement (cont'd)
for the year ended December 31, 2006

The Group		
Note	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
	6,313,234	14,096,612
	1,292,309	1,932,606
	343,908	(343,908)
28(a)	(141,107,380)	(214,500,737)
	-	(2,093,050)
	(133,157,929)	(200,908,477)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
22	53,856,604	120,000,000
	(133,494,078)	(60,363,988)
22	(120,000,000)	(35,411,517)
26	(44,692,556)	(35,754,044)
	(16,868,602)	(11,747,202)
13	(6,339,661)	(4,009,688)
	-	188,905,000
20	-	34,499
	(267,538,293)	161,653,060
	(258,195,619)	83,112,650
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	370,336,826	287,337,780
	(692,954)	(113,604)
28(b)	111,448,253	370,336,826

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

cash flow statement (cont'd)
for the year ended December 31, 2006

	The Company	
	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	89,382,176	34,447,930
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	103,517,366	94,501,461
Finance costs	29,000,788	33,735,241
Amortisation of deferred expenditure	6,046,236	3,334,214
Taxation recognised in income statements	22,706,326	17,842,045
Unrealised gain on foreign exchange	(26,926,152)	(4,008,538)
Overprovision of interest on advances	(8,282,483)	-
Interest income	(6,306,812)	(11,318,379)
Gain on disposal of property, plant and equipment	(433,091)	(316,399)
Provision for uncollectible advances	-	494,116
Gain on sale of intellectual property rights	-	(1,140,000)
	208,704,354	167,571,691
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	(3,911,185)	(15,400,525)
Trade receivables	(5,324,425)	(23,434,778)
Other receivables, deposits and prepaid expenses	2,697,209	1,405,877
Increase/(Decrease) in:		
Trade payables	1,316,395	12,277,283
Other payables and accrued expenses	(39,430,770)	(11,978,832)
Cash Generated From Operations	164,051,578	130,440,716
Income tax paid	(1,048,789)	(377,222)
Income tax refunded	10,988,500	126,925
Net Cash From Operating Activities	173,991,289	130,190,419

cash flow statement (cont'd)
for the year ended December 31, 2006

The Company		
Note	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
	59,704,915	(49,841,702)
	5,997,924	14,019,187
	482,974	1,758,460
	(157,095,177)	(98,022,148)
28(a)	(41,578,634)	(131,342,125)
	(132,487,998)	(263,428,328)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
	(134,403,133)	139,594,844
22	(120,000,000)	-
26	(44,692,556)	(35,754,044)
	(14,906,415)	(21,265,436)
13	(6,339,661)	(4,009,688)
22	-	120,000,000
20	-	34,499
	(320,341,765)	198,600,175
	(278,838,474)	65,362,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	353,077,833	287,715,567
	(1,671,851)	-
28(b)	72,567,508	353,077,833

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 Bursa Malaysia Securities Berhad.

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

The principal activities of the subsidiary companies are as set out in Note 12.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the 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, Malaysia.

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

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on February 27, 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS")

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

In the current year, the Group and the Company adopted all of the new and revised Standards and Interpretations issued by the MASB that are relevant to its operations and effective for accounting periods beginning on or after January 1, 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the accounting policies of the Group and of the Company except as follows:

(a) FRS 3: Business Combination

The new FRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses and prohibits the amortisation of goodwill. Under the revised FRS 136 "Impairment of Assets", goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Previously, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years.

In accordance with the transitional rules of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on January 1, 2006. The Group has therefore discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with FRS 136. Accordingly, the Group has applied the transitional provision of FRS 3 to goodwill previously recognised by eliminating the accumulated amortisation with a corresponding decrease in goodwill.

notes to the financial statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (cont'd)**(a) FRS 3: Business Combination (cont'd)**

Had there not been a change in accounting policy, the impact on the results of the Group for the financial year ended December 31, 2006 would have been as follows:

	Increase/(Decrease)
Effect on Income Statements:	
Amortisation of goodwill	RM2,970,140
Profit for the year	(RM2,970,140)
Earnings per share:	
Basic (sen)	(0.66)
Diluted (sen)	(0.66)

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the Company and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(c) FRS 121: The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency. Accordingly, in the preparation of the consolidated financial statements, the results and financial position of a group entity whose functional currency differs from the Company's presentation currency are expressed in the said presentation currency.

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognised in profit or loss in the consolidated financial statements. Previously, such exchange differences were taken to equity. This change in accounting policy has no impact to the current year's financial statements.

notes to the financial statements (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (cont'd)

At the date of authorisation of these financial statements for issue, the following Standards and Interpretations were issued but not yet effective:

Standards	Title	Effective for financial periods beginning on or after
FRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2007
FRS 117	Leases	October 1, 2006
FRS 124	Related Party Disclosures	October 1, 2006
Amendments to FRS 119 ²⁰⁰⁴	Actuarial Gains and Losses, Group Plans and Disclosures	January 1, 2007
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	July 1, 2007
FRS 139	Financial Instruments: Recognition and Measurement	Effective date deferred and to be announced by MASB

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group and of the Company.

FRS 117: Leases

The adoption of the revised FRS 117 will result in retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for entering into the leasehold represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Leasehold land is currently classified as property, plant and equipment and is stated at costs less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117, the unamortised revalued amount of leasehold land will be retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of the revised FRS 117. The reclassification of leasehold land as prepaid lease payments will be accounted for retrospectively.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The measurement basis applied in the preparation of the Financial Statements include historical cost, recoverable value, realisable value and fair value.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to December 31, 2006.

A subsidiary company is a company where the Group has control over the financial and operating policies of that company so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the said company.

Financial Statements of subsidiary companies are consolidated with those of the Company using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies in line with those used by other members of the Group.

All significant intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of amount of those interests at the date of the original business combination stated at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised at that date and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue Recognition

Sales of goods and services are recognised when the risks and rewards of ownership have passed to the customers. Sales represent gross invoiced value of goods sold and services provided net of returns, trade discounts, allowances and value added tax.

Interest income is recognised on a time basis by reference to the principal outstanding using the effective interest method.

Rental income is accrued on a time basis, by reference to the agreements entered into.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

In order to hedge the Group's exposure to certain foreign exchange risks, the Group enters into forward contracts and options, the details of which are disclosed in Note 27.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparative figures) are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items (including comparative figures) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Foreign Currencies (cont'd)**

The closing rates per unit of Ringgit Malaysia used in the retranslation of subsidiary companies' functional currency (foreign currencies) are as follows:

<i>Currency</i>	2006	2005
US Dollar	0.2835	0.2579
Sterling Pound	0.1436	0.1521
Chinese Renminbi	2.2139	2.1355

Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing Costs

Borrowings are initially recognised based on proceeds received. The cost of issuing debt instruments and securing major financing facilities are capitalised as deferred expenditure.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Government Grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the income statement over the expected useful lives of the related assets. Grants towards revenue expenditure are released to the income statement so as to match them with the associated expenditure.

Employee Benefits***Short-term employee benefits***

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Deferred Taxation

Deferred tax is accounted for using the "liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Deferred Taxation (cont'd)**

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Property, Plant and Equipment

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

Depreciation of these assets commences when the assets are ready for their intended use.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised over the period of the respective lease ranging from 49 to 99 years on a straight-line basis.

Capital work-in-progress including properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than freehold land and other capital work-in-progress, over their estimated useful lives, after taking into account their estimated residual value, using the straight-line method.

The annual depreciation rates are as follows:

Buildings	2% to 2.25%
Plant and machinery	10% to 33.33%
Electrical installation	10%
Production support equipment	10%
Office equipment	10% to 33.33%
Air-conditioners	10%
Motor vehicles	20%
Furniture and fittings	10% to 33.33%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effects of any changes accounted for as a change in accounting estimate recognised on a prospective basis.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Goodwill**

Goodwill acquired in a business combination is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on consolidation represents the excess of cost of business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities recognised of the acquiree at the date of the combination.

Goodwill is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the consolidated income statement and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of an entity or operation, the goodwill associated with the entity or operation disposed of is included in the carrying amount of the entity or operation when determining the gain or loss on disposal.

Research and Development Costs

Research costs relating to the original and planned investigation undertaken with the prospect of gaining new technical knowledge and understanding are recognised as an expense when incurred.

Development costs represent costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services prior to the commencement of commercial production or use. Development costs are charged to the income statement in the year in which it is incurred except where a clearly-defined project is undertaken and it is probable that the development costs will give rise to future economic benefits. Such development costs are recognised as an intangible asset and amortised on a straight-line method over the life of the project from the date of commencement of commercial operation.

Intangible Assets

Intangible assets are measured initially at purchase cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful life of five years from commencement of full scale commercial business operations.

The amortisation period and the amortisation method for intangible assets with finite useful life are reviewed at each year end, with the effect of any changes accounted for as a change in accounting estimate recognised on a prospective basis.

Deferred Expenditure

Deferred expenditure represents expenditure attributable to the debt instruments issue expenses as well as securing major financing facilities which are amortised over the tenure of the debts.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Investment**

Investment in subsidiary companies is stated in the Company's financial statements at cost less accumulated impairment losses.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of its tangible and intangible assets (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss had been recognised for the asset in prior years. A reversal is recognised immediately in the income statement.

