



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2006

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/06/2006 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2005 RM'000</b>	<b>Current Year to date Ended 30/06/2006 RM'000</b>	<b>Corresponding Year to date Ended 30/06/2005 RM'000</b>
Revenue	172,782	132,228	342,823	246,536
Operating expenses	(161,788)	(122,932)	(310,101)	(237,231)
Other operating income	17,521	3,105	32,924	5,798
Finance cost	(7,471)	(7,369)	(15,861)	(13,954)
Profit before taxation	21,044	5,032	49,785	1,149
Taxation	(5,433)	(3,430)	(12,317)	(4,716)
<b>Profit/(Loss) for the period</b>	<b>15,611</b>	<b>1,602</b>	<b>37,468</b>	<b>(3,567)</b>
<b>Attributable to:</b>				
Equity holders of the parent	16,118	1,632	38,328	(3,497)
Minority interest	(507)	(30)	(860)	(70)
	15,611	1,602	37,468	(3,567)
Earnings per share (sen) – Basic	3.61	0.36	8.58	(0.80)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2005)



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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at end of Current Quarter 30/06/2006 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2005 RM'000</b>
<b>Assets</b>		
<i>Non-Current Assets</i>		
Property, Plant and Equipment	893,550	850,149
Deferred Expenditure	7,028	10,858
Goodwill on Consolidation	54,948	54,948
Intangible Assets	15,393	15,393
Total Non-current Assets	970,919	931,348
<i>Current Assets</i>		
Inventories	75,831	68,532
Trade and Other Receivables	104,842	107,441
Tax Recoverable	-	10,427
Cash and Cash Equivalents	191,303	372,291
Total Current Assets	371,976	558,691
<b>Total Assets</b>	<b>1,342,895</b>	<b>1,490,039</b>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2005)



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CONDENSED CONSOLIDATED BALANCE SHEETS – CONTINUED

	As at end of Current Quarter 30/06/2006 RM'000	(Audited) As at Preceding Financial Year end 31/12/2005 RM'000
<b>Equity and Liabilities</b>		
<i>Capital and Reserves</i>		
Share Capital	223,463	223,463
Reserves	421,502	412,553
Equity Attributable To Equity Holders of the Parent	644,965	636,016
Minority Interests	12,097	12,957
<b>Total Equity</b>	657,062	648,973
<i>Non-Current Liabilities</i>		
Guaranteed Convertible Bonds Due 2009	420,924	504,095
Deferred Income	3,380	3,615
Deferred Tax Liabilities	70,299	58,601
	494,603	566,311
<i>Current Liabilities</i>		
Trade and Other Payables	127,890	149,201
Short Term Borrowings	60,000	121,610
Current Portion of Deferred Income	2,366	3,944
Current Tax Payable	974	-
	191,230	274,755
<b>Total Liabilities</b>	685,833	841,066
<b>Total Equity and Liabilities</b>	1,342,895	1,490,039
Net Assets per share attributable to ordinary equity holders of the parent (RM)	1.4431	1.4231

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2005)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2006

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Current Year To Date Ended 30/06/2006 RM'000</b>	<b>Corresponding Year To Date Ended 30/06/2005 RM'000</b>
<b>Operating Activities</b>		
Profit Before Taxation	49,785	1,149
Adjustments for non-cash flow items:		
Depreciation and amortisation expenses (net of amortization income)	60,234	53,291
Finance cost (net of interest income)	11,186	(5,798)
Others	(19,706)	(159)
Operating Profit Before Changes In Working Capital	101,499	48,483
Net change in current assets	(5,677)	754
Tax refund/(paid)	10,770	(37)
Net change in current liabilities	(23,988)	12,967
Net Cash Flows From Operating Activities	82,604	62,167
<b>Investing Activities</b>		
Additions to property, plant and equipment	(102,766)	(64,941)
Others	5,303	-
Net Cash Flows Used In Investing Activities	(97,463)	(64,941)
<b>Financing Activities</b>		
Proceeds from short and long term borrowings	-	190,000
Issue of shares	-	35
Repayment of short and long term borrowings	(60,000)	(34,235)
Dividend paid	(22,346)	(22,346)
Consideration for buy-back of Guaranteed Convertible Bonds due 2009	(70,313)	-
Others	(11,144)	(4,007)
Net Cash Flows From/(Used In) Financing Activities	(163,803)	129,447
Net Change in Cash & Cash Equivalents	(178,662)	126,673
Cash And Cash Equivalents At Beginning Of Period	370,336	287,338
Effect of exchange rate differences	(371)	(3)
	369,965	287,335
Cash And Cash Equivalents At End Of Period	191,303	414,008

