

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2004

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/06/2004 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2003 RM'000</b>	<b>Current Year to date Ended 30/06/2004 RM'000</b>	<b>Corresponding Year to date Ended 30/06/2003 RM'000</b>
Revenue	121,430	60,592	222,032	114,610
Operating expenses	(108,039)	(66,261)	(199,692)	(128,237)
Other operating income	2,811	401	3,889	887
Profit/(Loss) from operations	16,202	(5,268)	26,229	(12,740)
Finance cost	(4,254)	(258)	(5,974)	(506)
Profit/(Loss) before taxation	11,948	(5,526)	20,255	(13,246)
Taxation	7,063	500	4,396	1,000
Net profit/(loss) for the period	<u>19,011</u>	<u>(5,026)</u>	<u>24,651</u>	<u>(12,246)</u>
Profit/(Loss) per share (sen):				
(a) Basic	13.09	(3.51)	16.97	(8.54)
(b) Fully diluted	13.00	(3.51)	16.85	(8.54)

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

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at End Of Current Quarter 30/06/2004 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2003 RM'000</b>
Property, plant and equipment	685,480	605,513
Goodwill on consolidation	53,631	-
Current Assets		
Inventories	54,629	33,755
Debtors	116,761	59,772
Cash and Cash Equivalents	293,612	7,708

	465,002	101,235
Current Liabilities		
Creditors	104,467	77,365
Obligations under finance leases	663	-
Current portion of term loans	10,302	-
Bank overdraft & other short term borrowings	21,387	31,148
Taxation	-	430
	<u>136,819</u>	<u>108,943</u>
Net Current Assets/(Liabilities)	328,183	(7,708)
Net Assets Employed	<u><u>1,067,294</u></u>	<u><u>597,805</u></u>
Share Capital	148,945	143,819
Reserves	476,345	422,998
Shareholders' Funds	<u>625,290</u>	<u>566,817</u>
Long Term Liabilities		
Unsecured 5-year Euro-convertible Bonds	380,000	-
Term loans	17,694	-
Deferred Income	6,750	-
Deferred Tax Liabilities	37,560	30,988
Total Capital Employed	<u><u>1,067,294</u></u>	<u><u>597,805</u></u>
Net Tangible Assets Per Share (RM)	<u>4.1981</u>	<u>3.9412</u>

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 30/06/2004 RM'000	Corresponding Year To Date Ended 30/06/2003 RM'000
<b>Operating Activities</b>		
Profit/(Loss) Before Taxation	20,255	(13,246)
Adjustments for non-cash flow items:		
Depreciation of property, plant and equipment	41,522	39,213
(Gain)/Loss on disposal of property, plant and equipment	(88)	14
	<u>61,689</u>	<u>25,981</u>
Operating Profit Before Changes In Working Capital	61,689	25,981
Changes In Working Capital		
Net change in current assets	(37,270)	4,545
Tax paid	(33)	(50)
Net change in current liabilities	1,807	(6,374)
Net Cash Flows From Operating Activities	<u>26,193</u>	<u>24,102</u>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(59,233)	(16,547)
Proceeds from disposal of property, plant and	122	1

equipment		
Net Cash Flows Used In Investing Activities	(59,111)	(16,546)
<b>Financing Activities</b>		
Proceeds from issue of unsecured convertible bonds	380,000	-
Issue of shares	48,292	11
Uplift of fixed deposit	60	-
Proceeds from short term borrowings	-	1,385
Acquisition of a subsidiary company	(85,239)	-
Dividends paid	(14,470)	-
Repayment of short term borrowings	(31,148)	-
Net Cash Flows From Financing Activities	297,495	1,396
Net Change in Cash & Cash Equivalents	264,577	8,952
Cash And Cash Equivalents At Beginning Of Period	7,648	6,120
Cash And Cash Equivalents At End Of Period	272,225	15,072

