

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

## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2004

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/09/2004 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2003 RM'000</b>	<b>Current Year to date Ended 30/09/2004 RM'000</b>	<b>Corresponding Year to date Ended 30/09/2003 RM'000</b>
Revenue	151,158	71,931	373,629	186,540
Operating expenses	(13,181)	(72,054)	(33,459)	(200,290)
Other operating income	3,302	414	6,752	1,299
Profit/(Loss) from operations	20,279	291	47,922	(12,451)
Finance cost	(5,043)	(286)	(12,432)	(792)
Profit/(Loss) before taxation	15,236	5	35,490	(13,243)
Taxation	(6,177)	-	(1,782)	1,000
Net profit/(loss) for the period	9,059	5	33,708	(12,243)
Profit/(Loss) per share (sen):				
(a) Basic	6.18	0.01	23.01	(8.54)
(b) Fully diluted	6.14	0.01	22.86	(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 30/09/2004 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2003 RM'000</b>
Property, plant and equipment	695,934	605,513
Goodwill on consolidation	57,820	-
Current Assets		
Inventories	59,769	33,755
Debtors	126,509	59,772
Cash and Cash Equivalentents	274,583	7,708
	460,861	101,235

Current Liabilities		
Creditors	113,520	77,365
Obligations under finance leases	168	-
Current portion of term loans	4,921	-
Bank overdraft & other short term borrowings	5,521	31,148
Taxation	-	430
	<u>124,130</u>	<u>108,943</u>
Net Current Assets/(Liabilities)	336,731	(7,708)
Net Assets Employed	<u>1,090,485</u>	<u>597,805</u>
Share Capital	148,953	143,819
Reserves	485,446	422,998
Shareholders' Funds	<u>634,399</u>	<u>566,817</u>
Long Term Liabilities		
Unsecured 5-year Euro-convertible Bonds	380,000	-
Term loans	26,231	-
Deferred Income	6,135	-
Deferred Tax Liabilities	43,720	30,988
Total Capital Employed	<u>1,090,485</u>	<u>597,805</u>
Net Tangible Assets Per Share (RM)	<u>3.8709</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 30/09/2004 RM'000	Corresponding Year To Date Ended 30/09/2003 RM'000
<b>Operating Activities</b>		
Profit/(Loss) Before Taxation	35,490	(13,243)
Adjustments for non-cash flow items:		
Depreciation of property, plant and equipment	66,422	58,872
Amortisation of goodwill on consolidation	732	-
Amortisation of deferred income	(615)	-
(Gain)/Loss on disposal of property, plant and equipment	(688)	(14)
	<u>101,341</u>	<u>45,615</u>
Operating Profit Before Changes In Working Capital	101,341	45,615
Changes In Working Capital		
Net change in current assets	(52,047)	(5,274)
Tax paid	(161)	(50)
Net change in current liabilities	10,860	(2,776)
Net Cash Flows From Operating Activities	<u>59,993</u>	<u>37,515</u>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(98,305)	(26,194)
Proceeds from disposal of property, plant and	4,439	53

equipment		
Net Cash Flows Used In Investing Activities	(93,866)	(26,141)
<b>Financing Activities</b>		
Proceeds from issue of unsecured convertible bonds	380,000	-
Proceeds from long term borrowings	30,400	-
Issue of shares	48,344	234
Uplift of fixed deposit	60	-
Proceeds from short term borrowings	-	5,614
Acquisition of a subsidiary company	(90,160)	-
Repayment of short term borrowings	(31,148)	-
Repayment of long term borrowings	(27,244)	-
Dividends paid	(14,470)	(14,336)
Repayment of finance leases	(495)	-
Net Cash Flows From Financing Activities	295,287	(8,488)
Net Change in Cash & Cash Equivalents	261,414	2,886
Cash And Cash Equivalents At Beginning Of Period	7,648	6,120
Cash And Cash Equivalents At End Of Period	269,062	9,006

(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 30/09/2004 RM'000	Corresponding Year To Date Ended 30/09/2003 RM'000
Cash and cash equivalents comprise of:		
Deposits, cash and bank balances	274,583	9,006
Bank overdraft	(5,521)	-
	269,062	9,006
<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	58,552	-
Purchase consideration	68,968	-
Add: Bank overdraft acquired, net of cash and bank balances	21,192	-
Cash flow from acquisition of subsidiary	90,160	-

(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

	Share Capital RM'000	Reserve Attributable to Capital RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000
<b>Current Year To Date Ended 30 September 2004</b>				
Balance at beginning of year	143,819	157,816	265,182	566,817
Exercise of ESOS	896	6,202	-	7,098
Issuance of shares	4,238	37,008	-	41,246
Dividends paid	-	-	(14,470)	(14,470)
Net profit for the financial year to date	-	-	33,708	33,708
Balance at end of period	<u>148,953</u>	<u>201,026</u>	<u>284,420</u>	<u>634,399</u>

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

(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 Bursa Malaysia Securities Berhad*. 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 has been no material seasonal or cyclical factors affecting the results of the quarter under review.

**4. Nature and amount of unusual items**

There are no extraordinary items for the current interim period.