Inventories

Inventories are stated 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 comprises the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and an appropriate proportion of production overheads incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less costs of completion and cost necessary to make the sale.

Receivables

Receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Compound Financial Instruments**

On issue of a financial instrument that contains both a liability and an equity component, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument; this amount is carried as liability on the amortised cost basis until it is extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

Cash Flow Statements

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

Cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to known amount of cash and are subject to an insignificant risks of changes in value.

Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgements made by the management in the application of FRSs that have a significant effect on the financial statements and estimates with a significant risk or material adjustment in the next financial year include the estimation on useful life of property, plant and equipment and intangible assets and the realisability of deferred tax assets. Note 14 to the Financial Statements contain information about the assumptions relating to goodwill impairment testing.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. SEGMENT INFORMATION**Business segment**

The Group operates within one industry, in the manufacturing of semiconductor devices and other related services, which includes principally packaging and test services. As such, information by business segment on the Group's operations is not presented.

Geographical segment

The Group's operations are located in Malaysia, the United Kingdom and the People's Republic of China.

In presenting information on the basis of geographical segments, segment revenue, results, assets and liabilities are based on the geographical location of assets.

Unallocated assets include items that cannot be reasonably allocated to individual segment.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

Inter-segment sales are charged at amounts equal to competitive market prices for external sales of similar goods.

notes to the financial statements (cont'd)

4. SEGMENT INFORMATION (cont'd)

Geographical segment (cont'd)

	Asia		Europe		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
The Group						
<i>Geographical segments by location of assets</i>						
Revenue						
External sales	613,889,444	487,164,070	78,865,370	81,811,625	692,754,814	568,975,695
Results						
Segment results	107,367,904	68,784,065	(105,501)	(10,137,234)	107,262,403	58,646,831
Unallocated corporate expenses					-	-
Finance costs					(30,079,268)	(34,187,605)
Investment income					6,105,277	10,407,074
Gain on buy-back of guaranteed convertible bonds					9,643,671	4,988,682
Profit before tax					92,932,083	39,854,982
Taxation					(22,303,743)	(17,875,947)
Profit after tax					70,628,340	21,979,035
Minority interest					1,250,161	344,165
Profit for the year					71,878,501	22,323,200
Consolidated Balance Sheet						
Assets						
Segment assets	1,141,321,559	1,354,066,656	128,514,153	135,972,333	1,269,835,711	1,490,038,989
Unallocated corporate assets					-	-
Consolidated total assets					1,269,835,711	1,490,038,989

notes to the financial statements (cont'd)

4. SEGMENT INFORMATION (cont'd)

Geographical segment (cont'd)

The Group	Asia		Europe		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Liabilities						
Segment liabilities	592,347,222	818,691,537	16,035,272	22,375,513	608,382,494	841,067,050
Unallocated corporate liabilities					-	-
Consolidated total liabilities					608,382,494	841,067,050
Other information						
Capital expenditure	173,258,886	275,043,705	2,829,125	2,604,193	176,088,011	277,647,898
Depreciation	108,611,177	94,679,864	11,463,425	12,230,802	120,074,602	106,910,666
Amortisation of deferred income/ (expenditure)	(6,046,236)	(3,334,214)	4,054,080	4,133,640	(1,992,156)	799,426
Gain/(Loss) on disposal of property, plant and equipment	387,300	316,399	385,137	(399,585)	772,437	(83,186)

Revenue from sales to external customers by location of customers:

	The Group	
	2006 RM	2005 RM
North America	440,991,937	412,904,258
Europe	149,659,149	137,141,291
Asia	100,343,547	18,930,146
Others	1,760,181	-
	692,754,814	568,975,695

notes to the financial statements (cont'd)

5. OTHER GAINS AND (LOSSES), OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSES

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

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Foreign exchange:					
Unrealised gain		26,241,615	2,095,697	26,926,152	4,008,538
Realised gain		3,546,888	-	-	1,065,647
Realised loss		-	(2,397,310)	(2,151,653)	-
Amortisation of deferred income	24	4,054,080	4,133,640	-	-
Overprovision of interest on advances	18	-	-	8,282,483	-
Gain/(Loss) on disposal of property, plant and equipment to:					
Subsidiary company		-	-	45,791	-
Third parties		772,437	(83,186)	387,300	316,399
Rental income		539,963	468,114	973,513	468,114
Allowance for slow moving inventories no longer required		-	750,945	-	-
Rental income from equipment		-	226,014	-	-
Amortisation of deferred expenditure	13	(6,046,236)	(3,334,214)	(6,046,236)	(3,334,214)
Research and development expenses		(3,066,928)	(3,448,241)	(3,040,364)	(3,448,241)
Rental of premises		(742,359)	(553,901)	(536,976)	(490,686)
Rental of equipment		(486,490)	(227,350)	-	-
Fees paid/payable to external auditors:					
Statutory audit:					
Current year		(416,437)	(329,222)	(130,000)	(50,000)
Prior year		(35,000)	(28,668)	(35,000)	(8,000)
Others		(4,000)	(6,000)	(4,000)	(6,000)
Property, plant and equipment written off		(8,551)	-	-	-
Allowance for uncollectible advances		-	(494,116)	-	(494,116)
Bad debt written off		-	(213,571)	-	-

Included in the employee benefits expenses of the Group and of the Company are the following charges:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Contributions to defined contribution plans	7,774,603	6,576,871	6,756,991	5,760,638

notes to the financial statements (cont'd)

6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
Executive:				
Fees	498,000	305,000	498,000	305,000
Other emoluments	4,194,110	2,225,850	4,194,110	2,225,850
Contributions to defined contribution plans	517,068	267,348	517,068	267,348
	5,209,178	2,798,198	5,209,178	2,798,198
Non-executive:				
Fees	849,000	1,004,000	849,000	1,004,000
	6,058,178	3,802,198	6,058,178	3,802,198
Other Directors				
Executive:				
Other emoluments	1,060,818	1,515,668	-	-
Contributions to defined contribution plans	-	82,673	-	-
	1,060,818	1,598,341	-	-
	7,118,996	5,400,539	6,058,178	3,802,198

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 RM97,136 (2005: RM84,159).

7. FINANCE COSTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest on:				
Guaranteed convertible bonds (Note 23(a))	24,616,619	32,867,026	-	-
Term loans	3,697,657	741,229	2,933,537	348,534
Bank overdraft	222,974	192,903	-	-
Advances from a subsidiary company	-	-	24,628,680	33,000,260
Loan arrangement fee	770,244	-	770,244	-
Commitment fee	410,959	-	410,959	-
Bank charges and commission	360,815	386,447	257,368	386,447
	30,079,268	34,187,605	29,000,788	33,735,241

notes to the financial statements (cont'd)

8. INVESTMENT INCOME

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income from:				
Fixed and short-term deposits	6,105,277	10,407,074	5,789,967	10,329,649
Advances to subsidiary companies	-	-	516,845	988,730
Management fees	-	-	384,000	-
Gain on sale of intellectual property rights	-	-	-	1,140,000
	6,105,277	10,407,074	6,690,812	12,458,379

9. TAXATION

(a) Current Tax Expense

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax expense/(income) comprises:				
Current tax expense	(348,494)	(947,782)	(348,494)	(947,782)
Deferred tax expense relating to origination and reversal of temporary differences	(22,571,417)	(16,617,000)	(22,974,000)	(16,617,000)
Withholding tax	(300,344)	(33,902)	(300,344)	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
Current tax	192,512	447,737	192,512	447,737
Deferred tax	724,000	(725,000)	724,000	(725,000)
	916,512	(277,263)	916,512	(277,263)
	(22,303,743)	(17,875,947)	(22,706,326)	(17,842,045)

Malaysian income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

Withholding tax relates to foreign interest income received by the Company from one of the subsidiary companies during the year. Withholding tax in previous year relates to foreign rental income received by one of the subsidiary companies.

notes to the financial statements (cont'd)

9. TAXATION (cont'd)

(a) Current Tax Expense (cont'd)

The tax expense for the year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax	92,932,083	39,854,982	112,088,502	52,289,975
Tax expense calculated at 28% (2005: 28%)	(26,021,000)	(11,159,000)	(31,385,000)	(14,641,000)
Different tax rates of subsidiary operating in other jurisdictions	(1,138,000)	176,000	-	-
Tax effects of:				
Income exempt from tax	11,790,000	4,348,000	10,796,000	2,906,000
Non-deductible expenses	(9,220,911)	(7,903,684)	(9,025,493)	(5,829,782)
Unabsorbed capital allowances and unutilised losses not recognised as deferred tax assets	(5,374,000)	(746,000)	-	-
Temporary differences of property, plant and equipment	1,862,000	(3,591,000)	-	-
Provisions	25,000	37,000	-	-
Grant income	(1,135,000)	1,240,000	-	-
Tax relief on withholding tax	(300,344)	-	(300,344)	-
Adjustment for deferred tax due to change in income tax rate from 28% to 26%	6,292,000	-	6,292,000	-
	(23,220,255)	(17,598,684)	(23,622,837)	(17,564,782)
Adjustments recognised in the current year in relation to the taxes of prior years	916,512	(277,263)	916,512	(277,263)
Taxation recognised in income statements	(22,303,743)	(17,875,947)	(22,706,325)	(17,842,045)