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

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Current Year To Date Ended 30/06/2004 RM'000	Corresponding Year To Date Ended 30/06/2003 RM'000
Cash and cash equivalents comprise of:		
Deposits, cash and bank balances	293,612	15,072
Bank overdraft	(21,387)	-
	272,225	15,072
<b>Acquisition of a subsidiary company</b>		
Net assets acquired as at date of acquisition:		
Property, plant and equipment	62,290	-
Current assets	30,217	-
Current liabilities	(57,647)	-
Long term liabilities	(24,444)	-
Net assets acquired	10,416	-
Goodwill on consolidation	53,631	-
Purchase consideration	64,047	-
Add: Bank overdraft acquired, net of cash and bank balances	21,192	-
Cash flow from acquisition of subsidiary	85,239	-

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

#### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Current Year To Date  
Ended  
30 June 2004**

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
Balance at beginning of year	143,819	157,816	265,182	566,817
Exercise of ESOS	888	6,158	-	7,046
Issuance of shares	4,238	37,008	-	41,246
Dividends paid	-	-	(14,470)	(14,470)
Net profit for the financial year to date	-	-	24,651	24,651
Balance at end of period	148,945	200,982	275,363	625,290

**Corresponding Year To  
Date Ended  
30 June 2003**

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
Balance at beginning of year	143,342	154,679	282,825	580,846
Net loss for the financial year to date	-	-	(12,246)	(12,246)
Exercise of ESOS	2	9	-	11
Balance at end of period	143,344	154,688	270,579	568,611

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 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 887,400 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS");
- (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; and
- (iii) the issue and allotment of 4,237,785 ordinary shares of RM1.00 each in Unisem, in relation to the acquisition of Atlantic Technology Holdings (UK) Limited.

7. **Dividend Paid**

A final dividend of 10%, tax exempt, amounting to RM14,469,750 in respect of ordinary shares in the previous financial year was paid by the Company on 25 May 2004.

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

<b>Current Year To Date Ended 30/06/2004</b>	<b>North America RM'000</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	202,645	18,764	623	222,032
Profit before taxation				20,255

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.

Pursuant to the completion of the acquisition of Atlantic Technology Holdings (UK) Limited ("ATH") on 25 June 2004, ATH has become a wholly owned subsidiary of the Company and its balance sheet has been incorporated into the consolidated balance sheet of the Group. The results of

operations of ATH for the period 26 June 2004 to 30 June 2004 has not been incorporated into the consolidated profit and loss account of the Group as it does not have any material effect.

**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 :

The Company's insurance agent has negotiated and paid RM110,000 on a 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 RM121.430 million and a net profit of RM19.011 million for the second quarter ended 30 June 2004. These represent a sequential quarterly growth of 20.70% in revenue and a 237.13% increase in net profit as compared to the revenue and net profit of RM100.602 million and RM5.639 million respectively for the immediate preceding quarter ended 31 March 2004. The increase in net profit was mainly due to overprovision of taxation in prior year as well as higher profit achieved from increased revenue during the quarter.

**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 RM11.948 million for the second quarter ended 30 June 2004, which represents an increase of 43.85% as compared to the profit before taxation of RM8.306 million for the immediate preceding quarter ended 31 March 2004. The increase in the profit before taxation was in line with the increased revenue and higher utilisation rate.

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

The Company experienced continued increase in demand for its products and services, firming average selling prices, and improved capacity utilisation throughout the quarter under review. The Board expects the recovery in the industry to continue till the end 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 30/06/2004 RM'000	Current Year To Date Ended 30/06/2004 RM'000
Income tax payable		
- Current	(19)	(34)
- Overprovision in prior year	11,002	11,002
Transfer (to)/from deferred taxation	(3,920)	(6,572)
<b>Total</b>	<b>7,063</b>	<b>4,396</b>

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

On 4 June 2004, the Company received approval from Malaysian Industrial Development Authority (MIDA) for the surrender of its pioneer certificate issued under the Promotion of Investments Act, 1986. The surrender of the pioneer status resulted in the overprovision of tax in prior year due to Reinvestment Allowances being claimed retrospectively from 1 February 2000.

