

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2004

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter	Corresponding Quarter	Current Year to date	Corresponding Year to date
	Ended 31/03/2004 RM'000	Ended 31/03/2003 RM'000	Ended 31/03/2004 RM'000	Ended 31/03/2003 RM'000
Revenue	100,602	54,018	100,602	54,018
Operating expenses	(91,654)	(61,976)	(91,654)	(61,976)
Other operating income	1,078	486	1,078	486
Profit/(Loss) from operations	10,026	(7,472)	10,026	(7,472)
Finance cost	(1,720)	(248)	(1,720)	(248)
Profit/(Loss) before taxation	8,306	(7,720)	8,306	(7,720)
Taxation	(2,667)	500	(2,667)	500
Net profit/(loss) for the period	5,639	(7,220)	5,639	(7,220)
Profit/(Loss) per share (sen):				
(a) Basic	3.90	(5.04)	3.90	(5.04)
(b) Fully diluted	3.87	(5.04)	3.87	(5.04)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at End Of Current Quarter 31/03/2004 RM'000	(Audited) As at Preceding Financial Year end 31/12/2003 RM'000
Property, plant and equipment	617,974	605,513
Current Assets		
Inventories	39,505	33,755
Debtors	86,158	59,772

Cash and Cash Equivalents	330,399	7,708
	456,062	101,235
Current Liabilities		
Creditors	81,404	77,365
Short Term Borrowings	-	31,148
Taxation	428	430
	81,832	108,943
Net Current Assets/(Liabilities)	374,230	(7,708)
Net Assets Employed	992,204	597,805
Share Capital	144,586	143,819
Reserves	433,978	422,998
Shareholders' Funds	578,564	566,817
Long Term Liabilities		
Unsecured 5-year Euro-convertible Bonds	380,000	-
Deferred Tax Liabilities	33,640	30,988
Total Capital Employed	992,204	597,805
Net Tangible Assets Per Share (RM)	4.0015	3.9412

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 31/03/2004 RM'000	Corresponding Year To Date Ended 31/03/2003 RM'000
Operating Activities		
Profit/(Loss) Before Taxation	8,306	(7,720)
Adjustments- for non-cash flow items:		
Depreciation of property, plant and equipment	20,484	19,595
Operating Profit Before Changes In Working Capital	28,790	11,875
Changes In Working Capital		
Net change in current assets	(32,136)	4,469
Tax paid	(17)	(34)
Net change in current liabilities	4,039	(5,251)
Net Cash Flows From Operating Activities	676	11,059
Investing Activities		
Additions to property, plant and equipment	(32,945)	(8,559)
Net Cash Flows Used In Investing Activities	(32,945)	(8,559)
Financing Activities		
Proceeds from issue of unsecured convertible bonds	380,000	-
Issue of shares	6,107	-
Proceeds from short term borrowings	-	1,158
Repayment of short term borrowings	(31,148)	-

Net Cash Flows From Financing Activities	354,959	1,158
Net Change in Cash & Cash Equivalents	322,690	3,658
Cash And Cash Equivalents At Beginning Of Period	7,648	6,120
Cash And Cash Equivalents At End Of Period	<u>330,338</u>	<u>9,778</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
Current Year To Date Ended 31 March 2004				
Balance at beginning of year	143,819	157,816	265,182	566,817
Exercise of ESOS	767	5,341	-	6,108
Net profit for the financial year to date	-	-	5,639	5,639
Balance at end of period	<u>144,586</u>	<u>163,157</u>	<u>270,821</u>	<u>578,564</u>

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
Corresponding Year To Date Ended 31 March 2003				
Balance at beginning of year	143,342	154,679	282,825	580,846
Net loss for the financial year to date	-	-	(7,220)	(7,220)
Balance at end of period	<u>143,342</u>	<u>154,679</u>	<u>275,605</u>	<u>573,626</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

EXPLANATORY NOTES AND ADDITIONAL INFORMATION

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

The interim financial report has been prepared in accordance with *MASB 26 Interim Financial Reporting* and *Chapter 9 part K of the Listing Requirements of Kuala Lumpur Stock Exchange*. The same accounting policies and methods of computation are followed in the quarterly financial

statements as compared with the annual financial statements for the year ended 31 December 2003.

2. Declaration of audit qualification

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

3. Explanatory comment about the seasonality or cyclicity of operations

There have been no material seasonal or cyclical factors affecting the results of the quarter under review.

