

UNISEM (M) BERHAD (Company No. 183314-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2004

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 31/12/2004 RM'000	Corresponding Quarter Ended 31/12/2003 RM'000	Current Year to date Ended 31/12/2004 RM'000	Corresponding Year to date Ended 31/12/2003 RM'000
Revenue	120,710	95,064	493,900	281,604
Operating expenses	(123,685)	(85,825)	(457,559)	(286,114)
Other operating income	5,887	421	13,078	1,722
Profit/(Loss) from operations	2,912	9,660	49,419	(2,788)
Finance cost	(4,769)	(428)	(15,786)	(1,220)
Profit/(Loss) before taxation	(1,857)	9,232	33,633	(4,008)
Taxation	2,425	(299)	644	701
Net profit/(loss) for the period	568	8,933	34,277	(3,307)
Profit/(Loss) per share (sen):				
(a) Basic	0.39	6.23	23.30	(2.31)
(b) Fully diluted	0.39	6.23	23.26	(2.31)

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

	As at End Of Current Quarter 31/12/2004 RM'000	(Audited) As at Preceding Financial Year end 31/12/2003 RM'000
Property, plant and equipment	691,858	605,513
Deferred expenditure	10,182	-
Goodwill on consolidation	57,918	-
Current Assets		
Inventories	53,554	33,755
Debtors	80,053	59,772
Cash and Cash Equivalents	288,517	7,708
Tax Recoverable	10,664	-
	432,788	101,235
Current Liabilities		
Creditors	96,694	77,365
Current portion of Deferred Income	4,368	-
Short term borrowings	14,560	31,148
Taxation	-	430
	115,622	108,943
Net Current Assets/(Liabilities)	317,166	(7,708)
Net Assets Employed	1,077,124	597,805
Share Capital	148,969	143,819
Reserves	474,485	422,998
Shareholders' Funds	623,454	566,817
Long Term Borrowings	404,039	-
Deferred Income	8,372	-
Deferred Tax Liabilities	41,259	30,988
Total Capital Employed	1,077,124	597,805
Net Tangible Assets Per Share (RM)	3.7280	3.9412

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

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year To Date Ended 31/12/2004 RM'000	Corresponding Year To Date Ended 31/12/2003 RM'000
Operating Activities		
Profit/(Loss) Before Taxation	33,633	(4,008)
Adjustments for non-cash flow items:		
Depreciation of property, plant and equipment	92,428	78,706
Amortisation of deferred expenditure	2,028	-
Amortisation of goodwill on consolidation	1,485	-
(Gain)/Loss on disposal of property, plant and equipment	19	(19)
Amortisation of deferred income	(1,493)	-
Operating Profit Before Changes In Working Capital	128,100	74,679
Changes In Working Capital		
Net change in current assets	(3,599)	(26,665)
Tax paid	(179)	(61)
Net change in current liabilities	(32,546)	12,420
Net Cash Flows From Operating Activities	91,776	60,373
Investing Activities		
Proceeds from disposal of property, plant and equipment	174	58
Uplift/(Placement) of fixed deposit	60	(60)
Additions to property, plant and equipment	(87,644)	(61,022)
Acquisition of a subsidiary company	(48,834)	-
Net Cash Flows Used In Investing Activities	(136,244)	(61,024)
Financing Activities		
Proceeds from issue of unsecured convertible bonds	380,000	-
Proceeds from short and long term borrowings	38,000	12,901
Issue of shares	7,194	3,614
Repayment of short and long term borrowings	(60,928)	-
Dividends paid	(26,386)	(14,336)
Bond issue expense	(12,210)	-
Repayment of finance leases	(692)	-
Net Cash Flows From Financing Activities	324,978	2,179
Net Change in Cash & Cash Equivalents	280,510	1,528
Cash And Cash Equivalents At Beginning Of Period	7,648	6,120
Effect of exchange rate differences	(821)	-
	6,827	6,120
Cash And Cash Equivalents At End Of Period	287,337	7,648

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

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Current Year To Date Ended 31/12/2004 RM'000	Corresponding Year To Date Ended 31/12/2003 RM'000
Cash and cash equivalents comprise of:		
Deposits, cash and bank balances	288,517	7,648
Bank overdraft	(1,180)	-
	287,337	7,648
 Acquisition of a subsidiary company		
Net assets acquired as at date of acquisition:		
Property, plant and equipment	62,282	-
Current assets	29,225	-
Current liabilities	(59,977)	-
Long term liabilities	(22,043)	-
Net assets acquired	9,487	-
Goodwill on consolidation	59,402	-
Purchase consideration	68,889	-
Less : Purchase Consideration satisfied by issued of share	(41,246)	-
	27,643	-
Add: Bank overdraft acquired, net of cash and bank balances	21,191	-
Cash flow from acquisition of subsidiary	48,834	-

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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Non Distributable Reserves RM'000	Distributable Reserves RM'000	Total Shareholders' Equity RM'000
Current Year To Date Ended 31 December 2004				
Balance at beginning of year	143,819	157,816	265,182	566,817
Exercise of ESOS	912	6,283	-	7,195
Issuance of shares	4,238	37,008	-	41,246
Dividends paid	-	-	(26,386)	(26,386)
Exchange Fluctuation Reserve		305	-	305
Net profit for the financial year to date	-	-	34,277	34,277
Balance at end of period	<u>148,969</u>	<u>201,412</u>	<u>273,073</u>	<u>623,454</u>

	Share Capital RM'000	Non Distributable Reserves RM'000	Distributable Reserves RM'000	Total Shareholders' Equity RM'000
Corresponding Year To Date Ended 31 December 2003				
Balance at beginning of year	143,342	154,679	282,825	580,846
Exercise of ESOS	477	3,137	-	3,614
Dividends paid	-	-	(14,336)	(14,336)
Net loss for the financial year to date	-	-	(3,307)	(3,307)
Balance at end of period	<u>143,819</u>	<u>157,816</u>	<u>265,182</u>	<u>566,817</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)