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

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

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

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

- (i) the issue of 896,000 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 Unisem (Europe) Holdings Limited (formerly known as Atlantic Technology Holdings (UK) Limited)

**7. Dividend Paid**

A final dividend of 10% tax exempt for the financial year ended 31 December 2003, amounting to RM14,469,750 was paid by the Company on 25 May 2004.

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

<b>Current Quarter Ended 30/09/2004</b>	<b>- Asia RM'000</b>	<b>- Europe RM'000</b>	<b>- Consolidated RM'000</b>
Revenue	124,158	27,000	151,158
Profit before taxation	15,229	7	15,236

<b>Current Year To Date _ Ended 30/09/2004</b>	<b>Asia  RM'000</b>	<b>Europe  RM'000</b>	<b>Consolidated  RM'000</b>
Revenue	346,629	27,000	373,629
Profit before taxation	35,483	7	35,490

**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 (UK) Limited (“ATH”) on 25 June 2004 ATH has become a wholly owned subsidiary of the Company and its accounts has been incorporated into the consolidated accounts of the Group. On 17 September 2004, ATH, by special resolution, has changed its name to Unisem (Europe) Holdings Limited (“Unisem Europe”).

The Company had on 13 September 2004 incorporated a wholly owned subsidiary known as Unisem Technologies Sdn. Bhd. with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 per share and an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The principal activities of Unisem Technologies Sdn. Bhd. will be bumping and packaging of semiconductor devices, related technical, marketing and other activities.

**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 revenue of RM151.158 million and net profit of RM9.059 million for the third quarter ended 30 September 2004. These represent a sequential quarterly growth of 24.49% in revenue and decline of RM9.952 million in net profit as compared to the revenue and net profit of RM121.430 million and RM19.011 million respectively for the immediate preceding quarter ended 30 June 2004. The increase in revenue was mainly due to revenue contribution by Unisem Europe. The net profit for the quarter under review was comparatively lower as there was write-back of an overprovision of taxation in prior year of RM11 million which was recognized in the immediate preceding quarter.

For the current year to date ended 30 September 2004, the Group recorded revenue of RM373.629 million and net profit of RM33.708 million. These represent a growth of 100.29% in revenue and an improvement in net profit of RM45.951 million as compared to the revenue and net loss of RM186.540 million and RM12.243 million respectively for the corresponding year to date ended 30 September 2003. The increase in revenue was mainly due to increased sales volume as well as revenue contribution by Unisem Europe. The increase in net profit was attributable to higher profit achieved from increased revenue as well as a write-back of an overprovision of taxation in prior year which was recognized in the financial period under review.

**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 RM15.236 million for the third quarter ended 30 September 2004, which represents an increase of 27.52% as compared to the profit before taxation of RM11.948 million for the immediate preceding quarter ended 30 June 2004. The increase in the

profit before taxation was in line with the increased revenue and improved margin.

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 Group's prospects till the end of the financial year would remain satisfactory. The usual end-of-the-year-rally is not expected to materialize due to inventory adjustments and a general cautiousness amongst the Group's customers.

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

Not applicable

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

Not applicable

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

	<b>Current Quarter Ended 30/09/2004 RM'000</b>	<b>Current Year To Date Ended 30/09/2004 RM'000</b>
Income tax payable		
- Current	(17)	(51)
- Overprovision in prior year	-	11,001
Transfer (to)/from deferred taxation	(6,160)	(12,732)
<b>Total</b>	<b>(6,177)</b>	<b>(1,782)</b>

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

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.

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 28 October 2004.

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

There are no outstanding corporate proposals announced but not completed as at 28 October 2004 save and except for:

**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:

	Approved utilisation for the Proposed Eurobond Issue (total US\$150 million)	Utilisation of proceeds (US\$100 million) in the current quarter ended 30/09/2004
	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	570,000	124,884
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 (Secured)	£791	5,521
- denominated in Pound Sterling ("£")		5,521
<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)	USD8,000	31,152
- denominated in USD		411,152
Total		416,673

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 28 October 2004, the foreign exchange currency contracts that have been entered into by the

Group to hedge its trade and other receivables are as follows:

Currency	Contracts amount (in '000)	Equivalent amount in RM'000
US Dollars	95,500 =====	363,691 =====

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 recommended an interim dividend of 8.0% tax exempt for the financial quarter ended 30 September 2004 (Nil for the financial quarter ended 30 September 2003). The interim dividend will be paid on 10 December 2004.

**25. *Earnings per share***

	Current quarter ended
<b>Basic</b>	<b>30/09/2004</b>
Net profit attributable to ordinary shareholders (RM'000)	<u>9,059</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>2,682,616</u>
Weighted average number of ordinary shares in issue	<u>146,501,616</u>
Basic earnings per ordinary share (sen)	<u>6.18</u>
<b>Diluted</b>	
Net profit attributable to ordinary shareholders (RM'000)	<u>9,059</u>
Weighted average number of ordinary shares in issue	146,501,616
ESOS:	
Weighted average number of unissued shares	4,866,455
Weighted average number of shares that would have been issued at fair value	<u>(3,882,819)</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>147,485,252</u>
Diluted earnings per ordinary share (sen)	<u>6.14</u>

BY ORDER OF THE BOARD

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

DATED : 28 October 2004