4. Nature and amount of unusual items

There are no extraordinary items for the current interim period.

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

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

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

There are no issue, cancellation, repurchases, resale and repayment of debt or equity securities for the current financial year to date, save and except for

- (i) the issue of 767,000 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS"); and
- (ii) the issue of US\$100 million nominal value 5-year unsecured Euro-convertible bonds by its wholly-owned subsidiary, Unisem International (Labuan) Limited, convertible into ordinary shares of, and guaranteed by, the Company.

7. Dividend Paid

No dividend was paid in respect of the current financial year to date.

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

Current Year To Date Ended 31/03/2004	North America RM'000	Asia RM'000	Europe RM'000	Consolidated RM'000
Revenue	<u>90,820</u>	<u>9,680</u>	<u>102</u>	<u>100,602</u>
Profit before taxation				<u>8,306</u>

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

9. Valuations of property, plant and equipment brought forward without amendment from the previous annual financial statements

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

10. Material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period

There are no material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period.

11. Effect of changes in the composition of the Group

There are no changes in the composition of the Group for the current financial year to date save and except for:

The Company had on 12 January 2004 under the Offshore Companies Act (1990) incorporated a wholly owned subsidiary known as Unisem International (Labuan) Limited in the Federal Territory of Labuan with an authorised share capital of US\$50,000,000 divided into 50 million ordinary shares

of US\$1.00 per share and an issued and paid-up share capital of US\$1.00 comprising of 1 ordinary share of US\$1.00 each.

The principal activities of Unisem International (Labuan) Limited are to issue up to US\$150 million nominal value of unsecured 5-year Euro-convertible bonds guaranteed by the Company; and to lend to Unisem (M) Berhad up to US\$150 million.

12. *Changes in contingent liabilities or contingent assets*

There are no changes in contingent liabilities since the last annual balance sheet date save and except for the following :

During the financial quarter under review, the Company's insurance agent has negotiated and paid RM110,000 on the claim for recovery of the costs of consignment goods stolen while in transit amounting to RM320,000 by a cargo underwriter's subrogation. The case has been resolved with no significant cost to the Company.

13. *Review of the performance of the Group, setting out material factors affecting the earnings and /or revenue of the Group for the current quarter and financial year to date*

The Group recorded a revenue of RM100.602 million and a net profit of RM5.639 million for the first quarter ended 31 March 2004. These represent a sequential quarterly growth of 5.8% in revenue and a 36.9% decline in net profit as compared to the revenue and net profit of RM95.064 million and RM8.933 million respectively for the immediate preceding quarter ended 31 December 2003. The decline in net profit was mainly due to the provision of higher deferred taxation as well as interest expense and other expenses arising from the Eurobonds issue.

14. *Explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter*

The Group recorded a profit before taxation of RM8.306 million for the first quarter ended 31 March 2004, which represents a decline of 10% as compared to the profit before taxation of RM9.232 million for the immediate preceding quarter ended 31 December 2003. The decline in the profit before taxation was mainly due to the provision for interest expense and other expenses relating to the Eurobonds issue during the quarter.

15. *Commentary on the prospects, including the factors that are likely to influence the Group's prospects for the remaining period to the end of the financial year or the next financial year if the reporting period is the last quarter*

While, traditionally, the Company's first quarter results are seasonally weaker than the prior quarter, firming average selling prices, increased shipments of products and improved utilisation have contributed to a good first quarter. The Company sees the recovery in the industry as sustainable and the Company's prospects are likely to improve for the remaining period of the financial year.

16. (a) *Explanatory note for any variance of actual profit after tax and minority interest and the forecast profit after tax and minority interest (where the variance exceeds 10%)*

Not applicable

(b) *Explanatory note for any shortfall in the profit guarantee*

Not applicable

17. *Breakdown of tax charge and explanation on variance between effective and statutory tax rate for the current quarter and financial year to date*

	Current Quarter Ended 31/03/2004 RM'000	Current Year To Date Ended 31/03/2004 RM'000
Income tax payable	(15)	(15)
Transfer (to)/from deferred taxation	(2,652)	(2,652)
Total	(2,667)	(2,667)

The effective tax rate is higher than the statutory tax rate for the current quarter and financial year to date mainly due to certain expense items being considered as non-deductible for income tax

purposes.

Income tax expense for the current quarter and financial year to date has been made due to rental income received which is assessed separately.