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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 Securities Malaysia 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 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 912,000 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS");
 - (ii) the issue of US\$100 million nominal value unsecured Euro-convertible bonds due 2009 by a wholly-owned subsidiary of the Company, Unisem International (Labuan) Limited, convertible into ordinary shares of, and guaranteed by the Company;
 - (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).
 - (iv) the issue of US\$50 million nominal value unsecured Euro-convertible bonds due 2009 by Unisem International (Labuan) Limited, convertible into ordinary shares of, and guaranteed by the Company on 3 February 2005.
- 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. An interim dividend of 8%, tax exempt, amounting to RM11,916,495 in respect of ordinary shares in the current financial year was paid by the Company on 10 December 2004.

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

Current Quarter Ended 31/12/2004	Asia RM'000	Europe RM'000	Consolidated RM'000
Revenue	100,402	20,308	120,710
Profit/(Loss) before taxation	800	(2,657)	(1,857)
Current Year To Date Ended 31/12/2004	Asia RM'000	Europe RM'000	Consolidated RM'000
Revenue	445,727	48,173	493,900
Profit before taxation	36,304	(2,671)	33,633

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 materials 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 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.

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The Company had on 2 December 2004 incorporated a wholly owned subsidiary known as Unisem Chengdu Co., Ltd. (“Unisem Chengdu”) with a registered capital of USD70,000,000. The principal activities of Unisem Chengdu will be manufacture, assembly and testing of semiconductor devices, marketing and provision of related services.

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 RM120.710 million and net profit of RM0.568 million for the fourth quarter ended 31 December 2004. The decline in revenue and net profit was mainly due to the general weakness in the demand for the Group’s products and services as a consequence of inventory adjustments in the worldwide semiconductor market.

For the current year to date ended 31 December 2004, the Group recorded revenue of RM493.900 million and net profit of RM34.277 million. These represent a growth of 75.39% in revenue and an improvement in net profit of RM37.584 million as compared to the revenue and net loss of the corresponding year to date ended 31 December 2003. The growth in revenue was attributable to the increased sales volume and revenue contribution by Unisem Europe. The increase in net profit was due to increased revenue and the overprovision of taxation in prior year being recognized in the current financial year.

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 loss before taxation of RM1.857 million for the fourth quarter ended 31 December 2004 as compared to the profit before taxation of RM15.236 million for the immediate preceding quarter ended 30 September 2004. This was attributable to the decline in revenue, lower profit margins as a consequence of lower utilization rate as well as the net loss consolidated from Unisem Europe.

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 saw some inventory adjustments and general weakness in the customers’ demand for its products and services throughout the quarter under review. The Board expects the general industry softening to continue before sentiments improve in the second half of year 2005.

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

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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 31/12/2004 RM'000	Current Year To Date Ended 31/12/2004 RM'000
Income tax payable		
- Current	(35)	(83)
- Overprovision in prior year	-	10,998
Transfer (to)/from deferred taxation	2,460	(10,271)
Total	2,425	644

Income tax expense for the current quarter and financial year to date has been made due to rental income received which is assessed separately. No provision for taxation was required for the current quarter as the operations resulted in losses. The effective tax rate is higher than the statutory tax rate for the current 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 17 February 2005.

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

There are no outstanding corporate proposals announced but not completed as at 17 February 2005 save and except for:

The share split of every one existing Unisem shares into two ordinary shares of RM0.50 each in Unisem and bonus issue of up to 202,252,072 new subdivided Unisem shares on the basis of one bonus share for every two subdivided Unisem shares as per notice to shareholders dated 20 January 2005.

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

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:

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	Approved utilisation for the Proposed Eurobond Issue (total US\$150 million) RM'000	Utilisation of proceeds (US\$100 million) in the current quarter ended 31/12/2004 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>		
Short Term Loan (Secured)	USD1,833	6,974*
- denominated in United States Dollar ("USD")		
Current Portion of Long Term Loan (Secured)	USD1,684	6,406*
- denominated in USD		
Bank Overdraft (Secured)	£162	1,180
- denominated in Pound Sterling ("£")		
		14,560
<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 USD		
Long Term Portion of Long Term Loan (Secured)	USD6,316	24,039*
- denominated in USD		
		404,039
Total		418,599

* The Ringgit equivalent amount is translated from the subsidiary's financial statement which is stated in Pound Sterling.

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.

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As at 31 December 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	87,100 =====	331,425 =====

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 a final dividend of 5 sen per RM0.50 share or 10% tax exempt for the financial quarter ended 31 December 2004 (10% tax exempted for the financial quarter ended 31 December 2003). The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced and is not included as a liability in the financial statements in accordance with MASB 20.

25. *Earnings per share*

Basic	Current quarter ended 31/12/2004
Net profit attributable to ordinary shareholders (RM'000)	<u>568</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>3,297,758</u>
Weighted average number of ordinary shares in issue	<u>147,116,758</u>
Basic earnings per ordinary share (sen)	<u>0.39</u>

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Diluted	
Net profit attributable to ordinary shareholders (RM'000)	<u>568</u>
Weighted average number of ordinary shares in issue	147,116,758
ESOS:	
Weighted average number of unissued shares	4,107,667
Weighted average number of shares that would have been issued at fair value	<u>(3,832,763)</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>147,391,662</u>
Diluted earnings per ordinary share (sen)	<u>0.39</u>

BY ORDER OF THE BOARD

CHUA HENG FATT (MACS 00264)
Company Secretary

DATED : 17 February 2005