(b) Tax Recoverable

Tax recoverable relate to tax refund receivable. In 2005, tax recoverable relate to the surrender of the Company's pioneer certificate issued under the Promotion of Investment Act, 1986. The surrender of the pioneer status resulted in an overprovision of tax in prior year due to reinvestment allowances being claimed retrospectively from February 1, 2000.

notes to the financial statements (cont'd)

9. TAXATION (cont'd)

(c) Deferred Tax Balances

(i) *Deferred Tax Liabilities*

Deferred tax liabilities comprise the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	58,601,000	41,259,000	58,601,000	41,259,000
Transfer to the income statements	22,250,000	17,342,000	22,250,000	17,342,000
At end of year	80,851,000	58,601,000	80,851,000	58,601,000

The deferred tax liabilities are in respect of the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effects of:				
Temporary differences arising from property, plant and equipment	94,559,000	104,906,000	94,559,000	103,124,000
Unabsorbed capital allowances and unutilised tax losses	(10,378,000)	(46,305,000)	(10,378,000)	(44,523,000)
Deferred tax assets on allowable redemption interest	(3,330,000)	-	(3,330,000)	-
	80,851,000	58,601,000	80,851,000	58,601,000

(ii) *Deferred Tax Assets*

Deferred tax asset comprise the following:

	The Group	
	2006 RM	2005 RM
Transfer from income statements	402,583	-
Translation reserve	(6,917)	-
Net	395,666	-

The deductible temporary differences arose from pre-operating expenses in one of the subsidiary companies being available for deductions for tax purposes in the future.

notes to the financial statements (cont'd)

9. TAXATION (cont'd)

(c) Deferred Tax Balances (cont'd)

(ii) *Deferred Tax Assets (cont'd)*

Subject to agreement by the other tax jurisdictions, the components of deferred tax asset of the subsidiary companies not recognised during the financial year are as follows:

	The Group	
	2006 RM	2005 RM
Deferred tax asset:		
Property, plant and equipment	29,636,000	29,953,000
Provisions	28,000	-
Unabsorbed capital allowances and unutilised tax losses	19,670,000	12,196,000
Grant income	1,153,000	2,271,000
	50,487,000	44,420,000

Subject to agreement by the Inland Revenue Board, the Company has unutilised reinvestment allowances not accounted for in the financial statements amounting to RM478,281,000 (2005: RM445,329,000) which are available for set off against future taxable profits.

Subject to agreement by the Inland Revenue Board, one of the subsidiary company has unutilised investment tax allowances not accounted for in the financial statements amounting to RM41,018,000 (2005: RM7,667,000) which are available for set off against future taxable profits.

Deferred tax assets amounting to RM135,858,000 (2005: RM117,932,000) in respect of the unutilised reinvestment and investment tax allowances have not been recognised in the financial statements in accordance with the current accounting policy. In the opinion of the directors, the International Financial Reporting Standards allows deferred tax assets to be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(d) Tax-exempt Income Accounts

As of December 31, 2006, subject to agreement by the tax authorities, the Group and the Company have tax-exempt income accounts arising from the following:

	2006 RM	2005 RM
Tax-exempt income arising from its pioneer profits	-	13,985,000
Reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967	27,437,000	58,144,000
Chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999	119,081,000	119,081,000
	146,518,000	191,210,000

These tax-exempt income accounts, which are subject to the tax authorities, are available for distribution as tax-exempt dividends to the shareholders of the Company.

notes to the financial statements (cont'd)

10. EARNINGS PER SHARE

	The Group	
	2006	2005
Basic		
Profit for the year attributable to equity holders of the Company	RM71,878,501	RM22,323,200
Number of ordinary shares in issue as of January 1	446,925,555	148,969,185
Effect of exercise of ESOS	-	6,000
Effect of subdivision of shares	-	148,975,185
Effect of bonus issue	-	148,975,185
Weighted average number of ordinary shares for the purposes of basic earnings per share	446,925,555	446,925,555
Basic earnings per ordinary share (sen)	16.08	4.99

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Guaranteed convertible bonds is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect.

	The Group 2006
Profit for the year attributable to equity holders of the Company	RM71,878,501
Interest expense on convertible bonds (net of tax)	3,842,145
Profit used to determine diluted earnings per share	75,720,646
Weighted average number of ordinary shares for basic earnings per share	446,925,555
Adjustment for assumed convertible bonds	51,030,323
Weighted average number of ordinary shares for the purposes of diluted earnings per share	497,955,878
Diluted earnings per ordinary share (sen)	15.21

In 2005, the diluted earnings per ordinary share of the Company have not been presented as the effect would be anti-dilutive to the earnings per ordinary share.

notes to the financial statements (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2006 consist of the following:

The Group 2006	Cost					At end of year RM
	At beginning of year RM	Additions RM	Translation reserve RM	Disposals/ Write off RM	Transfer RM	
Freehold land	6,573,300	-	392,500	-	-	6,965,800
Long-term leasehold land	11,615,880	-	-	-	-	11,615,880
Short-term leasehold land	3,387,979	99,802	(120,124)	-	-	3,367,657
Buildings	88,690,072	1,819,712	785,000	-	68,491,120	159,785,904
Plant and machinery	1,213,277,498	129,432,452	6,588,434	(2,358,392)	20,590,215	1,367,530,207
Electrical installation	10,842,724	664,350	(2,619)	-	1,830,148	13,334,603
Office equipment	18,175,433	1,664,260	180,603	(156,816)	1,156,601	21,020,081
Air-conditioners	5,085,079	587,984	(832)	-	3,514,144	9,186,375
Motor vehicles	4,257,655	1,775,915	(5,674)	(705,652)	-	5,322,244
Furniture and fittings	4,091,747	776,927	23,510	(1,430)	332,973	5,223,727
Production support equipment	273,366	324,823	-	-	-	598,189
Capital work-in-progress	81,281,484	38,941,786	(3,501,066)	-	(95,915,201)	20,807,003
Total	1,447,552,217	176,088,011	4,339,732	(3,222,290)	-	1,624,757,670

	Accumulated Depreciation					At end of year RM
	At beginning of year RM	Charge for the year RM	Translation reserve RM	Disposals/ Write off RM	Transfer RM	
Freehold land	-	-	-	-	-	-
Long-term leasehold land	559,245	117,375	-	-	-	676,620
Short-term leasehold land	-	11,466	(197)	-	-	11,269
Buildings	8,993,415	2,324,021	109,708	-	-	11,427,144
Plant and machinery	564,914,470	113,437,663	5,658,349	(1,930,350)	-	682,080,132
Electrical installation	6,836,896	900,806	(1,396)	-	-	7,736,306
Office equipment	8,409,279	1,745,592	169,157	(150,006)	-	10,174,022
Air-conditioners	1,957,808	678,695	(2,837)	-	-	2,633,666
Motor vehicles	3,534,048	376,103	(635)	(617,880)	-	3,291,636
Furniture and fittings	2,196,553	432,402	25,092	(1,360)	-	2,652,687
Production support equipment	1,704	50,479	-	-	-	52,183
Total	597,403,418	120,074,602	5,957,241	(2,699,596)	-	720,735,665

notes to the financial statements (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group 2005	Cost				
	At beginning of year RM	Additions RM	Translation reserve RM	Transfer/ Disposals RM	At end of year RM
Freehold land	7,280,000	-	(706,700)	-	6,573,300
Long-term leasehold land	10,254,812	1,361,068	-	-	11,615,880
Short-term leasehold land	-	3,344,848	43,131	-	3,387,979
Buildings	86,889,885	3,213,587	(1,413,400)	-	88,690,072
Plant and machinery	1,051,810,057	183,437,307	(13,266,497)	(8,703,369)	1,213,277,498
Electrical installation	10,355,267	487,457	-	-	10,842,724
Office equipment	13,879,054	4,638,532	(342,153)	-	18,175,433
Air-conditioners	4,776,517	308,562	-	-	5,085,079
Motor vehicles	4,362,940	123,964	1,598	(230,847)	4,257,655
Furniture and fittings	3,933,297	212,475	(54,025)	-	4,091,747
Production support equipment	-	273,366	-	-	273,366
Capital work-in-progress	-	80,246,732	1,034,752	-	81,281,484
Total	1,193,541,829	277,647,898	(14,703,294)	(8,934,216)	1,447,552,217