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

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

19. Particulars of purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities by the Group as at 29 April 2004.

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

There are no outstanding corporate proposals announced but not completed as at 29 April 2004 save and except for:

Proposed Acquisition of Atlantic - On 3 December 2003 the Company entered into a conditional sale and purchase agreement to acquire the entire issued and paid-up capital of Atlantic Technology Holdings (UK) Limited ("ATH") for a total purchase consideration of USD18 million to be satisfied by cash and issuance of new ordinary shares of RM1.00 each in the Company.

· On 2 March 2004, the Company announced that the Ministry of International Trade and Industry has stated via its letter dated 27 February 2004 that it has taken note of and has no objection to the Proposed Acquisition of ATH.

· On 15 March 2004, the Company announced that the Bank Negara Malaysia had granted its approval for the Proposed Acquisition which is to be satisfied via remittance of funds amounting to US\$6 million and a share swap between Unisem and the existing shareholders of ATH for a consideration amounting to US\$12 million.

Approvals for the Proposed Acquisition of ATH from other relevant authorities are still pending.

Proposed Eurobond Issue – The proposed issue by the Company via its wholly owned subsidiary, Unisem International (Labuan) Limited of up to US\$150 million nominal value of unsecured 5-year Euro-convertible bonds to be guaranteed by Unisem ("Eurobonds").

On 12 February 2004, the Company issued US\$100 million nominal value Eurobonds pursuant to the Proposed Eurobond Issue. The remaining balance of the (US\$50 million nominal value) Eurobonds is to be issued not later than twelve months from 12 February 2004.

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature – On 2 March 2004 the Company announced that it proposed to obtain a shareholders' mandate pursuant to Paragraph 10.09 and Practice Note No.12/2001 of the Exchange's Listing Requirements in respect of recurrent related party transactions ("RRPT") of a revenue or trading nature entered and/or to be entered by the Company and/or its related parties. The Company will be seeking shareholder's mandate for the RRPT at an Extraordinary General Meeting to be convened.

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

The status of utilisation of proceeds of RM380 million raised from the US\$100 million nominal value Eurobonds issued on 12 February 2004 pursuant to the Proposed Eurobond Issue is as follows:

Approved utilisation for the Proposed Eurobond Issue (total US\$150	Utilisation of proceeds (US\$100 million) in the current quarter ended
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	million) RM'000	31/03/2004 RM'000
Capital expenditure	500,000	53,352
Working capital	51,000	8,623
Expenses relating to the Eurobonds issue	19,000	10,712
Total	570,000	72,687

Unutilised balance 307,313

The unutilised balance of the proceeds is currently placed under fixed and short-term deposits with licensed banks.

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

The short term borrowings which comprise banker acceptances and revolving credit facilities which are unsecured and bear interest rates ranging from 5.00% to 6.00% per annum were fully repaid during the current financial quarter.

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

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

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

As at 29 April 2004, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade receivables are as follows:

Currency	Contracts amount (in thousands)	Equivalent amount in RM'000
US Dollars	38,850 =====	148,201 =====

All of these contracts mature within six months.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as its hedging instrument. The Group is exposed to credit risk with respect to foreign currency forward contracts in the event of non-performance by the counterparties to these financial instruments which are major financial institutions. However, the risk of incurring material losses related to this credit risk is remote.

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

There are no changes in material litigation since the last annual balance sheet date.

24. Dividend

The Directors have not recommended any dividend for the current financial quarter ended 31 March 2004 (Nil for the financial quarter ended 31 March 2003).

25. Earnings per share

	Current quarter ended 31/03/2004
Basic	
Net profit attributable to ordinary shareholders (RM'000)	5,639
Number of ordinary shares in issue as of 1 January 2004	143,819,000
Effect of exercise of ESOS	626,000

Weighted average number of ordinary shares in issue	<u>144,445,000</u>
Basic earnings per ordinary share (sen)	<u>3.90</u>
Diluted	
Net profit attributable to ordinary shareholders (RM'000)	<u>5,639</u>
Weighted average number of ordinary shares in issue	144,445,000
ESOS:	
Weighted average number of unissued shares	5,206,000
Weighted average number of shares that would have been issued at fair value	(3,813,406)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>145,837,594</u>
Diluted earnings per ordinary share (sen)	<u>3.87</u>

BY ORDER OF THE BOARD

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

DATED : 29 April 2004