

**UNISEM (M) BERHAD** (Company No. 183314-V)  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2005

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/09/2005 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2004 RM'000</b>	<b>Current Year to date Ended 30/09/2005 RM'000</b>	<b>Corresponding Year to date Ended 30/09/2004 RM'000</b>
Revenue	154,586	151,158	401,122	373,629
Operating expenses	(135,324)	(134,181)	(373,697)	(332,459)
Other operating income	7,535	3,302	14,475	6,752
Profit from operations	26,797	20,279	41,900	47,922
Finance cost	(6,571)	(5,043)	(20,525)	(12,432)
Profit before taxation	20,226	15,236	21,375	35,490
Taxation	(6,480)	(6,177)	(11,196)	(1,782)
Net profit for the period	13,746	9,059	10,179	33,708
Minority Interest	(14)	-	56	-
Net profit attributable	13,732	9,059	10,235	33,708
Profit per share (sen):				
(a) Basic	3.07	2.06 *	2.29	7.67 *
(b) Fully diluted	3.07	2.05 *	2.29	7.62 *

*\* Adjusted for the share split and bonus issue for purposes of comparison.*

**(The Condensed Consolidated Income Statements should be read in conjunction with the Annual  
 Financial Report for the year ended 31<sup>st</sup> December 2004)**

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at End Of Current Quarter 30/09/2005 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2004 RM'000</b>
Property, plant and equipment	754,510	691,858
Deferred expenditure	11,709	10,182
Goodwill on consolidation	55,692	57,918
Intangible assets	15,397	-
<b>Current Assets</b>		
Inventories	64,182	53,554
Debtors	105,275	80,053
Cash and Cash Equivalents	380,718	288,517
Tax Recoverable	10,434	10,664
	560,609	432,788
<b>Current Liabilities</b>		
Creditors	146,448	96,694
Current portion of Deferred Income	4,100	4,368
Current portion Long Term Loan	-	6,406
Short Term Bank Borrowings	342	8,154
	150,890	115,622
Net Current Assets	409,719	317,166
Net Assets Employed	1,247,027	1,077,124
Share Capital	223,463	148,969
Reserves	388,001	474,485
Shareholders' Funds	611,464	623,454
Minority Interests	13,244	-
<b>Non-Current Liabilities</b>		
Guaranteed Convertible Bonds Due 2009	565,500	380,000
Long Term Bank Borrowings	-	24,039
Deferred Income	4,782	8,372
Deferred Tax Liabilities	52,037	41,259
Total Capital Employed	1,247,027	1,077,124
Net Tangible Assets Per Share (RM)	1.1829	1.2426 *

\* Adjusted for the share split and bonus issue for purposes of comparison.

**(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2004)**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Current Year To Date Ended 30/09/2005 RM'000</b>	<b>Corresponding Year To Date Ended 30/09/2004 RM'000</b>
<b>Operating Activities</b>		
Profit Before Taxation	21,375	35,490
Adjustments for non-cash flow items:		
Depreciation of property, plant and equipment	79,105	66,422
Amortisation of deferred expenditure	2,480	-
Amortisation of goodwill on consolidation	2,226	732
(Gain)/Loss on disposal of property, plant and equipment	254	(688)
Unrealised gain on foreign exchange	(4,500)	-
Amortisation of deferred income	(3,012)	(615)
Operating Profit Before Changes In Working Capital	97,928	101,341
Changes In Working Capital		
Net change in current assets	(37,429)	(52,047)
Tax paid	(188)	(161)
Net change in current liabilities	50,225	10,860
Net Cash Flows From Operating Activities	110,536	59,993
<b>Investing Activities</b>		
Additions to property, plant and equipment	(148,179)	(98,305)
Proceeds from disposal of property, plant and equipment	-	4,439
Net Cash Flows Used In Investing Activities	(148,179)	(93,866)
<b>Financing Activities</b>		
Proceeds from issue of guaranteed convertible bonds	190,000	380,000
Proceeds from long-term borrowings	-	30,400
Issue of shares	35	48,344
Uplift of fixed deposit	-	60
Acquisition of a subsidiary company	-	(90,160)
Repayment of short and long term borrowings	(33,539)	(58,392)
Repayment of finance leases	-	(495)
Dividend paid	(22,346)	(14,470)
Bond issue expense	(4,007)	-
Net Cash Flows From Financing Activities	130,143	295,287
Net Change in Cash & Cash Equivalents	92,500	261,414
Cash And Cash Equivalents At Beginning Of Period	287,337	7,648
Effect of exchange rate differences	539	-
	287,876	7,648
Cash And Cash Equivalents At End Of Period	380,376	269,062

(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 2004)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Share Capital RM'000</b>	<b>Non Distributable Reserves RM'000</b>	<b>Distributable Reserves RM'000</b>	<b>Total Shareholders' Equity RM'000</b>
<b>Current Year To Date Ended 30 September 2005</b>				
Balance at beginning of year	148,969	201,412	273,073	623,454
Exercise of ESOS	6	29	-	35
Issuance of Bonus shares	74,488	(74,488)	-	-
Exchange Fluctuation Reserve	-	86	-	86
Dividend paid	-	-	(22,346)	(22,346)
Net profit for the financial year to date	-	-	10,235	10,235
Balance at end of period	<u>223,463</u>	<u>127,039</u>	<u>260,962</u>	<u>611,464</u>

	<b>Share Capital RM'000</b>	<b>Non Distributable Reserves RM'000</b>	<b>Distributable Reserves RM'000</b>	<b>Total Shareholders' Equity RM'000</b>
<b>Corresponding 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
Dividend 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>