	Accumulated Depreciation				
	At beginning of year RM	Charge for the year RM	Translation reserve RM	Transfer/ Disposals RM	At end of year RM
Freehold land	-	-	-	-	-
Long-term leasehold land	455,661	103,584	-	-	559,245
Buildings	7,421,899	1,751,889	(180,373)	-	8,993,415
Plant and machinery	474,027,061	101,344,358	(9,094,313)	(1,362,636)	564,914,470
Electrical installation	5,972,613	864,283	-	-	6,836,896
Office equipment	7,210,056	1,481,303	(282,080)	-	8,409,279
Air-conditioners	1,475,365	482,443	-	-	1,957,808
Motor vehicles	3,242,119	522,754	22	(230,847)	3,534,048
Furniture and fittings	1,880,277	358,348	(42,072)	-	2,196,553
Production support equipment	-	1,704	-	-	1,704
Total	501,685,051	106,910,666	(9,598,816)	(1,593,483)	597,403,418

notes to the financial statements (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company 2006	← Cost →			At end of year RM
	At beginning of year RM	Additions RM	Disposals RM	
Long-term leasehold land	4,354,009	-	-	4,354,009
Buildings	75,543,472	1,819,712	-	77,363,184
Plant and machinery	1,062,163,794	52,945,326	(1,860,842)	1,113,248,278
Electrical installation	10,812,201	485,297	-	11,297,498
Office equipment	14,588,976	1,015,292	(151,758)	15,452,510
Air-conditioners	5,085,079	539,585	-	5,624,664
Motor vehicles	4,132,093	1,701,050	(1,125,990)	4,707,153
Furniture and fittings	3,499,713	300,248	(1,430)	3,798,531
Capital work-in-progress	-	509,425	-	509,425
Total	1,180,179,337	59,315,935	(3,140,020)	1,236,355,252

	← Accumulated Depreciation →			At end of year RM
	At beginning of year RM	Charge for the year RM	Disposals RM	
Long-term leasehold land	308,314	44,022	-	352,336
Buildings	7,159,464	1,522,059	-	8,681,523
Plant and machinery	473,244,629	98,621,745	(1,348,232)	570,518,142
Electrical installation	6,836,801	814,583	-	7,651,384
Office equipment	5,620,119	1,397,677	(148,812)	6,868,984
Air-conditioners	1,957,808	513,584	-	2,471,392
Motor vehicles	3,532,314	291,822	(866,781)	2,957,355
Furniture and fittings	1,772,928	311,874	(1,360)	2,083,442
Capital work-in-progress	-	-	-	-
Total	500,432,377	103,517,366	(2,365,185)	601,584,558

notes to the financial statements (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company 2005	Cost			
	At beginning of year RM	Additions RM	Transfer/ Disposals RM	At end of year RM
Long-term leasehold land	2,992,941	1,361,068	-	4,354,009
Buildings	72,329,885	3,213,587	-	75,543,472
Plant and machinery	912,778,066	153,082,603	(3,696,875)	1,062,163,794
Electrical installation	10,355,267	456,934	-	10,812,201
Office equipment	10,333,694	4,255,282	-	14,588,976
Air-conditioners	4,776,517	308,562	-	5,085,079
Motor vehicles	4,362,940	-	(230,847)	4,132,093
Furniture and fittings	3,372,737	126,976	-	3,499,713
Total	1,021,302,047	162,805,012	(3,927,722)	1,180,179,337

The Company 2005	Accumulated Depreciation			
	At beginning of year RM	Charge for the year RM	Transfer/ Disposals RM	At end of year RM
Long-term leasehold land	278,082	30,232	-	308,314
Buildings	5,703,819	1,455,645	-	7,159,464
Plant and machinery	384,806,413	89,671,117	(1,232,901)	473,244,629
Electrical installation	5,972,613	864,188	-	6,836,801
Office equipment	4,443,656	1,176,463	-	5,620,119
Air-conditioners	1,475,365	482,443	-	1,957,808
Motor vehicles	3,242,119	521,042	(230,847)	3,532,314
Furniture and fittings	1,472,597	300,331	-	1,772,928
Total	407,394,664	94,501,461	(1,463,748)	500,432,377

notes to the financial statements (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	← Net Book Value →	
	2006 RM	2005 RM
Freehold land	6,965,800	6,573,300
Long-term leasehold land	10,939,260	11,056,635
Short-term leasehold land	3,356,388	3,387,979
Buildings	148,358,760	79,696,657
Plant and machinery	685,450,075	648,363,028
Electrical installation	5,598,297	4,005,828
Office equipment	10,846,059	9,766,154
Air-conditioners	6,552,709	3,127,271
Motor vehicles	2,030,608	723,607
Furniture and fittings	2,571,040	1,895,194
Production support equipment	546,006	271,662
Capital work-in-progress	20,807,003	81,281,484
Total	904,022,005	850,148,799
The Company		
Long-term leasehold land	4,001,673	4,045,695
Buildings	68,681,661	68,384,008
Plant and machinery	542,730,136	588,919,165
Electrical installation	3,646,114	3,975,400
Office equipment	8,583,526	8,968,857
Air-conditioners	3,153,272	3,127,271
Motor vehicles	1,749,798	599,779
Furniture and fittings	1,715,089	1,726,785
Capital work-in-progress	509,425	-
Total	634,770,694	679,746,960

Property, plant and equipment of a foreign incorporated subsidiary company with total carrying amount of approximately RM71,344,875 (2005: RM53,482,606) is pledged by way of a fixed and floating debenture to a foreign bank for term loan facilities granted to the subsidiary company as disclosed in Note 22.

notes to the financial statements (cont'd)

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2006 RM	2005 RM
Unquoted shares, at cost	336,111,661	179,016,484

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006 %	2005 %	
<i>Direct subsidiary companies</i>				
Unisem II Sdn. Bhd. #	Malaysia	100.00	100.00	Pre-operating.
Unisem-Advanpack Technologies Sdn. Bhd.	Malaysia	78.89	65.00	Wafer bumping and packaging and testing of semiconductor devices and other related services.
Unisem International (Labuan) Limited	Malaysia	100.00	100.00	Issue of unsecured Guaranteed Convertible Bonds.
Unisem (Europe) Holdings Limited *	England and Wales	100.00	100.00	Investment holding.
Unisem Chengdu Co., Ltd. ^	People's Republic of China	100.00	100.00	Packaging and testing of semiconductor devices.
<i>Indirect subsidiary companies</i>				
Unisem (Europe) Limited *	England and Wales	100.00	100.00	Sub-contract assembly and test solutions.
Atlantic Technology EBT Limited #*	England and Wales	100.00	100.00	To administer employee share option plan.
Unisem (USA) Inc. (Formerly known as Atlantic Technology (USA) Inc.) #*	USA	100.00	100.00	Sales and distribution.
Briowave Limited *	England and Wales	51.00	51.00	Test development.

* The financial statements of these companies were examined by member firms of Deloitte KassimChan.

Dormant during the financial year.

^ The financial statements of this company were examined by auditors other than the auditors of the Company.

notes to the financial statements (cont'd)

13. DEFERRED EXPENDITURE

	The Group and The Company	
	2006 RM	2005 RM
At beginning of year	10,857,768	10,182,294
Additions	6,339,661	4,009,688
Amortised during the year	(6,046,236)	(3,334,214)
At end of year	11,151,193	10,857,768

The deferred expenditure comprised mainly expenses in relation to the issue of the Guaranteed Convertible Bonds as disclosed in Note 23 and the syndicated banking facilities as disclosed in Note 22. The Guaranteed Convertible Bonds are raised by the Company through its wholly-owned subsidiary, Unisem International (Labuan) Limited. As such, the directors are of the opinion that the bond issue expenses should be borne by the Company.

14. GOODWILL

	The Group	
	2006 RM	2005 RM
Cost		
At beginning of year	59,402,810	59,402,810
Elimination of amortisation accumulated prior to the adoption of FRS 3 (see Note 2)	(4,455,210)	-
At end of year	54,947,600	59,402,810
Amortisation		
At beginning of year	4,455,210	1,485,070
Amortisation for the year	-	2,970,140
Elimination of amortisation accumulated prior to the adoption of FRS 3 (see Note 2)	(4,455,210)	-
At end of year	-	4,455,210
Carrying amount		
At end of year	54,947,600	54,947,600

Impairment tests for cash-generating units (CGU) containing goodwill

Carrying amount of goodwill is allocated to Unisem (Europe) Limited's assembly and test operations and related sales function.

notes to the financial statements (cont'd)

14. GOODWILL (cont'd)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on budget approved by management and a financial forecast covering subsequent four year period.

The assumptions applied for the budget and financial forecast were determined based on business past performance and management's expectations of market development.

The Group believes that any reasonably possible changes in the assumptions applied are not likely to materially cause recoverable amounts to be lower than its carrying amount.

15. INTANGIBLE ASSETS

	The Group	
	2006 RM	2005 RM
License fees	10,260,000	10,260,000
Tech-transfer support fees	5,133,050	5,133,050
	15,393,050	15,393,050

The intangible assets pertaining to a subsidiary company has finite useful lives over which the assets will be amortised upon commencement of full-scale commercial business operations of the subsidiary company. The subsidiary company is only in its early stages of business operations during the current financial year and expects to be in full-scale commercial operations in the following financial year. Therefore, the intangible assets has not been amortised during the current financial year.

16. INVENTORIES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost:				
Raw materials	44,795,862	40,641,190	39,748,180	37,327,332
Factory supplies	23,357,161	17,981,079	16,835,174	13,074,953
Work-in-progress	7,081,545	8,895,439	6,494,065	7,449,313
Finished goods	153,492	1,481,305	120,656	1,435,292
	75,388,060	68,999,013	63,198,075	59,286,890
Less: Allowance for slow-moving inventories	(466,704)	(559,455)	-	-
Translation reserve	(27,868)	92,751	-	-
	74,893,488	68,532,309	63,198,075	59,286,890

notes to the financial statements (cont'd)

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for sales of goods and services rendered. The credit terms granted ranges from 30 to 60 days (2005: 30 to 60 days).