(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 2005)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to Equity Holders of the Parent →					Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium & Other Capital Reserves RM'000	Reserve attributable to Revenue RM'000	Retained Earnings RM'000	Subtotal RM'000		
<b>Current Year To Date Ended 30 June 2006</b>							
Balance at beginning of year	223,463	149,492	634	262,427	636,016	12,957	648,973
Currency translation differences	-	-	(2,392)	-	(2,392)	-	(2,392)
Net profit for the financial year to date	-	-	-	38,328	38,328	(860)	37,468
Total recognised income and expenses for the financial year to date	-	-	(2,392)	38,328	35,936	(860)	35,076
Dividend distributed to equity holders	-	-	-	(22,346)	(22,346)	-	(22,346)
Buy-back of Guaranteed Convertible Bonds due 2009	-	(1,541)	-	(3,100)	(4,641)	-	(4,641)
<b>Balance at end of period</b>	<b>223,463</b>	<b>147,951</b>	<b>(1,758)</b>	<b>275,309</b>	<b>644,965</b>	<b>12,097</b>	<b>657,062</b>

(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 2005)



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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – CONTINUED

	← Attributable to Equity Holders of the Parent →						Total Equity RM'000
	Share Capital RM'000	Share Premium & Other Capital Reserves RM'000	Reserve attributable to Revenue RM'000	Retained Earnings RM'000	Subtotal RM'000	Minority Interest RM'000	
<b>Corresponding Year To Date Ended 30 June 2005</b>							
Balance at beginning of year	148,969	201,107	305	273,073	623,454	-	623,454
Reclassification of opening Minority Interest	-	-	-	-	-	13,300	13,300
Restated Balance	148,969	201,107	305	273,073	623,454	13,300	636,754
Currency translation differences	-	-	(136)	-	(136)	-	(136)
Net loss for the financial year to date	-	-	-	(3,497)	(3,497)	(70)	(3,567)
Total recognised income and expenses for the financial year to date	-	-	(136)	(3,497)	(3,633)	(70)	(3,703)
Dividend distributed to equity holders	-	-	-	(22,346)	(22,346)	-	(22,346)
Exercise of ESOS	6	29	-	-	35	-	35
Issuance of Bonus shares	74,488	(74,488)	-	-	-	-	-
<b>Restated Balance at end of period</b>	<b>223,463</b>	<b>126,648</b>	<b>169</b>	<b>247,230</b>	<b>597,510</b>	<b>13,230</b>	<b>610,740</b>

(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 2005)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2006

**EXPLANATORY NOTES AND ADDITIONAL INFORMATION**

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

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in the *Financial Reporting Standards (FRS) 134 'Interim Financial Reporting'* issued by the Malaysian Accounting Standards Board (MASB) and *Paragraph 9.22 of the Listing Requirements of Bursa Securities Malaysia Berhad* and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2005.

The MASB has issued a total of 21 new and amended Financial Reporting Standards and other Interpretations (herein thereafter referred as FRSs). A total of 18 FRSs will be effective for financial statements commencing 1 January 2006 and 2 FRSs will only be effective for financial statements commencing 1 October 2006. The other remaining FRS covering Financials Instruments : Measurement and Recognition has been deferred until further notice

The Group's consolidated financial statements for year ended 31 December 2005 were prepared with MASB standards with effective dates before 1 January, 2006. Certain comparative figures in respect of 2005 have therefore been restated to reflect the relevant adjustments.

The adoption of the FRSs have resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior periods :-

**Goodwill**

*FRS 3 'Business Combination'* requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses and prohibits the amortization of goodwill. Under *FRS 136 'Impairment of Assets'*, periodic impairment reviews are required if there are indications that goodwill might be impaired. Previously, the Group carried goodwill in its balance sheet at cost less accumulated amortization 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 1 January 2006. The Group has therefore discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with *FRS 136*.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

No amortisation has been charged in the current quarter and year to date ended 30 June 2006. The amortization charge for the quarter and year to date ended 30 June 2005 amount to RM744,000 and RM1,484,000 respectively.

**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.



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**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 repurchase and cancellation of US\$4.120 million principal amount of the Company's US\$100 million 2% unsecured convertible bonds due 2009 by the Company's wholly-owned subsidiary, Unisem International (Labuan) Limited, convertible into ordinary shares of, and guaranteed by the Company ("US\$100 million 2% Guaranteed Convertible Bonds Due 2009"); and
- (ii) the repurchase and cancellation of US\$15.022 million principal amount of the Company's US\$50 million 3% unsecured convertible bonds due 2009 by the Company's wholly-owned subsidiary, Unisem International (Labuan) Limited, convertible into ordinary shares of, and guaranteed by the Company ("US\$50 million 3% Guaranteed Convertible Bonds Due 2009").

**7. Dividend Paid**

A final dividend of 10%, tax exempt, amounting to RM22,346,278 in respect of ordinary shares in the previous financial year was paid by the Company on 27 May 2006.