**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 21 July 2004.

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

There are no outstanding corporate proposals announced but not completed as at 21 July 2004 save and except for:

**Proposed Acquisition of Atlantic Technology Holdings (UK) Limited (“ATH”)** - On 3 December 2004 the Company entered into a conditional sale and purchase agreement (“SPA”) to acquire the entire issued and paid-up capital of 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 13 May 2004 and 17 June 2004, the Company announced that the approval of the Securities Commission was obtained via its letters dated 6 May 2004 and 14 June 2004 for the Proposed Acquisition of ATH.

On 26 June 2004, the Company announced, amongst others, that (i) the number of shares to be issued pursuant to the Proposed Acquisition has been adjusted from 4,685,054 ordinary shares of RM1.00 each to 4,237,785 ordinary shares of RM1.00 each in Unisem, after taking into account the consolidated net tangible asset, Losses and Net Debt (as defined in the SPA) of the ATH Group as certified by Grant Thornton LLP; and (ii) the SPA has become unconditional on 24 June 2004 as all conditions precedent of the SPA have been met.

On 5 July 2004, the Company announced that the Proposed Acquisition of ATH was completed on 5 July 2004 with the listing and quotation of the 4,237,785 ordinary shares of RM1.00 each in the Company, issued on 25 June 2004 in relation to the Acquisition.

**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.

**(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:

	<b>Approved utilisation for the Proposed Eurobond Issue (total US\$150 million)</b>	<b>Utilisation of proceeds (US\$100 million) in the current quarter ended 30/06/2004</b>
	RM'000	RM'000
Capital expenditure	500,000	104,228
Working capital	51,000	8,623
Expenses relating to the Eurobonds issue	19,000	12,033
Total	<u>570,000</u>	<u>124,884</u>
Unutilised balance		255,116

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 details of the Group's borrowings as at end of current quarter are as follows:

	Foreign Currency '000	RM Equivalent '000
<u>Short Term Borrowings</u>		
- Overdraft Facility (Unsecured)	£3,064	21,387
-   denominated in Pound Sterling ("£")		<u>21,387</u>
-		
<u>Long Term Borrowings</u>		
Unsecured 5-year Euro-convertible Bonds (Nominal amount of 2% Guaranteed Convertible Bonds due 2009)	USD100,000	380,000
-   denominated in United States Dollar (“USD”)		
Term Loan (Secured)	USD7,299	27,996
-   denominated in USD		<u>407,996</u>
Total		<u>429,383</u>

**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 21 July 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	96,600 =====	368,167 =====

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 financial quarter ended 30 June 2004 (Nil for the financial quarter ended 30 June 2003).

**25. Earnings per share**

	<b>Current quarter ended 30/06/2004</b>
<b>Basic</b>	
Net profit attributable to ordinary shareholders (RM'000)	<u>19,011</u>
Number of ordinary shares in issue as of 1 January 2004	143,819,000
Effect of exercise of ESOS and issuance of shares	<u>1,458,331</u>
Weighted average number of ordinary shares in issue	<u>145,277,331</u>
Basic earnings per ordinary share (sen)	<u>13.09</u>
<b>Diluted</b>	
Net profit attributable to ordinary shareholders (RM'000)	<u>19,011</u>
Weighted average number of ordinary shares in issue	145,277,331
ESOS:	
Weighted average number of unissued shares	4,970,350
Weighted average number of shares that would have been issued at fair value	<u>(3,963,986)</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>146,283,695</u>
Diluted earnings per ordinary share (sen)	<u>13.00</u>

BY ORDER OF THE BOARD

**CHUA HENG FATT** (MACS 00264)

**CHIN HOCK YEE** (LS NO. 8245)

Company Secretaries

DATED : 21 July 2004