Trade receivables are entirely denominated in US Dollar.

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	4,850,637	6,312,579	815,780	2,722,073
Refundable deposits	935,138	2,172,050	242,181	214,349
Prepaid expenses	817,535	2,620,494	218,955	1,739,776
	6,603,310	11,105,123	1,276,916	4,676,198
Less: Allowance for uncollectible advances	-	(494,116)	-	(494,116)
	6,603,310	10,611,007	1,276,916	4,182,082

Other receivables comprise mainly fixed deposits interest receivable, advances to sales agents and outstanding balance for disposal of plant and machinery.

Transactions with related parties are disclosed in Note 18.

The currency profile of other receivables is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
US Dollar	2,055,548	2,631,736	2,127	631,628
Singapore Dollar	1,280,771	1,244,289	-	-
Ringgit Malaysia	935,638	2,262,229	813,653	2,087,026
Sterling Pound	557,124	170,906	-	-
Others	21,556	3,419	-	3,419
	4,850,637	6,312,579	815,780	2,722,073

18. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES AND RELATED PARTY TRANSACTIONS

The amount owing by subsidiary companies arose mainly from trade transactions, sale of plant and machinery and unsecured advances that are interest free and have no fixed terms of repayment.

notes to the financial statements (cont'd)

18. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)

	The Group	
	2006 RM	2005 RM
<i>Amount owing to subsidiary companies</i>		
Amount due within 12 months (shown under current liabilities)	318,814,716	-
Amount due in year 2009	61,460,659	538,595,305
	380,275,375	538,595,305

The amount owing to a subsidiary company, Unisem International (Labuan) Limited, of RM358,815,698 (2005: RM508,075,338) in relation to the Guaranteed Convertible Bonds which bears interest rate at 5.75% (2005: 5.75%) per annum, is unsecured. As disclosed in Note 23 A(iv), the put option date of the US\$100 million Bonds falls on February 12, 2007. Since the conversion price is higher than the prevailing market price of the Company's shares, the Company expects to repay the total amount outstanding owing to the subsidiary of RM318,814,716 in the next financial year.

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Names of related parties	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.
Adnan Sundra & Low	A firm of advocates and solicitors in which Mr. Sundra Moorthi s/o V.M. Krishnasamy, a director of the Company, is a partner.
Advanpack Solutions Pte. Ltd.	A shareholder of Unisem-Advanpack Technologies Sdn. Bhd..

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Subsidiary companies				
Advances granted to	-	-	4,327,417	38,001,850
Interest paid/payable	-	-	24,628,689	33,000,260
Overprovision of interest on advances	-	-	8,282,483	-
Trade sales	-	-	1,276,695	-
Sale of property, plant and equipment	-	-	724,952	1,021,913
Interest received/receivable	-	-	516,845	988,730
Rental income	-	-	433,550	-
Management fees	-	-	384,000	-
Trade purchases	-	-	33,283	-
Advances received from	-	-	-	190,000,000

notes to the financial statements (cont'd)

18. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)

During the financial year, the Group entities entered into the following transactions with related parties that are not members of the Group:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Related parties				
Hiti Engineering (M) Sdn. Bhd. Construction and facilitization of plant	-	4,270,505	-	34,440
Adnan Sundra & Low Legal fee paid	33,350	120,000	33,350	40,000
Advanpack Solutions Pte. Ltd.				
Trade Sales	56,552	-	-	-
Sale of plant and machinery	-	5,324,938	-	-
Acquisition of plant and machinery	-	2,374,018	-	-
Rental income	-	226,014	-	-

Sales of goods and services to related parties were made at the Group's usual list prices.

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount owing by related parties				
Advanpack Solutions Pte. Ltd.	4,608,216	3,237,596	1,344,009	1,344,009
Hiti Engineering (M) Sdn. Bhd.	-	801,600	-	-

19. CASH AND BANK BALANCES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed and short-term deposits with licensed banks	94,728,011	352,491,358	69,941,301	351,411,786
Cash on hand and at banks	17,570,069	20,143,742	2,626,207	1,666,047
	112,298,080	372,635,100	72,567,508	353,077,833
Less: Fixed deposits pledged	-	(343,908)	-	-
	112,298,080	372,291,192	72,567,508	353,077,833

notes to the financial statements (cont'd)

19. CASH AND BANK BALANCES (cont'd)

The currency profile of fixed deposits, cash and bank balances is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
US Dollar	83,026,497	166,892,287	47,318,252	148,275,893
Ringgit Malaysia	25,310,302	204,806,231	25,249,256	204,801,940
Chinese Renminbi	3,961,281	283,729	-	-
Euro	-	308,945	-	-
	112,298,080	372,291,192	72,567,508	353,077,833

Included in fixed deposits of the Group in 2005 was an amount of RM343,908 pledged to a foreign bank as security for bank guarantees granted as mentioned in Note 22.

The average effective interest rates are as follows:

	The Group		The Company	
	2006 %	2005 %	2006 %	2005 %
Fixed deposits	3.55	2.85	3.55	2.85
Short-term deposits	3.73	2.17	2.90	2.40

The average maturities of deposits as at the end of the financial year are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Fixed deposits (months)	2	6	2	2
Short-term deposits (days)	4	5	2	2

notes to the financial statements (cont'd)

20. SHARE CAPITAL

	Par Value RM	2006 Number of ordinary shares	2005 Number of ordinary shares	2006 RM	2005 RM
Authorised:					
At beginning of year	0.50/1.00	1,000,000,000	500,000,000	500,000,000	500,000,000
Effect of subdivision of shares		-	500,000,000	-	-
At end of year	0.50	1,000,000,000	1,000,000,000	500,000,000	500,000,000
Issued and fully paid:					
At beginning of year	0.50/1.00	446,925,555	148,969,185	223,462,777	148,969,185
Issued pursuant to the ESOS	1.00	-	6,000	-	6,000
Effect of subdivision of shares	0.50	-	148,975,185	-	-
	0.50	446,925,555	297,950,370	223,462,777	148,975,185
Effect of bonus issue		-	148,975,185	-	74,487,592
At end of year	0.50	446,925,555	446,925,555	223,462,777	223,462,777

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

	2006	2005
Outstanding at January 1	-	12,000,500
Exercised	-	(6,000)
Subdivision of shares	-	11,994,500
	-	23,989,000
Bonus issue	-	11,994,500
Lapsed	-	(35,983,500)
Outstanding at December 31	-	-

Details of share options exercised during the period:

	2006 RM	2005 RM
Exercise price per share	-	5.75
Aggregate issue proceeds	-	34,499

notes to the financial statements (cont'd)

20. SHARE CAPITAL (cont'd)

Details of share options held by the Company's directors and senior management staffs during the year are as follows:

	2006 Number	2005 Number
At January 1	-	2,989,000
Exercised	-	-
Subdivision of shares	-	2,989,000
	-	5,978,000
Bonus issue	-	2,989,000
Lapsed	-	(8,967,000)
At December 31	-	-

21. RESERVES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable reserve:				
Share premium	126,647,841	126,647,841	126,647,841	126,647,841
Translation reserve	(3,315,529)	634,623	-	-
Equity component of Guaranteed Convertible Bonds	18,338,715	22,844,062	-	-
Distributable reserve:				
Unappropriated profit	284,613,739	262,426,801	321,266,460	276,576,850
	426,284,766	412,553,327	447,914,301	403,224,691

notes to the financial statements (cont'd)

21. RESERVES (cont'd)

Share premium

Share premium arose from the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 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	2,233,200	2,233,200
Exercise of share options of 477,000 ordinary shares in 2003	3,137,250	3,137,250	3,137,250	3,137,250
Acquisition of subsidiary companies	37,008,576	37,008,576	37,008,576	37,008,576
Exercise of share options of 912,400 ordinary shares in 2004	6,281,600	6,281,600	6,281,600	6,281,600
Exercise of share options of 6,000 ordinary shares in 2005	28,499	28,499	28,499	28,499
Bonus issue	(74,487,592)	(74,487,592)	(74,487,592)	(74,487,592)
	126,647,841	126,647,841	126,647,841	126,647,841

Translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into currency units are brought to account by entries made directly to the foreign currency translation reserve.

All translation gains and losses are taken-up and reflected in the translation reserve account under shareholders' equity. Such translation gains or losses are recognised as income or expense in the income statement in the period in which the operations are disposed of.