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

<b>Current Quarter Ended 30 June 2006</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	151,377	21,405	172,782
Profit before taxation	18,378	2,666	21,044
<b>Current Year To Date Ended 30 June 2006</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	298,397	44,426	342,823
Profit before taxation	45,714	4,071	49,785

**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.



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

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

**11. *Effect of changes in the composition of the Group***

There are no changes in the composition of the Group for the current financial year to date.

**12. *Changes in contingent liabilities or contingent assets***

There are no changes in contingent liabilities, save and except for:

On 25 April 2006, the Industrial Court had in Award No. 708 of 2006 ruled that the dismissal of a former executive of the Company was without just cause and excuse. The Court awarded him 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 in the Ipoh High Court for leave to commence Judicial Review proceedings to review the decision of the Industrial Court. The Company's solicitors are of the opinion that the Company has good grounds for the Judicial Review application.

**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 RM172.782 million and net profit (before Minority Interest) of RM15.611 million for the current quarter ended 30 June 2006. These represent a corresponding quarterly growth of 30.7% in revenue and an increase in net profit of RM14.0 million. The improvement in the revenue and net profit was mainly due to increased sales volume, higher utilization of installed capacity, unrealized foreign exchange gains arising mainly from the revaluation of the Guaranteed Convertible Bonds Due 2009 ("unrealized forex gains"), as well as additional revenue and profit contribution from Unisem (Europe) Limited.

For the current financial year to date ended 30 June 2006, the Group recorded revenue of RM342.823 million and net profit (before Minority Interest) of RM37.468 million. These represent a corresponding increase of 39.0% in revenue and an improvement in net profit from a net loss of RM3.567 million. The improvement in revenue and net profit was mainly due to increased sales volume, higher utilization of installed capacity, unrealized forex gains, as well as additional revenue and profit contribution from Unisem (Europe) Limited.

**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 profit before taxation ("PBT") of RM21.044 million for the second quarter ended 30 June 2006. This represents a decrease of 26.8% as compared to the PBT of RM28.741 million for the immediate preceding quarter ended 31 March 2006. The lower PBT recorded was mainly due to lower unrealized forex gain recognised in this quarter, and increased raw material prices associated with the hike in gold price during the quarter under review.

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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 Board of Directors remains positive on the overall semiconductor market. However due to overall cautiousness in the industry, the Directors expect the demand for the Group's products and services to be level in the third quarter.

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 30/06/2006 RM'000</b>	<b>Current Year To Date Ended 30/06/2006 RM'000</b>
Income tax payable - current	(455)	(619)
Transfer (to)/from deferred taxation	(4,978)	(11,698)
Total	<u>(5,433)</u>	<u>(12,317)</u>

Income tax expense for the current quarter and financial year to date arose mainly from rental income and interest income received which are assessed separately.

The effective tax rate is lower than the statutory tax rate for the current quarter and financial year to date mainly due to certain income being considered as not taxable in determining taxable profit.

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 3 August 2006.

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

There are no outstanding corporate proposals announced but not completed as at 3 August 2006.



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

The status of utilisation of proceeds of RM570 million raised from the US\$100 million 2% Guaranteed Convertible Bonds due 2009 and the US\$50 million 3% Guaranteed Convertible Bonds due 2009 (collectively known as “Guaranteed Convertible Bonds due 2009”) is as follows:

	<b>Approved utilisation for the proceeds RM'000</b>	<b>Utilisation of proceeds as at 30/06/2006 RM'000</b>	<b>Unutilised balance as at 30/06/2006 RM'000</b>
Capital expenditure	500,000	330,199	169,801
Working capital	51,000	46,625	4,375
Expenses relating to the convertible bonds issues	19,000	15,795	3,205
<b>Total</b>	<b>570,000</b>	<b>392,619</b>	<b>177,381</b>

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:

	<b>Foreign Currency '000</b>	<b>RM Equivalent '000</b>
<u>Short Term Borrowings</u>		
Short Term Loan (Unsecured)		60,000
<u>Long Term Borrowings</u>		
Guaranteed Convertible Bonds due 2009 (Unsecured)	USD113,890	420,924
<b>Total</b>		<b>480,924</b>

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 30 June 2006, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade receivables are as follows:

<b>Currency</b>	<b>Contracts amount (in '000)</b>	<b>Equivalent amount in RM'000</b>
US Dollars	41,300	149,620
	=====	=====

All of these contracts mature within six months.



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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 do not recommended any dividend for the current financial quarter ended 30 June 2006. (Nil for the financial quarter ended 30 June 2005).

**25. *Earnings per ordinary share***

Earnings per share for the current quarter of 3.61 sen and financial year to date of 8.58 sen was calculated by dividing the Group's net profit attributable to equity holders of the parent company for the current quarter and financial year to date amounting to RM16.118 million and RM38.328 million respectively by the number of ordinary shares in issue of 446,925,555.

BY ORDER OF THE BOARD

**CHUA HENG FATT** (MACS 00264)

**CHIN HOCK YEE** (LS 8922)

Company Secretary

DATED : 3 August 2006