(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 2004)

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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 2004.
- 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 6,000 new shares pursuant to the Company's Employee Share Option Scheme ("ESOS"). The ESOS has lapsed on 6 September 2005;
  - (ii) the issue of 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 ("Guaranteed Convertible Bonds Due 2009") on 4 February 2005; and
  - (iii) the subdivision of 148,975,185 existing ordinary share of RM1.00 each into 297,950,370 new ordinary shares of RM0.50 each pursuant to the share split and the bonus issue of 148,975,185 new ordinary shares of RM0.50 each in the Company on 14 February 2005. The 446,925,555 new ordinary shares of RM0.50 each in the Company were quoted on the Bursa Securities Malaysia Berhad on 23 February 2005.
- 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 2005.

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

<b>Current Quarter Ended 30 September ,2005</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	132,252	22,334	154,586
Profit/(Loss) before taxation	20,553	(327)	20,226
<b>Current Year To Date Ended 30 September ,2005</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	344,491	56,631	401,122
Profit/(Loss) before taxation	29,437	(8,062)	21,375

**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.

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

There are no changes in contingent liabilities

**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 RM154.586 million and net profit of RM13.732 million for the current quarter ended 30 September 2005. These represent a corresponding quarterly growth of 2.27% in revenue and 51.58% increase in net profit as compared to the revenue and net profit of the quarter ended 30 September 2004. The increase in net profit was mainly due to unrealized foreign exchange gain arising from the revaluation of the US\$150 million Guaranteed Convertible Bonds Due 2009 and increase in sales volume.

For the current year-to-date ended 30 September 2005 the Group recorded revenue of RM401.122 million and net profit of RM10.235 million. These represent an increase of 7.36% in revenue and a decrease in net profit of RM23.473 million as compared to the revenue and net profit of the corresponding year-to-date ended 30 September 2004. The increase in revenue was mainly due to the additional revenue contribution from Unisem (Europe) Limited. The net profit for the current year-to-date was comparatively lower as there was a write-back of an overprovision of taxation in prior year of RM11 million which was recognised in the quarter ended 30 June 2004. The decline in the current year-to-date net profit was also due to the net losses consolidated from Unisem (Europe) Limited and higher

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finance cost arising from the issuance of the US\$50 million 3% unsecured convertible bonds due 2009 on 4 Feb 2005.

**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 RM20.226 million for the third quarter ended 30 September 2005 compared to the profit before taxation of RM5.032 million for the immediate preceding quarter ended 30 June 2005. The increase in the current quarter profit before taxation was mainly due to the increased revenue and improved margin arising from higher capacity utilization as well as higher unrealized gain on foreign exchange being recognised.

**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 a sequential quarterly growth of 16.9% in revenue due to strong demand for Unisem's products and services for the quarter under review. The Board expects the Group's revenue and earnings to further improve for the remaining period 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**

	<b>Current Quarter Ended 30/09/2005 RM'000</b>	<b>Current Year To Date Ended 30/09/2005 RM'000</b>
Income tax payable		
- Current	(353)	(418)
Transfer (to)/from deferred taxation	(6,127)	(10,778)
<b>Total</b>	<b>(6,480)</b>	<b>(11,196)</b>

Income tax expense for the current quarter and financial year to date arose mainly from rental income received and gain arising from sale of intellectual rights which are 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.

**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 19 October 2005.

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20. (a) ***Status of corporate proposals announced but not completed***  
 There are no outstanding corporate proposals announced but not completed as at 19 October 2005.

- (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 is as follows:

	Approved utilisation for the proceeds RM'000	Utilisation of proceeds as at 30/09/2005 RM'000	Unutilised balance as at 30/09/2005 RM'000
Capital expenditure	500,000	240,056	259,944
Working capital	51,000	46,626	4,374
Expenses relating to the convertible bonds issues	19,000	15,795	3,205
<b>Total</b>	<b>570,000</b>	<b>302,477</b>	<b>267,523</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:

	Foreign Currency '000	RM Equivalent '000
<u>Short Term Borrowings</u>		
Bank Overdraft (Secured) - denominated in Pound Sterling ("£")	£50	342*
		<u>342</u>
<u>Long Term Borrowings – denominated in USD</u>		
2% Guaranteed Convertible Bonds due 2009	USD100,000	377,000
3% Guaranteed Convertible Bonds due 2009	USD50,000	188,500
		<u>565,500</u>
<b>Total</b>		<u><b>565,842</b></u>

\* The Ringgit equivalent amount is translated from 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.

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

As at 30 September 2005, 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 '000)	Equivalent amount in RM'000
US Dollars	38,720 =====	145,440 =====

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 6% (or 3 sen per share) tax-exempt for the current financial quarter ended 30 September 2005 (8% (or 8 sen per share) tax-exempt for the financial quarter ended 30 September 2004). The interim dividend will be paid on 22 November 2005.

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

Earnings per share for the current quarter of 3.07 sen and year to date of 2.29 sen was calculated by dividing the Group's net profit for the current quarter and year to date amounting to RM13.732 million and RM10.235 million respectively by the number of ordinary shares in issue of 446,925,555. The computation for dilution in the earnings per share is no longer required as the ESOS has lapsed on 6 September 2005.

BY ORDER OF THE BOARD

**CHUA HENG FATT** (MACS 00264)

**CHIN HOCK YEE** (LS 8922)

Company Secretary

DATED : 19 October 2005