Unappropriated profit

Distributable reserves are those available for distribution by way of dividends. Subject to agreement by Inland Revenue Board, the Company's tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income as mentioned in Note 9 are only sufficient to frank approximately RM182,668,000 (2005: RM260,864,000) of dividends out of its retained profit as of December 31, 2006. The extent of the retained profit not covered at that date amounted to RM138,598,000 (2005: RM15,713,000).

notes to the financial statements (cont'd)

22. BORROWINGS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Short-term loan (unsecured)	-	120,000,000	-	120,000,000
Term loan (secured)	52,931,273	-	-	-
Bank overdraft (secured)	849,827	1,610,458	-	-
	53,781,100	121,610,458	-	120,000,000
Less: Amount due within 12 months (shown under current liabilities)	(849,827)	(121,610,458)	-	(120,000,000)
Non-current portion	52,931,273	-	-	-

The non-current portion is repayable as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Financial years ending December 31:				
2007	-	-	-	-
2008	14,115,006	-	-	-
2009	21,172,509	-	-	-
2010	17,643,758	-	-	-
	52,931,273	-	-	-

Analysis of borrowings by currency:

	Ringgit Malaysia	Sterling Pound	US Dollar	Total
	RM	RM	RM	RM
The Group 2006				
Term loan	-	-	52,931,273	52,931,273
Bank overdraft	-	849,827	-	849,827
	-	849,827	52,931,273	53,781,100
The Group 2005				
Short-term loan	120,000,000	-	-	120,000,000
Bank overdraft	-	322,091	1,288,367	1,610,458
	120,000,000	322,091	1,288,367	121,610,458

During the financial year, the Company obtained RM400 million unsecured syndicated financing facilities with six local financial institutions ("Syndicated Financing Facilities"). The Syndicated Financing Facilities comprise of a syndicated term loan facility of RM263 million and revolving credit and overdraft facilities of RM137 million. The Company has not utilised any of the abovementioned facilities during the financial year.

notes to the financial statements (cont'd)

22. BORROWINGS (cont'd)

The Company's short-term loan had been fully repaid during the financial year.

One of the indirect foreign subsidiary companies has bank overdraft and bankers' acceptances facilities with a foreign bank to the extent of £700,000 [equivalent to RM4,876,000] and £300,000 [equivalent to RM2,089,000] (2005: £700,000 [equivalent to RM4,601,000] and £300,000 [equivalent to RM1,972,000]) respectively. The bank facilities are secured by a fixed and floating debenture over the entire assets of the subsidiary company. Bank overdraft is repayable on demand.

One of the direct foreign subsidiary companies has obtained secured term loan and revolving credit facilities to the extent of USD50 million [equivalent to RM176,350,000] (2005: RMNil) with a foreign bank. The banking facilities are secured by a fixed charge over the subsidiary's factory building.

In 2005, one of the foreign subsidiary company's bank guarantee facility amounting to RMB3,766,000 [equivalent to RM1,763,600] obtained from a foreign bank is secured by placement of fixed deposit as mentioned in Note 19.

The term loans and bank overdraft bear interests at floating rates.

The average effective interest rates are as follows:

Short-term loan	- 0.90% per annum plus lending bank's cost of funds.
Bank overdraft	- 1.75% per annum above a foreign bank's base rate.
Term loan	- 1.60% per annum plus LIBOR

23. GUARANTEED CONVERTIBLE BONDS

	The Group	
	2006 RM	2005 RM
Guaranteed Convertible Bonds Due 2009	297,721,124	-
Amount due within 12 months (shown under current assets) (Note 31)	58,452,664	504,095,467
Non-current portion	356,173,788	504,095,467

The US\$100 million Bonds and US\$50 million Bonds are direct senior unsecured obligations of the Company and are unconditionally and irrevocably guaranteed by the Company.

A. The salient features of the US\$100 million Bonds are as follows:

- (i) the bonds bear interest at a fixed rate of two percent (2%) per annum on the nominal amount of the bonds and the interest is payable semi-annually on February 12 and August 12 of each year during the five (5) years in which the bonds remain outstanding. The first interest payment was made on August 12, 2004. The last payment of interest shall be made on the maturity date of the bonds;
- (ii) each bond may be converted, at the option of the holder, into ordinary shares of the holding company. The Conversion Price will be subject to adjustment in certain events set out in the Trust Deed;

notes to the financial statements (cont'd)

23. GUARANTEED CONVERTIBLE BONDS (cont'd)

- (iii) the Conversion Price shall be adjusted on each reset date, which are February 12, 2005, February 12, 2006, February 12, 2007 and February 12, 2008 (each a "Reset Date") if (a) the product of (i) the Average Closing Price (the average of the closing prices of the holding company's shares on Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the period of 30 consecutive trading days immediately prior to the Reset Date) converted into US Dollar at the prevailing rate; and (ii) the principal amount of one bond, divided by (b) the Conversion Price in effect on the Reset Date converted into US Dollar at the fixed exchange rate of RM3.80: USD1.00 shall be less than the principal amount of one bond. Any adjustment to the Conversion Price shall be limited so that the adjusted Conversion Price shall not be less than 80% of the initial Conversion Price and any adjustments so made shall only be downward adjustments;
- (iv) holders of the bonds have the right to require the Company to redeem all or some of the bonds at 107.12% of their principal amount plus interest accrued thereon on February 12, 2007;
- (v) unless previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at 112.39% of their outstanding principal amount on February 12, 2009; and
- (vi) the bonds are listed on the Luxembourg Stock Exchange.

B. The salient features of the US\$50 million Bonds are as follows:

- (i) the bonds bear interest at a fixed rate of three percent (3%) per annum on the nominal amount of the bonds and the interest is payable semi-annually on February 12 and August 12 of each year during the four (4) years in which the bonds remain outstanding. The first interest payment was made on August 12, 2005. The last payment of interest shall be made on the maturity date of the bonds;
- (ii) each bond may be converted, at the option of the holder, into ordinary shares of the holding company. The Conversion Price will be subject to adjustment in certain events set out in the Trust Deed;
- (iii) the Conversion Price shall be adjusted on each reset dates, which are February 3, 2006, February 3, 2007 and February 3, 2008 (each a "Reset Date") so that the Conversion Price shall be reset to 94% of the Average Closing Price (the average of the closing prices of the holding company's shares on Bursa Malaysia for the period of 30 consecutive trading days immediately prior to the relevant Reset Date) converted into US Dollar at the prevailing rate and multiplied by the fixed exchange rate. Any adjustment to the Conversion Price shall be limited so that the adjusted Conversion Price shall not be less than 80% nor more than 115% of the initial Conversion Price;
- (iv) holders of the bonds have the right to require the Company to redeem all or some of the bonds at 106.60% and 109.50% of their principal amount plus interest accrued thereon on August 3, 2007 and August 3, 2008 respectively; and
- (v) unless previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at 111.09% of their outstanding principal amount on February 12, 2009.

notes to the financial statements (cont'd)

23. GUARANTEED CONVERTIBLE BONDS (cont'd)

- (a) The proceeds from the issue of the US\$100 million Bonds and the US\$50 million Bonds (collectively referred to as the "CBs") were split between the liability component and the equity component, representing the fair value of the conversion option. The CBs are accounted for in the balance sheet of the Group as follows:

	2005 RM
On initial recognition:	
Fair value	566,640,000
Equity conversion component	(27,180,112)
Liability component	<u>539,459,888</u>

	2006 RM	2005 RM
Liability component brought forward/on initial recognition	508,075,338	539,459,888
Interest expense - current year (Note 7)	24,616,619	32,867,026
- prior year	-	14,180,333
- translation reserve	(34,217,479)	(87,942)
Interest paid - current year	(11,088,710)	(10,773,730)
- prior year	-	(3,777,600)
	<u>487,385,768</u>	<u>571,867,975</u>
Buy-back of US\$100 million Bonds (See (b) below)	(133,633,395)	(63,801,285)
- translation reserve	5,063,325	8,648
Liability component as of December 31, 2006	<u>358,815,698</u>	508,075,338
Coupon interest accrued	(2,641,910)	(3,979,871)
Current portion of liability component	<u>(297,721,124)</u>	-
Non-current portion of liability component	<u>58,452,664</u>	<u>504,095,467</u>

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 5.75% per annum to the liability component.

notes to the financial statements (cont'd)

23. GUARANTEED CONVERTIBLE BONDS (cont'd)

- (b) During the year, the Company repurchased and cancelled a total of US\$15,620,000 [equivalent to RM55,091,740] (2005: US\$16,968,000 [equivalent to RM64,098,317]) principal amount of US\$100 million Bonds and US\$20,022,000 [equivalent to RM70,617,594] (2005: US\$Nil) principal amount of US\$50 million Bonds. The carrying amount of CBs at the date of the transactions are as follows:

	2006 RM	2005 RM
Carrying amount:		
Equity component	4,505,347	4,336,050
Liability component	133,633,395	63,801,285
	138,138,742	68,137,335
Consideration paid	(133,494,078)	(60,363,988)
Total gain on buy-back	4,644,664	7,773,347
- relating to the liability component	(9,643,671)	(4,988,682)
- relating to the equity component	(4,999,007)	2,784,665

24. DEFERRED INCOME

	The Group	
	2006 RM	2005 RM
At beginning of year	7,559,295	12,740,000
Translation reserve	325,975	(1,047,065)
Amortisation	(4,054,080)	(4,133,640)
At end of year	3,831,190	7,559,295
Less: Amount due within 12 months (shown under current liabilities)	(1,901,663)	(3,943,980)
Non-current portion	1,929,527	3,615,315

The deferred income arose mainly from government grants received in respect of capital investment by an indirect foreign subsidiary company.

25. TRADE AND OTHER PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit term granted to the Group ranges from 30 to 60 days (2005: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
US Dollar	33,511,173	33,310,345	27,446,519	27,598,147
Sterling Pound	4,270,035	3,372,103	-	-
Ringgit Malaysia	1,970,122	1,999,274	1,970,122	1,999,274
Singapore Dollar	2,176	4,166	2,176	4,166
Others	146,282	834,809	-	-
	39,899,788	39,520,697	29,418,817	29,601,587

Other payables and accrued expenses consist of:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	50,104,768	89,835,669	32,020,842	58,120,463
Accrued expenses	23,740,860	19,844,464	18,956,054	14,898,436
	73,845,628	109,680,133	50,976,896	73,018,899

Other payables comprise mainly outstanding balances for purchases of plant and machinery. The amounts owing are interest-free and the credit term granted to the Group ranges from 30 to 60 days (2005: 30 to 60 days).

Transactions with related parties are disclosed in Note 18.

The currency profile of other payables is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
US Dollar	26,777,356	66,249,131	14,745,249	38,815,231
Ringgit Malaysia	13,530,387	19,824,875	13,128,829	17,449,853
Chinese Renminbi	3,455,042	-	-	-
Euro	2,364,420	-	2,364,420	-
Singapore Dollar	1,797,425	1,901,419	1,782,344	1,855,379
Sterling Pound	1,664,827	1,860,244	-	-
Japanese Yen	515,311	-	-	-
	50,104,768	89,835,669	32,020,842	58,120,463

notes to the financial statements (cont'd)

26. DIVIDENDS

	The Group and The Company	
	2006 RM	2005 RM
Interim dividend paid: 10% for 2006 (6% for 2005), tax-exempt	22,346,278	13,407,766
Final dividend paid: 10% for 2005 (10% for 2004), tax-exempt	22,346,278	22,346,278
	44,692,556	35,754,044

The directors have proposed a final dividend of 10%, tax-exempt, for the current financial year. The proposed final dividend which amounts to RM23,572,084 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 for the year are as follows:

	The Group and The Company	
	2006 Sen	2005 Sen
Interim dividend paid - 10% (2005: 6%), tax-exempt	5	3
Final dividend proposed - 10%, tax-exempt	5	5
	10	8

27. FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(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, credit risk, liquidity risk and cash flow risk. The Group's 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 settlement of debts, sales and assets purchase transactions denominated in foreign currencies.

notes to the financial statements (cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)**(a) Financial risk management objectives and policies (cont'd)****(ii) Interest rate risk**

The Group and the Company manage their interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The respective interest rate on borrowings are as disclosed in Note 22.

(iii) Credit risk

The Group are exposed to credit risk mainly from trade and other receivables, cash and bank balances and foreign currency forward contracts. 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.

Management believes that the Group's and the Company's exposure on credit risk of bank balances is limited as it is placed with credit worthy financial institutions.

The Group is exposed to credit with respect to foreign currency forward contracts and commodity 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.

(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 fixed deposits, 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

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Significant financial liabilities include trade and other payables, convertible bonds, term loans and overdrafts.

Convertible bonds, term loans and overdrafts are recorded at the proceeds received. Finance charges, including premium payable on settlement or redemption, are accounted for on an accrual basis.

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

notes to the financial statements (cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

(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 entered into forward foreign exchange contracts with the following notional amounts:

	The Group		The Company		Average Exchange Rate per unit of Ringgit Malaysia	
	2006 RM	2005 RM	2006 RM	2005 RM	2006	2005
US Dollar	119,155,000	83,608,303	119,155,000	70,435,410	0.2835	0.2655

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

The net deferred loss arising on such contracts as of December 31, 2006 of approximately RM2,764,000 (2005: net deferred gain of RM158,734) will be recognised in the underlying transactions in the first half of 2007.

(e) Fair values

The notional amounts and the estimated fair values of the Group's and the Company's financial instruments are as follows:

	The Group		The Company	
	Notional Amount RM	Fair Value RM	Notional Amount RM	Fair Value RM
As of December 31, 2006				
Foreign currency forward contracts	119,155,000	116,424,000	119,155,000	116,424,000
As of December 31, 2005				
Foreign currency forward contracts	83,608,303	84,034,552	70,435,410	70,680,390

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, term loans and overdrafts 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.

notes to the financial statements (cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

(e) Fair values (cont'd)

The fair value of amounts owing to subsidiary companies and guaranteed convertible bonds are as follows:

	2006 RM	2005 RM
Amount owing to subsidiary companies	372,906,000	505,714,000
Guaranteed convertible bonds	351,458,000	475,445,000

The fair values are calculated using cash flows discounted at rates based on the borrowing rate of:

	2006 %	2005 %
Amount owing to subsidiary companies	5.43	6.83
Guaranteed convertible bonds	5.79	7.30

28. CASH FLOW STATEMENTS

(a) Additions to property, plant and equipment

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash payment	141,107,380	214,500,737	41,578,634	131,342,125
Balance outstanding:				
Included in other payables	34,980,631	63,147,161	17,737,301	31,462,887
	176,088,011	277,647,898	59,315,935	162,805,012

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed and short-term deposits	94,728,011	352,147,450	69,941,301	351,411,786
Cash and bank balances	17,570,069	20,143,742	2,626,207	1,666,047
Bank overdrafts	(849,827)	(1,610,458)	-	-
	111,448,253	370,680,734	72,567,508	353,077,833
Less: Fixed deposit pledged to a licensed bank (Note 19)	-	(343,908)	-	-
	111,448,253	370,336,826	72,567,508	353,077,833

notes to the financial statements (cont'd)

29. CAPITAL COMMITMENTS

As of December 31, 2006, the Group and the Company have the following capital expenditure in respect of property, plant and equipment:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Contracted but not provided for	28,919,750	98,520,000	5,622,553	9,800,000
Approved but not contracted for	-	398,000	-	398,000
	28,919,750	98,918,000	5,622,553	10,198,000

30. CONTINGENT LIABILITY

On April 25, 2006, the Industrial Court had in Award No. 708 of 2006 ruled that the dismissal of Mr. Ku Hong Hai was without just cause and excuse. The Court awarded Mr. Ku Hong Hai the compensation in lieu of reinstatement of one month's salary for each year of service and backwages of 24 months. This amounted to a total of RM960,000, less statutory deductions. The Company has since filed an application to the Ipoh High Court for leave to commence Judicial Review proceedings to review the decisions of the Industrial Court.

In October 2006, the Company was granted leave to commence judicial review proceedings to quash the above-mentioned Award. The Company was also granted a stay of proceedings pending the final determination of the matter.

31. SUBSEQUENT EVENTS

Subsequent to the balance sheet date the following events occurred:

- (a) The early redemption (at the option of the bond holders) of US\$67,412,000 (equivalent to RM237,762,124) principal amount of the US\$100 million Bonds on February 12, 2007; and
- (b) The issue of 24,516,124 new ordinary shares of RM0.50 each pursuant to the conversion of US\$12,000,000 (equivalent to RM42,324,000) principal amount of the US\$50 million Bonds in January 2007.

statement by directors

The directors of **UNISEM (M) BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board 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, 2006 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,

JOHN CHIA SIN TET

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

Kuala Lumpur,
February 27, 2007

declaration by the officer

primarily responsible for the financial management of the company

I, **LOH CHEE CHEONG**, the officer primarily responsible for the financial management of **UNISEM (M) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows 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.

LOH CHEE CHEONG

Subscribed and solemnly declared by the abovenamed **LOH CHEE CHEONG** at **IPOH** this 27th day of February, 2007.

Before me,

MOHD YUSOF BIN HARON KPP, PNPBB, PJK (No. A112)
COMMISSIONER FOR OATHS

shareholding statistics

as at 10 May, 2007

1. Authorised Share Capital : RM500,000,000.00
 Issued and paid-up Share Capital : RM235,720,839.50
 Class of Shares : Ordinary shares of RM0.50 each
 Voting Right : 1 vote per share

2. Distribution of shareholders

No. of holders	Holdings	Total holdings	%
46	Less than 100 shares	1,116	0.00
1,217	100 to 1,000 shares	1,124,389	0.24
5,197	1,001 to 10,000 shares	22,886,374	4.85
1,276	10,001 to 100,000 shares	37,341,572	7.92
214	100,001 to less than 5% of issued shares	251,031,828	53.25
2	5% and above of issued shares	159,056,400	33.74
7,952		471,441,679	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	129,525,000	27.47	-	-
Employees Provident Fund Board	29,531,400	6.26	36,303,400	7.70 ^(a)
Jayvest Holdings Sdn Bhd	10,666,800	2.26	129,525,000	27.47 ^(b)
John Chia Sin Tet	1,300,000	0.28	146,111,800	30.99 ^(c)
The estate of Soo Yut Kuan	-	-	140,191,800	29.74 ^(d)
Yen Woon @ Low Sau Chee	-	-	136,195,000	28.89 ^(e)

Notes:

(a) Shares managed by portfolio managers.

(b) Held indirectly through Bandar Rasah Sdn Bhd.

(c) Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd and Lancar Indah Sdn Bhd.

(d) Held indirectly through Bandar Rasah Sdn Bhd and Jayvest Holdings Sdn Bhd.

(e) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.

shareholding statistics

as at 10 May, 2007

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

Directors	Direct Interest		Deemed Interest	
	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
John Chia Sin Tet	1,300,000	0.28	146,111,800	30.99 ^(a)
Ang Chye Hock	195,000	0.04	-	-
Francis Chia Mong Tet	1,074,600	0.23	9,300,000	1.97 ^(b)
Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	300,000	0.06	114,900	0.02 ^(b)
Tan Sri Dato' Samshuri bin Arshad	-	-	600,000	0.13 ^(b)
Tan Sri Dato' Wong See Wah	-	-	-	-
Yen Woon @ Low Sau Chee	-	-	136,195,000	28.89 ^(c)
Sundra Moorthi s/o V.M. Krishnasamy	27,000	0.01	6,000	0.00 ^(d)
Tee Yee Loh	1,200,800	0.25	5,698,000	1.21 ^(e)
Chua Khing Chiew	-	-	-	-

Notes:

(a) Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd and Lancar Indah Sdn Bhd.

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

(c) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.

(d) Held indirectly through his spouse.

(e) Held indirectly through his spouse and nominee companies under pledged securities accounts.

shareholding statistics (cont'd)

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

Shareholders	No. of shares held (direct interest)	% of issued shares
1. Bandar Rasah Sdn Bhd	129,525,000	27.47
2. Employees Provident Fund Board	29,531,400	6.26
3. Lembaga Tabung Haji	22,604,000	4.79
4. Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund	12,500,000	2.65
5. Jayvest Holdings Sdn Bhd	10,666,800	2.26
6. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. Incorporated	10,000,000	2.12
7. Permodalan Nasional Berhad	9,624,900	2.04
8. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Chia Mong Tet	9,300,000	1.97
9. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Arisaig Asean Fund Limited	7,793,000	1.65
10. SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	7,517,000	1.59
11. Koo Hong @ Ku Hong Hai	7,249,189	1.54
12. AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Ming Foh	6,484,300	1.38
13. Mayban Nominees (Asing) Sdn Bhd Pledged Securities Account for Colin Garfield MacDonald (50801082296A)	6,000,000	1.27
14. AM Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (A/C 1)	5,958,500	1.26
15. Lancar Indah Sdn Bhd	5,920,000	1.26
16. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	5,055,000	1.07
17. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	4,666,700	0.99

shareholding statistics (cont'd)

Shareholders	No. of shares held (direct interest)	% of issued shares
18. Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	4,336,800	0.92
19. Low Kim Bee @ Lau Kim Bee	4,043,000	0.86
20. HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt SG for Employees Provident Fund	4,000,000	0.85
21. Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Amanah SSCM Nominees (Tempatan) Sdn Bhd (Account 1)	3,387,600	0.72
22. David Chiam Joy Yeow	3,200,000	0.68
23. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Growth Fund	3,013,000	0.64
24. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	2,891,000	0.61
25. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	2,840,800	0.60
26. Chiam Joy Young	2,750,000	0.58
27. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Aggressive Growth Fund (N14011940110)	2,729,400	0.58
28. Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (N14011980810)	2,280,000	0.48
29. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Equity Fund	2,274,600	0.48
30. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	2,266,600	0.48

list of properties

held by the group as at 31 December 2006

Location	Description	Existing Use	Tenure	Land area/ Build-up area (approximate)	Date of acquisition/ completion	Approximate age of Building (in years)	Book Value as at 31 December 2006 (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	-	2,654,395
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	15	8,551,241
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	11	11,344,310
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	6	46,063,154
	Factory building Wafer bumping	Factory	-	22,000 sq ft	August 2005	1.25	2,722,951
PT 4376 Mukim Sungai Raya, Daerah Kinta, Perak	Industrial land	Vacant	99 years leasehold expiring 2100	10.598 hectare	October 2000	-	6,937,587
Mukim Sungai Raia, Daerah Kinta, Perak	Residential	Vacant	99 years leasehold expiring 2104	217,800 sq ft	June 2005	-	1,347,277
Parkway, Pen-y-fan Industrial Estate, Croespenmaen, Crumlin, Gwent, United Kingdom NP11 3XT	Industrial land	Factory	Freehold	9.915 hectare	February 1994	-	6,965,800
	Factory building	Factory	-	130,000 sq ft	July 1995	11	11,688,612
Chengdu Hi-Tech Zone, West Zone, Chengdu, Sichuan, P.R. China 13-(02)-006	Industrial land	Factory	49 years leasehold expiring 2055	9.647 hectare	December 2005	-	3,356,388
	Factory building	Factory	-	320,000 sq ft	December 2005	1	67,988,487

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at Ballroom, Mezzanine Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 20 June 2007 at 10.00 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and the Auditors thereon. **Resolution 1**
2. To approve the declaration of a final dividend of 10% (or 5 sen per share) tax-exempt for the financial year ended 31 December 2006. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM1,347,000 for the financial year ended 31 December 2006, representing an increase of RM38,000 from RM1,309,000 in 2005. **Resolution 3**
4. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:
 - (i) Mr Francis Chia Mong Tet **Resolution 4**
 - (ii) Y. Bhg. Tan Sri Dato' Wong See Wah **Resolution 5**
 - (iii) Mr Yen Woon @ Low Sau Chee **Resolution 6**
5. To re-appoint Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba who retires pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting. **Resolution 7**
6. To appoint Deloitte KassimChan as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 8**
7. As Special Business:

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

Authority To Allot Shares **Resolution 9**

"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 Bursa Malaysia Securities Berhad 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."
8. To transact any other ordinary business for which due notice has been given.

notice of annual general meeting (cont'd)

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the register of members will be closed on 25 June 2007 to determine shareholders' entitlement to the final dividend of 10% (or 5 sen per share) tax-exempt for the financial year ended 31 December 2006. The dividend, if approved, will be paid on 6 July 2007.

A Depositor shall qualify for entitlement to the above dividend payment only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 25 June 2007 in respect of transfers;
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA HENG FATT (MACS 00264)
CHIN HOCK YEE (LS 8922)
Company Secretaries

29 May 2007
Kuala Lumpur

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, 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.*
5. *Explanatory Note on Special Business (Resolution 9)*

The proposed Resolution 9, 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 Bursa Malaysia Securities Berhad. 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

Further details of individuals who are standing for election as directors, namely the following:

1. Mr Francis Chia Mong Tet
2. Y. Bhg. Tan Sri Dato' Wong See Wah
3. Mr Yen Woon @ Low Sau Chee

Director who attained the age of seventy years and standing for re-appointment is:

1. Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba

The profiles of the above Directors are provided in pages 14 to 17 whilst their shareholdings in the Company are set out in page 104 of the Annual Report.

The above Directors do not have any interest in the securities of the Company's subsidiaries.



Proxy Form

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 Eighteenth Annual General Meeting of the Company to be held at Ballroom, Mezzanine Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 20 June 2007 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 lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' Report and the Auditors' Report.		
Resolution 2	To approve the declaration of a final dividend of 10% (or 5 sen per share) tax-exempt for the financial year ended 31 December 2006.		
Resolution 3	To approve the payment of Directors' fees amounting to RM1,347,000 for the financial year ended 31 December 2006, representing an increase of RM38,000 from RM1,309,000 in 2005.		
Resolution 4	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 5	To re-elect Y. Bhg. Tan Sri Dato' Wong See Wah as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 6	To re-elect Mr Yen Woon @ Low Sau Chee as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 7	To re-appoint Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba as a Director who retires pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting.		
Resolution 8	To 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	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 _____ 2007

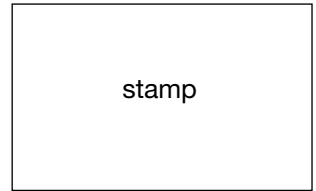
Signature/Common Seal

NO. OF SHARES HELD

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, 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.

Unisem (M) Berhad (183314-V)
Letter Box #95,
9th Floor, UBN Tower,
10, Jalan P. Ramlee,
50250 Kuala Lumpur



corporate information

BOARD OF DIRECTORS

Mr John Chia Sin Tet
(Chairman / Managing Director)

Mr Ang Chye Hock
(Executive Director)

Mr Francis Chia Mong Tet
(Executive Director)

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba
(Independent Director)

Y.Bhg. Tan Sri Dato' Samshuri bin Arshad
(Independent Director)

Y.Bhg. Tan Sri Dato' Wong See Wah
(Independent Director)

Mr Yen Woon @ Low Sau Chee
(Non-Executive Director)

Mr Sundra Moorthi s/o V.M. Krishnasamy
(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. Prof. 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. Tan Sri Dato' Wong See Wah
(Member / Independent Director)

Mr Francis Chia Mong Tet
(Member / Executive Director)

COMPANY SECRETARIES

Mr Chua Heng Fatt (MACS 00264)
Ms Chin Hock Yee (LS 8922)

REGISTERED OFFICE

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

SHARE REGISTRARS

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

AUDITORS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board